

# Psychic distance and cultural distance: Revisiting the research over the last two decades

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## ABSTRACT

Psychic distance and cultural distance are widely researched topics in international business as they synthesize the overabundance of differences between home and host countries which hinder firms' international operations. In this article we perform a bibliometric study to assess the most influential works of psychic and cultural distance research. We perform citation, co-citation and keyword analyses to a sample of 802 articles published in 15 highly ranked business administration journals. We aim at contributing to the IB literature by making sense of a large amount of published research on psychic distance and cultural distance and outlining the intellectual structure of this sub-field of research. Our results show that Geert Hofstede is the most influential author in psychic distance- and cultural distance-related research and his 1980 book *Culture's consequences: International differences in work-related values* is the most cited work in the articles in our sample. Our results also show that there are some differences in the references used in more recent years, arguably reflecting the evolution of the sub-field of research.

**Keywords:** Psychic distance, culture distance, bibliometric study, review, international business.

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## INTRODUCTION

Scholars from different areas of knowledge have long been trying to understand and describe the problems of doing business abroad. Differences between home and host countries hinder firms' ability to have successful international operations. Management scholars have put forward concepts such as "cultural distance" (CD) and "psychic distance" (PD) to describe the differences between countries that hinder the flow of information and force firms' to learn and adapt to a foreign environment. Being able to synthesize the plethora of differences between two countries into measureable dimensions is arguably the reason why CD and PD concepts have gained such broad acceptance (Shenkar, 2001).

Albeit being different concepts, CD and PD have been used almost interchangeably by many authors (Sousa & Bradley, 2006) to assess various issues in management. For instance, PD and CD have been used to explain issues such as export performance (Shoham & Albaum, 1995; Bello & Gilliland, 1997), foreign direct investment (Benito & Gripsrud, 1992; Evans, Treadgold & Mavondo, 2000), entry mode choice (Kogut & Singh, 1988; King & Hwang, 1992), international joint ventures (Luo, Shenkar & Nyah, 2001; Manev & Stevenson, 2001) and, at an individual level, differences in the foreign markets such as consumer preferences, purchasing power, languages and cultural values (Sousa & Bradley, 2006). Despite a widespread use of CD and PD concepts, studies often lead to inconsistent and even contradictory results (Prime, Obadia & Vida, 2009).

In this article we analyze the relevance of the concepts of CD and PD, empirically assessing the most influential works and most prolific authors, and outlining the intellectual structure of CD- and PD-related research. We employ bibliometric techniques to 802 articles published in fifteen leading and highly ranked business administration journals (following Harzing's (2013) ranking available at: <http://www.harzing.com/jql.htm>): *Journal of International Business Studies* (JIBS), *Management International Review* (MIR), *International Marketing Review* (IMR), *International Business Review* (IBR), *Academy of Management Journal* (AMJ), *Academy of Management Review* (AMR), *Administrative Science Quarterly* (ASQ), *Advances in Strategic Management* (ASM), *Corporate Governance: An International Review* (CGIR), *International Journal of Research in Marketing* (IJRM), *Journal of Marketing Research* (JMR), *Journal of World Business* (Colombia)(JWB), *Organization Science* (OSc), *Organization Studies* (OSt) and *Strategic Management Journal* (SMJ). The bibliometric techniques allow us to organize and make sense of large volumes of research and thus identify avenues for further theory development (Denzin, 2009).

This paper has four main sections after this introduction. First we briefly review the extant literature on cultural distance and psychic distance. Second we describe the method employed. Third we present the results of the bibliometric study. Finally, in the fifth section we conclude with a discussion of the main conclusions to be drawn from this investigation, indicate the study's limitations, and suggest avenues for future scholarly investigation.

## **CULTURAL DISTANCE AND PSYCHIC DISTANCE**

The concepts of "cultural distance" (CD) and "psychic distance" (PD) are widely used by scholars of many fields of business administration almost as synonyms (Sousa & Bradley, 2006), even if CD and PD are conceptually different and describe different realities. Cultural distance was put forward by Luostarinen (1980: 131-132) as *"the sum of factors creating, on the one hand, a need for knowledge, and on the other hand, barriers to knowledge flow and hence for other flows between the home and the target countries"*. CD was arguably popularized on the wake of Kogut and Singh's (1988) work which presented the cultural distance index, which measures the CD between two given countries using the Euclidean distances of Hofstede's (1980) scores of cultural dimensions. Being an extension of Hofstede's (1980) work on culture, the cultural distance index (Kogut & Singh, 1988) received many of the same criticism (see, for instance, Shenkar, 2001). Notwithstanding Kogut and Singh's (1988) construct is widely used (Kirkman, Lowe & Gibson, 2006; Taras, Roney & Steel, 2009) arguably due to its simplicity.

The CD concept has been used to delve into many business administration issues, both at firm-level and individual-level analyses. At a firm level, CD has been used to explain entry mode choice (Kogut & Singh, 1988; Drogendijk & Slangen, 2006). Findings suggest that CD influences entry mode choice and firms tend to opt by entry modes with lower levels of resource commitment upon entering more culturally distant markets (Kogut & Singh, 1988). These findings are not undisputed as studies suggest there is no statistical evidence to support the relation between CD and entry mode choice (Tihanyi, Griffith & Russell, 2005). Tihanyi and colleagues have also delved into the effect of CD in international diversification and MNE performance and advance the absence of statistical evidence to support the relation (Tihanyi et al., 2005). Other scholars have delved into the effect of CD on affiliates' performance (Hutzschenreuter, Voll & Verbeke, 2011), foreign direct investment location (Loree & Guisinger, 1995), new product development (Nakata & Sivakumar, 1996) and acquisitions decisions (Drogendijk & Slangen, 2006). At an individual level, scholars have analyzed the effect of CD on the importer-exporter relationship (Lee, 1998), the amount of stress, the way people cope with stress and how they communicate (Redmond, 2000), and the effect of CD on the managerial network of expatriates (Manev & Stevenson, 2001).

Psychic distance, on the other hand, moves beyond CD to encompass a larger number of dimensions, such as differences in language, in religion, in culture, in personal

relationships between business partners, the level of economic development, the level of education, and also physical distance (Beckerman, 1956). Therefore, PD may be defined as “the sum of factors preventing the flow of information from and to the market” (Johanson & Vahlne, 1977: 24). PD is, in other words, a compound construct that depicts the perceived distance between countries, which is arguably more accurate to explain the difficulties of operating abroad than other individually considered differences.

PD has had a central role in the Uppsala model of gradual internationalization (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). Firms beginning their international operations tend to opt by nearby markets – meaning psychically proximate markets (Johanson & Wiedersheim-Paul, 1975). As firms evolve in their internationalization process they accumulate experience and knowledge not only specific to the markets where they operate but of doing business abroad. Therefore, overtime and benefiting from collected experience and knowledge firms enter markets perceived to be more distant – more psychically distant markets (Johanson & Vahlne, 1977). Beyond the Uppsala model, PD has been considered a central construct in the International Business field (Dow & Ferencikova 2010). Scholars have delved on the effect of PD on such different issues such as the international performance of MNEs (Brouthers, 2002; Evans & Mavondo, 2002), acquisitions versus greenfield entries decisions (Harzing, 2002), foreign direct investment (Habib & Zurawicki, 2002), foreign market size and entry sequence (Ellis, 2008) and strategic effectiveness of MNEs (Evans & Mavondo, 2002).

## **METHOD**

The use of CD and PD concepts in business administration is munificent and difficult to make sense of. In order to perform a literature review on the concepts of cultural distance and psychic distance we performed a bibliometric study from the *ISI Web of Knowledge* platform surveyed all the work available to the subjects: "Psychic Distance" or "National Culture Distance" or "Culture Distance" or "Culture", setting each expression as a "topic". The journals were selected through analysis of their classification in the ranking, following the latest Harzing's Journal quality list (Harzing, 2013) and elected the top ranked journals publishing IB and SM research, filtering attached journals related issues, "management", "economics" and "business". Then we collect the database of each journal, years for the ISI available during the period between 1990 and 2010. Of the selected journals, identified in Table 1, about 7 were not included in *ISI Web Knowledge* filtered by the subjects of this study, namely: *Advances in Strategic Management*, *International Journal of Research in Marketing*, *International Studies of Management & Organization*, *Journal of Global Marketing*, *Journal of Marketing Research*, *Journal of Marketing Management* and *Management International Review*.

### Bibliometric study

We followed the overall procedure described by Ramos-Rodriguez and Ruiz-Navarro (2004) and Ferreira (2011). Our purpose is to investigate the articles published in top ranked journals dealing with international business and strategic management issues, and analyze the key bibliometric indicators from *ISI Web Knowledge* such as: Annual publications - to identify the research over the different years; citations - to identify the regularity with which an author/work is used and connection among others works/authors to ascertain trends and uncover linkages between theories and authors (Ferreira, 2011); co-citations - to analysis the pair of the most cited references; Issues focused - to identify and analysis the keywords covered in the articles selected; publication per university - to identify the universities with more research/publications on the issue study.

According to De Bellis (2009) and Moed (2005) bibliometric study are an instrument to assess scientific activity that depend less on the perceptions and judgments of researchers. We may find a large number of works using various bibliometric techniques with different purposes. For example Ramos-Rodriguez and Rodriguez-Navarro (2004) analyze the patterns of citations and co-citations to ascertain the intellectual structure of strategic management, Chandy and Williams (1994) perform a citation analysis of JIBS articles to identify the most cited authors in international business, Ferreira (2011) examine the impact of Ghoshal's work on the study of subsidiaries and multinational enterprises, DuBois and Reeb (2000) analyze the journals relative quality by ranking the international business journals, Chan, Fung and Lueng (2006) analyze the trends and school rankings in the field of international business.

#### Procedure and sample

Our study considered fifteen leading and highly ranked IB and SM journals following DuBois and Reeb's (2001) and Harzing (2013) analysis. These were: *Journal of International Business Studies* (JIBS), *Management International Review* (MIR), *International Marketing Review* (IMR), *International Business Review* (IBR), *Academy of Management Journal* (AMJ), *Academy of Management Review* (AMR), *Administrative Science Quarterly* (ASQ), *Advances in Strategic Management* (ASM), *Corporate Governance: An International Review* (CGIR), *International Journal of Research in Marketing* (IJRM), *Journal of Marketing Research* (JMR), *Journal of World Business (Colombia)*(JWB), *Organization Science* (OSc), *Organization Studies* (OSt) and *Strategic Management Journal* (SMJ). The entire fifteen journals were available on the *ISI Web of Knowledge* index and were thus included in the study.

#### **[Insert Table 1 about here]**

The reasoning behind this choice of the fifteen journals may be summarized as follows: (1) by its nature, cultural and psychic distance research is likely to be published in international business and strategic management journals; (2) the selected outlets are reputed as leaders among strategic management and international business journals (see

also Azar & Brock, 2008) and are highly regarded by researchers; (3) these journals reflect the current topics of research interest; (4) they are generally available in databases at the majority of the universities. Nonetheless, there is arguably some bias involved in this choice that warrants a brief note. A large number of journals, beyond the fifteen selected, also publish strategy and international business research and are likely to publish specifically research on cultural and psychic distance. However, their lower status and less common availability hinder our ability to access them. We are, however, reasonably confident that the articles analyzed are a representative sample of the contemporary cultural and psychic distance-related research.

The sample used in this paper considers all articles found using the following keywords: "Psychic Distance" or "National Culture Distance" or "Culture Distance" or "Culture". These keywords were searched using the option 'topic' that includes the title of the articles, the abstracts, the keywords provided by the authors. We examined all the articles published in the entire available online database of the selected journals to prevent an eventual miss. In fact, we read the title, abstract and keywords of all the papers published in the journals over the time frame defined. For each keyword selected the information was refined to the areas "business", "management" and "economics". In sum this procedure returned 802 articles for further analysis (see table 2). Regrettably, not all journals had the entire track record available. For instance, the articles published in MIR were only available for the period 1966 to 1990 and from 2008 to 2010. That is there was an 18 years gap in the archive of MIR available on *ISI Web of Knowledge*.

**[Insert Table 2 about here]**

From all the 802 articles included in this study we retrieved all the relevant information, namely: the journal name, title of the paper, identification of the authors, authors university and country, volume, issue, year, abstract and the all the references included in each article. The references were checked for typos and errors and corrected. For books with several editions, we considered the first edition every time. The corrected data was treated using Bibexcel - a software that permits us organize the data and perform co-citation matrixes. The co-citation maps were drawn using UCINET.

## **RESULTS**

Table 2 shows the 802 articles in the sample and the journals in which they were published. *Journal of International Business Studies* has published the largest number of articles (191), followed by *Organization Studies* with 142 and *International Marketing Review* with 102 articles. Comparing total publications in each journal, articles on cultural and psychic distance have a greater representation in *International Business Review* with 31% of the articles presented followed by *International Business Review* and *Journal of International Business Studies* with 22%.

In order to understand the influence of the articles published and capture the subjects in the study was decided to disaggregate the study, which includes articles published between 1990 and 2010, in two time periods: 1990 to 2000 and from 2001 to 2010. Later we performed an aggregate analyzed for the period 1990 to 2010. In Figure 1 we may observe the evolution of the number of publications on PD and CD. There has been an increase in the number of publications in more recent years: in the first decade (1990-2000) 241 articles were published, whereas in the second decade (2001-2010) 561 articles were published.

**[Insert Figure 1 about here]**

#### Description of publications between 1990 to 2000

##### *Citation analysis*

We performed a citation analysis which allowed us to ascertain the relative influence of a given work. The underlying assumption is that scholars cite previous works which are relevant to their own work. Therefore, arguably the more a given work is cited by scholars of a certain field of knowledge, the greater the influence and the importance of that work (and consequently of that author) in that field of knowledge (Tahai & Meyer, 1999).

In the decade from 1990 to 2000 284 articles were published (Table 3) that used 17.330 references, representing an average of 61 citations per work. The most cited works were two books, the book of Hofstede (1980) *Culture's consequences: International differences in work-related values*, and Schein (1985) *Organizational Culture and Leadership*, with the highest number of citations, with 119 and 61 respectively. The first paper was the work of Smircich (1983) *Concepts of Culture and Organizational Analysis*, published in *Administrative Science Quarterly*, with 34 citations.

**[Insert Table 3 about here]**

##### *Co-Citations*

The co-citations analysis consists of perceiving the pair of the most cited references, or put in another way, the links between the works cited and the thickness of the line connecting them is demonstrative of the strength of the tie (Ferreira, 2011). As such, the thicker the line connecting a pair of works, the larger the number of links detected joining them (Ferreira, 2011). Figure 3 depicts the most cited references in the 241 works selected in the period 1990 to 2000. By analyzing the relationships of most cited papers (Figure 3) and the top ten co-citations on cultural and psychic distance, we may highlight the work of Hofstede (1980), which together with Hofstede (1991) has a central role in the network, along with Schein (1985) and Deal and Kennedy (1982).

**[Insert Figure 2 about here]**

##### *Issues focused and Keyword analysis*

To better understand the topics of the 241 works published in this period, we need to assess what were the main issues focused in all the selected works. Following the procedure

of Furrer, Thomas and Goussevskaia (2008) and Ferreira (2011) we used the author-supplied keywords that may reflect the content of each work. We built a list of major keywords given the large number of keywords. Three coders scanned the entire list of keywords and fixed up them into major groups, any doubts were debated between the coders. For the period 1990 to 2000, sixteen 'major keywords' were built (available on request), including the keyword "Culture, cultural distance and psychic distance" that was the most frequent one (27). Figure 3 presents the relationship between the sixteen 'major keywords'. The nodes represent the weight of each keyword in the network. We highlight the relationship between the themes "Culture, cultural distance and psychic distance" and "Top management team, human resources management" and "Culture, cultural distance and psychic distance" and "Environmental, geography, clusters and regional".

**[Insert Figure 3 about here]**

#### Description of publications between 2001 to 2010

##### *Citations*

In the decade from 2001 to 2010, there is an increase in the number of citations, accounting for about 32.562 references in a total of 518 articles. This represents an average of 63 references cited in each article. By analyzing Table 9 shows that the work of Hofstede (1980) brings together more than 285 citations, following the same trend as in the previous decade. The work of Kogut and Singh (1988), despite having a lower number of citations, also plays a prominent role with 115 citations.

**[Insert Table 4 about here]**

##### *Co-Citations*

The co-citation network, for the decade 2001 to 2010, is depicted in Figure 4. Hofstede's (1980) work has a central position and has a strong relationship particularly with Kogut and Singh (1988), House et al. (2004), Hofstede (1991), Trompenaars (1993) and Shenkar (2001). Therefore we may arguably claim that these five works are the most influential works of PD- and CD-related research in this decade.

**[Insert Figure 4 about here]**

##### *Issues focused and Keyword analysis*

To better understand the issues focused on the 518 articles, published from 2001 to 2010, we needed to evaluate the main issues covered in each article. Arguably, the author-supplied keywords reflect the content of each article (Ferreira, 2011). The coders examined the entire list of keywords and sorted them into major categories, following Furrer and colleagues (2008). The result was 23 major categories of keywords. The central theme for the period between 2001 and 2010 was "Culture, cultural distance and psychic distance" with 348 keywords followed by the topics "Environmental, geography, and regional clusters" with 149 keywords and "Methodologies, theories, research issues and cases studies" with 144



keywords. For the period between 2001 to 2010 seven new themes were built - "Performance", "Subsidiaries, Multinational Enterprise", "Strategy and Competitive Advantage", "Organization Structure", "FDI", "Industrial Analysis," Financial Theory " and " Functional Strategies", reflecting the new trends of the articles included in our sample. Figure 5 depicts the network of themes covered in our sample. Figure 5 depicts the network of themes identified.

**[Insert Figure 5 about here]**

#### Description of publications between 1990 to 2010

To get a more complete view of the extant research on PD and CD we analyzed our sample without any divisions and performed citation, co-citation and keyword analyses. We may therefore ascertain the most influential works of the last two decades on scholars who publish PD- and CD-related research.

#### *Citations (1990 to 2010)*

Table 5 describes the most cited works on PD and CD. When we take into account all the period in analysis Hofstede (1980) is the most used reference – similarly to the two sub-periods. A far second in the ranking is the work by Kogut & Singh (1988) with 151 citations, followed by yet another Hofstede (1991) work used in 100 articles in our sample. Nine out of the first ten places in the most cited ranking are works published before 2000 (the exception is Shenkar (2001)) and in the ten most cited we may identify four books and six articles, three of which published in JIBS (Johanson & Vahlne, 1977; Kogut & Singh, 1988; Shenkar, 2001).

**[Insert Table 5 about here]**

#### *Co-Citations (1990 to 2010)*

The work of Hofstede (1980) occupies a prominent place in the co-citations network. Hofstede's (1980) work has a strong relationship with the work by Kogut and Singh (1988), and were used together in 103 papers. Hofstede's (1980) work is also frequently cited together with House et al. (2004), Trompenaars (1993), and Shenkar (2001). These works are therefore in a central position in the co-citation network (see Figure 6). In a less relevant position in the network we may identify seminal works on culture like Smircich (1983) and Schein (1985), other cultural models such as Triandis (1995) and Schwartz (1994). Despite being in less central positions in the co-citation network, all the works depicted in Figure 6 are relevant to the PD- and CD-related research, as they are the top 20 most cited works.

**[Insert Figure 6 about here]**

#### *Issues focused and Keyword analysis*

For the keyword analysis of all the 802 papers in the sample we retrieved all the author-supplied keywords, in a total of 2.481 keywords (averaging 3 keywords per article). The arguably low keyword per article average is arguably justified by the lack of keywords in

some journals, particularly in older issues. For instance, JIBS articles have author-supplied keywords only from 2003 onward. From the retrieved keywords the most often used are “culture” (79 articles) and “national culture” (67 articles), which is in accordance to our research subject.

After being coded in major themes, we were able to identify the most relevant issues delved into by the articles in our sample. The most used theme is “Culture, cultural distance and psychic distance”, followed by “Environmental, Geography, Clusters and Regional” and “Top management team, human resources management”, which are depicted in the central positions of the themes network, depicted in Figure 8. In the periphery of the network we may identify themes which were less researched, such as “Global International, Multinational Strategies”, “Entrepreneurship”, “Emerging economies” and “Institutional theory”.

**[Insert Figure 7 about here]**

## **FINAL DISCUSSION AND CONCLUDING REMARKS**

International business research has much evolved over the last decades but has consistently had a core concern with the difficulties of doing business abroad (Ferreira et al., 2013). Two often researched effects that increase the liability of foreignness (Hymer, 1976) are psychic distance and cultural distance. In this paper we sought to ascertain the state of the art of the research on Psychic distance and Cultural distance. To achieve this we undertook a bibliometric study, using the articles published in leading journals. We retrieved the meta-information of the articles in our sample through the ISI Web of Knowledge database. We contribute to the IB literature by making sense of a large amount of published research on psychic distance and cultural distance and outlining the intellectual structure of this sub-field of research.

We jointly analyzed the research on PD and CD since these two concepts are closely related. Both concepts seek to describe the relative differences between two given countries but they use different approaches to define and operationalize that distance. Cultural distance is viewed as the set of factors which hinder the flows between home and target countries thus creating the need for a specific knowledge on such differences (Luostarinen, 1980). It is not substantially different from the psychic distance concept which posits that international operations are influenced by physical distance and to a large set of factors that make managers, customers and employees perceive the home and target nations as dissimilar, such as language, culture and personal relationships between entrepreneurs (Beckerman, 1956). Therefore, since psychic distance seems to encompass some type of perceived cultural distance it is relevant to analyze both concepts together to build a better picture of the current state of the art.

Hofstede (1980) has a notorious influence on the PD- and CD-related research. It is the most cited work in all the analyses we performed, albeit the significant number of criticisms

the model has received (e.g. Trompenaars, 1993). One possible explanation for this predominance of Hofstede's (1980) work is arguably its availability and that some alternative models were not quantitative (Trompenaars, 1993; Schwartz, 1994), exception made to the very recent GLOBE project model (House et al., 2004). Also, the fact that Hofstede's (1980) dimensions are quantitative allowed for a substantial use together with Kogut and Singh's (1988) cultural distance index. Another possible explanation is that Hofstede (1980) has gained the status of compulsory citation and scholars choose to use well established references not to puzzle the reviewers (Ferreira et al., 2013).

Looking at more recent years, we may identify some changes in the pattern of the citations. Although Hofstede (1980) is still widely used, there is an increasing number of scholars which use GLOBE's model to delve into cultural issues, often together with Kogut and Singh's (1988) cultural distance index. There is also a relatively high number of scholars citing Hofstede (1980) and Shenkar (2001) which openly criticizes both Hofstede's model and the cultural distance index (Kogut and Singh, 1988). Arguably scholars are using less traditional models and they seek to justify their choice by highlighting the criticism Hofstede (1980) has received.

The Uppsala School model of incremental international expansion (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977) is also widely cited in our sample. This theoretical approach relies on the concept of distance, especially psychic distance, to explain the entry mode choice in foreign markets. Despite being somewhat important in both the periods analyzed, scholars delving on PD and CD may use this references to position their work in that field rather than using the incremental model (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977) to support their arguments and test their hypotheses. Our findings are consistent with Ferreira and colleagues (2013) which point out that scholars use well established references not to confuse the referees and they go further to claim for some open mindedness from reviewers and editors in accepting new approaches (Ferreira et al., 2013).

The keyword analysis allowed us to understand what scholars are focusing their attention on. The core theme is unsurprisingly "Culture, cultural distance and psychic distance". Environmental issues also receive a great deal of attention as do HR issues. Inversely issues such as functional strategies and entrepreneurship are not at the core interest of scholars. Surprisingly, even when looking only at the more recent period (2000-2010) the institutional theory approach receives little attention from scholars and has a marginal position. We may argue that it is a rather recent theory (North, 1990; Kostova, 1999) but for instance RBV is also rather recent (Barney, 1986) and has the preference of substantially more scholars than institutional theory. Thus we may arguably point out that institutional theory is still under-used in PD- and CD-related research.

Other themes unexpectedly receive scarce attention from researchers. The theme “Subsidiaries, Multinational enterprise” accounts for a small number of the keywords and has a relatively weak connection with “Top management team, human resources management” despite the extensive research in these issues (e.g. Collings, Morley & Gunnigle, 2008). One possible explanation for this under-representation is that scholars delving into subsidiaries and teams used approaches other than PD and CD to build their models or that PD and CD do not suffice in providing an answer to the research questions put forward. Emerging economies also account for a relatively small amount of the research published, even if we observe the more recent period (2000-2010). Albeit the common sense feeling that emerging economies are a “hot topic” for some years there is still a small number of articles referring to such countries. One trivial explanation for this fact is that research on emerging economies is published elsewhere than the journals in our sample. Despite being possible, the journals we selected are the leading journals publishing IB-related research, thus providing a representative picture of the IB field. Arguably the access to data from emerging countries is still difficult, thus making more difficult to test the proposed models and publishing the articles. Therefore PD- and CD-related research in the context of emerging economies is still a munificent area to delve into.

#### Limitations and future research

Our study has several limitations. One possible limitation is the selection of the sample. We used articles published in top-ranked journals since articles are certified knowledge (Callon, Courtial & Penan, 1993) and top-ranked journals are recognized to have high standards and accurately representing the field (Ferreira et al., 2013). Our techniques may also be criticized since we apply only descriptive techniques, not using more complex statistical techniques such as clusters building (Liesch et al., 2011). Despite the techniques used we are confident that we present an accurate image of the intellectual structure of PD- and CD-related research. In a future research perspective, we may augment our sample to include other sources, such as conferences proceedings which arguably present up-to-date cutting edge papers that represent the current “hot topics” in a given field.

Taking into account the intellectual structure of PD- and CD-related research we propose some avenues for future research. Looking at underexplored areas of research there is arguably the opportunity to use PD and CD in analyzing top management teams and human resource management. Other managerial decisions, especially at a strategic level, receive a great deal of attention but decisions closer to the operational level seem to be under-researched although HRM, TMT and functional strategies are affected by the differences between home and host countries.

Emerging economies are still under-researched from PD and CD perspectives. There is a broad array of issues which may be delved into using PD and CD, besides the

operations of developed countries' MNEs in emerging markets. It is worth exploring the international operations of emerging countries' MNEs both in developed and other emerging countries. It may also prove interesting to analyze the within-country differences (both PD and CD) since many of the emerging economies are very large and culturally diverse countries. Most of IB theories were developed in the context of industrialized countries and it may be arguably interesting to test the theories in emerging markets and, if necessary, extend the theories, refute them or put forward specific theories for emerging economies.

One of the theoretical tools still under-used by PD and CD researchers is the institutional theory. The institutional approach may be useful since institutions account for a broad range of dimensions which define the 'rules of the game' (North, 1990) in a given country. Therefore, taking the differences in the 'rules of the game' into account may provide a broader understanding of both perceived psychic distance and cultural distance. The institutional theory may also be used to delve into emerging economies issues.

Psychic distance and cultural distance are not new concepts. We may trace their origins several decades ago. However, they are still widely used today and are far from being useless. New phenomena are developing and research may use the PD and CD to grasp the new realities, for instance of the emerging economies. Also, on the wake of a massive financial crisis in Europe and the US understanding how may MNEs operate abroad more effectively and more efficiently is becoming paramount. The explanatory capacity of PD and CD is far from being depleted, as the avenues for future research are still munificent.

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## TABLES & FIGURES

**Table 1.** Rankings of the journals included in the sample

| Publication years  | Journal title                                       | Ranking                   |                          |                          |                          |
|--------------------|---|---------------------------|--------------------------|--------------------------|--------------------------|
|                    |   | Abcd<br>2010 <sup>1</sup> | ABS<br>2010 <sup>2</sup> | Cra<br>2012 <sup>3</sup> | Ess<br>2013 <sup>4</sup> |
| 2009 – 2010        | AMJ Academy of Management Journal                   | A*                        | 4                        | 4                        | 0+                       |
| 1990 – 2010        | AMR Academy of Management Review                    | A*                        | 4                        | 4                        | 0+                       |
| 1990 – 2010        | ASQ Administrative Science Quarterly                | A*                        | 4                        | 4                        | 0+                       |
| 1992               | ASM Advances in Strategic Management                | --                        | 3                        | --                       | --                       |
| 2000 – 2010        | CO:IR Corporate Governance: An International Review | A                         | 3                        | 3                        | 1                        |
| 2005 – 2010        | IBR International Business Review                   | A                         | 3                        | 3                        | 1                        |
| 1997 – 2010        | IJRM International Journal of Research in Marketing | A                         | 3                        | 3                        | 0                        |
| 1999 – 2010        | IMR International Marketing Review                  | A                         | 3                        | 3                        | --                       |
| 1990 – 2010        | JIBS Journal of International Business Studies      | A*                        | 4                        | 4                        | 0                        |
| 1990 – 2010        | JMR Journal of Marketing Research                   | A*                        | 4                        | 4                        | 0                        |
| 1997 – 2010        | JWB Journal of World Business (Colombia)            | A                         | 3                        | 3                        | --                       |
| 1990 / 2008 – 2010 | MIR Management International Review                 | A                         | 4                        | 4                        | 0+                       |
| 1992 – 2010        | OSc Organization Science                            | A*                        | 3                        | 3                        | 2                        |
| 1990 – 2010        | OSt Organization Studies                            | A*                        | 3                        | 3                        | 1                        |
| 1990 – 2010        | SMJ Strategic Management Journal                    | A*                        | 4                        | 4                        | 0+                       |

**Source:** Harzing, Anne-Wil (2013). Journal Quality List, Forty-ninth Edition, Australia

<sup>1</sup>ABDC ranking: Australian Business Deans Council, Journal Rankings, List February 2010 (scale: A\*, A, B, C)

<sup>2</sup>ABS ranking — Association of Business Schools Academic, Journal Quality Guide, March 2010 (scale: 1, 2, 3, 4, 4\*)

<sup>3</sup>Cra ranking — Cranfield University School of Management, Journal Rankings, List February 2012 (scale: 1, 2, 3, 4)

<sup>4</sup>Ess ranking — ESSEC Business School, Paris 2013 (Scale: 0+, 0, 1, 2, 3)

**Table 2.** Description of the sample and number of article published per journal

| Journal  | n   | % of sample | Total | % of total articles |
|--|-----|-------------|-------|---------------------|
| AMJ Academy of Management Journal                  | 45  | 6%          | 1020  | 4%                  |
| AMR Academy of Management Review                   | 33  | 4%          | 503   | 7%                  |
| ASQ Administrative Science Quarterly               | 28  | 3%          | 351   | 8%                  |
| CO:IR Corporate Governance-an International Review | 20  | 2%          | 464   | 4%                  |
| IBR International Business Review                  | 51  | 6%          | 230   | 22%                 |
| IMR International Marketing Review                 | 102 | 13%         | 324   | 31%                 |
| JIBS Journal of International Business Studies     | 191 | 24%         | 866   | 22%                 |
| JWB Journal of World Business                      | 83  | 10%         | 391   | 21%                 |

|              |                              |            |             |             |            |
|--------------|------------------------------|------------|-------------|-------------|------------|
| O Sc         | Organization Science         | 65         | 8%          | 806         | 8%         |
| O St         | Organization Studies         | 142        | 18%         | 879         | 16%        |
| SMJ          | Strategic Management Journal | 42         | 5%          | 1182        | 4%         |
| <b>TOTAL</b> |                              | <b>802</b> | <b>100%</b> | <b>7016</b> | <b>11%</b> |

Note: n- Number of cites - indicates the number of papers citing this work identified in the column labeled "Authors".

% - Weight, in percentage, of the number of articles on cultural and psychic distance, over the total published articles in the journal in the period.

**Source:** Data collected from ISI Web of Knowledge. Authors' computations and analysis.

**Table 3.** The top twenty most cited works on cultural and psychic distance: 1990 to 2000

| C   | Author / Work   |
|-----|---|
| 119 | <b>Hofstede, G. (1980).</b> <i>Culture's consequences: International differences in work-related values</i> . Beverly Hills and London: Sage Publications.  |
| 61  | <b>Schein, E.H. (1985).</b> <i>Organizational Culture and Leadership</i> , Jossey-Bass Press, San Francisco   |
| 42  | <b>Hofstede, G. (1991).</b> <i>Cultures and organizations: Software of the mind</i> . London: McGraw-Hill.  |
| 36  | <b>Kogut, B. &amp; H. Singh (1988).</b> The effect of national culture on the choice of entry mode. <i>Journal of International Business Studies</i> , 19: 411-432.   |
| 34  | <b>Smircich, L. (1983).</b> Concepts of Culture and Organizational Analysis. <i>Administrative Science Quarterly</i> : Vol. 28(3): 339-358.   |
| 33  | <b>Peters T. J. &amp; R. H. Waterman (1982).</b> <i>In Search of Excellence: Lessons from America's Best – run Companies</i> , New York: Harper   |
| 30  | <b>Deal T. E. &amp; A. A. Kennedy (1982).</b> <i>Corporate Cultures: The Rites and Rituals of Corporate Life</i> , Harmondsworth, Penguin Books.  |
| 25  | <b>Hofstede, G., B. Neuijen, D. D. Ohayv &amp; G. Sanders (1990).</b> Measuring organizational cultures. A qualitative and quantitative study across twenty cases. <i>Administrative Science Quarterly</i> , Vol. 35:286–316. |
| 24  | <b>Geertz C. (1973),</b> <i>The interpretation of cultures</i> . New York, Basic Books.   |
| 24  | <b>Meyer, J. W. &amp; B. Rowan (1977).</b> Institutionalized Organizations: Formal Structure as Myth and Ceremony, <i>The American Journal of Sociology</i> , Vol. 83(2): 340-363.  |
| 23  | <b>Ouchi, W.G. (1981).</b> <i>Theory Z</i> . Reading, Mass.: Addison-Wesley.  |
| 23  | <b>Porter, M.E. (1980).</b> <i>Competitive Strategy</i> , Free Press, New York, 1980.   |
| 23  | <b>Cyert, R. M. &amp; J. G. March (1963).</b> <i>A Behavioral Theory of the Firm</i> . 2nd ed. Prentice Hall, Englewood Cliffs, NJ.   |
| 22  | <b>Hofstede, G. &amp; M. H. Bond (1988).</b> The Confucius connection: From cultural roots to economic growth. <i>Organizational Dynamics</i> , Vol. 16(4): 4-21.   |
| 22  | <b>Thompson, J. D. (1967).</b> <i>Organizations in action</i> . New York: McGraw-Hill.  |
| 22  | <b>Williamson, O.E. (1975).</b> <i>Markets and hierarchies: Analysis and antitrust implications</i> . New York, Free Press.   |
| 21  | <b>Schneider, S.C. &amp; A. De Meyer (1991).</b> Interpreting and responding to strategic issues: The impact of national culture. <i>Strategic Management Journal</i> , Vol. 12(4): 307-320.                                  |
| 21  | <b>Pettigrew, A.M. (1979).</b> On studying organizational culture. <i>Administrative Science Quarterly</i> , Vol. 24(4):570-581.  |
| 20  | <b>Ronen, S. &amp; O. Shenkar (1985).</b> Clustering countries on attitudinal dimensions: A review and synthesis. <i>Academy of Management Review</i> , Vol. 10(3): 435-454.  |
| 20  | <b>DiMaggio, P.J. &amp; W. W. Powell (1983).</b> The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. <i>American Sociological Review</i> , Vol. 48: 147-160.              |

Note: C is the absolute frequency, the number of times a reference was used.

Source: Data collected from ISI Web of Knowledge. Authors' computations and analysis.

**Table 4.** The top twenty most cited works on cultural and psychic distance: 2001 - 2010

| C   | Author / Work   |
|-----|---|
| 285 | <b>Hofstede, G. (1980).</b> <i>Culture's consequences: International differences in work-related values.</i> Beverly Hills and London: Sage Publications.   |
| 115 | <b>Kogut, B. &amp; H. Singh (1988).</b> The effect of national culture on the choice of entry mode. <i>Journal of International Business Studies</i> , 19: 411-432.   |
| 58  | <b>Hofstede, G. (1991).</b> <i>Cultures and organizations: Software of the mind.</i> London: McGraw-Hill.   |
| 53  | <b>Shenkar, O. (2001).</b> Cultural distance revisited: towards a more rigorous conceptualization and measurement of cultural difference. <i>Journal of International Business Studies</i> , Vol. 32(3): 519-535.   |
| 51  | <b>Trompenaars, F. (1993).</b> <i>Riding the Waves of Culture: Understanding Cultural Diversity in Business</i> (First Edition) London: Nicholas Brealey  |
| 49  | <b>House, R. J. et al. (eds.) (2004).</b> <i>Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies.</i> Thousand Oaks, CA: Sage   |
| 47  | <b>Johanson, J. &amp; J. Vahlne (1977).</b> The internationalization process of the firm: A model of knowledge development and increasing foreign market commitment, <i>Journal of International Business Studies</i> , Vol. 8: 22-32   |
| 38  | <b>Schwartz, S. H. (1994).</b> <i>Beyond individualism/collectivism: New cultural dimensions of values.</i> In Kim, U., Triandis, H.C., Kagitcibasi, C., Choi, S-C. & Yoon, G. (eds.), <i>Individualism and Collectivism: Theory, Method and Applications.</i> Thousand Oaks, CA: Sage, 85-99 |
| 35  | <b>Barkema, H. G., J. H. J. Bell &amp; J. M. Pennings (1996).</b> Foreign entry, cultural barriers, and learning. <i>Strategic Management Journal</i> , Vol. 17(2): 151-166.  |
| 32  | <b>Triandis, H. C. (1995).</b> <i>Individualism and collectivism.</i> Boulder, CO: Westview Press   |
| 32  | <b>DiMaggio, P.J. &amp; W. W. Powell (1983).</b> The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. <i>American Sociological Review</i> , Vol. 48: 147-160.  |
| 31  | <b>Park, S. H. &amp; Ungson, G. R. (1997).</b> The effect of national culture, organizational complementarity and economic motivation on joint venture dissolution, <i>Academy of Management Journal</i> , 40: 279-307  |
| 30  | <b>Morosini, P., S. Shane &amp; H. Singh (1998).</b> National cultural distance and cross-border acquisition performance. <i>Journal of International Business Studies</i> , Vol. 29(1): 137-158.   |
| 29  | <b>Eisenhardt, M, K. (1989).</b> Agency theory: An assessment and review. <i>Academy of Management Review</i> , 14(1): 57).   |
| 27  | <b>Hofstede, G. &amp; M. H. Bond (1988).</b> The Confucius connection: From cultural roots to economic growth. <i>Organizational Dynamics</i> . Vol. 16(4): 5-21  |
| 27  | <b>Aiken, L. S. &amp; S. G. West (1991).</b> <i>Multiple regression: Testing and interpreting</i>   |
| 27  | <b>Ronen, S. &amp; O. Shenkar (1985).</b> Clustering countries on attitudinal dimensions: A review and synthesis. <i>Academy of Management Review</i> , Vol. 10(3): 435-454.  |
| 26  | <b>Ralston, D. A., D. H. Holt, R. H. Terpstra &amp; K-C. Yu (1997).</b> The impact of national culture and economic ideology on managerial work values: A study of the United States, Russia, Japan, and China. <i>Journal of International Business Studies</i> , 28(1), 177-207.            |
| 25  | <b>Gatignon H. &amp; E. Anderson (1988).</b> The multinational corporation's degree of control over foreign subsidiaries: An empirical test of a transaction cost explanation. <i>Journal of Law, Economics and Organizations</i> , Vol. 4(2): 305-336.                                       |
| 25  | <b>McSweeney, B. (2002).</b> The Essentials of Scholarship: A Reply to Hofstede. <i>Human Relations</i> , Vol. 55(11): 1363-1372.   |

Note: C is the absolute frequency, the number of times a reference was used.

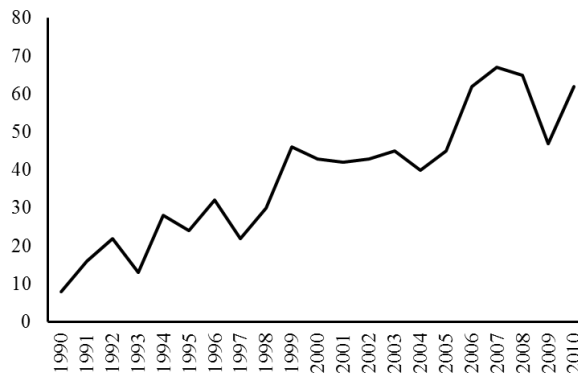
Source: Data collected from ISI Web of Knowledge. Authors' computations and analysis.

**Table 5.** The top twenty most cited works on cultural and psychic distance: 1990 to 2010

| C   | Author / Work  |
|-----|--|
| 404 | <b>Hofstede, G. (1980).</b> <i>Culture's consequences: International differences in work-related values.</i> Beverly Hills and London: Sage Publications.  |
| 151 | <b>Kogut, B. &amp; H. Singh (1988).</b> The effect of national culture on the choice of entry mode. <i>Journal of International Business Studies</i> , Vol. 19(3): 411-432.  |
| 100 | <b>Hofstede, G. (1991).</b> <i>Cultures and organizations: Software of the mind.</i> London: McGraw-Hill.  |
| 85  | <b>Schein, E.H. (1985).</b> <i>Organizational Culture and Leadership</i> , Jossey-Bass Press, San Francisco  |
| 59  | <b>Johanson, J. &amp; J-E. Vahlne (1977).</b> The internationalization process of the firm: A model of knowledge development and increasing foreign market commitment, <i>Journal of International Business Studies</i> , Vol. 8(1): 22-32.  |
| 58  | <b>Trompenaars, F. (1993).</b> <i>Riding the Waves of Culture: Understanding Cultural Diversity in Business</i> (First Edition) London: Nicholas Brealey.  |
| 53  | <b>Shenkar, O. (2001).</b> Cultural distance revisited: towards a more rigorous conceptualization and measurement of cultural difference. <i>Journal of International Business Studies</i> , Vol. 32(3): 519-535.  |
| 52  | <b>DiMaggio, P.J., &amp; W. W. Powell (1983).</b> The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. <i>American Sociological Review</i> , Vol. 48(2): 147-160.   |
| 51  | <b>Smircich, L. (1983).</b> Concepts of Culture and Organizational Analysis. <i>Administrative Science Quarterly</i> : Vol. 28(3). Pp. 339-358.  |
| 49  | <b>Hofstede, G. &amp; M. H. Bond (1988).</b> The Confucius connection: From cultural roots to economic growth. <i>Organizational Dynamics</i> , Vol. 16(4): 5-21.  |
| 49  | <b>House, R.J. et al. (eds.) (2004).</b> <i>Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies.</i> Thousand Oaks, CA: Sage.  |
| 47  | <b>Ronen, S. &amp; O. Shenkar (1985).</b> Clustering countries on attitudinal dimensions: A review and synthesis. <i>Academy of Management Review</i> , Vol. 10(3): 435-454.   |
| 45  | <b>Schwartz, S. H. (1994).</b> <i>Beyond individualism/collectivism: New cultural dimensions of values.</i> In Kim, U., Triandis, H.C., Kagitcibasi, C., Choi, S-C. & Yoon, G. (eds.), <i>Individualism and Collectivism: Theory, Method and Applications.</i> Thousand Oaks, CA: Sage, 85-99. |
| 45  | <b>Barkema, H. G., J. H. J. Bell &amp; J. M. Pennings (1996).</b> Foreign entry, cultural barriers, and learning. <i>Strategic Management Journal</i> , Vol. 17(2): 151-166.   |
| 44  | <b>Meyer, J. W. &amp; B. Rowan, (1977).</b> Institutionalized Organizations: Formal Structure as Myth and Ceremony, <i>The American Journal of Sociology</i> , Vol. 83(2), pp. 340-363.  |
| 43  | <b>Peters T. J. &amp; R. H. Waterman (1982).</b> <i>In Search of Excellence: Lessons from America's Best – run Companies</i> , New York: Harper  |
| 42  | <b>Hofstede, G. B. Neuijen, D. D. Ohayv &amp; G. Sanders (1990).</b> Measuring organizational cultures: A qualitative and quantitative study across twenty cases. <i>Administrative Science Quarterly</i> , Vol. 35(2): 286-316.   |
| 42  | <b>Williamson, O.E. (1975).</b> <i>Markets and hierarchies: Analysis and antitrust implications.</i> New York, Free Press.   |
| 39  | <b>Triandis, H. C. (1995).</b> <i>Individualism and collectivism.</i> Boulder, CO: Westview Press.   |
| 38  | <b>Nunnally, J. C. (1978).</b> <i>Psychometric theory.</i> New York: McGraw-Hill.  |

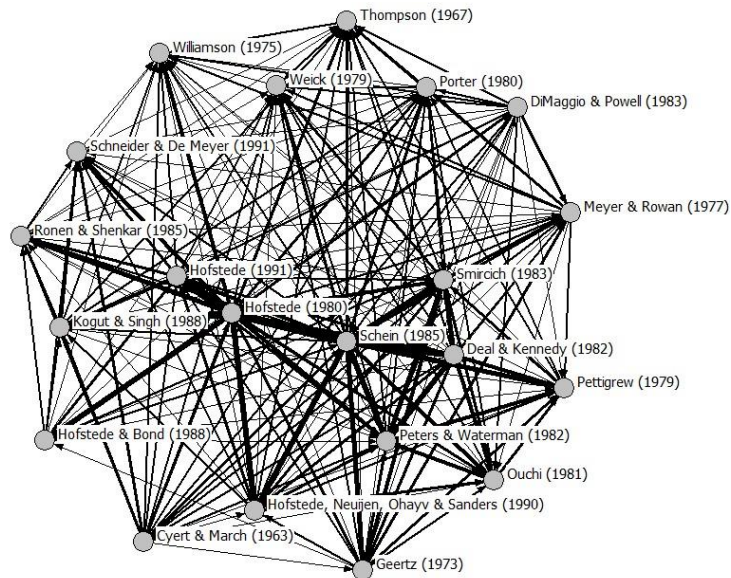
**Source:** Data collected from ISI Web of Knowledge. Authors' computations and analysis

**Figure 1. Evolution of publications: 1990-2010**



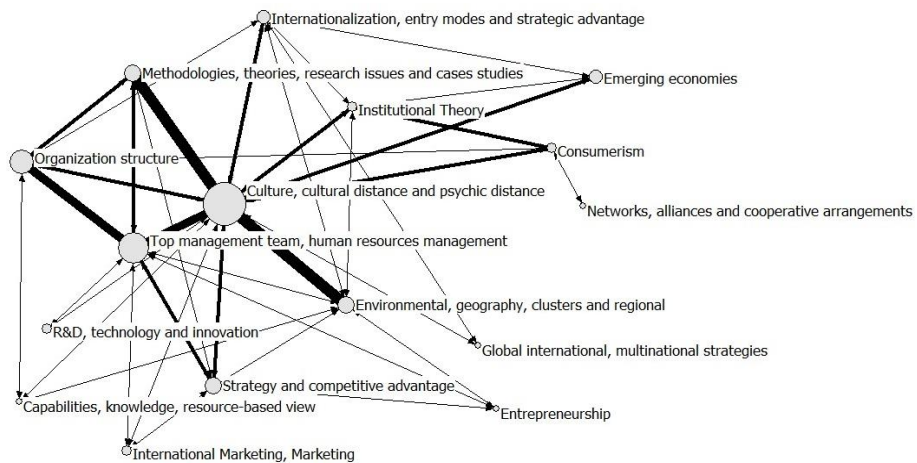
**Source:** Data collected from ISI Web of Knowledge. Authors' computations and analysis.

**Figure 2. Co-citation network of the publications: 1990 to 2000**



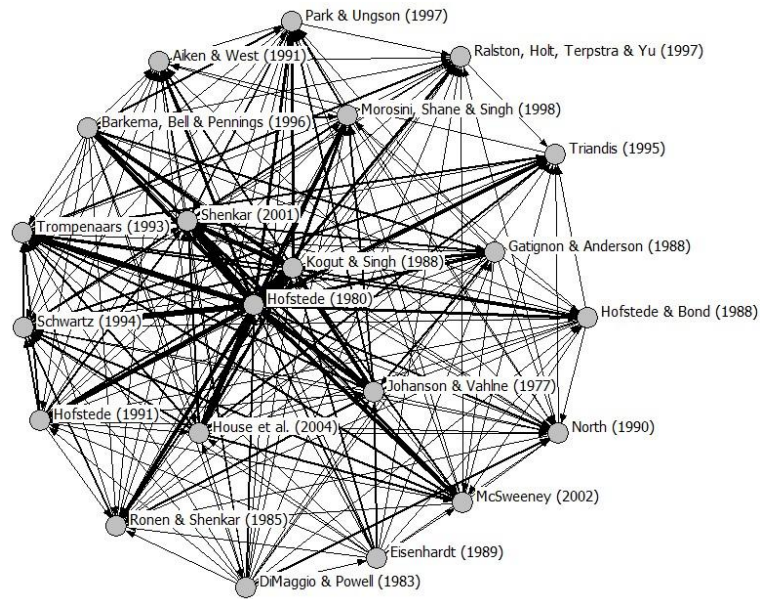
**Source:** Data collected from ISI Web of Knowledge. Drawn with Ucinet.

**Figure 3. Issues focused: A keyword analysis (1990 to 2000)**



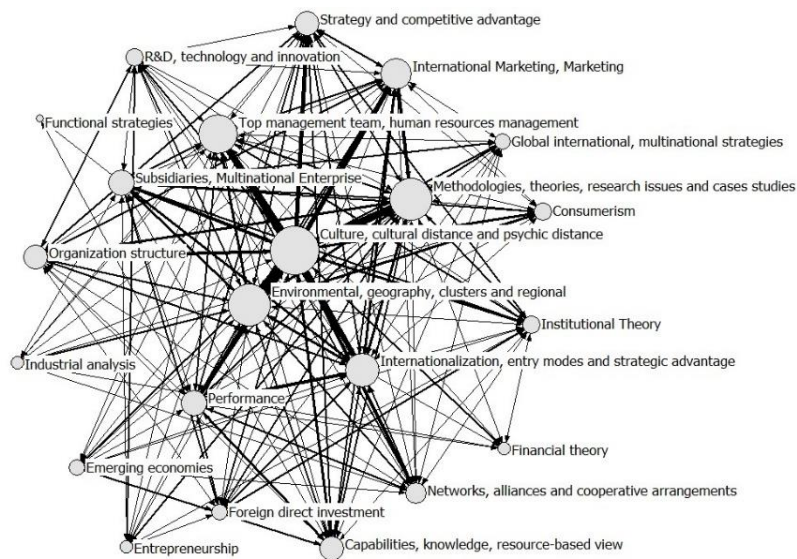
**Source:** Data collected from ISI Web of Knowledge. Drawn with Ucinet.

**Figure 4.** Co-citation network of the publications on cultural and psychic distance: 2001-2010



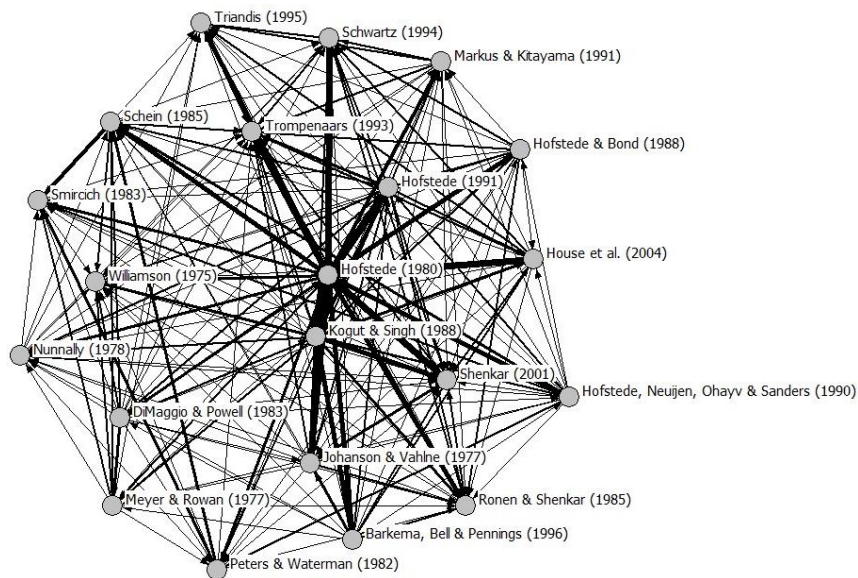
**Source:** Data collected from ISI Web of Knowledge. Drawn with Ucinet.

**Figure 5.** Issues focused: A keyword analysis (2001 - 2010).



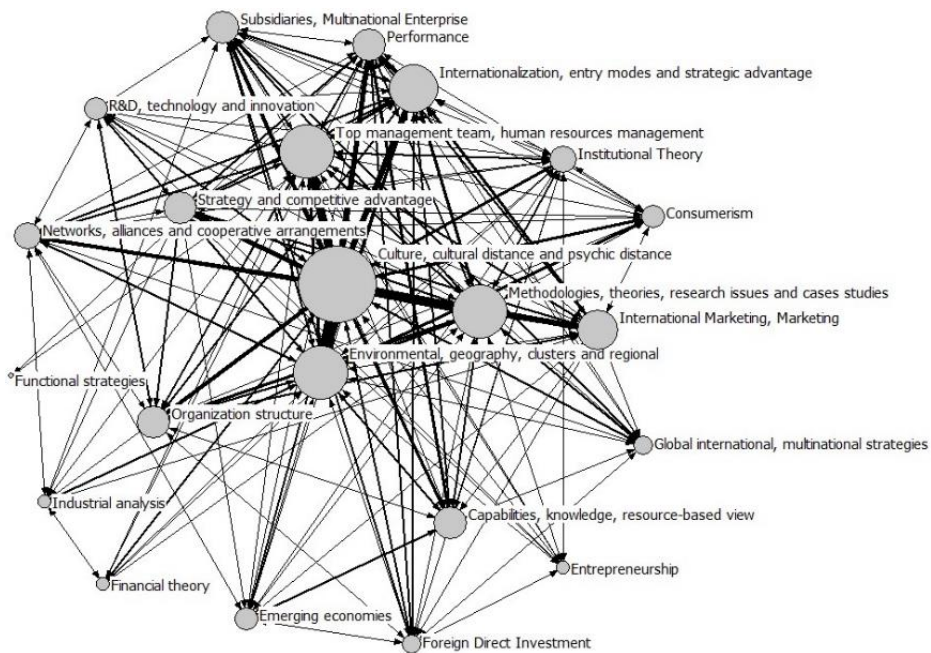
**Source:** Data collected from ISI Web of Knowledge. Drawn with Ucinet.

**Figure 6.** Co-citation network of the publications on cultural and psychic distance: 1990-2010



**Source:** Data collected from ISI Web of Knowledge. Drawn with Ucinet.

**Figure 7.** Issues focused: A *keyword* analysis: 1990 to 2010



**Source:** Data collected from ISI Web of Knowledge. Drawn with Ucinet.