

PSYCHIC DISTANCE AND THE INTERNATIONALIZATION PROCESS OF
LARGE TURKISH CORPORATIONS

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Thesis Abstract

Şebnem Karakaş, “Psychic Distance and the Internationalization Process of Large Turkish Corporations”

In line with the Uppsala Model, internationalization process is a consequence of an incremental decision and learning process in which firms initially enter psychically close foreign markets with low control/commitment modes. They gradually enter psychically distant countries with increased control/commitment involvements as they gain experience. Psychic distance is defined as differences relating to the foreign market characteristics that prevent the flow of information between suppliers and customers and lead to the perception of foreignness and uncertainty. Extant literature identifies market, firm and manager characteristics as the three groups of variables affecting the perception of psychic distance. The impact of psychic distance on foreign country market and entry mode selection decisions, marketing strategy pursued, and the performance of the operations in the host countries is widely studied, however contradictory findings are observed. The current study explores the relationships between psychic distance and market, firm, manager characteristics. entry mode and marketing strategy decisions for and the performance of operations in the most important foreign market, as well as the impact of psychic distance on the internationalization process of 104 large firms within the context of an emerging economy, Turkey. The results reveal that the most important foreign country market –Germany is perceived to be psychically distant and that the perception of psychic distance vaguely affects the foreign market selection decisions of Turkish managers. Firm and manager characteristics such as the firm’s age and size, the degree of international experience, foreign market diversification, the frequency of overseas travels by managers and the marketing strategy pursued in the most important foreign market are significantly related to the level of psychic distance perceived. Additionally, marketing strategy pursued and the performance of operations in the most important foreign market are found to be significantly related.

Tez Özeti

Şebnem Karakaş, “Algısal Mesafe ve Büyük Türk Kuruluşlarının Uluslararasılaşma Süreçleri”

Uppsala Modeli öngörülleri doğrultusunda, firmalar öncelikle kendi pazarlarında gelişerek bu pazarlara benzer olarak algıladıkları ülkelere düşük kontrol/finansman stratejileri ile girmekte, deneyim kazandıkça daha uzak ülkeleri hedef almakta, kontrol/finansman katılımlarını artırarak kademeli bir öğrenme ve karar verme süreci sonucunda uluslararasılaşma faaliyetlerini genişletmektedirler. Algısal mesafe, yabancı pazarların alıcı ve satıcı arasındaki bilgi akışını engelleyen ve belirsizliğe yol açan dil, kültür, politik ve hukuki sistem, ekonomik çevre, ve eğitim düzeyi gibi özelliklerindeki farklılıklar olarak açıklanmakta. Literatürde, algısal mesafenin firmaların yabancı pazar ve pazara giriş yöntemi seçimleri ve o pazarda uyguladıkları pazarlama stratejileri ve operasyonlarının performansları üzerinde etkisi olduğu belirlenmiş olsa da, çelişik sonuçlara rastlanmıştır. Ağırlıklı yabancı pazar özellikleri ile bağlantılı olarak çalışılan ve bu özelliklerle ilgili farklılık algılaması olarak da tanımlanan algısal mesafenin pazar özelliklerinin yanı sıra, firma ve karar verici konumundaki yöneticilerin özelliklerinden de etkilendiği belirlenmiştir. Bu çalışmada, işletmelerin hedefledikleri yabancı pazara ilişkin yabancılık/belirsizlik algılamalarına yol açan değişkenler olarak pazar, firma, yönetici özellikleri, seçilen yabancı pazara giriş yöntemi, uygulanan pazarlama stratejisi ve performans ile algısal mesafe arasındaki ilişki gelişmekte olan bir pazar, Türkiye ve 1000 Büyük Türk Sanayi İşletmesi bağlamında incelenmektedir. Ankete cevap vermiş olan 104 firmanın verileri ile yürütülen analizler en önemli yabancı ülke pazarı olarak belirtilen Almanya ile Türkiye arasındaki algısal mesafenin yüksek olduğunu ve algısal mesafenin Türk yöneticilerinin yabancı pazar seçimi kararlarında etkili olmadığını göstermektedir. Yıl içerisindeki yurtdışı seyahat sıklığı, firmanın yaşı, büyüklüğü, faaliyet gösterdiği yabancı ülke pazarı sayısı, en önemli pazarındaki faaliyet süresi gibi yönetici ve firma özelliklerinin yanı sıra, en önemli yabancı ülke pazarında uygulanan pazarlama stratejisi ile algısal mesafe arasında; ve en önemli yabancı pazarda uygulanan pazarlama stratejisi ile o pazardaki performans arasında istatistiksel olarak anlamlı ilişkiler bulunmuştur.

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CHAPTER I

INTRODUCTION

Background

The impact of economic, technological, and social changes in the last decades stimulates firms to expand their operations abroad (Chetty and Campell-Hunt 2004). Inevitably, this prompts an increasing number of firms to concentrate more on their international operations in order to survive and succeed, and to be a player in the international arena (Wind, Douglas, Perlmutter, 1973; Osland, Taylor, Zou, 2001). In parallel with globalization, and the liberalization of the Turkish economy the internationalization process of Turkish enterprises has intensified (Erdilek, 2008). The direct investments outflow from Turkey reached USD eighteen billion and export reached USD 999 billion in the last ten years (Sönmez, 2012; Republic of Turkey, Ministry of Economics, 2012).

The internationalization behavior of firms attracted international business scholars to investigate the internationalization processes of firms, and their foreign market and entry mode selection decisions (Johanson and Wiedersheim-Paul, 1975; Welch and Lounsbury, 1988; Benito and Gripsrud, 1992; Andersen, 1993; Ellis, 2008). In line with the prescience of the generally accepted Uppsala Internationalization Model, firms initially develop in their home markets, and initially enter psychically close markets with low level of control and resource commitment strategies. As they gain experience, firms enter psychically more distant foreign country markets and increase their control/commitment involvements. Internationalization process therefore is a consequence of learning and decision making process, which firms gradually increase their involvement by incremental

learning about foreign markets and foreign operations (Johanson and Wiedersheim-Paul, 1975). Uppsala Internationalization Model was the first internationalization model to present psychic distance as a determinant of a firm's internationalization behavior (Smith, Dowling, Roze, 2011). Starting with the Nordic School studies, the construct have continuously received growing attention by internationalization scholars.

Psychic distance, which was accepted as the corner stone of Uppsala Internationalization Model was first introduced by Beckerman (1956) in his study on Intra-European trade patterns. In the following years the construct was used in Linnemann (1966), and Gruber and Vernon (1970) studies. In these pioneering studies, the psychic distance construct was considered in country context by exploring the trade patterns of countries, instead of the firms. The construct however became prevalent by the studies of Nordic School scholars on internationalization behavior of Swedish firms. In their studies, Johanson and Wiedersheim-Paul (1975) found that the firms were incrementally internationalizing with sequential steps, starting from developing in home country to entering countries perceived to be similar to home country with low resource commitment and level of control modes. As firms got experienced internationally they entered psychically more distant countries and increased their commitment/control involvements. Johanson and Wiedersheim-Paul (1975) therefore defined psychic distance as the sum of factors preventing or disturbing the flow of information between the firm and the foreign market, which can be reduced by gaining experience in both home market and similar foreign markets. Differences in the market characteristics such as language, culture, political systems, level of education, and level of industrial development were assumed as the factors that constitute distance between home and foreign

country markets. In subsequent studies additional market characteristics, such as economic environment, religion, legal systems, climate, and geographic distance were also considered as the factors that create a perception of foreignness (Brewer, 2005; Sousa and Bradley, 2005, 2006; Sousa and Lengler, 2009; Dow and Karunaratna, 2006; Smith *et al.*, 2011; Medinets, Muchai, Odiyo, 2009).

Although the factors that constitute the psychic distance mentioned in the conceptual definitions of psychic distance were the same in a large portion of the studies, some discrepancies arose in the operationalization of the construct. A group of studies argued that psychic distance was perceptual, implying that it could not be measured by using secondary data sources (Sousa and Bradley, 2005, 2006; Evans, Treadgold, Mavondo, 2000; Evans, Mavondo, Bridson, 2008; Evans and Mavondo, 2002b; Child, Hong Ng, Wong., 2002; Child, Rodriguez, Frynas, 2009; Ali, 1995; Nordström, 1991). Additionally, owing to the perceptual nature of the psychic distance construct the perceptions of decision makers' would vary due to their different characteristics. Therefore decision maker characteristics have impact on this perception of foreignness/similarity of a foreign country market to home market (Smith *et al.*, 2011; Child *et al.*, 2009; Dichtl, Koeglmayer, Mueller, 1990). Another group of studies argued that firm characteristics in terms of international experience and demographics also had impact on the perception of psychic distance (Evans *et al.*, 2000; Dow, 2000).

In studies on internationalization behavior of firms, psychic distance was frequently attributed a particular importance in determining the most appropriate mode of entry, as well as foreign market selection (Johanson and Vahlne, 1977; Evans *et al.*, 2000; Padmanabhan and Cho, 1996; Child *et al.*, 2002; Child *et al.*, 2009; Sousa and Lengler, 2009; Sharma and Eramilli, 2004; Malhotra, Agarwal ,

Ulgado, 2003; Dow, 2000), marketing strategy pursued in the foreign markets (Sousa and Bradley 2005; Sousa and Lengler, 2009; Evans *et al.*, 2000), and performance in the host country (Evans *et al.*, 2008; O'Grady and Lane, 1996).

Psychic distance still receives attention of international business scholars even though it has a history of six decades. The arguments and findings of the conceptual and empirical research on the effects of psychic distance on internationalization behavior of firms; and studies on the measurement of psychic distance imply in common that psychic distance is a construct which still deserves to be studied.

Gaps in Literature

The gap observed in the extant literature is the existence of a commonly accepted tool in the measurement of the psychic distance construct. Child *et al.* (2009), Smith *et al.* (2011) argued that despite its long history, efforts to develop a valid and reliable instrument in measuring the psychic distance had been sporadic and flawed and the crudest of surrogates were still being used in research instruments. The empirical studies vary in terms of the operationalization the construct. Some employ secondary data (Brewer, 2005; Dow and Karunaratna, 2006), others use cultural distance measurement tool as a proxy for psychic distance (Fletcher and Bohn, 1998; Cicic, 1999), or summarize the construct unduly (Nordström, 1991).

Secondly, despite the broad acceptance of the impact of manager and firm characteristics on psychic distance perception, the relationships between manager and firm characteristics and psychic distance have not been tested in the previous studies. The perceptual nature of psychic distance construct implies that the distance depends on the way the decision maker sees the world; and these perceptions are

likely to be influenced by demographics (i.e. age, level of education, nationality) and international experience of the managers (Fletcher and Bohn, 1998) as well as the firm's age, size and international experience (Dow, 2000). Therefore there is a need for empirical testing of these possible relationships, which are commonly mentioned in conceptual studies.

Thirdly, large number of relevant empirical literature was reviewed on the respective relationships between psychic distance and internationalization behaviors of firms. Results of these empirical studies however were inconclusive, while some scholars found a significant relationship between psychic distance and internationalization behavior of firms (Dow, 2000; Johanson and Wiedersheim-Paul, 1975) others found none (Benito and Gripsrud, 1992). Moreover, contradictory findings were observed regarding the role of psychic distance in determining foreign market selection (Stöttinger and Schlegelmilch 1998), entry strategy (Whitelock and Jobber, 2004), the success of standardized or adapted marketing strategies (Shoham, 1998), and organizational performance (Evans and Mavondo, 2002b; Li and Guisinger, 1991). These results prompted claims that the construct has been misused (Child *et al.*, 2002); mismeasured (Evans and Mavondo, 2002b); or not properly tested at all (Dow, 2000).

Fourthly and lastly, to date empirical findings are scarce, particularly in emerging market contexts.

In this respect, Dow (2000:51) claimed that psychic distance was a widely known but an elusive construct, which still deserves to be studied.

Purpose of the Study

The current study aims to explore the effectiveness of the perception of foreignness/similarity of a potential foreign country in international market selection decisions; to measure the level of psychic distance perceived for the most important foreign market as well as the degree of effectiveness of variables related to the host market, firm and management on the perception of psychic distance for a potential market. Additionally, the relationship between firm and manager characteristics, entry mode, marketing strategy, and performance, and psychic distance are explored.

Methodological Basis for the Research Questions Addressed

Research questions addressed were based on the review of literature on the internationalization behavior of firm, and the psychic distance construct, as well as the literature on the entry mode and marketing strategy selection for and performance of operations in host markets. Measurement scales were developed by considering conceptual studies and scales employed by related empirical studies.

Overview of Remaining Chapters

A review of literature on international business and marketing which include the internationalization behaviors of firms, psychic distance construct, the manager and firm characteristics of the firms with international operations, the foreign country market entry strategy, the international marketing strategy and the performance of international operations is presented in Chapter Two. Research objectives and model including unit of analysis and sample, research instrument, data collection and data analysis are explained in Chapter Three. Statistical analyses of data and the results are provided in Chapter Four which includes descriptive statistics, analyses of

manager and firm characteristics' effects on psychic distance perceived for the most important foreign market; and analyses of the relationships between psychic distance perceived and entry mode selection, marketing strategy pursued, and the performance of operations in the most important foreign country market. Chapter Five concludes with the discussion of findings, contribution of the study, limitations and implications for future research and management.

CHAPTER II

CONCEPTUAL FRAMEWORK

Internationalization

The world is becoming flat with rapid developments in technology and transportation. As Freidman (2005) states in his book ‘The World is Flat’, the ‘*flattened world*’ facilitates access to new opportunities in new markets and increases the world demand for goods and services while escalating competition. The impact of economic, technological, and social changes stimulates firms to expand their operations abroad (Chetty and Campell-Hunt 2004). This prompts an increasing number of firms to concentrate more on their international operations in order to survive and succeed, and to be players in the international arena (Wind, *et al.*, 1973; Osland, *et al.*, 2001).

There are various reasons for firms to enter a foreign market. From a pure marketing perspective, it is most natural to view expansion abroad in terms of entering new countries because of their market potential (Johansson, 2009:99). In the last few decades additional factors such as firm’s desire to access to larger trade regions, learn from customers and competitors in a leading market (Johansson, 2009), access to critical resources (Hermansdottir, 2008), and increased competition in the domestic market (Andersen and Strandkov, 1997; Wood and Robertson, 2000) have emerged as drivers which propel a firm to internationalize.

Definitions of internationalization as (a) “a process, in which specific attitudes or orientations are associated with successive stages in the evolution of international operations” (Wind *et al.*, 1973:14), (b) “the process of increasing involvement of foreign operations” (Welch and Luostarinen, 1988:47), (c) “the process of adapting

firms' operations (strategy, structure, resource) to international environments" (Calof and Beamish 1995:116), (d) "the set of decisions that alter both the location and the mode of control of an organization's international production and marketing activities (Ellis, 2008:351), (e) "process through which enterprises are more and more concerned with international market and start to have direct contacts with it through different types of transactions" (Stremtan, Mihalache, Pioraş, 2009); highlight in common that internationalization is a process which firms get more concerned in adapting their attitudes and orientations to international environments through altering location and mode of control; and increasing their involvement in foreign markets.

The firms' intensified international operations in the last few decades have stimulated the international business scholars to investigate the internationalization strategies of firms (Welch and Luostarinen, 1988; Johanson and Vahlne, 1993; Andersen, 1993). The structural and behavioral issues that drive a firm to operate internationally have been analyzed under a range of approaches, such as economic, econometric, managerial and marketing models (Morgan and Katsikeas, 1997). These models can be grouped as the economic approach (or called static approach by Clark, Pugh, Mallory, 1997) and the behavioral approach that study the internationalization process from different perspectives (Seifert and Machado da Silva, 2007; Hermannsdottir, 2008; Benito and Gripsrud, 1992). Whilst in the economic approach variables such as ownership advantages, product characteristics, tacit knowledge, location advantages, opportunism, and comparative advantages influence the decisions regarding the internationalization behavior of the firm; in the behavioral approach experiential knowledge, psychic distance, geographic distance and cultural differences are the cited as variables that play role in internationalization

behavior of firms (Seifert and Machado da Silva, 2007:42). Theories under the economic approach maintain strong links with absolute rationality, profit maximization and optimization; and assume that all necessary information is accessible and the best solution is rationally chosen (Seifert and Machado da Silva, 2007). Theories under the behavioral approach on the other hand, argue that internationalization is a sequence of steps by which companies acquire experience and knowledge about foreign markets through gradual commitment of resources and learning by doing (Seifert and Machado da Silva, 2007:42).

Internationalization theory is grounded under these approaches on the basis of decision criteria, source of competitiveness (Malhotra *et al.*, 2003), market selection and modes of entry (Sakarya, Eckman, Hyllegard, 2006). Entry modes which collectively provide a deep explanation for host country production and marketing modes (i.e. wholly owned foreign operations, contractual modes and joint ventures) and export modes (i.e. direct/indirect exporting) are explained under internationalization theories in international business literature (Sharma and Eramilli, 2004; Malhotra *et al.*, 2003).

The early theories of internationalization grounded under the economic approach are mainly shaped by general marketing theories, focus on firms' core competencies (i.e. firm specific advantages) and the decisions regarding cost minimization (Hermannsdottir, 2008; Buckley, Devinney, Louviere, 2007). It is argued that firms need a compensating advantage based on marketing and technological skills to overcome the cost of foreignness (Hymer, 1960, 1976). The widely acknowledged internationalization theories are started with Hymer's (1976) Theory and Vernon's (1966) International Product Life Cycle (IPLC) Model (Buckley and Casson, 1998; Malhotra *et al.*, 2003; Sharma and Eramilli, 2004).

These two theories are based on the idea that firms are driven by their compensating advantage as the primary motive for foreign market entry (Sharma and Eramilli, 2004). Hymer's Theory is mainly based on a shift between foreign direct investment (FDI) and licensing as entry modes under different levels of market imperfection. Accordingly, if the degree of market imperfection is high, FDI mode is chosen, otherwise licensing is chosen (Sharma and Eramilli, 2004; Malhotra *et al.*, 2003). International Product Life Cycle Model on the other hand, presents a sequential mode of entry at which the earlier stages of internationalization firms utilize exporting and gradually shift to FDI (Buckley and Casson, 1998; Sharma and Eramilli, 2004; Malhotra *et al.*, 2003).

By early 1970s, the studies of the Nordic School, led to the Uppsala Internationalization Theory (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977), which is rooted in the behavioral approach (Sharma and Eramilli, 2004). In their empirical study on internationalization process of four Swedish firms -Sandvik, Atlas Copco, Facit and Volvo-, Johanson and Wiedersheim-Paul (1975) found that the internationalization process of these takes place gradually rather than with large, spectacular investments. Johanson and Wiedersheim-Paul (1975) held two basic assumptions. First assumption is that the firm initially develops in the home market and that the internationalization is the consequence of series of decisions. Secondly, the most important obstacle to internationalization is being lack of knowledge and resources. The authors argued that these obstacles can be reduced through an incremental decision making process and learning about foreign markets and operations. In the same study, the authors defined internationalization as the "consequence of a series of incremental decisions, which a firm initially develops in its domestic market and gradually increases its international involvement by

incremental learning” (Johanson and Wiedersheim-Paul, 1975:306). Correspondingly Bilkey and Tesar (1977), Johanson and Vahlne (1977), Reid (1981), and Dichtl *et al.*, (1984) emphasized that internationalization involves a series of sequential and orderly processes of increased international involvement by knowledge development. As Eriksson, Majkgard, Sharma (2004) argued, this cumulative learning guides the future internationalization behavior of firms. The construct ‘psychic distance’ is accepted as the corner stone of Uppsala model of internationalization which explains the sequential pattern of entry through exporting to psychically close countries in the initial stages of internationalization, and intensifying the level of commitment as experience and knowledge increases (Johanson and Wiedersheim-Paul, 1975; Bilkey and Tesar, 1977; Johanson and Vahlne, 1977; Reid, 1981; Klein and Roth, 1988). This sequential pattern (so-called ‘*establishment chain*’ by Johanson and Wiedersheim-Paul, 1975:307), involves a successive process that starts with regular export activities; followed by export activities via independent representatives or agents; the establishment of an overseas subsidiary; and overseas production/manufacturing units, in which psychic distance is the major factor (Morgan and Katsikeas, 1997). According to the theory, increased market knowledge leads to increased market commitment; therefore as firms get internationally experienced, they pursue higher commitment/control modes of entry.

By 1975, Williamson introduced Transaction Cost Theory which is rooted in Coase’s (1937) internalization theory (Malhotra *et al.*, 2003; Sakarya *et al.*, 2006). This theory which is grouped under the economic approach is based on the examination of forward, backward or lateral integration in relation to core competency of a firm, with an intention of cost minimization (Buckley and Casson, 1998; Williamson, 1998; Hermannsdottir, 2008). According to Transaction Cost

Theory, the cost of conducting economic exchange in a market may exceed the cost of organizing the exchange within a firm; therefore firms economize on transactions by choosing the appropriate governance structure (Malhotra *et al.*, 2003). Another well-known theory grounded in the economic approach is Dunning's Eclectic Theory (Dunning, 1980) which is based on the idea that ownership-specific (O), location-specific (L) and internalization-specific (I) advantages of the firm affect the firm's foreign country market and entry mode selection decisions (Hermansdottir, 2008). In Eclectic (OLI) Theory firm's entry mode decision between four modes (i.e., exporting, licensing, joint venture and FDI) is based on its ownership, location and internalization advantages. By 1980s, greenfield ventures and acquisitions have been popularized and were accepted as '*quick fix*' route to globalization (Buckley and Casson, 1988:540). These modes are covered mostly by Internalization and Transaction Cost Theories (Sharma and Eramilli, 2004; Ellis, 2008), in which the decision of entry modes depends on the economic conditions of the foreign country market and firm specific advantages (Sharma and Eramilli, 2008).

By 1999, Coviello and McAuley introduced Network Theory, which argues that the focus of firm behavior is the context of a network of inter-organizational and interpersonal relations. The basic assumption of the theory is that technical, economic, legal and especially personal ties act as a glue that keep the network (relationship) together. Whilst in the first phases of internationalization managers' personal influence on these relationships is the strongest; later in the process routines and systems become more important. Internationalization occurs as a result of multilateral externalization through business and social networks rather than through internalization (Malhotra *et al.*, 2003).

The main scope of this study is the psychic distance construct, which will be discussed comprehensively in the following section. Therefore, the stages of internationalization process (i.e. foreign country market selection, entry mode decision, marketing strategy and performance of international operations) will be reviewed mainly within the context of Uppsala Internationalization Theory.

Psychic Distance

The origin of the adjective ‘psychic’ is the Greek word ‘*psuchikos*’ (ψυχικός), which is derived from the term ‘psyche’ which refers to soul and mind. (Sykes, 1987).

In the international business literature, the term “psychic” was first used by Beckerman (1956) in his study on intra-European trade (Dow, 2000; Child *et al.*, 2002; Child *et al.*, 2009; Evans *et al.*, 2000; Smith *et al.*, 2011). Beckerman (1956) argued that geographical distance affects the trade flows between countries and as proximity reduces transport costs, countries prefer to export to/import from geographically close countries. Beckerman (1956:38) combined the term ‘psychic’ with the term ‘distance’ as a condition of ‘being nearer’ in terms of psychic evaluation (i.e. fewer language difficulties), in order to explain the choice of a psychically closer country over a geographically closer country for trade. Subsequently in his study on empirical analysis of trade flows between countries, Linnemann (1966:28) defined psychic distance as “the lack of perfect knowledge of the market either for producers or for consumers”, that has an impact on patterns of trade between countries. Similarly, Gruber and Vernon (1970:260) implied that in addition to the impact of geographic distance, other distance creating factors such as limitations on knowledge about resources and the market, and businessmen’s market unfamiliarity would have an impact on the level of trade between countries.

The construct ‘psychic distance’ has become prevalent by empirical studies conducted on the internationalization processes of four Swedish firms by Uppsala School scholars in mid 1970’s (Sousa and Bradley, 2006; Swift, 1999). Starting with the Uppsala School studies, psychic distance and its impact on internationalization behavior of firms have been continuously explored in the international business literature (Johanson and Wiedersheim-Paul, 1975; Dichtl *et al.*, 1990; Nordström, 1991; Johanson and Vahlne, 1993; Ali, 1995; O’Grady and Lane, 1996; Stöttinger and Schlegelmilch, 1998; Swith, 1999; Dow, 2000; Evans *et al.*, 2000, 2008; Child *et al.*, 2002 Child *et al.*, 2009, Evans and Mavondo, 2002; Brewer, 2005, 2007; Sousa and Bradley, 2005, 2006; Ellis, 2008; Medinets *et al.*, 2009; Sousa and Lengler, 2009; Smith *et al.*, 2011).

Vahlne and Wiedersheim-Paul (1973) defined the psychic distance construct as “the sum of factors preventing or disturbing the flow of information between potential and actual suppliers and customers” (cross reference, Nordström, 1991). In their study, Johanson and Wiedersheim-Paul (1975:308) revealed these factors as differences in language, culture, political system, level of education, and level of industrial development. Johanson and Vahlne (1977) provided an additional factor, the differences in business practices, to the existing list. Although the conceptualization of the construct of Nordic studies in the 1970’s imply that limitations on decision makers’ knowledge about and understanding of a foreign country market would create uncertainty about that market, they did not use the term ‘perceived’ in their explanations of the construct (Child *et al.*, 2009; Evans and Mavondo, 2002). Nordic scholars in the 1970’s employed factual data rather than cognitive indicators in operationalizing psychic distance construct, which was noted by Nordström and Vahlne (1994) as an incongruity between the

conceptualization and the operationalization of the construct. The redefinitions of the construct with addition of the term ‘perceived’ led to the recognition that individuals, rather than macro-level factors are the appropriate unit of analysis for empirical research (Smith *et al.*, 2011). As a consequence, management (Dichtl *et al.*, 1994; Evans and Mavondo, 2002a, 2002b; Nordström, 1991; O’Grady and Lane, 1996; Sousa and Bradley, 2005, 2006; Swift, 1999) and firm characteristics (Evans *et al.*, 2008; Dow, 2000) which can affect the perceptions held by individuals were also considered in psychic distance studies.

The term ‘perceived’ was used in Bilkey and Tesar’s (1977) study on export behaviors of small Wisconsin firms. Bilkey and Tesar (1977) did not define the construct but implied that some ‘perceived considerations’ in several aspects such as different product standards and consumer habits in a foreign country, difficulty in determining the foreign operations, difficulty in understanding the foreign business practices would act as barriers for exporting. Subsequently, the term ‘perceived’ was used in a large portion of conceptual definitions of the psychic distance. Conceptual definitions of the construct are presented chronologically in Table 1 below:

Table 1. The Conceptual Definitions of Psychic Distance Construct

Author(s)	Year:page	Conceptual definition
Hallen & Wiedersheim-Paul	1984:17	... difference in the perceptions of buyer and seller.
Klein & Roth	1988:29	... soft dimensions concerned with the differences in attitudes and perceptions, which create a gap between buyers and sellers.
Fletcher & Bohn	1998:49	... a matter of perception –it is a distance in the minds of individuals-, and the perceived distance depends on the way the individual sees the world.
Lee	1998:9	... international marketer’s perceived socio-cultural distance between the home and the target country in terms of language, business practices, legal and political systems and marketing infrastructure.
Swift	1999:182	... consequence of a number of inter-related factors, of which, perception is a major determinant.
Evans, Treadgold & Mavondo	2000:376	... the mind’s processing in terms of perception and understanding of the cultural and business differences

Table 1: continued

		form the basis of psychic distance.
Evans & Mavondo	2002a:309; 2002b:517	... the distance between home market and a foreign market, resulting from the perception of both cultural and business differences.
Sousa & Lengler	2009:594	... refers to the individual's perception of the differences between the home country and the foreign country in terms of economic development, lifestyles, consumer preferences, language, education, and cultural values
Smith, Dowling & Rose	2011:123, 133	... is the perception business people have of the level of difficulty they would encounter in a foreign market if they were to undertake business operations in that market. It relates to perceived psychological or mental distance held by business people to foreign markets, as distinct from actual physical distance.

Similarly, Child, *et al.* (2002), Child *et al.* (2009), Dichtl *et al.*, (1984); Sousa and Bradley (2005, 2006, 2008), Stöttinger and Schlegelmilch (1998) stated that perception of the differences between characteristics of home market and the foreign country market shapes the psychic distance concept, through generating uncertainties for decision makers. Nordström and Vahlne (1993) and O'Grady and Lane (1996) on the other hand defined psychic distance as the factors that present barriers and impede firms' 'learning' about and understanding of a foreign country market (Nordström and Vahlne, 1993), and operating there, resulting from cultural differences and other business difficulties (O'Grady and Lane, 1996). The definitions of the construct vary in the international business literature, depending on how it is conceptualized and operationalized (Child *et al.*, 2009).

Market characteristics such as language, culture, business practices, level of education, legal and political system, economic environment, climatic conditions and geographic distance are the most commonly cited factors as contributing to psychic distance.

Table 2. Market Characteristics Employed in Psychic Distance Measurement

Variable	Authors
language	Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Klein & Roth, 1989; Ali, 1995; Lee, 1998; Evans & Mavondo, 2002; Sousa & Bradley, 2005, 2006; Sousa & Lengler, 2009; Child <i>et al.</i> , 2009; Sousa & Lages, 2011; Dow & Karunaratna, 2006; Dow & Larimo, 2007; Brewer, 2005; Medinets <i>et al.</i> , 2009
culture	Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Swift <i>et al.</i> , 1999; Ali, 1995; Evans & Mavondo, 2002; Evans <i>et al.</i> , 2008; Sousa & Bradley, 2005, 2006, Sousa & Lengler, 2009; Child <i>et al.</i> , 2009; Dow & Karunaratna, 2006; Fletcher & Bohn, 1998
business practices	Johanson & Vahlne, 1977; Klein & Roth, 1989; Ali, 1995; Lee, 1998; Evans & Mavondo, 2002; Child <i>et al.</i> , 2009
level of education	Johanson & Wiedersheim-Paul, 1975; Sousa & Bradley, 2005, 2006; Dow & Karunaratna, 2006; Child <i>et al.</i> , 2009; Medinets <i>et al.</i> , 2009
legal and political system	Klein & Roth, 1989; Lee, 1998; Child <i>et al.</i> , 2009; Medinets <i>et al.</i> , 2009
economic environment	Klein & Roth, 1989; Sousa & Bradley, 2005, 2006; Child <i>et al.</i> , 2009; Sousa & Lengler, 2009
climatic conditions and geographic distance	Brewer, 2005; Sousa & Bradley, 2005, 2006; Dow & Karunaratna, 2006; Child <i>et al.</i> , 2009; Medinets <i>et al.</i> , 2009; Sousa & Lengler, 2009

In addition to characteristics listed in Table 2, marketing infrastructure (Lee, 1998); purchasing power of consumers, consumer preferences, lifestyles (Sousa and Bradley, 2005, 2006; Sousa and Lengler, 2009); communications infrastructure (Klein and Roth, 1989); colonial ties, and religion (Dow and Karunaratna, 2006; Medinets *et al.*, 2009) are other market characteristics used in the conceptualization and operationalization of the construct.

Psychic Distance and Cultural Distance

Culture, which is defined as “a collective mental programming of the people in an environment” (Hofstede, 1980b:43) is used by many scholars in clustering of world markets based on their cultural similarities (Hall, 1960; Sethi, 1971; Calson, 1974;

Hofstede, 1980a; Ghemawat, 2001). Hofstede's (1980a) study on IBM workers about identifying the differences in cultural dimensions of seventy-two countries is one of the most frequently cited studies in the international business literature (Shenkar, 2001). Cultural distance found a widespread recognition by international business scholars particularly after Kogut and Singh's (1988) study on the effect of cultural distance on the choice of entry mode. In their study, Kogut and Singh (1988) developed a composite index to measure the cultural distance between two countries by using Hofstede's (1980a) dimensions (i.e. individualism/collectivism, masculinity/femininity, uncertainty avoidance, power distance). In 1998, Morosini, *et al.* derived an adapted version of this formula. In the subsequent studies, these formulas have been employed to investigate the effect of cultural distance on foreign market selection (Li and Guisinger, 1991; Benito and Gripsrud, 1992; Barkema, Bell, Pennings, 1996; Grosse and Trevino, 1996; O'Grady and Lane, 1996; Lee, 1998; Morosini *et al.*, 1998; Brouthers and Brouthers, 2001; Mitra and Golder, 2002; Yenyurt and Townsend, 2003; Tihanyi *et al.*, 2003; Sakarya *et al.*, 2007; Sousa and Bradley, 2008; Wang and Schaan, 2008; Calza, Aliane, Cannavale, 2010); on foreign country market entry mode selection (Kogut and Singh, 1988; Agarwal and Ramaswami, 1991; Agarwal, 1993; Fletcher and Bohn, 1998; Brouthers and Brouthers, 2001; Padmanabhan and Cho, 1996; Tihanyi *et al.*, 2004; Wang and Schaan, 2008; Mulok and Ainuddin, 2010); and on performance of international operations (Li and Guisinger, 1991; Morosini, Shane, Singh, 1998; Gomez-Meija and Palich, 1997; Pothukuchi, Damanpour, Choi, Chen, Park, 2002; Tihanyi, Griffith, Russell, 2004; Wang and Schaan, 2008).

It is widely accepted that cultural distance and psychic distance are not the same measures and that psychic distance encompasses cultural distance (Dow, 2000;

Nordström and Vahlne, 1994; Brewer, 2007; Sousa and Bradley, 2008). In their respective definitions of psychic distance, Johanson and Wiedersheim-Paul (1973), O'Grady and Lane (1996), Stöttinger and Schlegelmilch (2000), and Evans and Mavondo (2002) denoted cultural distance as one of the factors that create psychic distance. In his study, Dow (2000) showed that cultural distance and psychic distance are not the same constructs; furthermore, he proved that cultural distance is a weak sub-factor of psychic distance in the early stages of internationalization.

Psychic Distance and Internationalization

The internationalization process starts with the selection of foreign country market and decision of entry mode in order to penetrate to the market (Andersen and Buvik, 2002; Çavuşgil, 1985; Koch, 2001; Paliwoda, 1993; Shenkar, 2001). In foreign country market selection process, criteria such as product-specific market size and growth, availability and cost of factors of production, level of economic development, country environment, psychic distance, competition, and market knowledge (Pedersen and Petersen, 2004; Smith *et al.*, 2011; Whitelock and Jobber, 2004) are used in evaluating the attractiveness of the foreign country market for the company.

In a substantial body of international business literature, psychic distance has been identified as a key factor in internationalization behavior of firms, in terms of foreign country market selection (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Dow, 2000; Child *et al.*, 2002, 2009; Smith *et al.*, 2011), entry mode choice (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Smith *et al.*, 2011), marketing strategy (Sousa and Bradley, 2005; Sousa and Lengler,

2009) and performance in that specific foreign market (Evans *et al.*, 2000; Evans and Mavondo, 2002).

Beckerman (1956) and Linnemann (1966) argued that psychic distance has an impact on trade flows between countries. As a determinant of internationalization behavior of firms however, psychic distance has been presented for the first time in Johanson and Wiedersheim-Paul's (1975) study (Smith *et al.*, 2011). Although it is widely accepted that the psychic distance perceived by firm's management is a significant predictor of the selection of foreign markets (Johanson and Vahlne, 1977; Bilkey and Tesar, 1977; Nordström, 1991; Dow, 2000; Sousa and Bradley, 2005; Ellis, 2008; Medinets *et al.*, 2009), it is also argued that, it is a widely accepted but weakly supported idea that psychic distance has any direct link with export market selection (Ellis, 2005; Stöttinger and Schelegelmilch, 1998).

Johanson and Wiedersheim-Paul's (1975) study has been accepted as a corner stone of Uppsala Model of internationalization, which is based on the assumption that in the early stages of internationalization process, firms enter psychically close markets to home market (Johanson and Wiedersheim-Paul, 1975; Vahlne and Wiedersheim-Paul, 1977; Nordström, 1991; Child *et al.*, 2002; Dow, 2000; Medinets *et al.*, 2009) and as they get experienced, expand their operations by successive stages to markets which are characterized by greater psychic distance (Johanson and Wiedersheim-Paul, 1975; Vahlne and Wiedersheim-Paul, 1977; Bilkey and Tesar, 1977; Child *et al.*, 2002; Child *et al.*, 2009). The level of perception of environmental uncertainty, which can be reduced by cumulative learning, is the basis for incremental foreign expansion (Johanson and Vahlne, 1993; Gripsrud, 1990; Çavuşgil and Nevin, 1981; Shoham, 1998; Vida, Reardon, Fairhurst, 2000; Brewer, 2007; Smith *et al.*, 2011). Gripsrud (1990:17) argued that exporting activities tend to

start with the psychologically nearest countries. The argument is affirmed by Nordström and Vahlne (1994:42) in their suggestions of the managerial implications as “tendency to start the internationalization process in similar markets to home market no doubt makes sense”.

Bilkey and Tesar (1977) found that managers were reluctant to enter countries perceived to be unfamiliar to home market; thus they recommended initiating foreign expansion by entering into psychically close markets. Correspondingly Evans *et al.* (2008) suggested that as a firm becomes more internationally involved, with regard to the moderating effects of experience and learning on psychic distance, the influence of psychic distance on subsequent market selection decisions is reduced. Similarly, in his study on Australian exporters’ foreign market selection and psychic distance relationship, Dow (2000) found that psychic distance is a highly significant predictor of market selection. Additionally in line with Uppsala Internationalization Theory, Dow (2000) concluded that the influence of psychic distance on market selection declines significantly between first and second market entry decisions, but still remains as a significant predictor. Similarly in their case study on internationalization sequence of five Hong Kong firms, Child *et al.* (2002) concluded that three out of five firms’ initial entries were into psychically close countries; and all five cases adhered to a pattern of incremental market commitment as it is suggested by Johanson and Vahlne’s (1977) study. Similarly, Medinets *et al.* (2009) found that Kenya’s total exports were significantly associated with countries that were psychically close. On the other hand, Nordström study (1991) weakly supported the hypothesis that Swedish manufacturing firms began their internationalization process by establishing in the Nordic countries first. Ellis (2008) also found that psychic distance did not have a direct effect on market entry sequence however it

moderated the relationship between foreign market size and entry sequence.

Stöttinger and Schlegelmilch (1998) argued that there was not a clear consensus regarding the role of psychic distance in the selection of foreign markets. In their latter study however, Stöttinger and Schlegelmilch (2000) stated that the managers are likely to initiate and/or pursue business relations with countries perceived as similar to home markets.

Psychic Distance and Manager and Firm Characteristics

As discussed in the previous section, the definition of psychic distance has changed substantially starting from Beckerman's (1956:38) mention of 'fewer language difficulties'. The subsequent conceptual and operational definitions of the construct evolved from differences in macro level factors between nations, to a focus on the perceptions of differences held by business people (Smith *et al.*, 2011:124). In the redefinitions of psychic distance the 'perception' and 'learning' constructs were embedded, therefore the characteristics of decision makers holding the perception have received attention of international business scholars. It is widely accepted that the psychic distance is tied to the individuals' perceptions. These perceptions are likely to be influenced by individuals' demographic characteristics such as age, level of education, command of foreign languages, nationality, as well as their previous international exposure, and their knowledge as of overseas business practices (Smith *et al.*, 2011; Reid, 1981; Nordström, 1991; Fletcher and Bohn, 1998; Child *et al.*, 2002; Vida *et al.*, 2000; Dichtl *et al.*, 1990; Holzmüller and Kasper, 1990). As Smith *et al.* (2011) stated

.... in general, higher the individual's level of education, the greater the foreign orientation of the individual and an increase in foreign orientation suggests a decrease in psychic distance. ... a manager who is proficient in one or more languages is likely to more quickly learn about and develop an

accurate understanding of foreign markets that use these languages, from someone who does not have these skills.. (2011:131)

The decision maker's characteristics affect the perception of psychic distance between home market and host market and therefore influence the decisions relating to the internationalization behavior of firms (Herman and Datta, 2006; Dichtl *et al.*, 1984; Child *et al.*, 2002; 2009; Holzmüller and Kasper, 1990; Pedersen and Petersen, 2004).

In addition to market and management (i.e. decision maker) characteristics, firm characteristics are also investigated in studies on the internationalization processes of firms. A stream of research identified the effect of a firm's level of international experience and size on decisions regarding foreign market selection, entry strategy, and the degree of standardization/adaptation of the marketing strategy (Agarwal, 1994; Anderson and Gatignon, 1986; Caves and Mehra, 1986; Osland *et al.*, 2001; Çavuşgil and Zou, 1994; Dow, 2000; Evans *et al.*, 2000).

It is argued that the amount of experience acquired by an organization when operating in foreign markets is likely to have an effect on that organization's perception of the similarities and differences between markets. Internationally experienced organizations may have developed superior market-sensing capabilities that provide a deeper understanding of the unique subtle ties in each foreign market (Evans *et al.*, 2008). Dow (2000) argued that the effect of psychic distance on the choice of market to enter and the entry mode selected will be moderated by both the size and the international experience of the firm. These arguments are based on the internationalization process models, which imply that as a firm's international involvement increases, it gains a degree of expertise in operating in foreign markets which will ultimately improve the performance of the foreign operations (Bilkey and Tesar, 1977; Johanson and Wiedersheim-Paul, 1975). Thus, as the firm becomes more

experienced in foreign markets the positive relationship between psychic distance and organizational performance will be enhanced (Evans *et al.*, 2000).

Entry Mode Selection

Whilst some scholars argue that the selection of foreign country market and the entry mode for that market are interrelated and should be regarded as two aspects of the same decision process (Koch, 2001; Buckley *et al.*, 2007); others posit that although these two decisions are closely linked, they are nevertheless separate decisions, in which the entry mode decision is the subsequent step of foreign country market selection (Andersen and Buvik, 2002; Albaum, Strandskov, Duerr, Dowd, 1989; Root, 1994). It is generally accepted that as well as foreign country market selection (Andersen and Strandskov, 1997), entry mode decision plays a significant role in the success of international expansion of firms (Agarwal and Ramaswami, 1992; Anderson and Gatignon, 1986; Peinado and Barber, 2006; Root, 1994; Delios and Beamish, 1999; Woodcock, Beamish, Makino, 1994). Root (1994) stated that the selection of foreign market entry mode is one of the most important strategic decisions of an international firm and that an inappropriate entry mode decision would distort the firm's competitive advantage in a specific foreign country market (Osland, *et al.*, 2001; Delios and Beamish, 1999).

The various definitions of entry mode such as (a) 'an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country' (Root, 1994), (b) 'way of organizing a firm's business activities in a foreign country' (Hill, Hwang and Kim, 1990) imply in common that foreign market entry mode is the decision of location and ownership structure of the firms' production and/or marketing activities

(Sharma and Eramilli, 2004). In the literature, the entry modes are grouped according to their degree of control and resource commitment they provide and require (Vernon, 1979; Anderson and Gatignon, 1986; Caves and Mehra, 1986; Kogut and Singh, 1988; Osland, *et al.*, 2001; Agarwal and Ramaswami, 1991; Kim and Hwang, 1992; Woodcock *et al.*, 1994; Tihanyi, Griffith and Russel, 2005; Herrmann and Datta, 2006; Evans, *et al.*, 2008). Control is defined as the “firm’s ability to increase returns by influencing decision making in the foreign economy” (Anderson and Gatignon, 1986:15). Resource commitment is defined as the “dedication of assets that cannot be employed for other uses without incurring costs” (Osland, *et al.*, 2001:154). Alternative modes of entry range between low commitment/low control and high commitment/high control on the control/commitment continuum as shown in Figure 1 below:

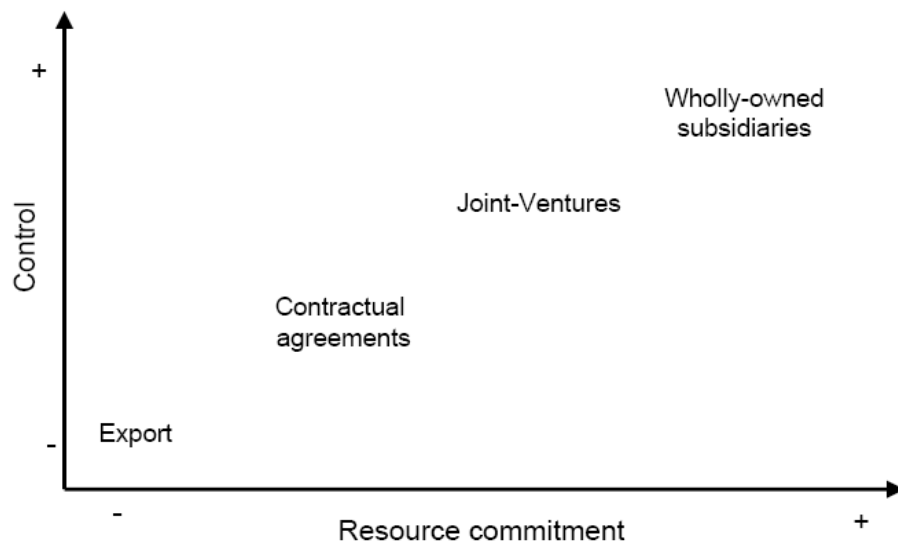


Figure 1: Levels of control and resource commitment for alternative entry modes

Source: (Evans *et al.*, 2008:35; Peinado and Barber, 2006; Osland *et al.*, 2001).

Based on the levels of control/commitment, exporting, licensing/franchising, strategic alliances/joint ventures, and wholly owned subsidiary, are accepted as the generic entry mode categories for entry mode selection decision (Peinado and Barber

2006; Koch, 2001; Johansson, 2009; Buckley and Casson, 1998; Osland *et al.*, 2001). Exporting is defined as ‘a universal business tactic that permits manufacturers and service companies in one nation to sell their products across borders to a foreign country’ (Nelson, 1999:5). Exporting can be in direct or indirect form, depending on whether a firm itself contacts the buyers abroad, or uses trading companies (i.e. export management firms) to get the product into a foreign market (Johansson, 2009). Licensing refers to a contractual agreement, in which the firm offers a foreign firm the right to use its know-how, patents, or trademarks (i.e. industrial property), for a period of time, in return for a royalty or other compensation on revenues (Johansson, 2009; Root, 1994). Franchising is a form of licensing, in which the firm provides technical expertise and advertising support to the reseller in the foreign country (Johansson, 1999). Strategic alliances are defined as collaborations between companies over a given economic space and time to exchange or share some value activities (Glaister and Buckley, 1996; Johansson, 1999). Joint ventures are a form of strategic alliances, which involve the creation of a new corporate unit jointly with a foreign partner and capital investments (Johansson, 2009:132). Wholly owned subsidiary is a traditional form of foreign direct investment, which can occur through a greenfield investment or acquisition of an existing plant in the foreign country (Johansson, 2009). With a wholly owned subsidiary, market presence can be quickly achieved. However when compared to other modes of entry, it is difficult to exit from the specific foreign country market in wholly owned modes (Dawson, 1994).

Agarwal and Ramaswami (1992) pointed out that entry mode selection is a very important decision due to the fact that initial choices of a particular mode are difficult to change without considerable loss of time and money. In addition, it is argued that entry mode has a direct impact on performance of international

operations (Evans *et al.*, 2008; Padmanabhan and Cho, 1996). Therefore, deciding the most appropriate mode for entering a new foreign country market can be assumed to be a critical decision in the internationalization process of firms.

In internationalization literature, it is accepted that psychic distance is particularly important for firms in determining the most appropriate mode of entry, as well as the foreign market selection (Evans *et al.*, 2000). The last decade of the 20th century witnessed a revitalizing interest in exploring the effect of psychic distance on firms' internationalization processes starting from foreign market selection to performance of operations in the host markets; and why some modes of entry seem to be more eligible, and are more cost efficient than others (Buckley and Casson, 1988; Evans *et al.*, 2000). This has triggered the revisit of Uppsala Internationalization Theory (Sharma and Eramilli, 2004; Coviello and Munro, 1977), which argues that internationalization activities are targeted to psychically close markets without resource commitment to that market at the initial stage, and as the experiential knowledge increases firms not only increase their resource commitments but also expand to more psychically distant markets (Johanson and Vahlne, 1975).

According to the Uppsala Internationalization Theory, exporting particularly is an efficient mode of initial entry due to lower resource commitment requirements when compared to other alternatives such as greenfield investments and joint ventures in entering foreign markets perceived as psychically distant. Firms pursue an incremental entry mode sequence from exporting to wholly owned production/manufacturing subsidiary as they get more experienced internationally (Johanson and Vahlne, 1977; Child *et al.*, 2002, Child *et al.*, 2009; Sousa and Lengler, 2009; Sharma and Eramilli, 2004; Malhotra *et al.*, 2003; Dow, 2000). For instance, Child *et al.* (2002) found that firms tend to start entering a foreign market

by exporting, after they acquire sufficient market knowledge they increase their resource commitments through establishing production facilities abroad.

Correspondingly, Evans *et al.* (2008) claim that there is a significant, negative relationship between psychic distance and entry mode strategy. The findings of the scholars' empirical studies on the relationship between psychic distance and internationalization behavior of firms support the previous literature. Evans *et al.* (2008) found that when a market is perceived as psychically distant from the home market, a firm is more likely to adopt an entry strategy that requires less financial commitment and lower levels of control. On the other hand, Padmanabhan and Cho (1996) found that there was a positive relationship between psychic distance and entry mode strategy in their study on Japanese multinational firms' internationalization behavior.

Another group of studies explored the indirect effect of international experience of firms/decision makers on the entry mode selection through reducing the psychic distance effect (Caves and Mehra, 1986; Herman and Datta, 2006; Child *et al.*, 2009; Osland *et al.*, 2001; Agarwal, 1994; Clark *et al.*, 1997). In parallel with Uppsala Internationalization Theory, it is argued that international experience provides decision makers with inimitable knowledge, worldview and international ties (Herman and Datta 2006), and generates competence, confidence on behalf of firms (Agarwal, 1994) which are important in overcoming the psychic distance effect in overseas operations. The international experience therefore enables decision makers to opt for higher modes of entry. In their respective studies on the relationship between international experience and selection of entry mode, Caves and Mehra (1986), Herman and Datta (2006) and Agarwal (1994), Clark *et al.* (1997) found a significant positive relationship between the firm's level of international

experience and high commitment/high control entry strategies (e.g. greenfield investments, sole ventures). Agarwal (1994) argued that as a firm gets more internationally experienced, the need for constructing a joint venture with a local partner to manage the differences in the host country reduces, therefore the likelihood of choosing a sole venture over a joint venture increases. Correspondingly based on their study of international expansion of twenty-five UK based firms, Clark *et al.* (1997) suggested that the firms may initially engage in high commitment/high control modes when entering a new market if they have a generalized knowledge from operating internationally.

To sum up, the literature in general implies that when a market is perceived as psychically distant from home country, an entry strategy that minimizes resource commitment and control will be preferred; and when a firm/decision maker's international experience increases, the perceived psychic distance for the foreign markets in general decreases and as a result the likelihood of selecting higher modes of entry increases.

Marketing Strategy and Internationalization

In international marketing, planning the marketing strategy is the subsequent step following market and entry mode selections (Koch, 2001). Marketing strategy involves the decision to standardize or adapt, or to what extent to standardize or adapt the aspects of conventional marketing plan including product, promotion, pricing and distribution in a foreign country market (Çavuşgil and Zou, 1994; Sousa and Bradley, 2005). Standardization occurs when a firm pursues the same marketing strategy in a foreign country market with the home market (Albaum, Tse, Hozier Jr., Baker, 2008; Douglas and Wind, 1987); and adaptation refers to the degree of

differences in the aspects of price, product, promotion and distribution strategies across countries (Sousa and Lengler, 2009). Standardization and adaptation are viewed as two extremes on a continuum, therefore as standardization increases, adaptation decreases and vice versa (Çavuşgil and Zou, 1994).

The standardization/adaptation of the international marketing strategy plays a crucial role in the performance of international operations (Çavuşgil and Zou, 1994; Evans *et al.*, 2008). However, the findings regarding the extent to which aspects of the marketing strategy should be standardized or adapted are not uniform (Sousa and Lengler, 2009). In his study on Globalization of Markets, Levitt (1983) argued that as a result of developments in communication, transportation and technology, accessibility to world products have bounced; leading to homogenized preferences. Therefore firms should enjoy economies of scale and increase quality through standardizing products, distribution, price, and promotion activities, in meeting the homogenized demand. In the same study, Levitt (1983) stated that there would always be a need for some amount of accommodation due to national distinctions. As a counterargument, Douglas and Wind (1987) claimed that standardizing the international marketing strategy would lead to failure and strategic blunders in international markets due to regional heterogeneity in market characteristics and response patterns of customers. Therefore, the authors claimed that standardization of marketing strategy would work for some companies and/or some product lines, nevertheless a careful analysis should be done on forces driving standardization and obstacles to standardization in order to achieve better results in international markets (Douglas and Wind, 1987). As a '*middle of the road*' approach, a stream of scholars proposed a flexible strategy on the standardization/adaptation continuum, rather than absolute standardization or adaptation strategy (Sousa and Lengler, 2009:594;

Shoham, 1998; Sousa and Bradley, 2005, 2008). This approach argues that in countries where tastes and preferences differ from the home market, a degree of adaptation is needed to succeed in international operations (Sousa and Lengler, 2009).

As in the initial decisions of the internationalization process (i.e. foreign market and entry mode decisions), the perceptions of foreignness of a foreign country market to home market may affect the degree of adaptation/standardization of marketing offer (Sousa and Lengler, 2009). Generally standardization appears more likely when the foreign market is perceived to be similar to home market, while adaptation is preferred when markets are viewed as dissimilar (Çavuşgil and Zou, 1994; Sousa and Bradley 2005:45; Sousa and Lengler, 2009). In their study on the effect of psychic distance and marketing strategy on export performance of Brazilian firms, Sousa and Lengler (2009) suggest that in countries where tastes and preferences differ from the home market, a degree of adaptation is needed.

The demographic characteristics and foreign experience of a firm's decision maker was found to influence the perception of psychic distance and the level of standardization of marketing strategy (Evans *et al.*, 2000). It is expected that manager's nationality and direct experience in the foreign country market would have some effect on the level of psychic distance they perceive towards a foreign country and the subsequent degree of standardization of marketing strategy (Evans *et al.*, 2000).

The studies on the relationships between standardization/adaptation of marketing strategy and organizational performance provide mixed results. Several studies found a positive relationship between standardization of the marketing strategy and the performance of international operations (Okazaki, Taylor, Zou,

2006; Zou and Çavuşgil 2002); others however, identified a positive relationship between adaptation of the marketing strategy and performance (Çavuşgil and Zou, 1994; Shoham, 1998).

Performance of International Operations

As a final step of decision sequence of internationalization process, a control system must be designed in order to monitor the performance of operations in the foreign country market (Koch, 2001). Richard, Devinney, Yip and Johnson (2009:722) defined performance as a “construct which encompasses three specific areas of firms’ outcomes: (a) financial performance (such as return on assets (ROA), return on investment (ROI)); (b) product market performance (such as sales, market share); and (c) shareholder return (such as total shareholder return, economic value added)”. Albaum *et al.*, (2008:110) conceptually defined performance as “a function of firm specific advantages in marketing and competitive advantages that emerge from corporate or company strategy”.

Performance of international operations are evaluated through financial measures such as ROI, profitability (Albaum *et al.*, 2008; Evans and Mavondo, 2002; Evans *et al.*, 2002; Shoham, 1998; Sousa and Bradley, 2008), and task related measures such as market share, sales, export growth, export intensity (Albaum *et al.*, 2008; Ali, 1995; Çavuşgil and Zou, 1994; Lee, 1998; Morosini, Shane, and Singh, 1998; Shoham, 1998; Sousa and Lengler, 2009; Cicic, Patterson and Shoham, 2001).

Studies on the relationship between psychic distance and organizational performance investigate both the direct effect (Madsen 1989; Ali, 1995; O’Grady and Lane, 1996; Lee, 1998; Stöttinger and Schlegelmilch, 2000; Vida *et al.*, 2000; Evans *et al.*, 2000, 2008; Evans and Mavondo, 2002; Sousa and Bradley, 2008) and

the indirect effect of psychic distance on performance (Evans *et al.*, 2000, 2008). A stream of findings on the direct relationship between psychic distance and performance suggest that psychic distance is negatively related to the performance of the international operations of the firm (Madsen, 1989; Lee, 1998; Vida *et al.*, 2000; Sousa and Bradley, 2008; Sousa and Lengler, 2009). This argument is based on the contention that similarities are easier to manage than dissimilarities, thus it is more likely to perform the best, and achieve greater success in a foreign country market that is similar to home market (Johanson and Wiedersheim-Paul, 1975; Bilkey and Tesar, 1977; Johanson and Vahlne, 1977; Vahlne and Wiedersheim-Paul, 1977; Çavuşgil, 1980; Reid, 1981; Nordström and Vahlne, 1994; Shoham, 1995; Lee, 1998; Li *et al.*, 2002; Child *et al.*, 2002; 2009). This argument is based on the assumption that similar countries to home market are easier to understand and learn (Nordström and Vahlne, 1994) and therefore companies can transfer their domestic operating practices to foreign country market with fewer difficulties (Evans *et al.*, 2000).

It is also suggested that operating in psychically close markets does not guarantee success of performance of international operations (Ali, 1995; O'Grady and Lane, 1996; Stöttinger and Schlegelmilch, 2000). In his research on the relationship between psychic distance and organizational performance, Ali (1995) concluded that psychic distance does not significantly affect the performance international joint ventures. Similarly, the result of Stöttinger and Schlegelmilch's (2000) study on export performance and psychic distance did not reveal a significant relationship. This result has strengthened their (1998) study on psychic distance and market selection, as Stöttinger and Schlegelmilch (2000) have proposed that psychic distance was '*a concept pasts its due date*' (Stöttinger and Schlegelmilch, 2000:169).

Correspondingly, O'Grady and Lane (1996) argued that entering psychically close markets does not guarantee success; moreover it might result in failure because managerial assumptions of similarity might engender negligence or underestimation of subtle differences. O'Grady and Lane (1996) have called this negative effect of psychic distance on organizational performance, '*psychic distance paradox*'.

Another group of findings suggest that there is a positive relationship between psychic distance and performance of international operations. Evans *et al.* (2000, 2008), and Evans and Mavondo (2002) explained this positive relation from several perspectives: Firstly, in psychically distant countries the perception of differences may facilitate firms to capitalize on their differences and avoid direct competition with local firms; while psychically close markets may not create a basis for differentiation thus firms may struggle with local competition. Secondly, managers are likely to perceive high levels of risk and uncertainty in psychically distant markets. This perception may stimulate a strong desire to learn about new markets which results in an extensive understanding of the foreign country market which consequently enhances the performance of international operations (Evans and Mavondo, 2002).

The literature review provides contradictory results about the direct relationship between psychic distance and performance of international operations. A negative relationship is mostly accepted by conceptual studies, which intuitively appeal the assumption that lower psychic distance enhances performance of international operations. On the other hand, empirical studies do not conclusively provide either a positive or negative direct relationship between psychic distance and performance of international operations (Dow, 2000).

There are also a few numbers of studies that investigate the indirect effect of psychic distance on performance of international operations, considering entry mode as a mediator. In their corresponding theoretical and empirical studies Evans *et al.* (2000, 2008) recognized that entry mode mediates the effect of psychic distance on performance of international operations. Evans *et al.* (2008) initially tested the effect of psychic distance on resource commitment and control decisions, thus the entry mode decision. They found a significant negative association between psychic distance and mode of entry (i.e. when the market is perceived as psychically distant from the home market, the firm is likely to adopt low commitment/low control modes of entry); and significant negative indirect association between psychic distance and performance of international operations. Thus, Evans and Mavondo (2008) suggested adopting high commitment/high control modes of entry for psychically distant markets in order to enhance the performance of international operations. In their conceptual study, Evans *et al.* (2000) suggest that solely psychic distance can not explain the variations in performance of international operations. By reviewing international business and marketing literature on international retailing, Evans *et al.* (2000) concluded that factors such as the entry mode, the extent of adaptation of aspects of marketing strategy, and organizational and managerial characteristics influenced the performance of international operations.

CHAPTER III

RESEARCH METHODOLOGY

Research Objective and Model

Starting with the pioneering studies of Uppsala School as of the 1970s, the construct psychic distance has been extensively studied by the international business and marketing scholars. It is widely accepted that decisions regarding the selection of foreign markets are affected by the perceived foreignness of the potential market's characteristics; and the level of perceived foreignness varies according to manager and firm characteristics.

Literature review reveals that along with market characteristics such as language, culture, business practices, economic environment, political and legal system; manager characteristics such as age, level of education, command of foreign languages, experience abroad; as well as firm characteristics such as age, size, and international experience contribute to the perception of similarity/difference between the home and host countries in the internationalization process.

The present study investigates the relative impact of market, firm and manager characteristics on the perception psychic distance. Additionally, the relationship between psychic distance and entry mode selection, international marketing strategy and performance of the international operations is studied.

The perceptions of decision makers regarding the level of foreignness of the specific foreign market are the basis of psychic distance (Hallen and Wiedersheim-Paul, 1984; Fletcher and Bohn, 1998; Swift *et al.*, 1999; Evans *et al.*, 2000; Sousa and Bradley, 2008; Smith *et al.*, 2011). Even though there seems to be consensus on the conceptualization of the psychic distance construct, most empirical studies ignore

its perceptual nature and operationalize psychic distance through measurements of differences between the home and host market characteristics and data on national and historic indicators (Johanson and Wiedersheim-Paul, 1975; Dow and Karanurathna, 2000; Brewer, 2007) along with expert opinion on differences in market characteristics (Dow, 2000). Another group of studies employ Kogut and Singh's (1988) or Morosini's (1998) cultural distance indexes as a proxy of psychic distance measurement (Lee 1998; Shoham 1998; Shoham and Albaum 1995; Benito and Gripsrud 1992; Cicic *et al.*, 1999; Eriksson *et al.*, 2000; Fletcher and Bohn 2008).

The studies on the effect of psychic distance on the internationalization behavior of firms started by the analysis of Swedish firms by mid 1970s (Johanson and Wiedersheim-Paul, 1975). In the following years, various studies were conducted mostly on high income (advanced) economies such as Australia (Lee, 1998; Dow, 2000), Austria (Holzmüller and Kasper, 1990), Canada (Klein and Roth, 1989; O'Grady and Lane, 1996), the US (Bilkey and Tesar, 1977; Stöttinger and Schlegelmilch, 1998, 2000; Evans and Mavondo, 2002), the UK (Swift *et al.*, 1998; Evans and Mavondo, 2002; Child *et al.*, 2009), Denmark (Pedersen and Petersen, 2004), Hong Kong SAR (Child *et al.*, 2002), Portugal (Sousa and Bradley, 2005, 2008); and a few low income economies such as Bangladesh (Ali, 1995) and Kenya (Medinets *et al.*, 2009). Research covering the effect of psychic distance on the internationalization process of firms in emerging markets however was ignored, except for one study on Brazil (Sousa and Lengler, 2009).

Later, along with market characteristics, manager and firm characteristics are questioned regarding their impact on psychic distance. The relationships between decision maker's age, command of foreign languages, level of education, foreign

country experience, and his / her perception of similarity of the potential foreign market, and thus the decisions regarding internationalization of the firm are studied (Swift *et al.*, 1998; Sousa and Bradley, 2008; Child *et al.*, 2002, 2009; Dichtl *et al.*, 1990; Nordström, 1991; Fletcher and Bohn, 1998). Similarly, it is argued that firm characteristics such as its size (Child *et al.*, 2002, 2009; Fletcher and Bohn, 1998; Sousa and Bradley, 2008; Evans *et al.*, 2000), age (Child *et al.*, 2002, 2009; Dow and Larimo, 2007, 2011), international experience in terms of years and geographic scope (Evans *et al.*, 2002, 2008; Dow and Larimo, 2007, 2011; Klein and Roth, 1989; Nordström, 1991), are studied for their effects on psychic distance perception.

In the internationalization literature, psychic distance is attributed a significant importance in firms' entry mode decisions, international marketing strategies and performances of their international operations. In the entry mode selection context, whilst in a group of studies it is found that firms select low control and commitment modes of entry for the markets which are perceived as psychically distant (Evans *et al.*, 2008; Child *et al.*, 2002), in another study, the opposite relationship is found (Padmanabhan and Cho, 1996). In terms of marketing strategy pursued in the foreign country markets, internationalization scholars argued that the perception of psychic distance affects the degree of standardization/adaptation of marketing offer. In general it is found that standardization appears more likely when a foreign market is perceived to be similar to home market (Sousa and Bradley, 2005; Sousa and Lengler, 2009; Çavuşgil and Zou, 1994). Lastly, in a group of studies, the performance of the international operations is also studied in psychic distance context. In a stream of studies, a negative relation is found between psychic distance and the performance of the international operations (Madsen, 1989; Lee, 1998; Vida *et al.*, 2000; Sousa and Bradley, 2008; Sousa and Lengler, 2009). On the

contrary, in another group of studies it is argued that firms perform better in foreign markets which are perceived to be psychically distant (Evans *et al.*, 2000, 2008; Evans and Mavondo 2002).

The current study aims to explore the effectiveness of perception of foreignness/similarity of a potential foreign market on market selection decision; to measure the level of psychic distance perceived for the most important foreign market as well as the degree of effectiveness of variables related to the host market, firm and manager characteristics on the perception of psychic distance for a potential market. Additionally, the relationship between psychic distance and firm and manager characteristics, entry mode, marketing strategy, and performance are explored. The conceptual framework developed for the study is presented below:

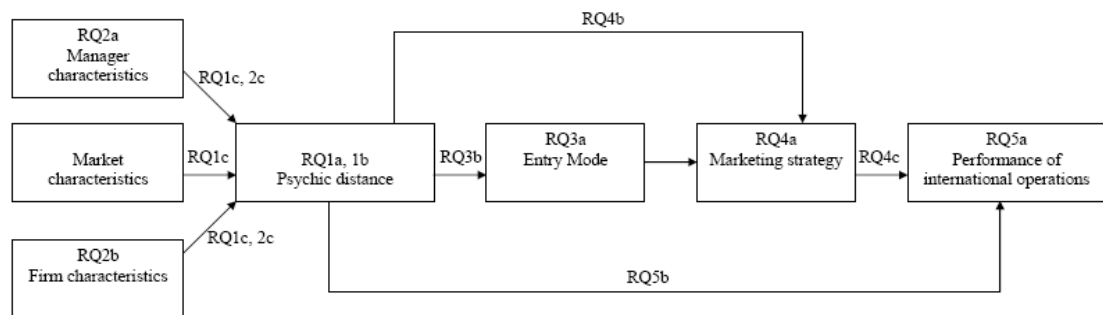


Figure 2: Conceptual Framework

The following parameters are studied:

- 1a) The effect of psychic distance on foreign market selection decisions of Turkish managers.
- 1b) The psychic distance perceived by Turkish decision makers for their most important foreign market.
2. The degree of effectiveness of market, firm and manager characteristics on the perception of psychic distance.

3. The manager and firm characteristics of large Turkish corporations with international operations.
4. The Turkish firms' initial and current entry strategies for their most important foreign market in terms of sales revenues for the most important product.
5. The degree of standardization of Turkish firms' current marketing strategy pursued in their most important foreign market.
6. The decision maker's assessments of his/her firm's current performance in the most important foreign market.

The research questions this study addresses are:

- RQ1 a) What is the level of effectiveness of the perception of psychic distance in foreign market selection decisions?
- b) What is the level of psychic distance perceived by Turkish managers for the most important foreign market in which they operate?
- c) What is the level of effectiveness of market, firm and manager characteristics on the perception of psychic distance in foreign market selection?
- RQ2 a) What are the characteristics of the managers, responsible for the international expansion strategy and operations in Turkish firms?
- b) What are the characteristics of large Turkish firms with international involvement?
- c) Is there a significant relationship between firm and manager characteristics and perceived psychic distance?
- RQ3 a) What are the modes of entry employed for the most important foreign market?
- b) Is there a significant relationship between psychic distance perceived and

the market entry mode selected?

- RQ4 a) What is the level of standardization/adaptation of the marketing strategy employed by Turkish firms in the most important foreign market?
- b) Is there a significant relationship between psychic distance perceived and the marketing strategy in the most important foreign market?
- c) Is there a significant relationship between the level of standardization/adaptation of marketing strategy and the performance in the most important foreign market?
- RQ5 a) What is the perceived level of performance of Turkish firms in the host market?
- b) Is there a significant relationship between perceived psychic distance and performance in the host market?

Unit of Analysis and the Sample

The scope of the study is limited to Turkey's largest 1,000 industrial enterprises, listed by Istanbul Chamber of Industry (ICI, 2012). Istanbul Chamber of Industry's "Turkey's Top 500 Industrial Enterprises" and "Turkey's Second 500 Industrial Enterprises" reports have been published for more than four decades. The listed enterprises are active in mining and quarrying, manufacturing and energy sectors; and are ranked according to the magnitude of their industrial activities based on net sales from production. The industrial distribution of the Top 500 and Second 500 Industrial Enterprises, as of 2011 are listed in Table 3 below:

Table 3. Industrial Distribution of Top 500 and Second 500 Industrial Enterprises

Industry	Top 500		Second 500	
	n	%	n	%
Mining and quarrying	17	3.4	8	1.6
Food, beverages and tobacco	102	20.4	114	22.8
Textile, apparel, leather and footwear	48	9.6	110	22.0
Forest products and furnishing	10	2.0	15	3.0
Paper, paper products and printing	15	3.0	21	4.2
Chemicals, petroleum, tires and rubber	75	15.0	65	13.0
Stone and clay-based products	36	7.2	37	7.4
Primary metal industry	75	15.0	40	8.0
Fabricated metal products, machinery and equipment	58	11.6	52	10.4
Transportation vehicles	46	9.2	27	5.4
Other manufacturing	5	1.0	6	1.2
Electricity	13	2.6	6	1.2
Total	500	100.0	500	100.0

(Source: ICI Turkey's Top 500 Industrial Enterprises, 2011 and ICI Turkey's Second 500 Industrial Enterprises, 2011; ICI 2012)

The firms disclosed by Istanbul Chamber of Industry (ICI) listing vary in terms of ownership (i.e. public, private, or mixed) and origin of partners (i.e. domestic, foreign, or mixed). Whilst 76.6 % of firms in two lists are founded by 100.0 % private capital, only 1.6 % of firms are 100.0 % publicly owned. In terms of capital structure, 6.3 % of the firms are founded by 100.0 % foreign capital, 89.2 % of firms are founded by domestic capital, and 4.5% of firms have foreign and domestic partnership structures.

ICI's Top Industrial Enterprises are chosen as the sample due to several reasons: The reports provide clear and reliable information about the firms. The financial data gathered from the firms are further checked with the annual balance sheet and income statement reports submitted to Ministry of Finance (ICI, 2012). Secondly, the firms listed in the reports vary in terms of industry, the average number of people employed, and net production based sales. The net production based sales vary from TL 27.409 million to TL 71 million. These differences create

the opportunity to study firms of different sizes from various industries with different capital structures.

The unit of analysis is public and private Turkish firms with international involvement which were established with 100% domestic capital. The total number of firms with 100% domestic public, private or mixed capital structure in the list is 793; some firms (fifty-seven) have not revealed their identities. Therefore, the target population size was decreased to 736 firms. A sample of 500 firms were selected by employing simple random sampling through the 'select cases' module of the SPSS Statistics 17.0, Release 17.01.1 Software (SPSS Inc., USA). Questionnaires were sent to personal e-mail addresses of the top managers of the 500 selected firms. 104 responses were received. The final effective response rate was 20.8% amounting for a sample of 104 Turkish firms with international operations. The response rate is within the acceptable range of 15% - 20% for top management surveys (Sousa and Lages, 2011).

Data Collection

Online survey method was used because of the constraints of time and financial resources, as well as logistics due to the broad geographic dispersion of the targeted sample (Eiselen, Uys and Potgieter, 2005). Online survey method lets the respondent to complete the questionnaire at his/her leisure; there is much less likelihood that someone other than the intended respondents will reply, given that the questionnaires reside in personal e-mail accounts (Iacobucci and Churchill 2010:193); and eliminates the possible interviewer bias in face-to-face or telephone interviews (Ali 1998).

A ready-to-use computer program (www.surveey.com) is employed to send the questionnaire as a World-Wide-Web link to respondents' personal electronic mail addresses. Primarily, the questionnaire is prepared as a hard copy document (Appendix A, p.117) and then transformed into a soft document, which can be filled up simply using a mouse or touchpad. Due to the condition that all questions should be answered, the survey was designed to alert the respondent in the case of any item nonresponse.

Data was collected on the respondents' assessments of the level of effectiveness of psychic distance in foreign market selection, the performance of the operations in the host market; on the entry mode selection and marketing strategy pursued in the host market as well as manager and firm characteristics.

Questionnaires were distributed nationwide to the personal email addresses of the top/senior level management including vice presidents, CEO's, directors, and general managers, who were authorized in determining the international expansion strategies of their firms. As John (1984) has argued,

selecting knowledgeable informants the choice of this respondent group was based on the belief that people in these positions are most knowledgeable on international operations and the dynamics of the overall foreign entry decision process" (Cross ref., Kim and Hwang, 1992:37).

The data on the names, positions, and personal email addresses of decision makers chosen as the respondents were obtained from the firms' websites or by directly asking firms by telephone calls.

Research Instrument

As suggested by Churchill (2001) the initial exploratory phase of the research aimed to discover ideas and tentative explanations of the construct. In the second phase, a questionnaire was designed in line with literature review and was pre-tested.

The conceptual and empirical literature was reviewed prior to conducting the survey-based study to investigate the variables related to psychic distance, market, manager and firm characteristics, firms' entry strategies, market performance and the questioned relationships between them. All the variables and their sub factors employed in the relevant literature were detected and grouped according to their intended uses and the way they were operationalized. A structured-undisguised questionnaire was prepared by pooling these variables. The motive behind the choice of structured-undisguised questionnaire was to standardize questions, to facilitate administering, tabulating and analyzing the results, and to ensure that all respondents are replying to the same question (Iacobucci and Churchill 2010).

The questionnaire consists of four parts and thirty-three questions. The first part of the questionnaire collects information on international experience of Turkish firms, in terms of number of years of international operations and geographic scope. The second part of the questionnaire measures Turkish executives' assessments of the effects of the market, firm and manager characteristics on the perception of psychic distance; as well as the level of effectiveness of psychic distance in foreign market selection and the perceived psychic distance for the most important foreign country market. The third part collected data on firms' entry strategy, international marketing strategy and performance, for the most important foreign country market. The last part collected demographic information related to firm and manager characteristics.

In order to assess the content, validity and understandability of the questionnaire, a pilot study was conducted before administering the questionnaire. The questionnaire was administered on two international business academicians and three Turkish executives responsible for international operations of their firms. Based on their suggestions the questionnaire was modified by clarifying four questions, and revising the explanations on the cover letter. The final questionnaire included thirty-three questions with explanatory instructions and a cover letter. The cover letter clarified the objective of the study, provided insurance for the confidentiality of the information provided an offer for an executive summary of results. The final questionnaire used is provided in Appendix A (p. 117).

The operational definitions of the variables regarding management, firm and market characteristics, foreign market entry mode, marketing strategy and performance were derived from relevant empirical international business and marketing studies. The objectives of these studies were analyzed in order to ensure the suitability of adopting the operational definition of the variable for the current study. The variables used, and the scales employed in measuring them are listed in Table 4 below:

Table 4. Variable List and Measures

Construct	Items	Scale	Source
1. Psychic Distance			
a. The level of effectiveness of psychic distance in foreign market selection	1	Likert scale ¹	Nordström, 1991; Ellis, 2008
b. Perceived psychic distance for the most important market	9	Likert scale ²	Ali, 1995; Sousa & Bradley, 2005, 2006; Sousa & Lengler, 2009; Child <i>et al.</i> , 2009
2. Market Characteristics			
The level of effectiveness of market characteristics on the perception of psychic distance	10	Likert scale ^{3a}	Child <i>et al.</i> , 2009

Table 4: continued

a.	The level of effectiveness of manager characteristics on the perception of psychic distance	6	Likert scale ^{3b}	Fletcher & Bohn, 1998
b.	Demographics ⁴	5	Interval and Nominal	Albaum <i>et al.</i> , 2008; Ali, 1995; Child <i>et al.</i> , 2002; Dichtl <i>et al.</i> , 1990; Fletcher & Bohn, 1998; Holzmüller & Kasper, 1990; Nordström, 1991
c.	Professional experience	2	Interval	Ali, 1995; Child <i>et al.</i> , 2002; Nordström, 1991
d.	Foreign country experience	2	Interval and Likert scale ⁵	Child <i>et al.</i> 2002; Fletcher & Bohn, 1998; Holzmüller & Kasper, 1990; Nordström, 1991; Sousa & Bradley, 2005, 2008; Dichtl <i>et al.</i> , 1990
3. Firm Characteristics				
a.	The level of effectiveness of firm characteristics on the perception of psychic distance	5	Likert scale ^{3b}	
b.	Demographics ⁶	3	Interval and Nominal	Albaum <i>et al.</i> , 2008; Child <i>et al.</i> , 2009; Dow & Larimo, 2007, 2011; Ali 1995; Agarwal & Ramaswami 1991; Çavuşgil & Zou 1994; Child <i>et al.</i> , 2002, 2009; Evans <i>et al.</i> , 2000; Fletcher & Bohn 1998; Moini, Kalouda, Tesar, 2008; Padmanabhan & Cho, 1996; Sousa & Bradley 2008; Swift <i>et al.</i> , 1999; Woodcock <i>et al.</i> , 1994
c.	International experience	2	Interval	Ali 1991; Çavuşgil & Zou 1994; Child <i>et al.</i> , 2002, 2009; Delios & Beamish 1999; Dow & Larimo 2007, 2011; Evans <i>et al.</i> , 2008; Klein & Roth 1989; Nordström 1991; Padmanabhan & Cho 1996; Pedersen & Petersen, 2004; Sousa & Bradley 2008; Swift <i>et al.</i> , 1999; Agarwal & Ramaswami, 1991
4.	Foreign Market Entry Mode	1	Interval	Evans <i>et al.</i> , 2008; Agarwal & Ramaswami, 1991
5.	Marketing Strategy	1	Likert scale ⁷	Albaum <i>et al.</i> , 2008; Sousa & Bradley, 2005; Sousa &

Table 4: continued

			Lengler, 2009; Sousa & Lages, 2011
6.	Performance	2	Likert scale ^{8,9}
			Albaum <i>et al.</i> , 2008; Ali, 1995; O'Grady and Lane, 1996; Shoham, 1998; Sousa and Bradley, 2008; Sousa and Lengler, 2009
¹ 1 = 'not effective at all'; 5 = 'very effective'			
² 1 = 'very similar'; 5 = 'very different'			
^{3a, b, c} 1 = 'totally ineffective'; 5 = 'very effective'			
⁴ Demographics: age, gender, nationality, level of education, command of foreign languages			
⁵ 'none', 'substantial'			
⁶ Demographics: age, size, ownership structure			
⁷ 1 = 'very different'; 5 = 'very similar'			
⁸ 1 = 'very poor'; 5 = 'very good'			
⁹ 1 = 'very dissatisfied'; 5 = 'very satisfied'			

Psychic Distance

In addressing the Research Questions 1a and 1b, the effect of psychic distance on foreign country market selection, as well as the level of psychic distance perceived for the most important foreign markets were measured by two questions (Questions 3, and 7; Appendix B, p.122).

Psychic Distance and Foreign Country Market Selection

The Uppsala Internationalization Model argues that firms tend to internationalize by entering foreign country markets which were assumed to be familiar to home market (Johanson and Vahlne, 1993; Vida *et al.*, 2000). In the subsequent studies, a group of scholars found that psychic distance was a significant predictor of foreign market selection decisions (Bilkey and Tesar, 1977; Gripsrud, 1990 Dow, 2000). Another group, on the other hand found that the psychic distance perception either vaguely

affects the foreign market selection or did not have any direct effect on these decisions (Nordström, 1991; Ellis, 2008).

The Research Question 1a addressed Turkish managers' assessments regarding the level of effectiveness of the degree of foreignness/similarity of a potential foreign country on their market selection decisions (Question 3; Appendix B, p.122). The respondents were provided a five point scale, ranging from 1, 'not effective at all' to 5, 'very effective', and were asked to mark their assessments for foreign country market selection decisions without considering any specific foreign market.

The Level of Perceived Psychic Distance for the Most Important Foreign Market

The study aims to analyze the relationship between the firm and manager characteristics and psychic distance as well as relationship between psychic distance and internationalization behaviors of Turkish firms. In order to test these relationships, the perceived psychic distance between Turkey and the firm's most important foreign market should be measured initially. Therefore, with the seventh question in the questionnaire, Research Question 2b was inquired with a five point scale, ranging from 1, 'very similar' to 5, 'very different'.

In the internationalization process, psychic distance has been identified as an explanatory factor in decisions regarding market and entry mode selections (Johanson and Wiedersheim-Paul, 1975). The construct is accepted to be a key factor of internationalization process of firms (Bilkley and Tesar, 1977; Nordström, 1991; Evans *et al.*, 2000; Evans and Mavondo, 2002; Sousa and Bradley, 2005, 2006). In their study, Dow and Karunaratna (2006:578) stated that psychic distance is one of the most commonly cited constructs in international business research, however it is

vaguely measured. Similarly Child *et al.*, (2009:201) argued that although psychic distance construct has a long and patchy history, the various operationalizations of the construct such as not exploring decision maker's perceptions or summarizing the construct unduly create problems in operationalizing the construct. As suggested by previous studies, the differences in market factors such as language, culture, business practices, legal and political environment, and economic environment between home and foreign country shape the construct. However, it is the decision maker's perceptions of these differences between home and foreign country that defines the psychic distance. Thus, in operationalizing the psychic distance construct, the perceptions of the decision makers regarding these variables should be taken into account rather than using factual or secondary data (Sousa and Bradley, 2006).

In the literature three approaches are observed in the operationalization of psychic distance construct. The first approach employs the publicly available factual, historic, and/or secondary data regarding the items that comprise psychic distance construct (language, culture, economic environment, legal and political system, and so forth) in measuring the psychic distance between home and foreign country (Johanson and Wiedersheim-Paul, 1975; Brewer, 2005; Dow and Karunaratna, 2006; Medinets *et al.*, 2009). For instance, in his study Brewer (2005) constructed an index to measure the psychic distance between Australia and twenty-five foreign countries. Brewer (2005) used empirical studies and his personal experience in deciding on the index elements. In this context, fifteen measures were grouped under seven primary indicators (i.e. commercial ties, political ties, geographic ties, historic ties, social ties, information ties, development). Publicly available data provided by World Bank, the United Nations, university libraries, media were employed. The collected data of the measures were then normalized and summed. The summation of the measures for

specific foreign country was accepted as the psychic distance for that country and, a country with higher levels of total sum was assumed to be more similar to Australia. Likewise, Medinets *et al.* (2009) based on their own knowledge and personal evaluations, used seven parameters (language, education, economic and industrial development, political system, religion, geographical location and time zones, and colonial ties) in measuring the psychic distance between Kenya and her export destinations. These approaches ignored the perceptual nature of the construct.

The second approach in measuring psychic distance is based on the perceptions of decision makers. Decision makers are directly asked their evaluations of the degree of foreignness of a specific foreign country market relative to the home market. In this approach researchers either aggregate or unbundle the variables related to the host market. As argued by Child *et al.* (2009) in studies in which the variables are aggregated, the psychic distance construct is summarized unduly. Examples are Nordström (1991), Shoham *et al.* (1995), Stöttinger and Schlegelmilch (1998), Dow (2000), and Ellis (2008) studies which ask respondents to rank the given list of foreign countries on the basis of their relative foreignness to home country, using one item in measuring psychic distance. However it is argued that in order to assess the explanatory power of the psychic distance construct, the items that comprise the construct need to be revealed and measured separately and fully (Evans and Mavondo, 2002; Sousa and Lengler, 2011). Moreover, a single item would not capture the decision maker's assessment of each of the market characteristics (Evans and Mavondo, 2002; Child *et al.*, 2009). In another group of studies, variables contributing to the perception of psychic distance were unbundled and respondents were asked to assess the specific foreign country market's level of similarity to the home market through evaluating each variable separately in measuring psychic

distance (Ali, 1995; Sousa and Bradley, 2005, 2006; Sousa and Lengler, 2009, 2011, Child *et al.*, 2009; Swift *et al.*, 1999).

The third approach to measure psychic distance employs Hofstede's (1980a) indices through Kogut and Singh's (1988) or Morosini's (1998) formulas for cultural distance as a proxy of psychic distance (Lee, 1998; Shoham, 1998; Shoham and Albaum, 1995; Benito and Gripsrud, 1992; Cicic *et al.*, 1999; Eriksson *et al.*, 2000; Fletcher and Bohn 1998). However, cultural distance partially represents psychic distance. Along with culture, other market characteristics such as language, economic environment, business practices, technological development, and legal and political system are also effective in the perception of psychic distance (Dow, 2000). Moreover, in various studies it is argued that the value of cultural distance between two countries is fixed, while psychic distance varies due to individuals' different perceptions. The argument is based on the idea that the different perceptions of individuals distort the "illusion of symmetry" and "illusion of stability" of cultural distance (Shenkar 2001; Sousa and Bradley, 2005, 2006, 2008; O'Grady and Lane, 1996; Stöttinger and Schlegelmilch, 1998; Smith *et al.*, 2010; Ellis, 2008). This argument is further affirmed by other studies which operationalize psychic distance by quantifying the respondents' perceptions about a foreign country using various factors including culture (Bilkey and Tesar, 1977; Ali, 1995; O'Grady and Lane, 1996; Dow, 2000; Stöttinger and Schlegelmilch, 2000; Evans and Mavondo, 2002; Child *et al.*, 2002, 2009; Sousa and Bradley, 2005, 2006; Ellis, 2008; Sousa and Lengler, 2009). Therefore distinct from cultural distance, the psychic distance between two countries may vary from person to person, even though they may come from the same cultural background (Sousa and Bradley, 2008). The generally accepted measurements of cultural distance are the formulas based on the national

culture dimensions of Hofstede (1980a), which reveal identical results from country A to country B and vice versa (Kogut and Singh, 1988; Morosini *et al.*, 1998). In addition, Dow (2000) has disputed employing indices created by using Hofstede's (1980a) dimensions as a surrogate indicator of psychic distance, due to their limitations in measuring differences in language, education, political and legal systems or level of industrial development. Therefore, employing cultural distance index as a proxy of psychic distance measurement ignores not only the perceptual nature of the construct, but also neglects the factors such as language, business differences, economic environment, legal and political system.

Variables and measures used for the perception of psychic distance are provided in Table 5 below:

Table 5. Operationalization of Psychic Distance: Market Characteristic Measures Employed in the Literature

Variable	Author(s)	Scale
language	Johanson and Wiedersheim-Paul, 1975	secondary data
	Klein and Roth, 1989	7 point scale 'very similar' to 'very different'
	Ali, 1995	5 point scale 'very difficult' to 'very easy'
	Lee, 1998	7 point scale 'extremely similar' to 'extremely dissimilar'
	Evans and Mavondo, 2002	7 point scale 'totally the same' to 'totally different'
	Sousa and Bradley, 2005, 2006	5 point scale 'very similar' to 'very different'
	Brewer, 2005	secondary data
	Dow and Karunaratna, 2006	secondary data
	Dow and Larimo, 2007	secondary data
	Sousa and Lengler, 2009	5 point scale 'very similar' to 'very different'
	Child <i>et al.</i> , 2009	5 point scale 'no real difference' to 'very great difference'
	Medinets <i>et al.</i> , 2009	qualitative study
	Sousa and Lages, 2011	5 point scale 'very similar' to 'very different'
culture	Johanson and Wiedersheim-Paul, 1975	secondary data

Table 5: continued

	Ali, 1995	5 point scale for common attitudes 'do not share at all' to 'share absolutely'
	Fletcher and Bohn, 1998	Kogut and Singh's (1998) cultural distance formula
	Swift <i>et al.</i> , 1999	5 point scale for cultural affinity 'like very much' = +2 points, 'dislike very much' = - 2 points 5 point scale for cultural similarity 'totally different' = 0 points, 'no difference' = 4 points
	Child <i>et al.</i> , 2002	qualitative study
	Evans and Mavondo, 2002	7 point scale 'exactly the same' to 'totally different'
	Sousa and Bradley, 2005, 2006	5 point scale 'very similar' to 'very different'
	Dow and Karunaratna, 2006	Kogut and Singh's (1988) cultural distance formula
	Evans <i>et al.</i> , 2008	7 point scale 'exactly the same' to 'totally different'
	Child <i>et al.</i> , 2009	5 point scale 'no real difference' to 'very great difference'
	Sousa and Lengler, 2009	5 point scale 'very similar' to 'very different'
business practices	Johanson and Vahlne, 1977	secondary data
	Klein and Roth, 1989	7 point scale 'very similar' to 'very different'
	Ali, 1995	5 point scale 'very different' to 'very similar'
	Lee, 1998	7 point scale 'extremely similar' to extremely dissimilar'
	Evans and Mavondo, 2002	7 point scale 'totally the same' to 'totally different'
	Evans <i>et al.</i> , 2008	7 point scale 'totally the same' to 'totally different'
	Child <i>et al.</i> , 2009	5 point scale 'no real difference' to 'very great difference'
level of education	Johanson and Wiedersheim-Paul, 1975	secondary data
	Child <i>et al.</i> , 2002	qualitative study
	Sousa and Bradley, 2005, 2006	5 point scale 'very similar' to 'very different'
	Dow and Karunaratna, 2006	secondary data
	Child <i>et al.</i> , 2009	5 point scale 'no real difference' to 'very great difference'
	Medinets <i>et al.</i> , 2009	qualitative study
	Dow and Karunaratna, 2006	secondary data
	Sousa and Lengler, 2009	5 point scale 'very similar' to 'very different'

Table 5: continued

legal and political system	Klein and Roth, 1989	7 point scale 'very similar' to 'very different'
	Lee, 1998	7 point scale 'extremely similar' to 'extremely different'
	Child <i>et al.</i> , 2009	5 point scale 'no real difference' to 'very great difference'
	Medinets <i>et al.</i> , 2009	qualitative study
economic environment	Klein and Roth, 1989	7 point scale 'very similar' to 'very different'
	Sousa and Bradley, 2005, 2006	5 point scale 'very similar' to 'very different'
	Child <i>et al.</i> , 2009	5 point scale 'no real difference' to 'very great difference'
	Sousa and Lengler, 2009	5 point scale 'very similar' to 'very different'
climatic conditions and geographic distance	Child <i>et al.</i> , 2002	qualitative study
	Brewer, 2005	direct distance in kms.
	Sousa and Bradley, 2005, 2006	5 point scale 'very similar' to 'very different'
	Dow and Karunaratna, 2006	direct distance in kms.
	Child <i>et al.</i> , 2009	5 point scale 'no real difference' to 'very great difference'
	Medinets <i>et al.</i> , 2009	direct distance in kms.
Communications infrastructure	Klein and Roth, 1989	7 point scale 'very similar' to 'very different'
marketing infrastructure	Lee, 1998	7 point scale 'extremely similar' to 'extremely dissimilar'
technological development	Child <i>et al.</i> , 2002	qualitative study
	Brewer, 2005	secondary data
	Child <i>et al.</i> , 2009	5 point scale 'no real difference' to 'very great difference'
purchasing power of consumers	Sousa and Bradley, 2005, 2006	5 point scale, 'very similar' to 'very different'
	Sousa and Lengler, 2009	5 point scale, 'very similar' to 'very different'
consumer preferences	Sousa and Bradley, 2005, 2006	5 point scale, 'very similar' to 'very different'
	Sousa and Lengler, 2009	5 point scale, 'very similar' to 'very different'
lifestyles	Sousa and Bradley, 2005, 2006	5 point scale, 'very similar' to 'very different'
	Sousa and Lengler, 2009	5 point scale, 'very similar' to 'very different'
colonial ties	Brewer, 2005	secondary data
	Dow and Karuaratna, 2006	secondary data
	Medinets <i>et al.</i> , 2009	secondary data
religion	Dow and Karunaratna, 2006	secondary data
	Medinets <i>et al.</i> , 2009	secondary data

Regarding the choice of host market for which the psychic distance is to be measured, respondents are asked to evaluate the countries in which their firms are already operating, or their most important foreign market in terms of sales revenues (Ali, 1995; Evans and Mavondo, 2002; Evans *et al.*, 2002; Child *et al.*, 2002, 2009; Sousa and Bradley, 2005, 2006; Sousa and Lengler, 2011). Alternatively, respondents are given a list of countries based on home country's level of international involvement, gathered from secondary sources (Nordström, 1991; Dow, 2000; Ellis, 2008). Respondents are asked to rank these countries according to their relative similarity to home country, even though their firms were not operating in some of them.

In this study for addressing Research Question 1b, the perceptual and unbundling approach is employed. In order to test the relationships between psychic distance and internationalization processes of firms, respondents are asked to assess the level of the similarity/foreignness of their most important foreign market to Turkey. The most commonly cited nine items (language, culture, business practices, economic environment, legal and political system, level of education, level of literacy, technological development and geographic distance) were adopted from the above listed studies in operationalizing the psychic distance for a foreign country market. The top executives who have the authority and responsibility for the international operations of their firms were chosen as respondents. The respondents are provided these items separately, and were asked to evaluate the level of foreignness/similarity for their most important foreign market to Turkey on five point Likert scales, ranging from 1, 'very similar' to 5, 'very different', as it is listed in Table 6 below:

Table 6: Market Characteristics: Variables Employed

Construct	Items	Scale	Source
Psychic distance: perceived foreignness/similarity relative to home market	Language Culture Business practices Economic environment Legal and political system Level of education Level of literacy Technological development Geographic distance	5 point Likert scale; 'totally ineffective' 'very effective', for each item separately; and 'very similar' 'very different', for each item separately	Ali, 1995; Sousa and Bradley, 2005, 2006; Sousa and Lengler, 2009, 2011, Child <i>et al.</i> , 2009

The Level of Effectiveness of Market, Firm and Manager characteristics in Psychic Distance Perception

In the empirical studies on psychic distance measurement, all the market characteristics which impact the perception of foreignness/similarity of a foreign country market to home country are considered as having equal weight and their relative effectiveness is neglected. In this regard, in their study on psychic distance perceived by British managers towards Brazil, Child *et al.* (2009:203) questioned whether the decision makers distinguish between different constituent dimensions of the psychic distance construct. The authors argued that, if they did, then the question arises as to the significance that executives attach to different psychic distance variables in terms of their potential impact on conducting business abroad. Child *et al.* (2009) questioned this impact on market characteristics (culture, language, level of education, level of technical development, level of economic development, logistics infrastructure, political system, legal system, regulations, business practices, business ethics and geographical distance) through a five point scale (1, 'does not impact my business at all' to 5, 'impacts on my business very much'). The results

proved that the levels of impact of these variables are far from uniform. This study aims to explore the Turkish managers' assessments regarding the degree of effectiveness of market characteristics on the perception of psychic distance for a potential foreign country market. The ten of the market characteristic variables listed in Table 6 on page 57 (language, culture, business practices, economic environment, legal and political system, level of education, level of literacy, level of technological development, geographical distance and religion) were used in Question 4a of the questionnaire (Appendix B, p.122). Respondents were asked to rate the degree of effectiveness for ten market characteristic variables separately on a five point Likert scale ranging from 1, 'totally ineffective' to 5, 'very effective'.

In studies conducted on the internationalization behavior of firms, a group of studies argue that in addition to market characteristics manager and firm characteristics also have impact on the perception of psychic distance, and therefore on the internationalization behavior of firms (Fletcher and Bohn, 1998; Smith *et al.*, 2011; Dow and Larimo, 2007, 2011; Child *et al.*, 2002; Child *et al.*, 2009; Sousa and Lages, 2011). Although quite a number of studies argue that the perception of psychic distance is closely tied to manager characteristics, a few number of empirical studies test this relationship. It is argued that the factors such as manager's age, gender, nationality, educational background, his/her ability to speak foreign languages, and his/her extent of overseas travels affect his/her perception of similarity/foreignness of a foreign country to home market and impact the choice of foreign markets and the level of involvement in these markets (Reid 1981; Smith *et al.*, 2011; Dichtl *et al.*, 1990; Holzmuller and Kasper, 1990). Firm characteristics similarly received attention in studies on the internationalization behaviors of firms. It was argued that firm characteristics such as firm's age and size, and its

international expansion behavior would affect the perception of psychic distance of a foreign country market. In this context in addition to market characteristics, respondents were asked to evaluate the degree of effectiveness of firm and manager characteristics adopted from the relevant literature on the perception of psychic distance with questions 4b and 4c of the questionnaire. The respondents were asked to evaluate each of the selected item's (Table 7, p. 61 and Table 8, p.62, respectively) level of effectiveness in their perception of a foreign country's similarity/foreignness to the home country on a five point Likert scale ranging from 1, 'totally ineffective' to 5, 'very effective'.

The objective of Research Question 1c of the study is to assess the degree of effectiveness of the variables of market, firm and manager characteristics that contribute to the perception of psychic distance, to enrich the explanation and understanding of the construct (Churchill, 2001), and to provide a valid representation of the variables (Webb, 1992) for further studies.

Manager and Firm Characteristics in Psychic Distance Perception

As it is revealed in most definitions of psychic distance, the perceived differences between home and foreign country by a manager who is authorized in international expansion decisions of a firm is one of the determinants of the construct (Hallen and Wiedersheim Paul, 1984; Fletcher and Bohn, 1998; Lee, 1998; Swift, 1999; Evans *et al.*, 2000; Sousa and Bradley, 2008; Sousa and Lages, 2011; Smith *et al.*, 2011), and this perception is influenced by the decision maker's characteristics. Although it was widely accepted that manager characteristics are influential on the internationalization behavior of firms through intervening the psychic distance perceived, only small number of studies were conducted on testing this relationship

(Fletcher and Bohn, 1998; Holzmuller and Casper, 1990). In this context the characteristics of the decision maker such as age, nationality, command of foreign languages, level of education, the position and number of years in the firm, foreign country working and living experience and gender were derived from respective studies and inquired to test the relationship. The list of variables employed in the literature is presented in Table 7 below:

Table 7. Manager Characteristics: Variables Employed in the Literature

Variable	Authors
Age	Dichtl <i>et al.</i> , 1990; Ali, 1991; Nordström, 1991; Child <i>et al.</i> , 2002; Fletcher & Bohn, 1998; Sousa & Lages, 2011
Nationality	Ali, 1991; Nordström, 1991; Child <i>et al.</i> , 2002; Fletcher & Bohn, 1998
Command of foreign languages	Dichtl <i>et al.</i> , 1990; Ali, 1991; Nordström, 1991; Swift <i>et al.</i> , 1998; Child <i>et al.</i> , 2002; Smith <i>et al.</i> , 2011; Holzmuller & Kasper, 1990
Level of education	Dichtl <i>et al.</i> , 1990; Nordström, 1991; Child <i>et al.</i> , 2002; Smith <i>et al.</i> , 2011; Fletcher & Bohn, 1998
Total number of years of business experience	Ali, 1991; Nordström, 1991; Child <i>et al.</i> , 2002
Foreign country working and living experience	Nordström, 1991; Swift <i>et al.</i> , 1998; Child <i>et al.</i> , 2002; Smith <i>et al.</i> , 2011; Fletcher & Bohn, 1998; Dichtl <i>et al.</i> , 1990; Holzmuller & Kasper, 1990; Sousa & Bradley, 2008
Gender	Albaum <i>et al.</i> , 2008

All of the variables observed in the relevant literature were used in addressing the Research Questions 2a and 2c below with questions 21, 22, 25, 27, 28, 30, 31, 32 and 33 of the questionnaire (Appendix B, p.122).

- 2a) What are the characteristics of Turkish managers responsible for the international expansion strategy of their firms?
- 2c) Is there a significant relationship between firm and manager

characteristics and perceived psychic distance?

As well as the manager characteristics, it was argued that the perception of psychic distance was affected by firm characteristics such as firm's age, size, and its international expansion behavior in the relevant studies. Previous studies found a significant relationship between firm's age and size, and the perception of psychic distance (Dow, 2000; Evans *et al.*, 2000). The firms' age is operationally defined as the number of years since the establishment of the parent firm. In order to assess firm size, financial measures such as total asset size, annual sales turnover were used along with number of people employed in the cited studies. Firm characteristic variables studied in the literature are listed in Table 8 below:

Table 8. Firm Characteristics: Variables Employed in the Literature

Variable	Authors
Age	Child <i>et al.</i> , 2002, 2009; Albaum <i>et al.</i> , 2008; Dow & Larimo 2007, 2011
Total asset size	Kogut & Singh, 1988; Ali, 1991
Annual sales turnover	Child <i>et al.</i> , 2002, 2009; Fletcher & Bohn, 1998; Sousa & Bradley, 2008; Swift <i>et al.</i> , 1998; Evans <i>et al.</i> , 2000; Woodcock <i>et al.</i> , 1994; Agarwal & Ramaswami, 1991; Padmanabhan & Cho, 1996; Moini <i>et al.</i> , 2008; Klein <i>et al.</i> , 1990; Raven, McCullogh, Tansuhaj, 1994; Dow & Larimo, 2011
Number of people employed	Child <i>et al.</i> , 2002, 2009; Çavuşgil & Zou, 1994; Albaum <i>et al.</i> , 2008; Woodcock <i>et al.</i> , 1994; Moini <i>et al.</i> , 2008; Sousa & Lages, 2011

For measuring firm size, annual sales turnover and the number of people employed were used as they were the most cited variables in the relevant literature. Data regarding firm's age, number of employees and annual sales turnover were collected with questions 15, 17 and 19 respectively (Appendix B, p.122), in addressing Research Questions 2b and 2c below:

- 2b) What are the characteristics of large Turkish firms with international involvement?
- 2c) Is there a significant relationship between firm and manager characteristics and perceived psychic distance?

The studies of Nordic School argued that internationalization of the firm was an incremental process guided by sequential experience. The reason behind incremental decision making lies on the idea that international expansion requires financial resources, and knowledge about a foreign country. As firms develop in the home market and accumulate resources, they enter into geographically and psychically close countries with low commitment and control modes so that they learn about foreign countries and international operations with minimum risk (Johanson and Wiedersheim Paul, 1975:306). International experience is operationally defined as the number of years that the firm had been involved in international operations, the number of countries in which the firm currently operates, and the number of years of experience in a specific foreign country. The list of variables used for measuring the international operations is presented in below Table 9:

Table 9. International Operations Variables Employed in the Literature

Variable	Authors
Number of years of international operations	Klein & Roth, 1990; Child <i>et al.</i> , 2002, 2009; Woodcock <i>et al.</i> , 2011; Dow & Larimo, 2007, 2011; Evans <i>et al.</i> 2008; Çavuşgil & Zou, 1994; Padmanabhan & Cho, 1996; Agarwal & Ramaswami, 1999; Ali, 1991; Sousa & Lages, 2011
Number of countries in which the firm currently operates / country diversification	Ali, 1991; Child <i>et al.</i> , 2002; Evans <i>et al.</i> , 2008; Swift <i>et al.</i> , 1998; Nordström, 1991; Sousa & Bradley 2008; Sousa & Lages, 2011; Dow & Larimo 2011)
Number of years of experience in a specific foreign country	Delios & Beamish, 1999; Dow & Larimo, 2007

All of the variables listed in Table 9 are employed in this study to assess the international operations of Turkish firms. Data on international experience in terms of number of years of international operations, the number of foreign countries in which the firm is currently operating, and the number of years of operations in the most important foreign market are asked in the first, second and sixth questions of the questionnaire (Appendix B, p.122) in order to measure firms' international operations. In addition to demographics and international operations, the ownership structure of the firm, in terms of private, public or mixed structure was also measured through question 20 (Appendix B, p.122).

Entry Mode Strategy for the most Important Foreign Market

The Turkish firms' initial and current entry mode strategies for their most important foreign market are questioned in order to analyze the relationship between the perceived psychic distance and the level of control and commitment/entry mode decisions. Question 8 collected data regarding the current and initial entry modes of Turkish firms in entering their most important foreign markets in order to answer the following research questions:

- RQ3 a) What are the modes of entry employed for the most important foreign market?
- b) Is there a significant relationship between psychic distance perceived and the market entry mode selected?

Agarwal and Ramaswami (1991) provided the operational definition of entry strategy as the choice of entry mode, ranging on a continuum of the level of resource commitment and control. The authors asked their respondents to indicate their entry mode choices among five alternatives including no involvement, exporting,

licensing, joint venture, and sole venture. Similarly, Evans *et al.* (2008) asked respondents to indicate their mode of entry for the markets in which they operate. The received responses of concession, non-equity strategic alliance, franchise, equity joint venture, acquisition and greenfield, were placed on a six point scale, ranging from 'low cost and control (i.e. concession)' to 'high cost and control (i.e. greenfield)' by the authors. Evans *et al.*, (2008) did not want their respondents to mark their mode of entry on a cost-control continuum; due to the reason that they could not ensure that all respondents would base their answer on the same criteria. Therefore the authors measured entry strategy by asking respondents to indicate the entry strategy used in their markets. Dow and Larimo (2007) on the other hand used only wholly owned subsidiaries and joint ventures and coded the modes as 1 and 0 respectively. Similarly, Padmanabhan and Cho (1996) employed only acquisitions and new ventures, and coded the modes 1 and 0 respectively. In their study on multinationals' entry mode choice, Kim and Hwang (1992) asked respondents to indicate which of three distinct entry modes (i.e. licensing, joint venturing and wholly owned subsidiaries) represents the firm's chosen mode of operation. The authors provided an 'other' choice; in case the provided modes of entries do not correctly reflect the form of entry mode of the questioned firm.

In the current study, entry mode measurement is based on Agarwal and Ramaswami's (1991) and Kim and Hwang (1992) studies. Respondents were provided with exporting, licensing, joint venturing, foreign direct investment and other options (Questions 8a and 8b, Appendix B, p.122) and were asked to indicate their initial and current entry modes into their most important foreign market. The modes were then coded from 'one' for the low commitment/control mode (i.e. exporting) to 'four' for the high commitment/control mode (i.e. FDI) according to

their level of cost/control continuum when analyzing the relationships. The responses received for the other option were coded according to our subjective assessment of relative cost/control commitment levels.

Marketing Strategy in the most Important Foreign Market

The level of standardization/adaptation of Turkish firms' marketing strategy in their most important host market was measured in order to assess the relationship between the psychic distance and marketing strategy, and marketing strategy and the performance of operations in order to investigate research questions:

- RQ4 a) What is the level of standardization/adaptation of the marketing strategy employed by Turkish firms in their most important foreign market?
- b) Is there a significant relationship between the psychic distance perceived and the level of standardization/adaptation of marketing strategy in the most important foreign market?
- c) Is there a significant relationship between the level of standardization/adaptation of marketing strategy and performance in the most important foreign market?

Marketing strategy was operationally defined as the extension of the marketing activities from the domestic market to foreign market, and was measured by asking respondents to indicate the extent to which they changed each marketing variable from that used in the domestic market (Albaum *et al.*, 2008:113). In their study, Albaum *et al.* (2008) provided eleven items regarding marketing activities (product strategy, product design, pricing strategy, advertising/promotion strategy, personal selling and practices strategy, distribution strategy, product quality, service strategy, marketing research, product function and brand name) and asked respondents to rate

the differences relative to the strategies pursued in home country on a five point scale ('very significant difference' to 'no difference'). In their study on retail strategy implications and psychic distance, Evans *et al.* (2008), referred to McGoldrick's (1998) study to provide a broad definition of degree of standardization and adaptation of a marketing strategy. The authors argued that it was unlikely to standardize a broad set of strategy elements, including merchandise, customer service, price, store atmosphere, after-sales services and overall image. In order to measure the extent of standardization, Evans *et al.* (2008) asked respondents to indicate the degree to which the strategy in the psychically close and distant markets were similar to or different from that in home market on a seven point scale ranging from 'totally the same' to 'totally different' for eleven variables. They used merchandise quality, level of customer services, pricing strategy, in-store customer facilities, store atmosphere, provision of after sales services, overall image presented to customer as variables of marketing strategy. Correspondingly in their studies, Sousa and Bradley (2005) and Sousa and Lengler (2009) asked respondents to indicate the degree to which their marketing strategy in their foreign market was similar to or different from home market on a five point scale ranging from 'very similar' to 'very different'. In these studies, Sousa and Bradley (2005) and Sousa and Lengler (2009) provided eighteen items regarding product (product quality, product design, product labeling, product's brand name), price (price discount policy, margins, credit concession, payment security), promotion (advertising theme, advertising and promotion content, advertising media strategy, sales promotion tools, advertising and promotion budget size), and distribution (channels of distribution, control over distribution channels, transportation strategy, budget for distribution); and asked respondents to evaluate each of them separately.

In their studies on the relationship between marketing strategy and performance of exporting firms, Çavuşgil and Zou (1994) measured the marketing strategy in export markets with a fourteen items scale. The authors asked respondents to evaluate their marketing strategy in their export market on five point scales for thirteen items (e.g. degree of initial product adaptation, degree of product adaptation subsequent to entry, extent to which product label is in local language, degree of adaptation of product positioning strategy, packaging, promotional approach, overall support to foreign distributor, amount of training sales force of foreign distributor, extent of promotion support, degree of price competitiveness in the foreign market) and one multiple choice question regarding the distribution channel used in the export market. Pedersen and Petersen (2004) on the other hand, asked respondents to indicate the level of adaptation pursued in the foreign market in terms of product, production process and business practices, with a one item measure on a seven point scale ranging from ‘no adaptations’, to ‘substantial adaptation’. The measures employed in the previous studies are listed in Table 10 below:

Table 10. International Marketing Strategy Measures Employed in the Literature

Measure	Author(s)	Scale
Change in each marketing variables (11 items) from that used in domestic market:	Albaum <i>et al.</i> , 2008	
(a) when first entering the foreign market,		(a) 5 point scale ‘very significant change’ to ‘no change’ difference
(b) on the date of data collection		(b) 5 point scale ‘very significant difference’ to ‘no
(a) Initial product adaptation; product adaptation subsequent to entry; adaptation of product positioning strategy; adaptation of packaging; adaptation of promotional approach, separately	Çavuşgil and Zou, 1994	(a) 5 point scale ‘none’ to ‘substantial’

Table 10: continued

(b) Amount of training to sales force of foreign subsidiary/distributor; extent of promotion support provided to foreign subsidiary/distributor, separately		(b) 5 point scale 'none' to 'considerable'
(c) Price competitiveness in the export market		(c) 5 point scale 'not competitive' to 'extremely competitive'
Degree to which the retail strategy (seven items) in the foreign market is similar to or different from home market	Evans <i>et al.</i> , 2008	7 point scale 'totally the same' to 'totally different'
Degree to which they adapted to the local market in terms of product, production process, and the business routines	Pedersen and Petersen, 2004	7 point scale 'no adaptations' to 'substantial adaptations'
Degree to which their marketing strategy (five items for product, four items for price, five items for promotion, four items for distribution) in foreign market is similar to or different from home market	Sousa and Bradley, 2005; Sousa and Lengler, 2009	5 point scale 'very similar' to 'very different'

In the current study as in Pedersen and Petersen (2004) study, respondents were provided a one item measure regarding the degree of similarity of the marketing strategy pursued in the most important foreign market for their most important product, when compared to home market for the same product. Respondents were asked to indicate the level of similarity on a five point scale ranging from 1, 'very different' to 5, 'very similar' (Question 9, Appendix B, p.122).

Performance of the Operations in the Most Important Foreign Market

In addressing the research questions on

- RQ5 a) the perceived level of performance of Turkish firms in the host market
- b) the relationship between perceived psychic distance and performance in the host market

data on the level of performance of the most important product in the host market in terms of sales growth and profitability as well as the level of satisfaction with the performance was collected by the research questions 10 to 12 (Appendix B, p.122).

In the literature the performance of international operations is measured by asking respondent's personal evaluations on the performance of the operations in the host market on the basis of financial indicators such as sales growth and profitability. Additionally, the respondent's level of satisfaction with the performance in the host market is inquired. There are only a few exceptions in which respondents are asked to provide objective data, rather than personal evaluations (Shoham, 1998; Evans *et al.*, 2008). Sales growth in a specific foreign country was widely used as a performance indicator for all entry strategies (Ali, 1991; Lee, 1998; Sousa and Bradley, 2008; Shoham, 1998; Albaum *et al.*, 2008; Evans *et al.*, 2008; Morosini *et al.*, 1998). In addition to sales growth, market share in the overseas market (Ali, 1991; Lee, 1998; Shoham 1998; Sousa and Lengler, 2009; Albaum *et al.*, 2008), sales volume (Shoham, 1998; Ali, 1991; Albaum *et al.*, 2008), profitability (Woodcock, 1994; Shoham, 1998; Sousa and Bradley, 2008; O'Grady and Lane, 1996; Raven *et al.*, 1994; Albaum *et al.*, 2008), contribution to the business (Raven *et al.*, 1994; Lee, 1998), and changes in return on assets (ROA), return on investments (ROI), return on sales (ROS) in the specified time period (Evans *et al.*, 2008) are used as measures of performance in the host market. Whilst some of these studies were longitudinal, a large number of them questioned the performance evaluations for the preceding year. The indicators used in the literature and their operationalizations are listed in the Table 11 below:

Table 11. Performance Measures Employed in the Literature

Measure	Author(s)	Scale
Subjective evaluations of: (a) Sales growth, sales volume, market share, operating profit when compared to: - competitors - expectations (b) Overall performance assessment for the preceding year	Albaum <i>et al.</i> , 2008	(a) 5 point scale 'much worse' to 'much better' for each item separately (b) 5 point scale 'much worse than expected' to 'much better than expected'
(a) Subjective ratings about JV's meeting the expectations of - sales growth - market share - sales for the preceding year (b) Evaluation of the overall performance of the JV	Ali, 1995	(a) 5 point scale 'far short from expectation' to 'far exceeds the expectation' for each item separately (b) 5 point scale 'not satisfied at all' to 'extremely satisfied'
The extent to which respondents agreed/disagreed with following items for overall export performance: (a) I am very satisfied with our decision to export (b) if we had to do it all over again, we would still enter foreign markets	Cicic <i>et al.</i> , 2001	5 point scale 'strongly disagree' to 'strongly agree'
(a) Ranking of the provided objectives according to their relative importance (b) Rating the performance of the venture for the first five years (c) Indicating the sales growth of the venture for the first five years (d) Evaluating the profitability of the venture for the first five years	Çavuşgil and Zou, 1994	(a) respondents were asked to chose from the list the objectives achieved in the first five years of the venture (b) 10 point scale 'unsuccessful' to 'successful' (c) 7 point scale for each year, negative, no growth (0%), 1-5%, 6-10%, 11-15%, 16-20%, over 20% (d) yes/no answers for each year
Change in financial indicators (ROA, ROI, ROS) in the last three years	Evans and Mavondo, 2002; Evans <i>et al.</i> , 2008	7 point scale 'decrease more than 20%' to 'increase more than 20%' for each indicator
Rating of (a) a steady growth in export sales (b) the market share for exported products (c) a steady growth in profits	Lee, 1998	7 point scale 'strongly disagree' to 'strongly agree' for each item
Percentage rate of growth in sales over the two years of acquisition	Morosini <i>et al.</i> , 1998	secondary data, gathered from stock markets of the countries
Their satisfaction with meeting expectations	O'Grady and Lane, 1996	5 point scale 'very unsatisfied' to 'very satisfied'

Table 11: continued

Contribution to profits	Raven <i>et al.</i> , 1994	5 point scale 'little' to 'greatly'
(a) Rating of - export intensity (EI) - export sales (ES) - export profit margin (EPM) - market share (MS), for the most important product and market combination	Shoham, 1998	(a) - EI: 10 point scale '0% - 9%' to '90% - 100%' - ES: 10 point scale '\$0 - \$0.49 million' to 'more than \$14 million' - EPM: 10 point scale 'loss' to 'more than 16%' - MS: 10 point scale '0%- 4.9%' to 'more than 70%'
(b) Rating of satisfaction with - export intensity - export sales - export profit margin,		(b) 7 point scale 'very unsatisfied' to 'very satisfied'
(c) Rating of five year change in - export intensity - export sales - export profit margin - market share, for the most important product and market combination		(c) 5 point scale 'large decrease' to 'large increase'
(d) rating of satisfaction with the five year change in - export intensity - export sales - export profit margin - market share, for the most important product and market combination		(d) 7 point scale 'very unsatisfied' to 'very satisfied'
Satisfaction with (a) export sales growth (b) export profitability (c) export intensity (d) meeting expectations	Sousa and Bradley, 2008	5 point scale 'very unsatisfied' to 'very satisfied'
Satisfaction with (a) export market share (b) meeting expectations for the preceding year	Sousa and Lengler, 2009	5 point scale 'very unsatisfied' to 'very satisfied'

Table 11 reveals that performance is measured by the subjective evaluations of basic indicators such as sales growth, market share, profitability, sales intensity for operations in a specific foreign market in most studies (Lee, 1998; Raven *et al.*, 1994; Albaum *et al.*, 2008). The remaining studies can be grouped on the basis of

collecting decision makers' subjective evaluations of performance along with level of satisfaction from these operations (Ali, 1991); or solely level of satisfaction from foreign operations (Cicic *et al.*, 2001; O'Grady and Lane, 1996; Sousa and Bradley, 2008; Sousa and Lengler, 2009); subjective evaluations of performance along with objective data about some financial indicators (Çavuşgil and Zou 1994; Shoham, 1998). For instance Shoham (1998) asked respondents to provide factual data about some basic indicators such as export intensity, export sales, export profit margin and market share in the specific foreign market, along with their level of satisfaction and success assessments. On the other hand, Evans and Mavondo (2002) and Evans *et al.* (2008) collected only factual data about some financial indicators such as ROA, ROI, ROS, rather than respondents' personal assessments.

Brealey, Myers, Marcus (2004:95) stated that there is no right level for basic financial indicators such as profit margin, ROA, ROI. The authors argued that even if there were, it would almost certainly vary from industry to industry and company to company. Correspondingly, Hooley, Lynch, Shepherd (1999) argued that subjective assessments of performance were employed more widely than absolute financial performance figures or objective data due to the difficulty of comparing companies with different sizes and operating in different markets. Therefore in this research, due to the variations on the sizes and industries in the sample, neither exact ratios such as profit margin, ROA, ROI, ROS data, nor sales volume in terms of Turkish Lira values were used in assessing the performance. Besides, in the pilot studies the executives emphasized that firms would definitely be reluctant in providing numbers and records. In this context subjective assessments for three items (two for performance, one for satisfaction with the performance) derived from the literature were employed in assessing the performance of the international operations.

Respondents were asked to provide their subjective evaluations of sales growth and profitability for their most important product in their most important host market for the current year on a five point scale (1, 'very poor', 5, 'very good') with two separate questions (Questions 10, 11, Appendix B, p.122). In order to assess the satisfaction with the performance, respondents were asked to evaluate their degree of satisfaction with the performance for the most important product in their most important markets on a five point scale (1, 'very dissatisfied' to 5, 'very satisfied') (Question 12, Appendix B, p.122).

Data Analysis

The standardized measurement and sampling procedures are intended to enhance the reliability of observation, facilitate replication studies and allow generalization to a larger population (McClintock, Branon, Maynard-Moody, 1983) and emphasis on testing and verification (Ghauri, Grønhaug, Kristianslund, 1995).

Descriptive statistics are employed for analyzing the respondents' assessments regarding the effect of psychic distance on their foreign market selection decisions (RQ1a); the level of psychic distance perceived for Turkish firms' most important foreign markets (RQ1b); the degree of effectiveness of the market, firm and manager characteristics on the perception of psychic distance (RQ1c); manager and firm characteristics of Turkish firms (RQs2a and 2b), as well as their current entry modes for their most important foreign markets (RQ3a), marketing strategies (RQ4a), and performances in their most important foreign markets (RQ5a).

Factor analysis is used to identify underlying factors that explain the pattern of correlations within the sets of observed variables for market, firm and manager characteristics (RQ1c). The purpose of structure detection is to examine the

underlying (or latent) relationships between the variables. The purpose of data reduction is to remove redundant (highly correlated) variables from the data file, replacing the entire data file with a smaller number of uncorrelated variables. In these analyses, principal components extraction method and principal axis factoring extraction methods are used. The purpose of these extraction methods is to find (1) the number of the components (factors) that are needed to represent the variables, and (2) the dimensions that these components represent (Karasoy, 2008).

In the factor analysis for structure detection a solution is produced using principal axis factoring extraction, which is then rotated with Varimax method with Kaiser Normalization for ease of interpretation. Suitability of the data for structure detection is determined using Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity. The variance explained by the initial solution, extracted components, and rotated components are presented. The scree plot is drawn to determine the optimal number of factors. The factor transformation matrix is used to compute the rotated factor matrix from the original (un-rotated) factor matrix. The factor loading levels for the study sample of 104 respondents is calculated to be >0.40 . The relationship between the level of effectiveness of the market, firm and manager characteristics and the psychic distance perceived for the most important market, highest factor loaded characteristics were included in a regression analysis for $N = 104$; and Spearman's Rank Correlation for $n = 36$.

In order to test the relationships between the degree of effectiveness of market, manager and firm characteristics and the psychic distance perceived for the most important foreign market, Spearman Rank Correlation is employed for the subsample of $n = 36$ (i.e. firms which stated Germany as their most important foreign market), and backward multiple regression is used for the sample of 104. Similarly,

in order to test the manager and firm characteristics and the psychic distance perceived for the most important foreign market relationship, Spearman Rank Correlation is employed for the subsample of $n = 36$, and backward elimination procedure of stepwise multiple regression model is used (RQ2c). Backward elimination procedure eliminates the need to use of t tests to determine which variables are significant predictors (Dawson-Saunders and Trapp, 1990) therefore, no t tests were conducted.

The conceptual framework (see p. 40) of the study addresses the relationships between psychic distance and the entry mode selected for the most important foreign market (RQ3b), psychic distance and marketing strategy in the most important foreign market (RQ4b); marketing strategy and the performance in the most important foreign market (RQ4c), and psychic distance and the performance in the most important foreign market (RQ5b). In this relationship model, psychic distance was the independent variable, whilst entry mode, marketing strategy and performance were the dependent variables, with both nominal and interval scales. Therefore, Spearman Rank Correlation is chosen as the appropriate statistical test in order to test the significance of the relationships between psychic distance, entry mode, marketing strategy and performance (Iacobucci and Churchill, 2010; Dawson-Saunders and Trapp, 1990).

CHAPTER IV

ANALYSES AND RESULTS

Descriptive Statistics

The assessments of respondents regarding the effect of psychic distance on their foreign market selection decisions (RQ1a); the level of psychic distance perceived for Turkish firms' most important foreign markets (RQ1b); the degree of effectiveness of the market, firm and manager characteristics on the perception of psychic distance (RQ1c); manager and firm characteristics of Turkish firms (RQs2a, 2b); as well as their current entry modes for their most important foreign markets (RQ3a), marketing strategies (RQ4a), and performances in their most important foreign markets (RQ5a) are presented in this section.

The Effect of Psychic Distance on Foreign Market Selection

The level of effectiveness of the psychic distance perceived for the foreign country on Turkish managers' market selections for their firms and/or products is asked with one question. The mean for the responses provided is 2.64 (SD = 1.157), which implies that the perception of psychic distance vaguely affects the foreign market selection decisions of Turkish managers. The result is consistent with the findings of Nordström (1991) and Ellis (2008) studies on psychic distance and foreign market selection relationship.

Thirty-one of the respondents (29.8%) stated that psychic distance perceived was effective in their potential foreign country market selection decisions. On the other hand, fifty-seven respondents (54.8%) stated that it did not affect their decisions. The results are presented in Table 12 below:

Table 12. The Effect of Psychic Distance on Foreign Market Selection Decisions

Not effective at all		Not effective		Neutral		Effective		Very effective	
Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %
16	15.4%	41	39.4%	16	15.4%	26	25.0%	5	4.8%

N = 104

Psychic Distance between Turkey and the Most Important Foreign Market

Germany was stated by the majority of the respondents as their firms' most important foreign market with a frequency of thirty-six responses (34.6%). Germany was followed by Italy (12.5%), and Middle East countries (12.5%) (Saudi Arabia, Jordan, Egypt, Dubai and Iraq) with frequencies of thirteen for each.

In the literature it is argued that psychic distance can not be accepted as a stable and symmetrical value. This argument implies that the perception of psychic distance between two countries may differ from individual to individual due to their different characteristics. Besides, the perception of psychic distance of an individual could also change by time (Smith *et al.*, 2010; Ellis, 2008). In this context, this study did not aim to provide a constant value for psychic distance between Turkey and the most important foreign market (i.e. Germany); it aimed to test the relationship between the psychic distance perceived for the most important foreign market and manager and firm characteristics. Therefore, a distance measure was needed to be calculated in order to ensure the uniformity in testing the relationships between psychic distance perceived and manager and firm characteristics.

The psychic distance perceived between Germany and Turkey was measured by calculating the arithmetic mean of responses which stated Germany as the most important market (n = 36) to question seven of the questionnaire. Calculation provided a mean of 3.63 (min = 1.44, max = 4.89; SD = 0.82). A mean less than and

equal to two is interpreted as perception of similarity, whilst a mean equal to and more than three is interpreted as perception of dissimilarity on the Likert scale ranging from 1, 'very similar' to 5, 'very dissimilar'. Therefore, the mean of 3.63 for Germany regarded as perception of dissimilarity.

The Degree of Effectiveness of Market, Manager and firm characteristics on the Perception of Psychic Distance

The degree of the effect of market characteristics on the perception of psychic distance perception is found as follows: the economic environment was found to be the most effective market characteristic with a mean of 4.44 (SD = 0.798), followed by legal and political system ($\bar{x}$ = 4.11; SD = 0.975), the business practices ($\bar{x}$ = 3.90; SD = 0.887), and the level of technological development ($\bar{x}$ = 3.55; SD = 0.974). Religion was found to be the least effective variable with a mean of 2.12 (SD = 1.193) in the perception of foreignness/similarity of a potential foreign country market to home market, which was followed by language ($\bar{x}$ = 2.81; SD = 1.215), the level of education ($\bar{x}$ = 3.02; SD = 0.965), the level of literacy ($\bar{x}$ = 3.03; SD = 1.101), and culture ($\bar{x}$ = 3.04; SD = 1.182) as listed in the below Table 13:

Table 13. The Degree of Effectiveness of the Market Characteristics on Psychic Distance Perception

Market characteristics	Mean	Std. Deviation
Economic environment	4.44	0.887
Legal and political system	4.11	0.798
Business practices	3.90	1.182
Geographic distance	3.11	1.101
Culture	3.04	1.215
Level of literacy	3.03	0.965
Level of education	3.02	0.975
Language	2.81	1.215
Religion	2.12	1.307

N = 104; 1 = 'totally ineffective', 5 = 'very effective'

Regarding the level of effectiveness of manager characteristics on the perception of foreignness/similarity of a potential foreign country market to home country, the decision maker's business experience and the command of foreign languages were found to be the most effective manager characteristics with means of 4.24 for each (SD = 0.782, and SD = 0.876, respectively). Whilst the decision maker's experience of living abroad and level of education held the same mean for each ($\bar{X}$ = 3.73; SD = 0.958, and SD = 0.827, respectively), the age of the decision maker held a mean of 2.79 (SD = 1.067). The nationality of the decision maker was found to be the least effective management characteristic on the perception of foreignness/similarity of a potential foreign market to home country with a mean of 2.10 (SD = 1.075), as listed in Table 14 below:

Table 14. The Degree of Effectiveness of the Manager Characteristics on Psychic Distance Perception

Manager characteristics	Mean	Std. Deviation
Business experience	4.24	0.782
Command of foreign languages	4.24	0.876
Experience of living abroad	3.73	0.958
Level of education	3.73	0.827
Age	2.79	1.067
Nationality	2.10	1.075

N = 104; 1 = 'totally ineffective', 5 = 'very effective'

Regarding the level of effectiveness of firm characteristics on the perception of foreignness/similarity of a potential foreign country market to home country, the firm's international experience in terms of number of years was found to be the most effective among the other firm characteristics with a mean of 3.86 (SD = 0.841), followed by the number of foreign country markets in which the firm operates ($\bar{X}$ = 3.66; SD = 0.910). The size and the ownership structure of the firm (i.e. public, private or mixed ownership structure) provided close rates with means of 3.44 (SD = 1.096) and 3.41 (SD = 1.085), respectively. The age of the firm was found to be the

least effective market characteristic among the others in the perception of foreignness/similarity of a foreign country market to home country, with a mean of 2.88 (SD = 1.082), shown in Table 15 below:

Table 15. The Degree of Effectiveness of the Firm Characteristics on the Psychic Distance Perception

Firm characteristics	Mean	Std. Deviation
International experience in terms of years	3.86	0.841
International diversification in terms of number of countries	3.66	0.910
Size	3.44	1.095
Ownership structure	3.41	1.085
Age	2.88	1.082

N = 104; 1 = 'totally ineffective', 5 = 'very effective'

In this context, the answers addressing Research Question 1c implied that among the ten market characteristics economic environment was attributed the highest degree of effectiveness on the perception of foreignness/similarity of a foreign country market to home country, while religion was attributed the least degree of effectiveness; among the six manager characteristics business experience and language were attributed the highest degree of effectiveness, while nationality was attributed the least degree of effectiveness and; and among the five firm characteristics, whilst firm's international experience in terms of years was attributed as the highest degree of effectiveness, firm's age was attributed as the least degree of effectiveness in the perception of foreignness/similarity.

Manager and Firm Characteristics of Large Turkish Firms with International Involvement

The Research Question 2a addresses the characteristics of the managers who are responsible for the international expansion strategies of their firms. As it was mentioned in the previous chapter, the questionnaires were sent to either owners of

the firms or top/senior managers who were authorized in internationalization process of their firms. The characteristics of owners or senior/top executives of 104 large Turkish firms were as follows: The majority of respondents were male with a frequency of eighty-eight (84.6%), while sixteen of the respondents were female (%15.4). Males had an age range between twenty-eight to seventy-five years old ($\bar{x}$ = 45.41, SD = 10.35), whereas females had an age range between twenty-six to fifty-nine years old ($\bar{x}$ = 38.4, SD 9.59). The total sample showed a symmetric distribution regarding age. The majority of total respondents held undergraduate degree (n = 58, 55.8%), while four (3.8%) of the respondents were graduated from high school, and forty-two (40.4%) of the respondents held graduate degrees. The total number of years of business experience of the respondents ranged between four to fifty-seven years ($\bar{x}$ = 20.91, SD = 10.34), having a symmetric distribution excluding the outlier of fifty-seven years.

In terms of command of foreign languages, the majority of the respondents (61.54%) stated that they knew one foreign language (n = 64, Mo = 1) followed by twenty-eight respondents (26.9%) who knew two foreign languages. There were three respondents (2.9%) who did not know any foreign languages, while eight respondents (7.7%) knew three languages, and one respondent (0.96%) knew four languages. English was the major foreign language known among the respondents (n = 94) who knew at least one foreign language, which was followed by German (n = 23). In terms of living experience abroad for education and/or business reasons, thirty-six of respondents (34.6%) did not have foreign country living experience for any reason, twenty-six of respondents (25.0%) lived in a foreign country for up to two years, and forty-two of respondents (40.4%) lived abroad for more than two years. The USA was the country where most of the respondents (n = 29) lived in for

education and/or business reasons, followed by Germany (n = 17) and England (n = 10). In terms of the frequency of travels abroad in a year, eight respondents (7.7%) stated that they were travelling abroad very rare, six respondents (5.8%) stated that they were travelling rarely, nineteen respondents (18.3%) stated that they were occasionally travelling, twenty-six respondents (25.0%) stated that they were frequently travelling, and forty-five respondents (43.3%) stated that they were very frequently travelling abroad in a year.

In order to test the significance of the relationship between psychic distance for the most important foreign market and manager characteristics, a subsample was created by only selecting the respondents who stated that Germany as the most important foreign market. The characteristics of subsample are shown in Table 16:

Table 16. The Manager Characteristics of the Subsample

Manager characteristics		Frequency	Valid Percent
Gender	Male	34	94.4%
	Female	2	5.6%
Age	30-40 years old	10	27.9%
	41-50 years old	14	39.0%
	51-60 years old	5	13.9%
	61-70 years old	6	16.6%
	71 years and more	1	2.6%
Level of education	High school	1	2.8%
	Undergraduate	23	63.9%
	Graduate degree	9	25.0%
	PhD degree	3	8.3%
Command of foreign languages	One language	21	58.3%
	Two languages	11	30.6%
	Three languages	3	8.3%
	Four languages	1	2.8%
The number of years of living abroad for education/business reasons	none	15	41.7%
	0-2 years	8	22.2%
	2-4 years	6	16.7%
	4-6 years	2	5.6%
	More than 6 years	5	13.9%

Table 16: continued

The frequency of travels abroad in a year			
	Very rare	3	8.3%
	Rare	2	5.6%
	Occasionally	2	5.6%
	Frequently	11	30.6%
	Very frequently	18	50.0%
Total business experience in years			
	10-20 years	14	38.9%
	21-30 years	13	36.1%
	31-40 years	6	16.6%
	41-50 years	2	5.6%
	51 years and more	1	2.8%

n = 36

The Research Question 2b was addressing the characteristics of the Turkish firms with international operations. The oldest firm was fifty-nine years old, established in 1954; and the youngest firm was three years old, established in 2010 ($\bar{x} = 27$, $SD = 13.916$), which provided a bimodal symmetric distribution. The average number of employees was 1006.01 (max = 21.500, min = 11, $SD = 2561.27$). The number of Turkish firms with annual turnover between 0 to TL 150 million was fifty-five (52.9%), TL151 to TL300 million was twenty-two (21.2%), TL301 to TL450 was eight (7.7%), TL451 to TL600 was three (2.9%) and more than TL601 was sixteen (15.4%). The number of years of international operations of the Turkish firms ranged between one to fifty-two years, with an average of nineteen years ($\bar{x} = 19.27$, $SD = 11.204$). The number of foreign country markets in which the firms are currently operating is in a range between one to 130 foreign countries ($\bar{x} = 25.99$, $SD = 27.207$). Firms operating in one to ten foreign country markets had a cumulative percentage of 40.4 in the sample, whereas the inclusion of the firms operating in eleven to twenty foreign country markets improved the cumulative to a percentage of 58.7.

The scope of this study was Turkish firms with public, private or mixed ownership structures. One firm (1.5%) was publicly owned among 104 firms, which was consistent with the percentage of distribution of the population regarding the ownership structure (1.6% of the whole population was publicly owned).

In order to test the relationship between the psychic distance perceived for the most important foreign market and firm characteristics, the responses which Germany was not the most important foreign market were excluded. The characteristics of the subsample therefore are shown in Table 17:

Table 17. Firm Characteristics for the Subsample

Firm Characteristics	Frequency	Valid Percent
The year of establishment		
1955-1970	7	19.4%
1971-1985	12	33.3%
1986-2000	15	41.7%
2001-2013	2	5.6%
The total number of employees		
Less than 200	15	41.7%
201-400	9	25.0%
401-600	2	5.6%
601-800	3	8.3%
More than 800	7	19.4%
The annual sales turnover in 2012 (in millions TL)		
0-150	21	58.3%
151-300	10	27.8%
301-450	2	5.6%
451-600	0	0.0%
601 and more	3	8.3%
Numbers of years of international operations		
0-10	4	11.1%
11-20	17	47.2%
21-30	9	25.0%
31-40	4	11.1%
More than 40	2	5.6%
Number of countries being currently operated in		
1-20	21	58.3%
21-40	8	22.2%
41-60	4	11.1%
61-80	2	5.6%
81 and more	1	2.7%
The ownership structure of the firm		
Private company	36	100%

Entry Mode Selection

In order to assess the modes of entry employed by Turkish firms (RQ3a), the respondents were asked to consider their most important foreign market when answering the questions regarding their initial and current entry strategies.

A significant majority of the firms pursued exporting as initial and current entry strategy for their most important foreign market with frequencies of eighty-nine (85.6%) and eight-eight (84.6%), respectively. The current and initial entry strategies of Turkish firms into their most important foreign country market are listed in Tables 18 and 19 respectively below:

Table 18. Current Entry Mode for the Most Important Foreign Market

Entry strategy	Frequency	Percent	Valid Percent	Cumulative Percent
Exporting	89	85.6	85.6	85.6
Licensing / Franchising	2	1.9	1.9	87.5
Joint Venture	7	6.7	6.7	94.2
Direct Investment	4	3.8	3.8	98.1
Other	2	1.9	1.9	100
Total	104	100.0	100.0	

Table 19. Initial Entry Mode for the Most Important Foreign Market

Entry strategy	Frequency	Percent	Valid Percent	Cumulative Percent
Exporting	88	84.6	84.6	84.6
Licensing / Franchising	4	3.8	3.8	88.5
Joint Venture	7	6.7	6.7	95.2
Direct Investment	1	1.0	1.0	96.2
Other	4	1.9	1.9	100
Total	104	100.0	100.0	

Marketing Strategy

In order to assess the degree of standardization of the marketing strategies in the most important foreign market of the Turkish firms (RQ4a), the elements of marketing strategy (i.e. product, price, place, promotion) were not inquired

separately in the questionnaire. Instead, respondents were asked to rate the level of similarity of the marketing strategy for the most important product in their most important foreign market to the respective strategy in home market with a five point scale ranging from 1, 'totally dissimilar' to 5, 'very similar'. The results indicate that thirteen of the respondents (12.5%) stated that their marketing strategy in their most important foreign market was totally dissimilar to the strategy pursued in home country, thirty-three of the respondents (31.7%) stated that it was dissimilar, twenty-five of the respondents (24%) stated that it was partially similar, twenty-six of the respondents stated that it was similar (25%), and seven of the respondents (6.7%) stated that it was very similar. The arithmetic mean for the total sample was 2.82 (SD = 1.147) implying dissimilarity/adaptation of marketing strategies of Turkish firms for their most important foreign market.

Performance of International Operations

In order to assess Research Question 5a, the performance of the operations in the most important foreign market was measured through asking three questions to respondents to assess their subjective ratings about the increase in sales, profitability and level of satisfaction about the operations in the most important foreign market for the most important product on a five point Likert scale ranging from 1, 'very poor' to 5, 'very good' for former two, and 1, 'very unsatisfied' to 5, 'very satisfied' for the level of satisfaction. The performance level calculated with the arithmetic mean of these three questions yielded a mean of 3.78 (min. = 2.33, max. = 5.00, SD = 0.58). This result indicated that the Turkish managers assess their performance about the operations in their most important foreign market as good and satisfactory. The separate arithmetic means of the questions are listed in below Table 20:

Table 20. The Performance Assessments of the Managers

Measure	Mean	Std. Deviation
Increase in sales	3.91	0.684
Profitability	3.65	0.721
Satisfaction from the performance	3.81	0.655

N = 104

Dimensions of Market, Firm and Manager Characteristics

In this part of the study an analysis is conducted to identify the structural dimensions variables most relate to market, firm and management characteristics, and to find the variables which have the highest factor loadings in these dimensions.

Market Characteristics

In factor analysis for structure detection in market characteristics, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.756 implicating that the sampling adequacy is good to medium. According to the Bartlett's test of sphericity it is highly significant ($p < 0.0001$). These tests implicate the usability of the factor analysis. Extraction communalities are found within the acceptable limits (0.777-0.340). Only three factors in the initial solution have eigenvalues greater than one (Table 35, p.140). Together, they account for almost 68% of the variability in the original variables. This suggests that three latent influences are associated with market characteristics. The cumulative variability explained by these three factors in the extracted solution (principal axis analysis) is about 55%, a difference of 13% from the initial solution. Thus, about 13% of the variation explained by the initial solution is lost due to latent factors unique to the original variables and variability that simply could not be explained by the factor model. According to the rotated factor model, variance explained by the first factor is 22%. Variance explained by the second

(18%) and the third (%15) factors are decreased regarding the first factor. According to the scree plot, the first three components were taken into the analysis. In the rotated factor matrix for all variables factor loadings are higher than the minimum level of 0.40. The first rotated factor is most highly correlated with business practice, economic environment, legal and politic environment, level of education, level of literacy and the level of technological development. The second factor is most highly correlated with language, culture and the geographical distance. The third factor is most highly correlated with the religion. Considering the minimum factor loading levels that must be taken into account and the difference of factor loadings between the factors that must be higher than 0.10 no overlapping is suspected. As presented in Table 21 below there are three major groupings (i.e. dimensions) of characteristics, as defined by the variables that are most highly correlated with the three factors. These were named as socioeconomic dimension (business practices, economic environment, legal and political environment, level of education, level of literacy, and the level of technological development); geographical dimension (language, geographical distance and the culture); and religion dimension (religion). The ten market characteristics variable used in the survey do not belong to ten different dimensions but to only three dimensions. Data reduction is conducted to reveal best variables to represent these dimensions.

Table 21. Rotated Factor Matrix of Market Characteristics
(Principal Axis Analysis)

	Factor		
	1	2	3
Language	,153	,761	,019
Culture	,263	,607	,468
Business practice	,651	,158	-,038
Economic environment	,715	,091	,130
Legal and politic environment	,495	,024	,308
Level of education	,603	,493	,242
Level of literacy	,607	,301	,497
Level of technological development	,430	,369	,303
Geographical distance	,064	,621	-,056
Religion	,126	-,047	,871

In the factor analysis for data reduction in market characteristics, three of the ten components explain 68% of the variability (Table 36, p.141). Therefore, the complexity of the data set is found to be reduced using these components, with a 32% loss of information. The rotation maintained the cumulative percentage of variation (68%) explained by the extracted components (principal component analysis), but that variation is spread more evenly over the components. According to the scree plot, the first three components are taken into the analysis. In the rotated component matrix, the first component is most highly correlated with business practices (0.836). The second component is most highly correlated with the language (0.825) and the geographical distance (0.811). The geographical distance however is a better representative, because it is less correlated with the other two components. The third component is highly correlated with religion (Table 22). These findings suggest that we might focus on business practices, geographical distance and the religion in further analyses. It also suggests that these three variables (i.e. questions)

may be used in the psychic distance surveys that will be conducted in future studies instead of using all ten variables about the market characteristics, for simplifying data collection and data analysis.

Table 22. Rotated Component Matrix of Market Characteristics
(Principal Component Analysis)

	Component		
	1	2	3
Language	,119	,825	,066
Culture	,169	,603	,569
Business practice	,836	,172	-,061
Economic environment	,800	,078	,203
Legal and political environment	,546	-,074	,464
Level of education	,535	,514	,386
Level of literacy	,481	,297	,657
Level of technological development	,343	,427	,462
Geographical distance	,017	,811	-,085
Religion	-,007	-,092	,899

Firm Characteristics

In factor analysis for structure detection in firm characteristics, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.719 implicating that the sampling adequacy is good to medium. According to the Bartlett's test of sphericity is found highly significant. These tests implicate the usability of the factor analysis.

Extraction communalities are found within the acceptable limits (0.758-0.302). Only two factors in the initial solution have eigenvalues greater than one (Table 37, p.142). Together, they account for almost 71% of the variability in the original variables. This suggested that two latent influences are associated with firm characteristics. The cumulative variability explained by these three factors in the

extracted solution (principal axis analysis) is about 53%, a difference of 18% from the initial solution. Thus, about 18% of the variation explained by the initial solution is lost due to latent factors unique to the original variables and variability that simply could not be explained by the factor model. According to the rotated factor model, variance explained by the first factor is 42%. Variance explained by the second factor (11%) is decreased regarding the first factor. According to the scree plot, the first two components are taken into the analysis. In the rotated factor matrix, for all variables factor loadings are higher than the minimum level of 0.40. The first rotated factor is most highly correlated with the number of foreign markets operated, the duration of international experience and the ownership structure. The second factor is most highly correlated with the firm's age and the firm's size. Considering the minimum factor loading levels that must be taken into account and the difference of factor loadings between the factors that must be higher than 0.10 no overlapping is suspected. As presented in the table there are two major groupings (i.e. dimensions) of characteristics, as defined by the variables that are most highly correlated with two factors (Table 23). These are named as internationalization dimension (number of foreign markets operated, the duration of international experience, and the ownership structure), and demographic dimension (firm's size and the firm's age). In another word, the five questions in the survey do not belong to five different dimensions but to only two dimensions. Data reduction is therefore conducted to reveal best variables to represent these dimensions.

Table 23. Rotated Factor Matrix of Firm Characteristics
(Principal Axis Analysis)

	Factor	
	1	2
Firm's age	,172	,710
Firm's size	,214	,631
Ownership structure	,536	,124
Duration of international experience	,744	,252
Number of foreign markets operated	,833	,254

In the factor analysis for data reduction in firm characteristics, two components explain nearly 71% of the variability in the original five variables (Table 38, p.143). Therefore, the complexity of the data set is found to be reduced using two components, with only a 29% loss of information. The rotation maintained the cumulative percentage of variation explained by the extracted components (principal component analysis), but that variation is spread more evenly over the components. According to the scree plot, the first two components were taken into the analysis. In the rotated component matrix, the first component is most highly correlated with the numbers of foreign markets operated (0.830). The second component is most highly correlated with the firm's age (0.857) (Table 24). These findings suggested that we might focus on the number of the foreign markets served and the firm's age in further analyses. It is also suggested that these two variables (i.e. questions) might be used in the psychic distance surveys that will be conducted in future studies instead of using all five questions about the firm characteristics for simplifying data collection and data analysis.

Table 24. Rotated Component Matrix of Firm Characteristics
(Principal Component Analysis)

	Component	
	1	2
Firm's age	,136	,857
Firm's size	,179	,826
Ownership structure	,788	,005
Duration of international experience	,809	,259
Number of foreign markets operated	,830	,272

Manager Characteristics

In the factor analysis for structure detection in manager characteristics the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.789 implicating that the sampling adequacy was good to medium. According to the Bartlett's test of sphericity is highly significant ($p < 0.0001$). Extraction communalities are found within the acceptable limits (0.735-0.503). Only two factors in the initial solution have eigenvalues greater than 1 (Table 39, p.144). Together, they account for almost 76% (principal component analysis) of the variability in the original variables. This suggested that two latent influences are associated with manager characteristics. The cumulative variability explained by these three factors in the extracted solution (principal axis analysis) is about 64%, a difference of 12% from the initial solution. Thus, about 12% of the variation explained by the initial solution is lost due to latent factors unique to the original variables and variability that simply could not be explained by the factor model. According to the rotated factor model, the variance explained by the first factor is 43%. Variance explained by the second (21%) factor is decreased regarding the first factor. According to the scree plot, the first two components are

taken into the analysis. In rotated factor matrix, for all variables factor loadings are higher than the minimum level of 0.40. The first rotated factor is most highly correlated with the level of education, the business experience, the number of foreign languages known, and the experience in foreign countries. The second factor is most highly correlated with the manager's age and the manager's nationality. Considering the minimum factor loading levels that must be taken into account and the difference of factor loadings between the factors that must be higher than 0.10 no overlapping was suspected. There are two major groupings (i.e. dimensions) of characteristics, as defined by the variables that are most highly correlated with two factors (Table 25). These are named as education and experience dimension (level of education, the business experience, the number of foreign languages known, and the experience in foreign countries), and demographic dimension (manager's age and the manager's nationality). In another word, the six variables in the survey did not belong to six different dimensions but to only two dimensions. Data reduction is therefore conducted to reveal best variables to represent these dimensions.

Table 25. Rotated Factor Matrix of Manager Characteristics
(Principal Axis Analysis)

	Factor	
	1	2
Age	,195	,682
Nationality	,042	,787
Level of education	,754	,280
Business experience	,828	,008
Command of foreign languages	,808	,048
Foreign country living/working experience	,794	,323

In the factor analysis for data reduction in manager characteristics two components explained nearly 76% of the variability in the original six variables (Table 40, p.145). Therefore, the complexity of the data set is reduced by using two components, with

only a 24% loss of information. The rotation maintains the cumulative percentage of variation explained by the extracted components (principal component analysis), but that variation is spread more evenly over the components. According to the scree plot, the first two components are taken into the analysis. In the rotated component matrix the first component is most highly correlated with the business experience (0.880). The second component is most highly correlated with the nationality (0.888) (Table 26). These findings suggest that we might focus on the number of the business experience and the nationality in further analyses. It is also suggested that these two variables (i.e. questions) might be used in the psychic distance surveys that would be conducted in future studies instead of using all five variables about the manager characteristics, simplifying data collection and data analysis.

Table 26. Rotated Component Matrix of Manager Characteristics
(Principal Component Analysis)

	Component	
	1	2
Age	,190	,843
Nationality	,034	,888
Level of education	,813	,271
Business experience	,880	-,024
Number of foreign languages known	,871	,009
Foreign country experience	,829	,309

The Effect of Market, Manager and Firm Characteristics on Psychic Distance Perception

In this part of the study, in line with the Research Question 1c, the aim is to test the relationship between the effectiveness of the market, firm and manager characteristics, and their psychic distance perception for their most important foreign

markets. The items regarding the market, manager and firm characteristics which hold the highest factor loadings and therefore assumed to be the representatives of the dimensions in which they are belonged, are selected. By employing the factor analysis, the market characteristics are found to be grouped in three dimensions which can be represented by business practices, language and religion. The firm characteristics are found to be grouped in two dimensions which can be represented by the number of foreign markets in which the firm operates, and the age of the firms. Lastly, the manager characteristics are found to be grouped in two dimensions which can be represented by business experience and nationality. Whilst for the subsample ($n = 36$), Spearman Rank Correlation is employed, for the whole sample ($N = 104$), regression model is employed. Among the seven items which hold the highest factor loadings, two items (i.e. the number of foreign markets in which the firm operates and the business experience of the manager) provided a significant relationship at $p < 0.05$ level ($r_{\text{\#of foreign countries}} = 0.421$; $p = 0.005$, and $r_{\text{business experience}} = -0.339$; $p = 0.021$) with the level of psychic distance perceived for the most important foreign market. The significant positive relationship between the effectiveness of the number of foreign markets and the psychic distance implies that managers who attribute high levels of effectiveness to the number of foreign markets perceive their most important market as psychically distant. The latter negative significant relationship implies that managers who attribute high levels of effectiveness to business experience of manager perceive their most important foreign market similar to home market (Table 30, p.126). In parallel with the findings of the study conducted on subsample ($n = 36$), the regression model tested on the whole sample provided the same results, but stronger relationships ($\beta_{\text{\#of foreign countries}} = 0.622$; $p = 0.003$, and $\beta_{\text{business experience}} = -0.342$; $p = 0.036$). The model

provided 41.3 % of the variance accounted for in the regression equation as a representative of actual population values ($R^2 = 41.3\%$) (Table 31, p. 128).

Manager and Firm Characteristics and Psychic Distance

In order to assess the Research Question 2c regarding the relationship between manager and firm characteristics and psychic distance, two analyses are employed. Owing to the small number of firms which stated a common country as the most important foreign market, Spearman's Rank Correlation is used to test the relationship between manager and firm characteristics and psychic distance on the subsample of $n = 36$. For the sample ($N = 104$), backward multiple regression is used. Due to the finding that 100% of the firms were privately owned, the 'ownership structure of the firm' item is excluded in the analyses. In addition to listed firm characteristics, the number of years of operation in the most important foreign market, as part of international experience, is also included in the analysis. The analysis therefore is conducted with the inclusion of eight management (total number of years in the firm, total number of years of business experience, experience of living/working abroad, the frequency of overseas travels in a year, the number of foreign languages known, age, gender and level of education), and six firm characteristics (international experience in terms of years, the international diversification in terms of number of countries, experience in the most important foreign market in terms of years, age, total number of employees, annual sales turnover).

In order to explore the significance of relationship between manager characteristics and the psychic distance perceived for the most important foreign market Spearman Correlation is employed ($n=36$). Among the eight manager

characteristics, the number of foreign languages that the managers speak, and the extent of overseas travel in a year provided statistically significant relationships at $p < 0.05$ level.

A statistically significant positive relationship is found between number of foreign languages known by the respondent and the psychic distance perceived at the 0.05 level ($r = 0.295$, $p = 0.041$). This result implies that as the number of foreign languages known increases, the psychic distance perceived for a foreign country market increases. In their respective studies Smith *et al.* (2011), Reid (1981), Dichtl *et al.*, (1990) and Holzmüller and Casper (1980) suggested that the greater the command of foreign languages of a manager, the greater the level of understanding the foreign markets which in turn would lead a decrease in psychic distance. In none of these studies however, the relationship between the command of foreign languages and the perception of psychic distance was tested. This finding therefore proves that there was a statistically significant correlation between command of foreign languages and the psychic distance perceived at the $p < 0.05$ level, however in the opposite direction.

A statistically significant negative correlation is found between the extent of overseas travels in a year and the psychic distance perceived at the 0.05 level ($r = -0.296$; $p = 0.040$). This result implies that as the managers' frequency of travels abroad in a year increases, the psychic distance perceived by that manager diminishes. This finding is consistent with Dichtl *et al.* (1990) and Reid (1981) studies, which argued that as the managers' extent of overseas travels increase, their degree of international orientation decreases which in turn leads a decrease in the psychic distance perception.

There was not a statistically significant relationship between other manager characteristics (i.e. age, gender, level of education, the number of years of living abroad for education/business reasons, and total business experience in years) and psychic distance perceived at $p < 0.05$ level (Table 32, p. 130). Although a number of studies argued that the level of education, age, and total years of living abroad would influence the decisions of managers regarding the internationalization process of firms, no empirical study was found which tested the direct relationship between psychic distance and the manager characteristics; or the indirect relationship between manager characteristics and internationalization process of firms through psychic distance as an intervening factor. Therefore, the findings of this part of the study could not be compared with any relevant literature.

In order to explore the significance of the relationship between firm characteristics and the psychic distance perceived for the most important foreign market Spearman Correlation is employed ($n = 36$). In addition to listed firm characteristics, the number of years of operation in the most important foreign market is also included in the analysis. Among the five manager characteristics and one additional variable, the year of establishment of the firm (i.e. the age of the firm) and the total number of employees provided strong significant correlations at $p < 0.05$ level, whilst the number of years of operation in the most important foreign market provided a vague significance at $p < 0.05$ level ($p = 0.054$). The number of countries the firm is already operating in provided significant relationship at $p < 0.10$ level.

A statistically significant negative correlation is found between the year of establishment of the firm and the psychic distance perceived for the most important foreign market ($r = -0.301$; $p = 0.037$). This finding implies that younger firms

perceive less foreignness for the host market when compared to older firms, or vice versa. The relationship between the number of years of operation in the most important foreign market and the perceived psychic distance is found to be strongly significant at $p < 0.10$ level, which implies that as the number of years of operation in the most important foreign market increases, the psychic distance perceived for that market decreases ($r = -0.273$; $p = 0.54$). In addition, the number of countries the firm is operating in had a significant negative correlation with psychic distance perceived for the foreign market at $p < 0.10$ level ($r = -0.234$; $p = 0.088$). These three findings are consistent with the previous literature, particularly with the Internationalization Model studies, which argue that as firms get internationally experienced, the psychic distance perceived for a specific foreign market decreases (Dow, 2000; Evans *et al.*, 2000). The size of the firm is measured either by inquiring the total number of employees or total annual sales turnover, or by inquiring both in the literature. In this study, both of the measures are employed in order to assess the size of the firms. Whilst a statistically significant negative correlation is found between the total number of employees and the psychic distance perceived at $p < 0.05$ level ($r = -0.347$; $p = 0.019$); the test between annual sales turnover and psychic distance relationship did not provided any significant result. Nevertheless, the analyses conducted to answer Research Question 2c shows that there are significant negative correlations between psychic distance and manager characteristics in terms of number of foreign languages known and the frequency of overseas travels in a year; and firm characteristics in terms of size and the international experience (Tables 32 and 33, p. 130, and 132 respectively).

The sample is expanded to total respondents ($N = 104$). All of the answers regarding the manager and firm characteristics provided by the respondents are

entered into a multiple regression analysis as a means of assessing their predictive relationship between the psychic distance perceived for the most important foreign market.

The model provided 3.8% of the variance accounted for in the regression equation as a representative of actual population values ($R^2 = 3.8\%$) (Table 34, p.133). This R^2 suggests that the combination of manager and firm characteristics explained 3.8% of the variance in psychic distance perception for the most important foreign market. The model is significant at $p < 0.05$ level (significance of ANOVA, $p = 0.047$) (Table 34, p.134). None of the eight manager characteristics, (total number of years in the firm, total business experience in years, the working/living experience abroad, the frequency of overseas travels in a year, the number of foreign languages known, age, gender, level of education), has a significant linear relationship with psychic distance perceived. Among the firm characteristics, one of the characteristics (i.e. age) represents a significant linear relationship with the psychic distance perceived at $p < 0.05$ level ($\beta_{\text{year of establishment}} = -0.195$; $p = 0.047$). This statistically significant negative relationship is consistent with the findings of the tests conducted on the subsample of $n = 36$, which implies that younger firms perceive less foreignness for the host market when compared to older firms, or vice versa.

Psychic Distance and Entry Mode Strategy

The entry modes, exporting, licensing, joint venturing, foreign direct investment and other as options were provided and respondents were asked to indicate their initial and current entry modes into their most important foreign market. The modes were then coded from 'one' for the low commitment/control mode to 'four' for the high commitment/control mode according to their level of cost/control continuum when

analyzing the relationships. The responses received for the other option were coded according to our subjective assessment of relative cost/control commitment levels. Spearman Rank Correlation is used to test the relationship between psychic distance perceived for the most important foreign market and entry mode strategy for that market. Owing to the uniformity of the responses with the predominant majority of exporting as an entry mode pursued by Turkish firms, the relationship between the psychic distance perceived and the current and initial entry strategies for that market (RQ3b) did not provide significant correlations neither for $N = 104$, nor for $n = 36$ at $p < 0.05$ level ($p_{104\text{current}} = 0.182$; $p_{104\text{initial}} = 0.135$; $p_{36\text{current}} = 0.560$; $p_{36\text{initial}} = 0.248$).

Psychic Distance and Marketing Strategy

To reveal the possible relationships between psychic distance perceived and the degree of standardization of marketing strategy in the most important foreign market (RQ4b); and the degree of standardization of marketing strategy and performance of the operations in the most important foreign market (RQ4c), the expanded data set was used ($N = 104$). Psychic distance was measured with a five point Likert scale, ranging from 1, 'very similar' to 5, 'very dissimilar'; marketing strategy was measured with a five point Likert scale, ranging from 1, 'very different' to 5, 'very similar'. Similar with the entry strategy for the most important foreign market, the respondents were asked to consider their marketing strategies which they were pursuing in their most important foreign market. As the previous literature provided contradictory results in terms of the direction of the correlation, Spearman's Rank Correlation was employed to test the relationship.

The correlation between psychic distance perceived for the most important foreign market and the marketing strategy pursued in that market was strongly

significant, providing a negative correlation at $p < 0.01$ level ($r = -0.296$; $p = 0.002$).

To improve the homogeneity of the analysis, the responses regarding the country in which the firms mostly operated (i.e. Germany) was reselected. The correlation coefficient increased to -0.483 while having the same statistical significance at $p < 0.001$ level ($p = 0.003$). These results indicate that as the most important foreign country market was perceived to be dissimilar to home market, the level of adaptation of the marketing strategy pursued in that foreign market increased. The results are shown in Tables 27a and 27b below:

Table 27a. Relationship between the Psychic Distance Perceived and Marketing Strategy

			Psychic distance
Spearman's rho	Psychic distance	Correlation coefficient	1.000
		Sig. (1-tailed)	
		N	104
	The degree of standardization of the marketing strategy	Correlation coefficient	-0.296^{**}
		Sig. (1-tailed)	0.002
		N	104

** Correlation is significant at the 0.01 level (1-tailed)

Table 27b. Relationship between the Psychic Distance Perceived and Marketing Strategy

			Psychic distance
Spearman's rho	Psychic distance	Correlation coefficient	1.000
		Sig. (1-tailed)	
		N	36
	The degree of standardization of the marketing strategy	Correlation coefficient	-0.483^{**}
		Sig. (1-tailed)	0.003
		N	36

** Correlation is significant at the 0.01 level (1-tailed)

The previous empirical studies also found that when a foreign market was perceived to be dissimilar to home market, a need for adaptation of marketing strategy

occurred. These results are consistent with most of the previous empirical studies which argue that standardization is more likely when the foreign market is perceived to be most similar to home market, while adaptation is preferred when markets are viewed as dissimilar (Çavuşgil and Zou, 1994; Sousa and Bradley 2005:45; Sousa and Lengler, 2009). It was found that in foreign country markets which were perceived to be dissimilar to home market, firms pursue adaptation in their marketing strategies (Sousa and Lengler, 2009).

Marketing Strategy and Performance

In addressing the Research Question 4c regarding the relationship between the marketing strategy in the most important foreign market and the performance of operations in that market, Spearman's rho was employed. The findings indicate a statistically significant relationship at $p < 0.01$ level, providing a negative correlation ($r = -0.259$; $p = 0.008$). A correlation in the same direction but at $p < 0.05$ level was found with the subsample of $n = 36$ through excluding an outlier, the twenty-third respondent. The results indicate that there is a significant negative correlation between the degree of standardization of the marketing strategy and the performance of the operations in the most important market ($r = -0.337$; $p = 0.047$). These findings imply that as the level of standardization of the marketing strategy pursued in the most important foreign market increases, the performance of the operations in that foreign market decreases, or as the degree of adaptation of the marketing strategy increases, the performance of the operations in that foreign market increases, as shown in Tables 28a and 28b, respectively:

Table 28a. Relationship between Marketing Strategy and Performance

			The degree of standardization of the marketing strategy
Spearman's rho	The degree of standardization of the marketing strategy	Correlation coefficient	1.000
		Sig. (1-tailed)	
		N	104
	Performance of the operations in the most important foreign market	Correlation coefficient	-0.259**
		Sig. (1-tailed)	0.008
		N	104

** Correlation is significant at the 0.01 level (2-tailed)

Table 28b. Relationship between Marketing Strategy and Performance

			The degree of standardization of the marketing strategy
Spearman's rho	The degree of standardization of the marketing strategy	Correlation coefficient	1.000
		Sig. (1-tailed)	
		N	35
	Performance of the operations in the most important foreign market	Correlation coefficient	-0.337*
		Sig. (1-tailed)	0.047
		N	35

* Correlation is significant at the 0.05 level (1-tailed)

The previous studies on the relationship between standardization/adaptation of marketing strategy and organizational performance provided contradictory results. Several studies found a positive relationship between standardization and performance of international operations (Okazaki, Taylor, Zou, 2006; Özsomer and Simonin, 2004; Zou and Çavuşgil 2002); whilst some other research identified a positive relationship between adaptation and performance (Çavuşgil and Zou, 1994; Shoham, 1998). In this context, the finding of this study strengthens the findings of the latter studies, which found that adaptation of the marketing strategy in a foreign market increases the performance of the operations in that foreign market.

Psychic Distance and Performance

The tests on the relationship between psychic distance perceived and the performance of the operations in the most important foreign market (RQ5b) did not provide a significant correlation at $p < 0.05$ level neither for main sample ($n = 104$), nor for the subsample ($n = 36$). The results are presented in below Tables 29a and 29b, respectively:

Table 29a. Relationship between Psychic Distance and Performance

			Psychic distance
Spearman's rho	Psychic distance	Correlation coefficient	1.000
		Sig. (1-tailed)	
		N	104
	Performance of the operations in the most important foreign market	Correlation coefficient	-0.026
		Sig. (1-tailed)	0.797
		N	104

Table 29b The Relationship between Psychic Distance and Performance

			Psychic distance
Spearman's rho	Psychic distance	Correlation coefficient	1.000
		Sig. (1-tailed)	
		N	36
	Performance of the operations in the most important foreign market	Correlation coefficient	-0.67
		Sig. (1-tailed)	0.697
		N	36

Although a large number of studies were conducted on the effect of psychic distance on the performance of the international operations, the results were mixed in terms of the direction of the relationship (positive/negative), and the significance of the

relationship. In a group of studies the performance of the international operations of the firm was found to be negatively related to psychic distance (Child *et al.*, 2002, 2009; Shoham, 1998; Lee, 1998; Vida *et al.*, 2000; Sousa and Bradley, 2008; Sousa and Lengler, 2009). On the contrary, another group of studies found a positive relationship between psychic distance and performance of international operations (Evans *et al.*, 2000, 2008; and Evans and Mavondo, 2002). In a third group of studies on the other hand, no significant relationship was found between the performance of international operations and psychic distance perceived (Ali, 1995; O'Grady and Lane, 1996; Stöttinger and Schlegelmilch, 2000). The result of this study regarding the relationship between the psychic distance and the performance is consistent with the last group of studies, which did not provide either a positive or negative direct relationship between psychic distance perceived and performance of international operations.

CHAPTER V

CONCLUSION

Discussion of Findings

This research on psychic distance and the internationalization process of Turkish firms explored the degree of effectiveness of psychic distance on foreign market selection decisions of Turkish managers and the degree of effectiveness of market, firm and manager characteristics on the perception of psychic distance. Additionally the relationships between manager and firm characteristics, entry mode, marketing strategy, and performance of randomly selected 104 firms which are listed in İstanbul Chamber of Industry's Turkey's Largest 1000 Industrial Enterprises grouping are studied.

Descriptive statistics were employed to explore the effect of psychic distance on foreign market selection decisions; the psychic distance perceived for the most important foreign market; the effectiveness of market, manager and firm characteristics on psychic distance perception; the manager and firm characteristics of large Turkish firms; the entry modes employed; the marketing strategies pursued; and lastly the performance of operations in the most important foreign market. Factor analysis was used to determine the structural dimensions of variables relating to market, firm and manager characteristics. Spearman Correlation and Regression Analysis were used to test the relationships between psychic distance perceived for the most important foreign market, and manager and firm characteristics, entry mode, marketing strategy and performance.

The analysis performed indicate that psychic distance vaguely affects the foreign market selection decisions of Turkish managers. The degree of effectiveness

of perceptions of foreignness/similarity of a potential foreign country market on Turkish managers' foreign market selection decisions for their firms and/or products is low. This result implies that contrary to Uppsala Internationalization Model's implications, Turkish managers vaguely consider the degree of foreignness/similarity of a potential foreign market in market selection decisions. Regarding the research question on the psychic distance perceived for the most important foreign market, Germany is cited as the most important foreign country market by the majority of respondents thirty-six of respondents, and she was perceived to be psychically distant from Turkey.

The market, manager and firm characteristics were found to have different levels of effectiveness in psychic distance perception. The analysis of degree of effectiveness of market, manager and firm characteristics on the psychic distance revealed that the characteristics were far from uniform in terms of their impact on psychic distance perception. Among market characteristics, economic environment of the foreign market was stated as the most effective variable on the perception of psychic distance, followed by legal and political system, business practices and technological development. The effects of remaining market characteristics (i.e. level of literacy, level of education, language, culture) were dispersed in a narrow range. Religion was the least effective market characteristic on the perception of psychic distance. These results therefore imply that market characteristics are grouped under two poles on the basis of their relative effect on the perception of psychic distance: characteristics related to economic and political environment are grouped on one pole with higher levels of effectiveness; and characteristics related to culture are grouped on the other pole with low level of effectiveness. Similarly, the effectiveness of firm characteristics on psychic distance perception are also grouped under two

poles: international experience in terms of number of years of operations and country diversification, and demographics. The respondents attributed higher levels of effectiveness to international experience relative to demographics. Regarding manager characteristics, manager's business experience and command of foreign languages have the same levels of effectiveness on psychic distance perception, and are rated as the most effective variables, followed by foreign country experience and level of education. The results obtained from descriptive statistics on the effect of market, firm and manager characteristics stimulated the investigation of redundant items and determining the representative dimensions by a factor analysis. The analysis reveals that market characteristics can be grouped under three dimensions as "socioeconomic", "geographical", and "religion"; firm characteristics can be grouped under two dimensions as "internationalization" and "demographics"; and manager characteristics can be grouped under two dimensions as "education and experience", and "demographics".

The analysis for the research question on the effect of firm and manager characteristics on the psychic distance perceived for the host market revealed that, all firm characteristics (age, number of people employed, international experience in terms of country diversification) except for the number of years of international operations and the annual sales turnover were significantly related to psychic distance perception. There is a negative correlation between psychic distance perceived for the host country and the year of establishment of the firm (i.e. age). This finding was inconsistent with some of the previous empirical findings. Uppsala Model of Internationalization implies that as firms get more experienced (both in the home country and foreign markets) the perception of psychic distance decreases due to learning effect. On the other hand, the finding on the significant

negative correlation between country diversification and the perceived psychic distance is consistent with the implications of Uppsala Model of Internationalization. This finding was verified by an additional analysis in which the number of years of operation in the host country variable was included the analyses provided a consistent result and a significant negative relationship between psychic distance perceived for that country was found. This reveals that as the number of years of the operations in the host country increases, the perception of foreignness of that foreign country market diminishes; or the perception of similarity of that foreign country market to home country increases. For testing the relationship between the size of the firm and psychic distance perceived, both number of employees and annual turnover variables were used as indicators of size. The psychic distance and number of employees were found to be significantly related. However the test on the relationship between annual sales turnover and psychic distance relationship did not provide a significant result. The reason may be the large intervals (i.e. TL 150 million) of the annual turnover measurement item provided in the research instrument.

The analysis on the relationship between psychic distance and manager characteristics indicate that there is a significant positive relationship between the command of foreign languages of managers and psychic distance perceived, while a significant negative relationship exists between the extent of overseas travel in a year and psychic distance perceived. The negative correlation between psychic distance perceived and the number of overseas travel of managers implies that as managers travel more frequently abroad for any reason (e.g. fairs, meetings, touristic), the perception of foreignness of the host country decreases. This finding reveals that as the manager travels abroad more frequently, his/her foreign orientation increases,

and the perception of similarity of foreign markets increases which in turn decreases the psychic distance perceived for the host country.

Exporting is the entry mode utilized by the majority of the Turkish firms for their most important foreign market. Turkish firms do not invest in overseas markets, or increase their control/commitment modes even if the market is their most important foreign market in terms of sales revenues. This finding may be an indicator of a slow development in the internationalization competency of Turkish firms, given the outward foreign direct investment incentive policy frameworks utilized in the last three decades. The result of the analysis on the relationship between psychic distance perceived for the most important foreign market and entry mode strategy for that market indicates that there is not a significant relationship between psychic distance perceived and entry mode strategy.

Firms in the sample favor adaptation of their marketing strategies for their most important foreign markets. A statically significant negative correlation was found between psychic distance perceived and standardization/adaptation of marketing strategy. As the perception of psychic distance for the host market increases, the degree of adaptation of the marketing strategy for that market increases, and vice versa. This is understandable as the differences in market characteristics and preferences of customers of the host country leads to the need for adaptation of the marketing strategy. This finding is consistent with previous studies on the relationship between psychic distance and marketing strategy.

Correspondingly, a statistically significant negative correlation exists between the degree of standardization and the performance of the operations in the host market

Performance of the operations in the most important foreign market was assessed to be good by respondents. The result of the analysis on the relationship between psychic distance and the performance of operations in the host country indicates that there is not a significant relationship between psychic distance and performance. This result is consistent with previous empirical and conceptual studies which argue that the perceived psychic distance will not necessarily affect the performance of the operations in a foreign market, either negatively or positively.

Contribution

The increasing involvement of Turkish firms in international markets reveals that this tendency deserves studies not only on the economic factors, but also the behavioral factors that are effective in internationalization process of Turkish firms. The main contribution of this study therefore is enriching the database and the literature on psychic distance construct, in an emerging market context through analyzing the internationalization processs, and manager and firm characteristics of large Turkish firms with international operations.

Although psychic distance is a widely cited construct in internationalization literature; this study is the first in the literature that inquires the degree of effectiveness of market, management, and firm characteristics; along with tests of relationships between manager characteristics, firm characteristics, psychic distance, entry strategy, marketing strategy and performance.

The findings of descriptive statistics and factor analyses on the relative impact of market, manager and firm characteristics would be a guide in designing a more simplified but effective measurement tool for the psychic distance construct.

Limitations

Although the research provides contribution of the study of psychic distance construct in an emerging market context, several limitations should be noted. First, allowing respondents' answers to be anonymous reduced the controllability of the data provided in particular on the firms characteristics (e.g. year of establishment, annual sales turnover, number of countries being operated in) which could be further controlled by secondary data sources. Second, although 20.8% response rate was acceptable in surveys directed to top management, the scope of sample would be enlarged by administering the questionnaire to entire population ($n = 736$) as the sample, rather than limiting the sample to randomly selected 500 firms. Third, the scope of the study was limited to Turkey's largest 1,000 industrial enterprises; therefore the responses were based on the assessments of top management of these enterprises, and the characteristics and the internationalization process of Turkey's largest enterprises. In this context, a repetition of this study on a large scope of small and medium sized enterprises is needed for generalizability of the findings.

Future Research and Managerial Implications

The finding regarding the impact of psychic distance on the potential foreign country market selection of decision makers implies that further studies on testing the relationship between the foreign country market selection and the perception of foreignness/similarity of that market to home market is needed. Therefore, studies on investigating the relationship between psychic distance and foreign market selection should be conducted in order to enrich the related literature in an emerging market

context –Turkey. In addition, the results of factor analyses on market, manager and firm characteristics imply that a more valid measurement tool may be designed through using the variables with the highest factor loadings in further studies on operationalization of the psychic distance construct, and on testing the relationships between manager and firm characteristics and psychic distance perceived.

This study explored the effect of manager and firm characteristics on the perception of psychic distance for the most important foreign market of the Turkish firms; and the impact of psychic distance perceived on the internationalization processes of Turkish firms. The findings imply that international experience of the firm, in terms of market scope and number of years contributes to perception of similarity of a foreign country to home country. Therefore, a firm which aims to operate internationally may construct partnerships with other firms which are already operating in international arena in order to combat with the perception of foreignness. Regarding manager characteristics, it was found that the frequency of overseas travel reduces the psychic distance perceived. Thus firms may encourage managers who are responsible for international operations to travel abroad more frequently, to increase their foreign orientation, and decrease the perceived foreignness of foreign markets. The firms which are operating or aiming to operate in foreign country markets which are perceived to be dissimilar to home country may employ adapted marketing strategies in order to increase the performances of their operations in those markets.

Appendix A. Research Instrument (Turkish)

TÜRK ŞİRKETLERİNİN ULUSLARARASILAŞMASI: ALGISAL MESAFE, PAZARA GİRİŞ YÖNTEMİ VE PERFORMANS

Bu çalışmada 1000 büyük sanayi kuruluşumuzun yabancı ülke pazarı seçimi, pazara giriş yöntemi ve bu pazarlardaki performanslarını ve yöneticilerin yabancı ülke pazarları ile ilgili benzerlik/farklılık algılamaları araştırılmaktadır. Bu amaçlar doğrultusunda anketin uluslararası pazar ve pazara giriş yöntemi seçimi kararlarına katkıda bulunan siz üst düzey yöneticiler tarafından cevaplanması gerekmektedir.

Bu çalışmaya vereceğiniz değerli destek ile, büyük Türk Şirketlerinin uluslararasılaşma sürecine ilişkin veri tabanının genişlemesi, akademik literatürün zenginleşmesi ve işletmelerimiz için yönetsel çıkarımlar sağlanması umulmaktadır.

Vereceğiniz bilgiler gizli tutulacak, analizler ve varılan sonuçlarda tüm şirketlerin bilgileri topluca kullanılacaktır. Arzu ettiğiniz takdirde araştırma sonuçları tarafınıza yönetici özeti olarak sunulacaktır.

Uluslararası operasyonlarınızla ilgili soruları cevaplarken lütfen:

- en yüksek satış geliri elde ettiğiniz yabancı ülke pazarını; ve
- bu pazarda birden fazla mal veya hizmet sunuyorsanız, en önemli ürün veya ürün grubunuzu gözönünde bulundurunuz.

Araştırmanın başarısı, soruları cevaplamakta göstereceğiniz özene ve tüm soruları eksiksiz cevaplamaya bağlıdır.

Ayırdığınız zaman ve değerli katkınız için teşekkür ediyorum.

Saygılarımla,

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NOT: Araştırma sonuçlarının özeti için tercihinizi belirtiniz lütfen:
İstiyorum _____ İstemiyorum _____

Bu bölümde şirketinizin uluslararası faaliyetleri ile ilgili sorular yer almaktadır.

1. Şirketiniz kaç yıldır uluslararası pazar(lar)da faaliyet gösteriyor? _____ yıl
2. Bugün itibarı ile şirketinizin faaliyet gösterdiği yabancı ülke pazarı sayısını belirtiniz lütfen: _____
3. Lütfen şirketiniz/ürününüz için yeni bir yabancı ülke pazarı seçerken, olası yeni ülke pazarının ulusal pazarınız ile farklılık/benzerlik derecesinin kararınızı ne ölçüde etkilediğini belirtiniz:

Hiç etkilemez _1_ _2_ _3_ _4_ _5_ Çok etkili

4. Aşağıda solda listelenen özelliklerin, girmeyi düşündüğünüz yeni bir yabancı ülke pazarının ulusal pazar ile farklı/benzer algılanmasında ne derece etkili olduğuna dair değerlendirmenizi lütfen sağlanan ölçek üzerinde işaretleyiniz:

a. Yabancı ülke pazarına ilişkin özellikler:

dil	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
kültür	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
iş yapma yöntemleri	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
ekonomik ortam	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
hukuki ve politik sistem	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
eğitim seviyesi	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
okur yazarlık düzeyi	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
teknolojik gelişmişlik düzeyi	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
ulusal pazara coğrafi uzaklık	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
din	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili

b. Şirkete ilişkin özellikler:

yaş	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
büyükölük	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
özel/kamu, müşterek mülkiyet yapısı	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
uluslararası deneyim süresi	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
faaliyet gösterilen yabancı ülke pazarı sayısı	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili

c. Karar veren yöneticiye ilişkin özellikler:

Yaş	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
Uyruk	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
eğitim düzeyi	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
iş tecrübesi	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
yabancı dil bilgisi	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili
yabancı ülkede çalışma/yaşama deneyimi	Hiç etkisiz	_1_	_2_	_3_	_4_	_5_	Çok etkili

Lütfen 13. soruya kadar olan aşağıdaki soruları en yüksek satış geliri elde ettiğiniz yabancı ülke pazarı ve bu pazardaki en önemli ürün veya ürün grubunuzu gözönüne alarak cevaplandırınız:

5. Lütfen bugün için satış geliri açısından şirketiniz için en önemli yabancı ülke pazarının ismini belirtiniz: _____

6. Bir önceki soruda belirtmiş olduğunuz pazarda kaç yıldır faaliyet gösteriyorsunuz? _____ yıl

7. Lütfen satış geliri açısından en önemli ülke pazarınızın Türkiye pazarı ile farklılık/benzerlik derecesini aşağıda belirtilen özellikler açısından değerlendiriniz:

dil	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı
kültür	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı
iş yapma yöntemleri	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı
eğitim seviyesi	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı
okur yazarlık düzeyi	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı
teknolojik gelişmişlik düzeyi	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı
hukuki ve politik sistem	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı
ekonomik ortam	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı
coğrafya	Çok benzer	_1_	_2_	_3_	_4_	_5_	Çok farklı

8. Seçilen yabancı pazarlarda ihracat, lisans/franchise anlaşması, ortak girişim ve doğrudan yatırım gibi kontrol ve risk düzeyi açısından farklılık gösteren giriş yöntemleri kullanılmaktadır. Lütfen aşağıdaki listede en önemli yabancı ülke pazarınızda bugün, ve bu pazara ilk girdiğiniz tarihte kullandığınız giriş yöntemini işaretleyiniz. Bu pazarda birden fazla yöntemle faaliyet gösteriyorsanız, satışlarınıza en yüksek katkıda bulunan yöntemi seçiniz:

	En önemli ülke pazarınızda bugünkü faaliyet şekliniz:	Bu pazara ilk girişte kullandığınız yöntem:
ihracat	—	—
lisans/franchise anlaşması	—	—
ortak girişim	—	—
doğrudan yatırım	—	—
diğer (belirtiniz):		

9. Lütfen satış geliri açısından en önemli ülke pazarınızdaki en önemli ürününüz için uygulamakta olduğunuz pazarlama stratejinizin, bu ürün için Türkiye pazarında uygulamakta olduğunuz pazarlama stratejisine benzerlik derecesini belirtiniz:

Hiç benzemiyor _1_ _2_ _3_ _4_ _5_ Çok benziyor

10. Lütfen bu pazardaki en önemli ürününüzün performansını satış artışı açısından değerlendiriniz:

Çok kötü _1_ _2_ _3_ _4_ _5_ Çok iyi

11. Lütfen bu pazardaki en önemli ürününüzün performansını karlılık açısından değerlendiriniz:

Çok kötü _1_ _2_ _3_ _4_ _5_ Çok iyi

12. Lütfen bu pazardaki en önemli ürününüzün performansından memnuniyet derecenizi değerlendiriniz:

Hiç memnun değilim _1_ _2_ _3_ _4_ _5_ Çok memnunuz

Bu bölümde şirketinize ve yabancı ülke pazarı seçiminde karar yetkisi olan yönetici olarak size ilişkin sorular yer almaktadır

13. Şirketinizin faaliyet gösterdiği sektör:

Gıda, içki ve tütün	___	Metal sanayi	___
Dokuma, giyim, deri ve ayakkabı	___	Orman ürünleri ve mobilya	___
Kağıt, kağıt ürünler ve basım	___	Taş ve toprağa dayalı sanayi	___
Kıyma, petrol ürünleri ve lastik	___	Taşıt araçları sanayi	___
Madencilik ve taşocaklığı	___	Diğer (lütfen belirtiniz):	_____

14. Şirketinizin faaliyet gösterdiği pazar:

Endüstriyel pazar (B2B) ___ Nihai tüketici pazarı (B2C) ___ Her ikisi birden ___

15. Şirketinizin kuruluş yılı: _____

16. Satışa sunduğunuz ürünün niteliği:

Mal ___ Hizmet ___ Her ikisi birden ___

17. Şirketinizde çalışan sayısı:

Yurtiçi: _____

Yurtdışı: _____

18. Şirketinizin satış cirosunun ulusal ve uluslararası pazarlarda dağılımını yüzde (%) olarak belirtiniz lütfen:

Ulusal: _____ %

Uluslararası: _____ %

19. Şirketinizin 2012 yılı satış cirosunu aşağıda verilen aralıklardan birini işaretleyerek belirtiniz lütfen (milyon TL):

0 – 150 ___ 151 – 300 ___ 301 – 450 ___ 451 – 600 ___ 601 ve üstü ___

20. Şirketinizin mülkiyet yapısını belirtiniz lütfen:

Özel Şirket ___ Kamu-özel ortaklığı ___ Kamu şirketi ___

21. Kaç yıldır bu şirkette çalışıyorsunuz? _____ yıl

22. Toplam iş tecrübeniz: _____ yıl

23. Hangi departman/fonksiyonlardan sorumlusunuz? _____

24. Pozisyonunuz:

Yönetim Kurulu Başkanı/Üyesi __ CEO/Üst düzey yönetici __ Diğer (belirtiniz): _____

25. Yabancı ülkelerde toplam yaşama/çalışma deneyiminizi aşağıdaki ölçekte işaretleyiniz lütfen:

Hiç __ 0-2 yıl arası __ 2-4 yıl arası __ 4-6 yıl arası __ 6 yıldan fazla __

26. Yabancı ülke deneyiminizi ülke ve gerekçe olarak belirtiniz lütfen:

Ülke: _____	Gerekçe: Eğitim __ İş __ Diğer: _____
Ülke: _____	Gerekçe: Eğitim __ İş __ Diğer: _____
Ülke: _____	Gerekçe: Eğitim __ İş __ Diğer: _____

27. Bir yıl içerisinde ortalama yurtdışı seyahat sıklığınızı aşağıdaki ölçekte değerlendiriniz lütfen:

Çok nadir __1__ __2__ __3__ __4__ __5__ Çok sık

28. Anadiliniz hariç bildiğiniz dil sayısı: _____

29. Lütfen bildiğiniz dilleri işaretleyiniz:

Türkçe __	İngilizce __	Almanca __	Fransızca __	İtalyanca __
İspanyolca __	Arapça __	Çince __	Japonca __	Diğer: _____

30. Yaşınız? _____

31. Cinsiyetiniz? Erkek __ Kadın __

32. Uyuğunuz? TC __ Diğer: _____

33. Eğitiminiz?

Lise _ Lisans _ Yüksek Lisans _ Doktora _ Diğer: _____

Appendix B: Research Instrument (English)

This section includes questions about your firm's international activities

1. Please state the number of years your firm has been involved in international operations:
_____ years

2. As of today, please state the number of foreign countries in which company has its operations:

3. Please indicate the degree of impact of the level of similarity/foreignness of a potential foreign market to your home country in your potential foreign country market selection decisions:

not effective at all 1 2 3 4 5 very effective

4. Please rank in the scale given below, to what extent the specific characteristics are effective in in your perception of foreignness/similarity of a potential foreign country market to home country:

a. Foreign market characteristics:

language	totally ineffective	1	2	3	4	5	very effective
culture	totally ineffective	1	2	3	4	5	very effective
business practices	totally ineffective	1	2	3	4	5	very effective
economic environment	totally ineffective	1	2	3	4	5	very effective
legal and political system	totally ineffective	1	2	3	4	5	very effective
level of education	totally ineffective	1	2	3	4	5	very effective
level of literacy	totally ineffective	1	2	3	4	5	very effective
level of technological development	totally ineffective	1	2	3	4	5	very effective
geographical distance to home market	totally ineffective	1	2	3	4	5	very effective
religion	totally ineffective	1	2	3	4	5	very effective

b. Firm characteristics:

age	totally ineffective	1	2	3	4	5	very effective
size	totally ineffective	1	2	3	4	5	very effective
ownership structure	totally ineffective	1	2	3	4	5	very effective
international experience in years	totally ineffective	1	2	3	4	5	very effective
number of foreign markets operated	totally ineffective	1	2	3	4	5	very effective

c. Management characteristics:

age	totally ineffective	1	2	3	4	5	very effective
nationality	totally ineffective	1	2	3	4	5	very effective
level of education	totally ineffective	1	2	3	4	5	very effective
business experience	totally ineffective	1	2	3	4	5	very effective
command of foreign languages	totally ineffective	1	2	3	4	5	very effective
experience of living/working abroad	totally ineffective	1	2	3	4	5	very effective

Please answer the Questions 5-12 with regard to your most important foreign country market in terms of sales revenues for your most important product.

5. Please state your most important foreign market with the highest international sales revenue for your most important product: _____

6. How long have you been operating in the foreign country market stated above? _____ years

7. Please assess the degree of similarity/foreignness of your most important foreign market to Turkey in terms of the listed factors:

language	very similar	_1_	_2_	_3_	_4_	_5_	very different
culture	very similar	_1_	_2_	_3_	_4_	_5_	very different
business practices	very similar	_1_	_2_	_3_	_4_	_5_	very different
level of education	very similar	_1_	_2_	_3_	_4_	_5_	very different
level of literacy	very similar	_1_	_2_	_3_	_4_	_5_	very different
level of technological development	very similar	_1_	_2_	_3_	_4_	_5_	very different
legal and political system	very similar	_1_	_2_	_3_	_4_	_5_	very different
economic environment	very similar	_1_	_2_	_3_	_4_	_5_	very different
geography	very similar	_1_	_2_	_3_	_4_	_5_	very different

8. Please indicate your initial mode of entry to your most important foreign market and your current mode of operation in that market on the list provided below. If you operate with more than one mode, please indicate the one that has the highest contribution to your sales:

	Your current mode of operation:	Your initial mode of operation:
Exporting	_____	_____
licensing/franchising	_____	_____
joint venture	_____	_____
Greenfield investment	_____	_____
other (please specify):	_____	_____

9. Please indicate the degree to which the marketing strategy in your most important foreign market for the most important product is similar or different from that in the domestic market on a point scale:

Very different _1_ _2_ _3_ _4_ _5_ Very similar

10. Please evaluate the performance of the most important product in that market regarding the increase in sales:

Very poor _1_ _2_ _3_ _4_ _5_ Very good

11. Please evaluate the performance of the most important product in that market regarding the profitability:

Very poor _1_ _2_ _3_ _4_ _5_ Very good

12. Please assess the degree of your satisfaction about the performance of your most important product in that market:

Very dissatisfied_1_ _2_ _3_ _4_ _5_ Very satisfied

In this part of the survey questions about your firm and about you who is the executive that have the authority to select foreign market are presented

13. The industry group in which your firm is operated in:

Food, beverage and tobacco	___	Metal industry	___
Textile, apparel, leather and shoes	___	Forestry and furniture	___
Paper, related products and printing	___	Stone and soil based industry	___
Chemicals, petroleum products and rubber tires	___	Automobiles and components	___
Mining and quarrying	___	Other (please specify):	_____

14. The market in which your firm is operated in:

Industrial market (B2B) ___ Consumer's market (B2C) ___ Both ___

15. Year of establishment: _____

16. The characteristic of your product:

Tangible ___ Intangible ___ Mixed ___

17. Number of employees:

in home country: _____

in foreign country market: _____

18. Please indicate the distribution of your firm's annual sales turnover in domestic and in foreign markets:

Domestic: _____ %

International: _____ %

19. 2012 annual sales turnover (million TLs):

0 – 150 ___ 151 – 300 ___ 301 – 450 ___ 451 – 600 ___ 601 and over ___

20. Ownership structure:

Private ___ Mixed ___ Public ___

21. How long have you been working for this firm? _____ years

22. What is the total number of years of your business experience? _____ years

23. What is your functional area in the firm? _____

24. Your position in the firm:

President/Board member__ CEO/Top manager __ Other (please specify): ____

25. Please indicate your total expatriate experience in the scale below:

None __ 0-2 years__ 2-4 years__ 4-6 years__ More than 6 years__

26. Please indicate the country and the purpose of your expatriate experience:

Country: _____	Purpose: Education __	Work __	Other: _____
Country: _____	Purpose: Education __	Work __	Other: _____
Country: _____	Purpose: Education __	Work __	Other: _____

27. Please indicate the average frequency of your travels to foreign countries:

none _1_ _2_ _3_ _4_ _5_ substantial

28. How many foreign languages do you speak? _____

29. Please mark the languages you speak:

Turkish __	English__	German__	French__	Italian__
Spanish __	Arabic__	Chinese__	Japanese__	Other: _____

30. Your age? _____

31. Your gender? Male__ Female__

32. Your nationality? Turkish__ Other: _____

33. Your education?

High school _ Bachelor's degree _ Master's degree _ PhD_ Other: _____

Table 30. Correlations between the Effectiveness of Market, Firm and Manager Characteristics and Psychic Distance for the most Important Foreign Market

		Correlations								
		1	2	3	4	5	6	7	8	
Spearman's rho	Psychic Distance	Correlation	1,000	-,085	,112	-,094	,421**	-,339*	,090	,150
		Coefficient								
		Sig. (1-tailed)		,310	,258	,292	,005	,021	,300	,384
		N	36	36	36	36	36	36	36	36
Business practices of the foreign market		Correlation	-,085	1,000	,111	-,052	,096	,052	-,108	,247
		Coefficient								
		Sig. (1-tailed)	,310		,259	,381	,288	,381	,265	,146
		N	36	36	36	36	36	36	36	36
Language of the foreign market		Correlation	,112	,111	1,000	-,007	,526**	-,047	,355*	,017
		Coefficient								
		Sig. (1-tailed)	,258	,259		,484	,000	,393	,017	,924
		N	36	36	36	36	36	36	36	36
Religion of the foreign market		Correlation	-,094	-,052	-,007	1,000	,055	,028	,187	-,088
		Coefficient								
		Sig. (1-tailed)	,292	,381	,484		,376	,436	,137	,608
		N	36	36	36	36	36	36	36	36
Number of foreign countries the firm operates		Correlation	,421**	,096	,526**	,055	1,000	,088	,014	,281
		Coefficient								
		Sig. (1-tailed)	,005	,288	,000	,376		,306	,467	,096
		N	36	36	36	36	36	36	36	36
Business experience of the manager		Correlation	-,339*	,052	-,047	,028	,088	1,000	-,068	,043
		Coefficient								
		Sig. (1-tailed)	,021	,381	,393	,436	,306		,347	0,801
		N	36	36	36	36	36	36	36	36
Nationality		Correlation	,090	-,108	,355*	,187	,014	-,068	1,000	,035
		Coefficient								
		Sig. (1-tailed)	,300	,265	,017	,137	,467	,347		,839
		N	36	36	36	36	36	36	36	36
Age of the firm		Correlation	,150	,247	,017	-,088	,281	,043	,035	1,000
		Coefficient								
		Sig. (1-tailed)	,384	,146	,924	,608	,096	,801	,839	
		N	36	36	36	36	36	36	36	36

** . Correlation is significant at the 0.01 level (1-tailed).

** . Correlation is significant at the 0.01 level (1-tailed).

		Correlations								
		1	2	3	4	5	6	7	8	
Spearman's rho	Psychic Distance	Correlation	1,000	-,085	,112	-,094	,421**	-,339*	,090	,150
		Coefficient								
		Sig. (1-tailed)		,310	,258	,292	,005	,021	,300	,384
		N	36	36	36	36	36	36	36	36
Business practices of the foreign market		Correlation	-,085	1,000	,111	-,052	,096	,052	-,108	,247
		Coefficient								
		Sig. (1-tailed)	,310		,259	,381	,288	,381	,265	,146
		N	36	36	36	36	36	36	36	36
Language of the foreign market		Correlation	,112	,111	1,000	-,007	,526**	-,047	,355*	,017
		Coefficient								
		Sig. (1-tailed)	,258	,259		,484	,000	,393	,017	,924
		N	36	36	36	36	36	36	36	36
Religion of the foreign market		Correlation	-,094	-,052	-,007	1,000	,055	,028	,187	-,088
		Coefficient								
		Sig. (1-tailed)	,292	,381	,484		,376	,436	,137	,608
		N	36	36	36	36	36	36	36	36
Number of foreign countries the firm operates		Correlation	,421**	,096	,526**	,055	1,000	,088	,014	,281
		Coefficient								
		Sig. (1-tailed)	,005	,288	,000	,376		,306	,467	,096
		N	36	36	36	36	36	36	36	36
Business experience of the manager		Correlation	-,339*	,052	-,047	,028	,088	1,000	-,068	,043
		Coefficient								
		Sig. (1-tailed)	,021	,381	,393	,436	,306		,347	0,801
		N	36	36	36	36	36	36	36	36
Nationality		Correlation	,090	-,108	,355*	,187	,014	-,068	1,000	,035
		Coefficient								
		Sig. (1-tailed)	,300	,265	,017	,137	,467	,347		,839
		N	36	36	36	36	36	36	36	36
Age of the firm		Correlation	,150	,247	,017	-,088	,281	,043	,035	1,000
		Coefficient								
		Sig. (1-tailed)	,384	,146	,924	,608	,096	,801	,839	
		N	36	36	36	36	36	36	36	36
**. Correlation is significant at the 0.01 level (1-tailed).										
*. Correlation is significant at the 0.05 level (1-tailed).										

Table 31. Regression Model for the Effect of Market, Manager and Firm Characteristics on the Psychic Distance Perceived for the most Important Foreign Market

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. F Change
					R Square Change	F Change	df1	df2	
1	,255 ^a	,065	-,023	,82954	,065	,741	3	32	,535
2	,556 ^b	,309	,194	,73654	,244	5,296	2	30	,011
3	,643 ^c	,413	,266	,70255	,104	2,486	2	28	,101
a. Predictors: (Constant), S4a_AlgEtkDin, S4a_AlgEtkDil, S4a_AlgEtkİşYapYön									
b. Predictors: (Constant), S4a_AlgEtkDin, S4a_AlgEtkDil, S4a_AlgEtkİşYapYön, S4c_AlgEtkYaş, S4b_AlgEtkYabÜlkPazSay									
c. Predictors: (Constant), S4a_AlgEtkDin, S4a_AlgEtkDil, S4a_AlgEtkİşYapYön, S4c_AlgEtkYaş, S4b_AlgEtkYabÜlkPazSay, S4c_AlgEtkİşTec, S4c_AlgEtkUyr									

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,217	,696		4,625	,000
	S4a_AlgEtkİşYapYön	-,016	,144	-,019	-,111	,912
	S4a_AlgEtkDil	,177	,121	,252	1,465	,153
	S4a_AlgEtkDin	-,038	,135	-,048	-,283	,779
2	(Constant)	1,934	,861		2,246	,032
	S4a_AlgEtkİşYapYön	-,101	,130	-,120	-,774	,445
	S4a_AlgEtkDil	-,041	,130	-,059	-,316	,754
	S4a_AlgEtkDin	-,063	,120	-,080	-,526	,603
	S4b_AlgEtkYabÜlkPazSay	,611	,198	,595	3,086	,004
	S4c_AlgEtkYaş	-,010	,121	-,013	-,085	,933
3	(Constant)	3,441	1,124		3,062	,005
	S4a_AlgEtkİşYapYön	-,127	,125	-,152	-1,012	,320
	S4a_AlgEtkDil	-,044	,137	-,062	-,319	,752
	S4a_AlgEtkDin	-,039	,116	-,050	-,336	,739
	S4b_AlgEtkYabÜlkPazSay	,639	,199	,622	3,206	,003
	S4c_AlgEtkYaş	,070	,135	,092	,519	,608
	S4c_AlgEtkİşTec	-,428	,195	-,342	-2,200	,036
	S4c_AlgEtkUyr	,005	,140	,006	,034	,973
a. Dependent Variable: S7_PD						

Table 32. Correlations between Manager Characteristics and Psychic Distance
Perceived for the most Important Foreign Market

			Correlations							
			1	2	3	4	5	6	7	8
Spearman's rho	Psychic distance	Correlation	1,000	,030	-,022	-,081	-,296*	,295*	-,019	-,191
		Coefficient								
		Sig. (1-tailed)		,431	,448	,319	,040	,041	,456	,132
	Number of years working in the firm	N	36	36	36	36	36	36	36	36
		Correlation	,030	1,000	,839**	-,022	,086	-,156	,742**	-,454**
		Coefficient								
		Sig. (1-tailed)	,431		,000	,448	,309	,181	,000	,003
		N	36	36	36	36	36	36	36	36
	Total number of years of business experience	Correlation	-,022	,839**	1,000	,230	,093	-,122	,932**	-,311*
		Coefficient								
		Sig. (1-tailed)	,448	,000		,089	,294	,240	,000	,033
		N	36	36	36	36	36	36	36	36
	Experience of living/working abroad	Correlation	-,081	-,022	,230	1,000	,310*	,032	,157	,049
		Coefficient								
		Sig. (1-tailed)	,319	,448	,089		,033	,426	,180	,387
		N	36	36	36	36	36	36	36	36
	Frequency of overseas travels	Correlation	-,296*	,086	,093	,310*	1,000	-,017	,136	,078
		Coefficient								
		Sig. (1-tailed)	,040	,309	,294	,033		,461	,214	,325
		N	36	36	36	36	36	36	36	36
	Command of foreign languages	Correlation	,295*	-,156	-,122	,032	-,017	1,000	-,120	-,170
		Coefficient								
		Sig. (1-tailed)	,041	,181	,240	,426	,461		,242	,161
		N	36	36	36	36	36	36	36	36
	Age	Correlation	-,019	,742**	,932**	,157	,136	-,120	1,000	-,346*
		Coefficient								
		Sig. (1-tailed)	,456	,000	,000	,180	,214	,242		,019
		N	36	36	36	36	36	36	36	36
	Level of education	Correlation	-,191	-,454**	-,311*	,049	,078	-,170	-,346*	1,000
		Coefficient								
		Sig. (1-tailed)	,132	,003	,033	,387	,325	,161	,019	
		N	36	36	36	36	36	36	36	36

*. Correlation is significant at the 0.05 level (1-tailed).

			Correlations							
			1	2	3	4	5	6	7	8
Spearman's rho	Psychic distance	Correlation	1,000	,030	-,022	-,081	-,296*	,295*	-,019	-,191
		Coefficient								
		Sig. (1-tailed)		,431	,448	,319	,040	,041	,456	,132
N		36	36	36	36	36	36	36	36	
Number of years working in the firm	Correlation	,030	1,000	,839**	-,022	,086	-,156	,742**	-,454**	
	Coefficient									
	Sig. (1-tailed)	,431		,000	,448	,309	,181	,000	,003	
Total number of years of business experience	N	36	36	36	36	36	36	36	36	
	Correlation	-,022	,839**	1,000	,230	,093	-,122	,932**	-,311*	
	Coefficient									
Experience of living/working abroad	Sig. (1-tailed)	,448	,000		,089	,294	,240	,000	,033	
	N	36	36	36	36	36	36	36	36	
	Correlation	-,081	-,022	,230	1,000	,310*	,032	,157	,049	
Frequency of overseas travels	Coefficient									
	Sig. (1-tailed)	,319	,448	,089		,033	,426	,180	,387	
	N	36	36	36	36	36	36	36	36	
Command of foreign languages	Correlation	-,296*	,086	,093	,310*	1,000	-,017	,136	,078	
	Coefficient									
	Sig. (1-tailed)	,040	,309	,294	,033		,461	,214	,325	
Age	N	36	36	36	36	36	36	36	36	
	Correlation	,295*	-,156	-,122	,032	-,017	1,000	-,120	-,170	
	Coefficient									
Level of education	Sig. (1-tailed)	,041	,181	,240	,426	,461		,242	,161	
	N	36	36	36	36	36	36	36	36	
	Correlation	-,019	,742**	,932**	,157	,136	-,120	1,000	-,346*	
	Coefficient									
	Sig. (1-tailed)	,456	,000	,000	,180	,214	,242		,019	
	N	36	36	36	36	36	36	36	36	
	Correlation	-,191	-,454**	-,311*	,049	,078	-,170	-,346*	1,000	
	Coefficient									
	Sig. (1-tailed)	,132	,003	,033	,387	,325	,161	,019		
	N	36	36	36	36	36	36	36	36	

*. Correlation is significant at the 0.05 level (1-tailed).

**.

Table 33. Correlations between Firm Characteristics and Psychic Distance
Perceived for the most Important Foreign Market

		Correlations							
		1	2	3	4	5	6	7	
Spearman's rho	Psychic Distance	Correlation	1,000	,082	-,230	-,273	-,301*	-,347*	,201
		Coefficient							
		Sig. (1-tailed)		,317	,088	,054	,037	,019	,120
		N	36	36	36	36	36	36	36
	International operations in terms of years	Correlation	,082	1,000	,204	,490**	-,659**	,320*	,138
		Coefficient							
		Sig. (1-tailed)	,317		,116	,001	,000	,029	,211
		N	36	36	36	36	36	36	36
	International diversification in terms of number of countries	Correlation	-,230	,204	1,000	,071	-,160	,549**	,201
		Coefficient							
		Sig. (1-tailed)	,088	,116		,341	,176	,000	,120
		N	36	36	36	36	36	36	36
	Number of years in the most important foreign market	Correlation	-,273	,490**	,071	1,000	-,181	,284*	-,073
		Coefficient							
		Sig. (1-tailed)	,054	,001	,341		,146	,047	,336
		N	36	36	36	36	36	36	36
Year of establishment	Correlation	-,301*	-,659**	-,160	-,181	1,000	-,278	-,049	
	Coefficient								
	Sig. (1-tailed)	,037	,000	,176	,146		,051	,388	
	N	36	36	36	36	36	36	36	
Total number of employees	Correlation	-,347*	,320*	,549**	,284*	-,278	1,000	,196	
	Coefficient								
	Sig. (1-tailed)	,019	,029	,000	,047	,051		,126	
	N	36	36	36	36	36	36	36	
Total annual sales turnover	Correlation	,201	,138	,201	-,073	-,049	,196	1,000	
	Coefficient								
	Sig. (1-tailed)	,120	,211	,120	,336	,388	,126		
	N	36	36	36	36	36	36	36	
*. Correlation is significant at the 0.05 level (1-tailed).									
**. Correlation is significant at the 0.01 level (1-tailed).									

Table 34. Regression Model for the Manager and Firm Characteristics and the
Psychic Distance Perceived for the most Important Foreign Market

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,314 ^a	,099	-,032	,80427	,099	,758	13	90	,702
2	,314 ^b	,098	-,021	,79995	,000	,025	1	90	,875
3	,313 ^c	,098	-,010	,79575	,000	,038	1	91	,846
4	,312 ^d	,097	,000	,79179	-,001	,075	1	92	,784
5	,310 ^e	,096	,009	,78814	-,001	,135	1	93	,715
6	,307 ^f	,094	,018	,78473	-,002	,180	1	94	,672
7	,307 ^g	,094	,028	,78075	,000	,029	1	95	,866
8	,306 ^h	,094	,038	,77687	,000	,040	1	96	,843
9	,305 ⁱ	,093	,047	,77317	-,001	,069	1	97	,793
10	,304 ^j	,092	,056	,76953	-,001	,069	1	98	,794
11	,275 ^k	,075	,048	,77275	-,017	1,840	1	99	,178
12	,245 ^l	,060	,041	,77533	-,015	1,674	1	100	,199
13	,195 ^m	,038	,029	,78040	-,022	2,341	1	101	,129

Model Summary									
Model	R	R Square	Change Statistics						
			Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	,314 ^a	,099	-,032	,80427	,099	,758	13	90	,702
2	,314 ^b	,098	-,021	,79995	,000	,025	1	90	,875
3	,313 ^c	,098	-,010	,79575	,000	,038	1	91	,846
4	,312 ^d	,097	,000	,79179	-,001	,075	1	92	,784
5	,310 ^e	,096	,009	,78814	-,001	,135	1	93	,715
6	,307 ^f	,094	,018	,78473	-,002	,180	1	94	,672
7	,307 ^g	,094	,028	,78075	,000	,029	1	95	,866
8	,306 ^h	,094	,038	,77687	,000	,040	1	96	,843
9	,305 ⁱ	,093	,047	,77317	-,001	,069	1	97	,793
10	,304 ^j	,092	,056	,76953	-,001	,069	1	98	,794
11	,275 ^k	,075	,048	,77275	-,017	1,840	1	99	,178
12	,245 ^l	,060	,041	,77533	-,015	1,674	1	100	,199
13	,195 ^m	,038	,029	,78040	-,022	2,341	1	101	,129
a. Predictors: (Constant), S33_Eğitim, S17TŞirÇalSayTopl, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S1_UlusFaalYıl, S2_YabÜlkPazSay, S27_YdışıSeySık, S19_ŞirSatCir, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_TopışTec									
b. Predictors: (Constant), S33_Eğitim, S17TŞirÇalSayTopl, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S2_YabÜlkPazSay, S27_YdışıSeySık, S19_ŞirSatCir, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_TopışTec									
c. Predictors: (Constant), S33_Eğitim, S17TŞirÇalSayTopl, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S2_YabÜlkPazSay, S27_YdışıSeySık, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_TopışTec									
d. Predictors: (Constant), S33_Eğitim, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S2_YabÜlkPazSay, S27_YdışıSeySık, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_TopışTec									
e. Predictors: (Constant), S33_Eğitim, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S27_YdışıSeySık, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_TopışTec									
f. Predictors: (Constant), S33_Eğitim, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S27_YdışıSeySık, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_TopışTec									
g. Predictors: (Constant), S33_Eğitim, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S27_YdışıSeySık, S15_ŞirKurYıl, S21_ŞirÇalSür									
h. Predictors: (Constant), S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S27_YdışıSeySık, S15_ŞirKurYıl, S21_ŞirÇalSür									
i. Predictors: (Constant), S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S15_ŞirKurYıl, S21_ŞirÇalSür									
j. Predictors: (Constant), S28_BilYabDilSay, S30_Yaş, S15_ŞirKurYıl, S21_ŞirÇalSür									
k. Predictors: (Constant), S28_BilYabDilSay, S15_ŞirKurYıl, S21_ŞirÇalSür									
l. Predictors: (Constant), S28_BilYabDilSay, S15_ŞirKurYıl									
m. Predictors: (Constant), S15_ŞirKurYıl									

Model	ANOVA ⁿ					Sig.
		Sum of Squares	Df	Mean Square	F	
1	Regression	6,371	13	,490	,758	,702 ^a
	Residual	58,217	90	,647		
	Total	64,587	103			
2	Regression	6,355	12	,530	,828	,622 ^b
	Residual	58,233	91	,640		
	Total	64,587	103			
3	Regression	6,331	11	,576	,909	,535 ^c
	Residual	58,257	92	,633		
	Total	64,587	103			
4	Regression	6,283	10	,628	1,002	,448 ^d
	Residual	58,305	93	,627		
	Total	64,587	103			
5	Regression	6,198	9	,689	1,109	,364 ^e
	Residual	58,389	94	,621		
	Total	64,587	103			
6	Regression	6,087	8	,761	1,236	,287 ^f
	Residual	58,501	95	,616		
	Total	64,587	103			
7	Regression	6,069	7	,867	1,422	,205 ^g
	Residual	58,518	96	,610		
	Total	64,587	103			
8	Regression	6,045	6	1,007	1,669	,137 ^h
	Residual	58,542	97	,604		
	Total	64,587	103			
9	Regression	6,003	5	1,201	2,008	,084 ⁱ
	Residual	58,584	98	,598		
	Total	64,587	103			
10	Regression	5,962	4	1,491	2,517	,046 ^j
	Residual	58,625	99	,592		
	Total	64,587	103			
11	Regression	4,873	3	1,624	2,720	,048 ^k
	Residual	59,715	100	,597		

	Total	64,587	103			
12	Regression	3,873	2	1,937	3,221	,044 ^l
	Residual	60,714	101	,601		
	Total	64,587	103			
13	Regression	2,466	1	2,466	4,049	,047 ^m
	Residual	62,121	102	,609		
	Total	64,587	103			
a. Predictors: (Constant), S33_Eğitim, S17TŞirÇalSayTopl, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S1_UlusFaalYıl, S2_YabÜlkPazSay, S27_YdışıSeySık, S19_ŞirSatCir, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_ToplşTec						
b. Predictors: (Constant), S33_Eğitim, S17TŞirÇalSayTopl, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S2_YabÜlkPazSay, S27_YdışıSeySık, S19_ŞirSatCir, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_ToplşTec						
c. Predictors: (Constant), S33_Eğitim, S17TŞirÇalSayTopl, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S2_YabÜlkPazSay, S27_YdışıSeySık, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_ToplşTec						
d. Predictors: (Constant), S33_Eğitim, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S2_YabÜlkPazSay, S27_YdışıSeySık, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_ToplşTec						
e. Predictors: (Constant), S33_Eğitim, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S27_YdışıSeySık, S6_EnÖnYabÜlkPazDenSür, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_ToplşTec						
f. Predictors: (Constant), S33_Eğitim, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S27_YdışıSeySık, S15_ŞirKurYıl, S21_ŞirÇalSür, S22_ToplşTec						
g. Predictors: (Constant), S33_Eğitim, S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S27_YdışıSeySık, S15_ŞirKurYıl, S21_ŞirÇalSür						
h. Predictors: (Constant), S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S27_YdışıSeySık, S15_ŞirKurYıl, S21_ŞirÇalSür						
i. Predictors: (Constant), S28_BilYabDilSay, S25_YabÜlkYaşDen, S30_Yaş, S15_ŞirKurYıl, S21_ŞirÇalSür						
j. Predictors: (Constant), S28_BilYabDilSay, S30_Yaş, S15_ŞirKurYıl, S21_ŞirÇalSür						
k. Predictors: (Constant), S28_BilYabDilSay, S15_ŞirKurYıl, S21_ŞirÇalSür						
l. Predictors: (Constant), S28_BilYabDilSay, S15_ŞirKurYıl						
m. Predictors: (Constant), S15_ŞirKurYıl						
n. Dependent Variable: S7_PD						

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	41,968	18,260	2,298	,024

	S1_UlusFaalYıl	-,002	,013	-,028	-,157	,875
	S2_YabÜlkPazSay	,001	,003	,045	,381	,704
	S6_EnÖnYabÜlkPazDenSür	-,004	,013	-,044	-,292	,771
	S15_ŞirKurYıl	-,020	,009	-,347	-2,151	,034
	S17TŞirÇalSayTopl	-1,346E-5	,000	-,044	-,343	,732
	S19_ŞirSatCir	,014	,066	,026	,212	,832
	S21_ŞirÇalSür	-,026	,019	-,353	-1,394	,167
	S22_TopışTec	-,005	,026	-,067	-,198	,844
	S25_YabÜlkYaşDen	-,011	,070	-,018	-,157	,876
	S27_YdışıSeySık	,012	,076	,020	,163	,871
	S28_BilYabDilSay	,167	,119	,152	1,409	,162
	S30_Yaş	,024	,023	,324	1,056	,294
	S33_Eğitim	-,020	,125	-,021	-,162	,872
2	(Constant)	40,556	15,823		2,563	,012
	S2_YabÜlkPazSay	,001	,003	,046	,386	,700
	S6_EnÖnYabÜlkPazDenSür	-,005	,011	-,056	-,436	,664
	S15_ŞirKurYıl	-,019	,008	-,335	-2,380	,019
	S17TŞirÇalSayTopl	-1,256E-5	,000	-,041	-,325	,746
	S19_ŞirSatCir	,013	,065	,023	,195	,846
	S21_ŞirÇalSür	-,027	,018	-,360	-1,445	,152
	S22_TopışTec	-,005	,026	-,062	-,184	,855
	S25_YabÜlkYaşDen	-,012	,070	-,019	-,166	,868
	S27_YdışıSeySık	,014	,075	,022	,185	,854
	S28_BilYabDilSay	,169	,118	,154	1,437	,154
	S30_Yaş	,024	,023	,324	1,062	,291
	S33_Eğitim	-,020	,124	-,021	-,161	,872
3	(Constant)	40,775	15,700		2,597	,011
	S2_YabÜlkPazSay	,001	,003	,050	,437	,663
	S6_EnÖnYabÜlkPazDenSür	-,005	,011	-,056	-,434	,665
	S15_ŞirKurYıl	-,019	,008	-,337	-2,410	,018
	S17TŞirÇalSayTopl	-9,824E-6	,000	-,032	-,275	,784
	S21_ŞirÇalSür	-,027	,018	-,364	-1,476	,143
	S22_TopışTec	-,005	,026	-,061	-,182	,856
	S25_YabÜlkYaşDen	-,011	,069	-,018	-,158	,875
	S27_YdışıSeySık	,014	,075	,021	,181	,857
	S28_BilYabDilSay	,170	,117	,154	1,449	,151

4	S30_Yaş	,024	,023	,324	1,067	,289
	S33_Eğitim	-,019	,123	-,019	-,152	,879
	(Constant)	39,826	15,238		2,614	,010
	S2_YabÜlkPazSay	,001	,003	,039	,367	,715
	S6_EnÖnYabÜlkPazDenSür	-,005	,011	-,059	-,465	,643
	S15_ŞirKurYıl	-,019	,008	-,328	-2,421	,017
	S21_ŞirÇalSür	-,026	,018	-,358	-1,466	,146
	S22_TopışTec	-,004	,025	-,059	-,176	,861
	S25_YabÜlkYaşDen	-,010	,069	-,016	-,145	,885
	S27_YdışıSeySık	,015	,074	,024	,203	,839
	S28_BilYabDilSay	,164	,115	,149	1,430	,156
	S30_Yaş	,024	,023	,320	1,060	,292
5	S33_Eğitim	-,022	,122	-,023	-,182	,856
	(Constant)	40,125	15,146		2,649	,009
	S6_EnÖnYabÜlkPazDenSür	-,004	,010	-,053	-,424	,672
	S15_ŞirKurYıl	-,019	,008	-,331	-2,451	,016
	S21_ŞirÇalSür	-,026	,018	-,348	-1,441	,153
	S22_TopışTec	-,005	,025	-,067	-,203	,840
	S25_YabÜlkYaşDen	-,012	,068	-,020	-,179	,859
	S27_YdışıSeySık	,019	,073	,030	,264	,793
	S28_BilYabDilSay	,164	,114	,149	1,432	,156
	S30_Yaş	,023	,022	,308	1,032	,305
	S33_Eğitim	-,018	,121	-,019	-,151	,880
6	(Constant)	37,492	13,756		2,725	,008
	S15_ŞirKurYıl	-,017	,007	-,307	-2,503	,014
	S21_ŞirÇalSür	-,027	,018	-,363	-1,526	,130
	S22_TopışTec	-,004	,025	-,056	-,169	,866
	S25_YabÜlkYaşDen	-,018	,066	-,030	-,270	,787
	S27_YdışıSeySık	,021	,073	,033	,287	,775
	S28_BilYabDilSay	,168	,113	,153	1,479	,142
	S30_Yaş	,022	,022	,296	1,002	,319
	S33_Eğitim	-,021	,120	-,021	-,171	,864
7	(Constant)	37,826	13,545		2,793	,006
	S15_ŞirKurYıl	-,018	,007	-,310	-2,553	,012
	S21_ŞirÇalSür	-,028	,016	-,381	-1,779	,078
	S25_YabÜlkYaşDen	-,019	,065	-,032	-,296	,768

	S27_YdışıSeySık	,022	,072	,035	,308	,759
	S28_BilYabDilSay	,170	,112	,154	1,512	,134
	S30_Yaş	,019	,014	,258	1,376	,172
	S33_Eğitim	-,024	,118	-,024	-,199	,843
8	(Constant)	37,926	13,468		2,816	,006
	S15_ŞirKurYıl	-,018	,007	-,311	-2,580	,011
	S21_ŞirÇalSür	-,027	,015	-,365	-1,840	,069
	S25_YabÜlkYaşDen	-,022	,064	-,036	-,338	,736
	S27_YdışıSeySık	,018	,068	,028	,263	,793
	S28_BilYabDilSay	,174	,110	,158	1,587	,116
	S30_Yaş	,019	,014	,251	1,369	,174
9	(Constant)	37,233	13,145		2,833	,006
	S15_ŞirKurYıl	-,017	,007	-,304	-2,594	,011
	S21_ŞirÇalSür	-,027	,015	-,364	-1,842	,069
	S25_YabÜlkYaşDen	-,016	,060	-,026	-,262	,794
	S28_BilYabDilSay	,178	,108	,162	1,644	,103
	S30_Yaş	,019	,014	,251	1,372	,173
10	(Constant)	37,306	13,080		2,852	,005
	S15_ŞirKurYıl	-,017	,007	-,305	-2,613	,010
	S21_ŞirÇalSür	-,027	,015	-,362	-1,843	,068
	S28_BilYabDilSay	,175	,107	,159	1,635	,105
	S30_Yaş	,018	,014	,245	1,356	,178
11	(Constant)	30,612	12,164		2,517	,013
	S15_ŞirKurYıl	-,014	,006	-,241	-2,247	,027
	S21_ŞirÇalSür	-,010	,008	-,138	-1,294	,199
	S28_BilYabDilSay	,154	,107	,140	1,442	,152
12	(Constant)	23,718	10,971		2,162	,033
	S15_ŞirKurYıl	-,010	,006	-,181	-1,866	,065
	S28_BilYabDilSay	,163	,107	,148	1,530	,129
13	(Constant)	25,592	10,974		2,332	,022
	S15_ŞirKurYıl	-,011	,006	-,195	-2,012	,047
a. Dependent Variable: S7_PD						

Table 35: Total Variance Explained for Market Characteristics
(Principal Axis Analysis)

Factor	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared		
	Loadings			Loadings			Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4,204	42,039	42,039	3,786	37,859	37,859	2,211	22,107	22,107
2	1,490	14,905	56,944	1,052	10,525	48,384	1,840	18,397	40,504
3	1,106	11,056	68,000	,704	7,037	55,421	1,492	14,917	55,421
4	,759	7,589	75,588						
5	,652	6,517	82,105						
6	,585	5,850	87,955						
7	,483	4,825	92,780						
8	,331	3,307	96,087						
9	,202	2,018	98,105						
10	,190	1,895	100,000						

Table 36: Total Variance Explained for Market Characteristics
(Principal Component Analysis)

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4,204	42,039	42,039	4,204	42,039	42,039	2,316	23,158	23,158
2	1,490	14,905	56,944	1,490	14,905	56,944	2,286	22,859	46,016
3	1,106	11,056	68,000	1,106	11,056	68,000	2,198	21,983	68,000
4	,759	7,589	75,588						
5	,652	6,517	82,105						
6	,585	5,850	87,955						
7	,483	4,825	92,780						
8	,331	3,307	96,087						
9	,202	2,018	98,105						
10	,190	1,895	100,000						

Table 37: Total Variance Explained for Firm Characteristics
(Principal Axis Analysis)

Factor	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared		
				Loadings			Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,526	50,528	50,528	2,103	42,067	42,067	1,609	32,180	32,180
2	1,047	20,930	71,458	,552	11,032	53,099	1,046	20,919	53,099
3	,616	12,316	83,774						
4	,500	10,001	93,775						
5	,311	6,225	100,000						

Table 38: Total Variance Explained for Firm Characteristics
(Principal Component Analysis)

Com pone nt	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared		
	Loadings			Loadings			Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,526	50,528	50,528	2,526	50,528	50,528	2,015	40,302	40,302
2	1,047	20,930	71,458	1,047	20,930	71,458	1,558	31,156	71,458
3	,616	12,316	83,774						
4	,500	10,001	93,775						
5	,311	6,225	100,000						

Table 39: Total Variance Explained for Manager Characteristics
(Principal Axis Analysis)

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3,200	53,334	53,334	2,867	47,779	47,779	2,578	42,959	42,959
2	1,390	23,162	76,496	,981	16,343	64,121	1,270	21,163	64,121
3	,470	7,828	84,324						
4	,380	6,334	90,658						
5	,296	4,928	95,586						
6	,265	4,414	100,000						

Table 40: Total Variance Explained for Manager Characteristics
(Principal Component Analysis)

Component	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared		
	Loadings			Loadings			Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3,200	53,334	53,334	3,200	53,334	53,334	2,920	48,669	48,669
2	1,390	23,162	76,496	1,390	23,162	76,496	1,670	27,827	76,496
3	,470	7,828	84,324						
4	,380	6,334	90,658						
5	,296	4,928	95,586						
6	,265	4,414	100,000						

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