The Importance of Psychic Distance Factors—Geographic Distance and Differences in Mentality in the Process of Polish Companies’ Internationalization—Qualitative Research Results

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Psychic distance is a concept widely used in international business and international marketing literature to assess differences in culture, economic, and political systems as well as differences in mentality and geographic distance. This paper provides insights and evidence related to the role of the chosen psychic distance stimuli (differences in mentality and geographic distance) in the decisions of managers connected with the process of Polish companies’ internationalization. The paper is based on the critical literature overview and on the field research (qualitative research) conducted on the sample of 13 Polish companies with the technique of the depth interview. The direct research allowed to answer two research questions: What are the perceptions of managers about Psychic Distance and its stimuli (differences, differences in mentality and geographic distance) between Poland and markets of foreign expansion of Polish companies? What is the impact of Psychic Distance stimuli (differences in mentality and geographic distance) on the process of Polish companies internationalization? The factors having impact on managerial perceptions of differences between countries depend on the environmental factors, companies’ characteristics, and managers’ features. The differences in mentality and geographic distance have the most significant impact on the number of countries subject to a company’s foreign expansion, the choice of directions for a company’s foreign expansion, and the choice of market entry strategy. They also influence managerial decisions about initiating business operations on international markets. There is applied a methodology stating, that psychic distance (and its stimuli) should not be measured only with the use of objective constructs and statistical data, but also with the use of subjective data, such as the responses of decision makers.

Keywords: psychic distance, differences in mentality, geographic distance, internationalization, measurement, qualitative methods

Introduction

The critical literature overview led to the conclusion that there is a need to renew and redefine the terminology and metaphors employed in analyzing psychic distance. It has been variously employed to denote both inherently subjective, personal perceptions of foreign countries and objective country level characteristics, neither of which conform especially way to the associations invoked by the term “distance”. New

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conceptualizations and a new terminology are needed, that more clearly denote their theoretical basis, the assumptions upon which this rests, and the limits to their empirical applicability (Ambos & Håkanson, 2014).

The article consists of theoretical and empirical part. In theoretical part of the paper, different definitions of psychic distance are presented. Special consideration is dedicated to two factors of psychic distance: differences in mentality and geographic distance. In empirical part of the article, the research approach is presented. It also described the managers’ impressions about the role of the differences in mentality and geographic distance in decision making process about internationalization. The article is ended with conclusions and recommendations for further research.

There is a discussion in the literature about the level of analysis of psychic distance (national, company, and individual level), and the related question of whether in certain circumstances subjective, perceptual measures may be more appropriate than objective indicators. Concurrently, scholars have revived the insights of the Uppsala school that other dimensions than culture are likely to be important (Ghemavat, 2001; Kostova, 1997). Concerns have also been raised that differences may exist depending on whether the analysis concerns dyadic differences between pairs of countries or must take into account of the configurations of countries (Ambos & Håkanson, 2014).

Special consideration in this article is given to the measurement of the perceptions of managers of two psychic distance stimuli, differences in mentality and geographic distance.

The conducted research enabled the author to answer the following research questions: What are the perceptions of managers about the differences in mentality and geographic distance on the process of Polish companies’ internationalization? What is the impact of differences in mentality and geographic distance on the process of Polish companies internationalization (the directions and forms of internationalization, the pace, and amount of countries subject to foreign expansion of Polish companies; the value of sales and foreign capital engagement of Polish companies abroad)? What is the impact of differences in mentality and geographic distance on managers’ decisions connected with engagement on international markets (initiating business with foreign partners, leading business on international markets, the withdrawal of business from international markets)?

To obtain the comprehensive results joining the qualitative and quantitative methods is necessary. The originality of the article constitutes own operationalization of the psychic distance concept covering not only differences in cultures, economic, and political systems, but also differences in mentality and geographic distance.

**Literature Review**

**Psychic Distance—Theoretical Remarks**

In spite of dramatic advances in transportation and communications, the Internet development, the removal or reduction of tariffs, and other barriers to trade, there are no signs that the effect of distance on international business activity has diminished; on the contrary, some evidences suggest that the sensitivity of international trade to distance has in fact increased over time. It appears that—contrary to common perception—globalization has not made the world a smaller place (Håkanson & Dow, 2012).

The literature review leads to the conclusion that despite the widespread research, two main problems remain the theory advancement in the field: first, operationalization shows little theoretical consistency; and second, the relationship between psychic distance and various different variables leads to different results characterized by the lack of replication and some inconsistencies (Sousa & Lages, 2011).
The term psychic distance was used in the research by Beckerman (1956), Johanson and Vahlne (1977), Johanson and Wiedersheim Paul (1975). It was defined as a sum of factors preventing the flow of information between the firm and the market. Beckerman (1956) was the first to suggest that bilateral exports may not only decrease with geographic but also with cultural or psychic distance, as trading partners from culturally more distant countries are generally less familiar with one another (Slangen, Beugelsdijk, & Hennart, 2011). There were also other examples in the literature of such a statement (Vahlne & Wiedersheim-Paul, 1973; Evans & Mavondo, 2002).

It should be mentioned that some authors (Dow & Larimo, 2011) implement the term “distance”, which doesn’t refer only to psychic or geographic distance but rather to the differences between countries which may cause managers to perceive some potential host countries as closer or more faraway taking into consideration of the different criteria of comparison.

According to Håkanson (2013) and Evans, Treadgold, and Mavondo (2000), the differences between the home and host country shape the construct. Psychic distance, can therefore be defined as the individual’s perceived differences between the home and the foreign country (Sousa & Lages, 2011; Dow, Håkanson, & Ambos, 2014). Some examples of factors affecting psychic distance include differences in languages, culture, level of education, and level of industrial development (O’Grady & Lane, 1996).

A review of literature indicates, that operationalization of psychic distance construct can be divided into three categories (Sousa & Lages, 2011). In the first approach, psychic distance is operationalized with the method used by Kogut and Singh (1988) based on Hofstede’s (1980) cultural difference dimensions to measure psychic distance. In this approach, researcher considers psychic distance and cultural distance to be equivalent (Fletcher & Bohn, 1998; Setchi, Guisinger, Phelan, & Berg, 2003). In the second approach, psychic distance is measured with the use of national level indicators on the basis of publicly available data (Brewer, 2007). This approach has been criticized by not taking into account of subjective differences and individual level bias in the decision making (Dow & Larimo, 2009). In the third approach, psychic distance is measured at the individual level.

The major problem is that measurement procedures do not consider the perceptual nature of the psychic distance construct (Prime, Obadia, & Vida, 2009). The other researchers (Klein & Roth, 1990; Sousa & Bradley, 2005; Sousa & Bradley, 2006) operationalized psychic distance by asking firm’s decision makers to estimate the psychic distance toward a foreign country. The emphasis in this approach is on the perception of the differences by the manager of the company. Such attitude to psychic distance operationalization is similar to the author’s attitude. It is the mind’s processing, in terms of cultural and business differences, that form the basis of psychic distance (Evans et al., 2000). Thus, it is the perceptions of actual decision-making managers that are important and that influence their decisions as to whether or not to undertake business overseas and in what form. Perceptual measures of psychic distance should, therefore, be considered a better indicator of psychic distance than secondary sources indicators (Dow & Larimo, 2009; Dow & Karunaratna, 2006). This is confirmed by Zhao, Luo, and Suh (2004), in the meta-analytic review, which reveals that perceptual measures of cultural distance are significantly stronger predictors of entry-mode choice than secondary source measures.

The internationalization literature implies that countries close in terms of psychic distance are more similar and easier to manage than distant countries, and therefore it is expected that firms will achieve greater success in similar markets (Johanson & Vahlne, 1990). Uncertainty arises when a firm attempts to export to countries not deemed similar to the home country (Erramilli & Rao, 1993) which increases the possibility of making wrong decisions and thereby reducing the performance of the firm abroad (Sousa & Lengler, 2009).
Sousa and Lages (2011) proposed a new scale of measuring this phenomenon. This new scale comprises of two dimensions: country characteristic distance and people characteristic distance. They propose to define psychic distance as the distance between the home and the foreign country, which is reflected in the individual’s perception of differences of both “country” characteristics and “people” characteristics. The first dimension is related to specific aspects of modernization of a country, while the second dimension refers more to the degree of separation and interaction that exists between people from different countries.

The country characteristic distance is a key component of psychic distance. Differences between the home and foreign country regarding development, competitiveness, infrastructure, and regulation are essential elements of psychic distance. These factors are treated as key factors in influencing the international operations of the firm (Sousa & Langley, 2011). Also Dow and Karunaratna (2006) argued, that macro-level factors shape the decision maker’s perception of psychic distance. Research has shown that differences in market competitiveness, technical requirements, and communication infrastructure across markets are among the major aspects in influencing the activities of the firm abroad (Cavusgil, Zou, & Naidu, 1993; Theodosiou & Katsikeas, 2001; Katsikeas, Skarmeas, & Bello, 2008). Hence, the proposed construct comprises the following six elements: level of economic and industrial development, communications infrastructure, marketing infrastructure, technical requirements, market competitiveness, and legal regulations (Sousa & Lages, 2011).

People characteristics distance is considered as the second key dimension of psychic distance. In order to understand the differences between countries, it is necessary to take into account of the people’s characteristic in these countries. People from different nations may have different patterns of behaving and believing, and different cognitive blueprints for interpreting the world (Krober & Kuckhohn, 1952). It is therefore necessary to take into consideration of not only the macro-aspects of the country, but also the particular characteristic of the people, who live in it. The task of introducing products to foreign markets requires firm to understand how an unfamiliar group will behave toward their products. It is the knowledge that determines whether entry into foreign market is advisable and what strategic modifications if any required for successful market expansion. Large differences in lifestyles and education between countries will increase the risk of uncertainty of a manager to properly understand and communicate effectively with the partners from foreign markets (Dow & Karunaratna, 2006; Sousa & Lengler, 2009). Psychic distance is often referred to in terms of barriers to learning and understanding (Nordström & Vahline, 1994). In this context, the perceptions of differences in terms of language, beliefs, attitudes, and traditions are particularly important. It has been found that differences in languages between countries tend to increase both the costs and the risk of transaction (Dow & Karunaratna, 2006) while different beliefs, attitudes, and traditions may increase the cost of interpreting information flows between the parties and also increase the risk of misinterpretation (Boyacigiller, 1990). Factors such as lifestyle, purchasing power of customers, education, language, consumer preferences, and culture have been frequently cited in the literature for over 30 years as important components of the psychic distance construct (Johanson & Wiedersheim-Paul, 1975). So, the people characteristic distance comprises of seven items: income per capita, purchasing power of customers, lifestyles, consumer preferences, level of literacy and education, language and cultural values, beliefs, attitudes, and traditions (Sousa & Lages, 2011).

Attempts to operationalize psychic distance and empirically test its relevance remain relatively limited, although generally speaking they are on the increase (Ghemawat, 2001; Brewer, 2007; Prime et al., 2009). This applies to both the number of empirical studies on psychic distance as well as to the sophistication of the
measurement instruments which have been developed (Shohan & Albaum, 1995; Sousa & Bradley, 2008; Sousa & Lages, 2011).

The author of the article based the operationalization of psychic distance on the overall framework within which the 12 dimensions prepared by Ghemawat’s (2001) “CAGE” classification of distance between two countries. Because this classification was acknowledged as non-comprehensive, the author of the paper prepared her own classification of psychic distance stimuli. For the purpose of this study, the following classifications of psychic distance stimuli are presented: cultural differences (including differences in values and practices, differences in languages, and differences in religion), economic differences (including differences in income levels, the level of economic development, and the situation in the labour market), political differences (including the role of the government in the country, the level of democracy, and political stability) and differences in mentality (different way of thinking of managers, the managers attitude to reality, and the rules, with which the entity is heading during processing information from the market/environment).

The next part of the article is dedicated to the two dimensions of psychic distance: geographic distance and differences in mentality.

Geographic Distance and Differences in Mentality as Psychic Distance Factors

Håkanson and Ambos (2010) found absolute geographic distance to be the greatest predictor psychic distance. Likewise, Dastidar and Zaheer (2010) found that geographic distance overwhelms cultural and institutional distance in explaining the need for knowledge to mitigate information asymmetry. These types of findings suggest, that such objective, lower order distance constructs such as time, space, and perhaps even language and religion may in fact provide more powerful tools of investigation than complex higher-order distance constructs whose multidimensionality has been reduced.

It should be added that the effect of distance on trade patterns is not diminishing over time. Contrary to popular impression, the world is not getting dramatically smaller (Håkanson & Dow, 2012).

Geographic distance affects not only transportation costs, but also possibility for personal contact between buyers and sellers, the latter creating subtle but significant transaction costs, curbing trade over large distances (Grossman, 1998).

In gravity models, “distance” is traditionally measured in terms of absolute geographic distance (Håkanson & Dow, 2012). This is accepted as a reasonable proxy found for transportation costs and other psychical trading costs, it has been recognized, that geographic distance may also capture transaction costs associated with the collection and interpretation of information about the quality of goods or the trustworthiness of potential trading partners, including the costs of negotiation and other forms of personal interaction (Guiso, Sapienza, & Zingales, 2009; Grossman, 1998). Even where trading costs are unrelated to the distance between buyers and sellers—as in the case of cross-border portfolio equity investments—information costs associated with distance have been shown to accept the geographic pattern of international transactions (Portes & Rey, 2000).

The next construct developed in the literature is total travel time, defined as the total incremental time required to interact or transact that would not be required with a perfectly proximate party. It is made up of both dyad travel time and incremental travel friction, such as preparation time and transport limitations or consequences that require incremental time, such as layover time and time to recover from jet-lag. While mobile communications and computing tools make travel time more productive, they are only partially compensatory. Time spent travelling is time that could otherwise be employed productively (Boeh & Beamish,
2012). While geographic distance between locations is static, dyad travel time is affected by transportation infrastructure as well as by other frictions that affect physical movement, such as political relations.

Another geographic distance stimuli are time zones (Dow & Karunaratna, 2006). Differences in time zones are not likely to disrupt the interpretation of information, but they do create uncertainty about the ability of rapid communication, if and when it is needed.

It should be noticed that companies seek to minimize transportation costs even when these are falling. As improved availability of information and increasing transparency of markets help them to do so, average transportation distances will tend to decline (Berthelon & Freund, 2008).

Coordinating the activities of sales managers or units of companies operating abroad requires dealing with time zones, miles, and communication by phone or email. Besides, international firms must also face the myriad country differences that contribute other forms of distance, such as cultural, administrative, and economic distance (Ghemavat, 2001). While temporal and geographic distances are absolute and indisputable, other forms of distance are not as well delineated.

Geographic distance is a proxy for transportation costs and psychic distance is a proxy for the costs of obtaining and interpreting about foreign markets (Håkanson & Dow, 2012).

Another factor of psychic distance is mentality (mindset) of managers. In decision theory and general system theory, a mindset is a set of assumptions, methods, or notations held by one or more people or groups of people that is so established that it creates a powerful incentive within these people or groups to continue to adopt or accept prior behaviours, choices, or tools. This phenomenon is also sometimes described as mental inertia “groupthink” or a “paradigm”, and it is often difficult to counteract its effect upon analysis and decision making processes. A mindset can also be seen as incident of person’s “Weltanschauung” or philosophy of life.

Naturally, the question regarding the embodiment of a collective mindset comes to mind. Erikson’s (1974) analysis of group-identities and what he calls a life-plan seems relevant here. He recounted the example of American Indians, who were meant to undergo a reeducation process meant to imbue a modern “life-plan” that aimed for a house and a richness expressed by a filled bank account. Erikson wrote that the Indians’ collective historic identity as buffalo hunters was oriented around such fundamentally different reasons/goals that even communication about the divergent “life plans” was itself difficult.

There is a double relation between the institutions embodying for example an entrepreneurial mindset its entrepreneurial performance. Firstly, an institution with an entrepreneurial philosophy will set entrepreneurial goals and strategies as a whole, but maybe even more importantly, it will foster an entrepreneurial milieu, allowing each entity to pursue emergent opportunities. In short, philosophical stance codified in the mind, hence as mindset, leads to a climate that in turn causes values that lead to practice.

Collective mindsets in this sense are described in such works as Hutchin’s (1995) “cognition in the wild”, who analyzes a whole team of naval navigators as the cognitive unit or as computational system, or Senges’ (2007) knowledge entrepreneurship in universities. There are also parallels to the emerging field of “collective intelligence” and exploiting the “Wisdom of the crowds” (Surowiecki, 2005) of stakeholders.

The PWN Dictionary of Foreign Words defines mentality as an individual way of thinking and its application to reality, whilst a dictionary of psychology defines mentality as a way of thinking which is characteristic of an individual or group of people. In turn, the Polish Language Dictionary defines mentality as an individual way of thinking and its application to reality by an individual or social group; a general attitude and degree of intellectual activity determined by biological and social factors.
A separate issue is the concept of collective mentality, which consists of the reality of collectively divided mental qualities, as well as subjective feelings, sheer feelings, and stereotypes, and finally, the arguments used in public discourse. This collective mentality also includes reflection on the mentality of oneself and others alike.

Reykowski (1990) defines mentality as “a system of general principles followed by an individual or a community in terms of the processing of social information”. These rules are not always fully conceptualized: axial elements of mentality work to conceal normative assumptions:

- They are located in the subconscious, due to which an individual either does not realize, or realizes fragmentarily.
- They are axiomatic in nature, determining the stability, and meaningfulness of the prevailing world view, the violation of which is a source of anomie.
- They are created socially, comprising components of the culture within which community life unfolds.

A somewhat different definition of mentality is espoused by Koralewicz and Ziolkowski (2003), who recognized that it is composed of elements such as orientation, i.e., the generalized tendency towards perception, evaluation, feeling, and reaction to social reality. The authors distinguish the following types of orientation: individual/collective; productive/receptive-demanding; subjective/submissive.

Research Methods

As previously mentioned, the research conducted by the author focused on the investigation of the impact of overall psychic distance, and psychic distance factors, in the process of Polish companies’ entry into international markets. To this end, a hypothesis was established that the psychic distance between Poland and the foreign markets onto which Polish companies are expanding is an important determinant of managerial decisions concerning internationalization. In order to fulfill the aforementioned research objectives, it was deemed necessary to combine various research methods (the so-called triangulation of methods), therefore the following research methods and techniques should be used: a critical review of literature on the subject; desk research; field research in the form of qualitative research carried out using in-depth interviews (on a sample of 13 companies); and quantitative research with the use of face-to-face interviews (on a sample of 200 companies).

The article presents only the results of qualitative research on the impact of two of the psychic distance stimuli—differences in mentality and geographic distance—on the process of Polish companies’ internationalization.

Qualitative researches in the form of depth interviews were undertaken in the period between July 2013 and April 2014. This research was undertaken within the territory of Poland; the research objects were Polish companies undergoing the process of internationalization; and the research subjects were managers’ perceptions of the psychic distance between Poland and the foreign expansion markets of Polish companies. Purposive sampling was selected for research. The research was conducted on a sample of 13 companies.

The sample was consisting of Polish companies. The list of companies, as the subjects of the research, was created on the basis of the general knowledge of the researcher and the following lists and rankings of Polish exporters: the rankings of the Ministry of Economy; “Sława Polski”, “Orzel Eksportu”, and “Dobra firma”; the “Lista 500” Polityki ranking of the most significant Polish companies; the list by “Stowarzyszenie Eksporterów Polskich” and the “Liderzy Eksportu” ranking of Polish companies.
The criteria for choosing the cases were as follows: origin of capital (100% Polish capital); experience in activity on foreign markets (more than five years); value of sales on foreign markets during the last two years (more than 10% of total sales); the geographic spread of foreign sales (companies should operate in more than 10 foreign markets). The criteria of 100% Polish capital ensured that the national culture of the companies as subjects of the research was Polish (thus facilitating a contrast between Poland and foreign countries).

The majority of the companies were large (69.23%) and medium-sized (30.76%) companies, representing the mining industry (companies B, C); the chemical industry (companies F, J); the cosmetics industry (companies E, I); the food industry (company D); the pharmaceutical industry (company L); the ICT industry (company M); the vehicle industry (company G); the furniture industry (company A); the automation industry (company H); and the aluminum profiles industry (company K). The characteristic of the companies is presented in Tables 1a, 1b, and 1c.

Table 1a

<table>
<thead>
<tr>
<th>Company symbol</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>furniture</td>
<td>mining</td>
<td>mining</td>
<td>FMCG</td>
<td>cosmetics</td>
</tr>
<tr>
<td>Key changes in structure</td>
<td>1973—establishment by a private entrepreneur (family owned company)</td>
<td>1922—establishment of the private company</td>
<td>1951—transformation of the state owned company</td>
<td>1992—establishment by a private entrepreneur (family owned company)</td>
<td>1989—establishment by a private entrepreneur (family owned company)</td>
</tr>
<tr>
<td>Total sales</td>
<td>2005</td>
<td>126 927 964</td>
<td>240 000 000</td>
<td>4 780 059</td>
<td>166 000 000</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>116 775 038</td>
<td>664 000 000</td>
<td>2 947 758</td>
<td>476 300 000</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>140 423 837</td>
<td>1 200 000 000</td>
<td>3 472 672</td>
<td>460 000 000</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>124 233 022</td>
<td></td>
<td></td>
<td>ni</td>
</tr>
<tr>
<td>Foreign sales</td>
<td>2005</td>
<td>33 111 000</td>
<td>60 000 000</td>
<td>4 659 655</td>
<td>12 231 000</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>16 016 000</td>
<td>95 000 000</td>
<td>2 721 285</td>
<td>19 976 000</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>19 095 000</td>
<td>260 000 000</td>
<td>2 728 095</td>
<td>ni</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>14 973 505</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First foreign expansion market</td>
<td>Czech Republic, Russia, Ukraine, Great Britain</td>
<td>Russia</td>
<td>Germany, Russia</td>
<td>Germany</td>
<td>Lithuania</td>
</tr>
<tr>
<td>Market expansion (years)</td>
<td>13</td>
<td>63</td>
<td>10</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>First foreign subsidiary</td>
<td>—</td>
<td>—</td>
<td>Austria</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign manufacturing units</td>
<td>—</td>
<td>Russia, Ukraine, Kazakhstan</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exit from foreign markets</td>
<td>—</td>
<td>2007—Iran</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>
Table 1b

*Characteristics of Polish Companies (F—J)*

<table>
<thead>
<tr>
<th>Company symbol</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>chemistry</td>
<td>automobile</td>
<td>automation</td>
<td>cosmetics</td>
<td>chemistry</td>
</tr>
<tr>
<td>Key changes in structure</td>
<td>1945—formed as government-owned corporation, 1995—transformation into the form of a limited liability company.</td>
<td>1996—establishment by a private entrepreneur (family owned company)</td>
<td>1953—establishment by the private entrepreneur</td>
<td>1993—establishment by a private entrepreneur (family owned company)</td>
<td>1992—establishment of two partnerships</td>
</tr>
<tr>
<td>First foreign expansion market</td>
<td>Czech Republic</td>
<td>Czech Republic</td>
<td>France</td>
<td>Ukraine</td>
<td>Germany</td>
</tr>
<tr>
<td>Total sales</td>
<td>2 200 000 000</td>
<td>659 000 000</td>
<td>19 400 000</td>
<td>100 000 000</td>
<td>322 000 000</td>
</tr>
<tr>
<td>2010</td>
<td>4 000 000 000</td>
<td>1 298 000 000</td>
<td>17 900 000</td>
<td>130 000 000</td>
<td>879 000 000</td>
</tr>
<tr>
<td>2012/2013</td>
<td>3 500 000 000</td>
<td>1 301 000 000</td>
<td>13 700 000</td>
<td>135 000 000</td>
<td>1 061 000 000</td>
</tr>
<tr>
<td>Foreign sales</td>
<td>1 200 000 000</td>
<td>487 000 000</td>
<td>11 300 000</td>
<td>3 000 000</td>
<td>—</td>
</tr>
<tr>
<td>2010</td>
<td>2 500 000 000</td>
<td>809 000 000</td>
<td>13 500 000</td>
<td>6 500 000</td>
<td>639 000 000</td>
</tr>
<tr>
<td>2012</td>
<td>1 000 000 000</td>
<td>833 000 000</td>
<td>11 500 000</td>
<td>8 100 000</td>
<td>767 000 000</td>
</tr>
<tr>
<td>2013</td>
<td>1 177 000 000</td>
<td>12 400 000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market expansion (years)</td>
<td>69</td>
<td>10</td>
<td>15</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>First foreign subsidiary</td>
<td>Czech Republic, 1948</td>
<td>—</td>
<td>—</td>
<td>Romania 2001</td>
<td></td>
</tr>
<tr>
<td>Foreign manufacturing units</td>
<td>Czech Republic, 1999</td>
<td>—</td>
<td>—</td>
<td>Spain, Brazil, Turkey, China</td>
<td></td>
</tr>
<tr>
<td>Exit from foreign markets</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Table 1c

*Characteristics of Polish Companies (K—M)*

<table>
<thead>
<tr>
<th>Company symbol</th>
<th>K</th>
<th>L</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of establishment</td>
<td>1953</td>
<td>1989</td>
<td>1991</td>
</tr>
<tr>
<td>Industry</td>
<td>aluminum profiles</td>
<td>pharmaceutical</td>
<td>ICT</td>
</tr>
<tr>
<td>Key changes in structure</td>
<td>1953—establishing a state owned company</td>
<td>1993—transformation into the form of a limited liability company</td>
<td>1989—company establishment 3 offices in Poland</td>
</tr>
<tr>
<td>Total sales</td>
<td>2005</td>
<td>165 000 000</td>
<td>151 586 000</td>
</tr>
<tr>
<td>2010</td>
<td>196 000 000</td>
<td>378 595 000</td>
<td>200 000 000</td>
</tr>
<tr>
<td>2012</td>
<td>510 000 000</td>
<td>406 303 000</td>
<td>263 000 000</td>
</tr>
<tr>
<td>2013</td>
<td>340 358 000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Research Results

Managers’ Opinions About the Importance of Differences in Mentality in the Process of Companies’ Internationalization

The next dimensions of Psychic Distance are differences in managers’ mentality. The different way of thinking of managers in different countries could influence their business behavior and their decision making process.

The manager of company A mentioned that dissimilarities are interested for him and they were never treated as a barrier of internationalization. The negotiations are very important for him. He noticed the differences in managers’ mentality between Polish and foreign managers. He gave the example of Balkan countries and Mongolia, but also Belarus, Russia, and Asian countries. The managers representing Balkan countries were described as very expressive, but the inhabitants of Mongolia were called “armored” and “thickly carved”. Belarusian and Russian are described as “to be gamed for everything”, the inhabitants of Asian countries are very calm and patient. Problems could occur, when a very impatient from European countries will push his Asiatic partners. It could be reclaimed as imposing pressure.

The manager representing company B paid attention on the perception of time during negotiations, especially time necessary for achievement compromise. The organization should always conform to local conditions, in which it operates. The necessary is the emphatic approach to foreign managers. According to him, managers representing different countries, even in EU have different believes, rules, and ways of thinking. He noticed the most significant difference between the inhabitants of Western and Eastern countries of Europe. It is the result of communist regime in Central and Eastern Europe.

The other opinion represents the manager of company C. According to him, globalization causes blearing the differences in mentality. He appealed to employ the foreigners in transnational corporations. The cooperation in international teams causes mashing the differences in culture between managers. He still notices the differences in mentality between Hindu and Arab managers. During negotiations with partners from these countries managers have to be more precise. The manager emphasized that 90% of cases still cooperate with the same group of clients. He knows their business behavior and way of thinking.

The differences in mentality notice manager from company D. They are caused by different ways of thinking of European managers and the managers coming from the other continents.

For the manager representing company E, the extreme examples of countries of different mentality are the United States, China, and Vietnam. According to the opinion of respondent representing company E, the

<table>
<thead>
<tr>
<th>Company symbol</th>
<th>K</th>
<th>L</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>43 000 000</td>
<td>26 993 000</td>
<td>78 000 000</td>
</tr>
<tr>
<td>2010</td>
<td>64 000 000</td>
<td>255 595 000</td>
<td>195 000 000</td>
</tr>
<tr>
<td>2012</td>
<td>117 000 000</td>
<td>309 803 000</td>
<td>245 000 000</td>
</tr>
<tr>
<td>2013</td>
<td>219 358 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Starting year of foreign sales</td>
<td>2003</td>
<td>1999</td>
<td>1991</td>
</tr>
<tr>
<td>First foreign expansion market</td>
<td>Germany</td>
<td>Latvia</td>
<td>Sweden, Ukraine</td>
</tr>
<tr>
<td>Market expansion (years)</td>
<td>16</td>
<td>14</td>
<td>23</td>
</tr>
<tr>
<td>First foreign subsidiary</td>
<td>Hungary—2004</td>
<td>Russia—2004</td>
<td>—</td>
</tr>
<tr>
<td>Foreign manufacturing units</td>
<td>Ukraine</td>
<td>Italy, Ukraine, India</td>
<td>Belarus, Ukraine, Sweden</td>
</tr>
</tbody>
</table>
The importance of psychic distance factors

Differences in mentality have impact on negotiations. Important is also political system in each country. For example in Ukraine and Belarus, the managers are people representing the government. The similar situation is in Vietnam or in China, where on the top of big company is so called “party person”. It has impact on rules, views, and opinions in organizations.

The manager representing company F gave the example of Scandinavian managers, who are described as compulsory, detailed, and good at their words. He gave also the example for Italian managers, with whom the cooperation is not good, because promptness is not important for them.

According to the manager representing company G, the differences in mentality have impact on formality of the mutual relations. In Western countries, business relations are very formal and not familiar. There are often “discussions behind closed doors”. The obligation of the sales director is establishing relations, leading to the contract realization and the way leading transaction.

According to the manager of company H, the differences in mentality influence decision making process in these countries. In the United States, the decisions are being undertaken in the analytical way, the representatives of Balkan countries have emotional relationship to business; the representatives of Arab countries rely mostly on financial calculation.

According to the manager of company I, the differences in mentality have impact on the trust to business partners. The eventuating form of the undertaken commitments is treated as the partner reliability. If something is fixed, it has to be performed. The Belarusian managers are very trustful, they are described as “keeping both feet on the ground”. The Ukrainians are perceived as being less realistic. The managers from Korea do not refuse directly, it is difficult to understand their message and their system of acting and reacting. The decision making process on the Middle East is longer.

The manager of company J gave the example of Russia and the management of heavy hand in these countries. The Russian manager needs a “commander”, the control is necessary in these countries. There is still a fear of invigilation in these countries; there is also a slack of activity on those markets. According to the manager of company J, Polish managers should obtain the ability of “moving” on the East, only this competence will give the guarantee of success. The problem on Eastern markets is the lack of possibility of finding “good people to work”, with proper knowledge and qualifications. The well qualified workforce is very expensive and “spoiled”. According to the respondent representing company J, networking provides a means of harnessing resources to the management of psychic distance. It would be useful to explore the conceptual mutuality that may exist between networking and psychic distance management in the context of studying international business. What important is building collaborative partnership, which constitutes another form of networking.

The manager representing company K ascertained that there is always a question in his company where to go and which markets to choose. He gave the example of Ukrainian market. The Ukrainian managers differ from Polish ones with the mentality. There is smaller responsibility and smaller ethical standards in this country. People think that they have to be changed by force. There is also different situation on the labor market. The employees think that they have knowledge and their demands are very high. They motivate hunters. According to the manager of company K, the mentality of Ukrainian managers have impact on the organization and on activity of business partners. The different situation is in Germany. Polish managers are treated by German ones as less reliable. There is still wrong opinion about Polish managers in Germany, who are being treated as “twisters”. There is also a discussion about the financing of transactions and delays in payments of managers in business transactions.
According to the manager representing company L, the differences in mentality seize up with the process of globalization. The managers on the whole world are being qualified in the same way. Because of the journeys, they have the same way of thinking and the same business aims. The manager of company L showed the characteristic of the industry, in which he operates. Because of the globalization, managers are used to international standards, they could be called “global managers”. The opposite situation could be noticed in Brazil, Chile, and Argentina. The manager of company L has good experience in cooperation with managers from these countries. The manager of company L underlined the bridging role of the local partner.

For the manager representing company M, the most important example of differences in mentality are Mexican managers. According to the manager of company M, the differences in mentality could be overcome. The manager has 23 years old’s experience in cooperation with clients and business partners. He knows what to expect from clients representing different nationalities. The respondent representing company admitted that he avoids Russian managers. They have different approach to money and business. The Eastern mentality is based on “requirements”, the earlier preparation of technical specification is the lost of time. As the effect, there is an anecdote in the industry “the client wanted to have the swing and he got the bridge”. In Eastern countries, nobody takes care about contract requirements before signing the contact. The manager of company M described Russian managers as “story tellers”, not the businessmen. In cooperation with Russian managers, they are getting the clear picture of the clients’ needs.

Managers’ Opinions About the Importance of Geographic Distance in the Process of Companies’ Internationalization

Geographic proximity between the countries also plays important role in the process of companie’s internationalization.

The respondent of company A admitted that the foreign expansion markets characterized by the biggest geographic distance are Siberia and Japan. In export activity to these countries, distance is the biggest barrier of foreign contacts. The country, which is perceived as distant, despite the geographic distance is small, is Czech Republic. These countries have almost the same language and the same culture, but this “almost” makes a significant difference.

According to the manager representing company B, the bigger the geographic distance is, the more difficult the activity on the certain foreign market is. The company leads its activity on many foreign markets because of the good geological conditions. It is profitable for the company to operate on many distant markets, but the condition of activity is to be aware of the differences between the countries and to reduce them.

For the manager representing company C, geographic distance is important during leading business activity. For example, the company doesn’t export its products on Chinese market because there is too big distance between them. The manager gave the example of closed and distant countries. The country closed taking into consideration of psychic distance and far taking into consideration of geographic distance is Brazil. The respondent doesn’t have any problems in communication with managers from this country, despite the distance between Poland and Brazil is significant. In case of geographic distance respondent takes into consideration of the costs of transport. For him more profitable is exporting the products of the company to Morocco than to Romania or Croatia.

For managers representing companies D, E, and H, geographic distance is not the barrier of leading business. If the product is expensive, it is profitable to export it on huge distances. The costs of transport are not
important; also the geographic distance is not important. The small margins are coincided with the amount of goods being sold.

According to the manager of company D, there are factors which narrow the sense of distance between home and overseas business locations. They concern macro-development arising from social movements (e.g., migration), institutional changes, globalization, and technological advance.

The manager of company E stated that geographic distance is important during taking decisions about internationalization, but it doesn’t decide about the cooperation of the company from one country or not. It has impact on organization of transport and the way of delivery of goods. In case of huge distances (export of goods to the United States and Japan) the company uses the marine transport.

According to the manager representing company F, modern air transport and electronic communications have powerfully compressed the gaps between home and foreign locations that have previously been caused by geographical remoteness, which cause the decreasing of the value of geographic distance.

Geographic distance is not important for the manager representing company G. In this company, what important is only the adaptation of products to the climate conditions, which are different on different foreign markets.

According to the manager of company H, the development of Internet reduced geographic distance. There is possibility of communication of managers without travelling expenses. Geographic distance plays important role in distribution of products.

Geographic distance is also important for the manager representing company I. The company is not afraid of geographic distance. The manager sees that the geographic distance causes the increase of transportation costs, what has impact on the increase of prices and the possibility of competition with the other brands.

Similar opinion has manager representing company J. According to him, the huge distances cause the increase of prices and the decrease of profitability. The big distances caused the beginning of local production and investment abroad. What important is also the impact of climate conditions on transportation of goods. For example, the very low temperatures on foreign markets cause the necessity of adapting the rail transport to local conditions. The respondent representing company J gave the example of countries perceived as far despite the small geographic distance. These are Kazakhstan and Ukraine (where we are not being seen well). More than 35.00% of Polish companies withdraw from Ukrainian market. The reason of such strategy is corruption on that markets and not confident democracy.

For the manager representing company K, geographic distance is important in taking decisions about internationalization. The manager gave the example of Bulgaria and Lithuania, as countries closed taking into consideration of geographic distance and far taking into consideration of psychic distance. The other situation is in case of Spanish and Irish managers, which are treated as culturally closed to Polish managers.

Geographic distance is not important for the manager representing company L. The company has its subsidiary even in Australia; there are not problems in communication between Polish and Australian managers. To make the foreign contact easier, the conferences and teleconferences are being organized. The respondent gave the example of countries closer taking into consideration of geographic distance and farther taking into consideration of psychic distance, these are Germany and Czech Republic. In Germany, the professionalism is higher than that of Poland, and the example of Czech Republic, which is the closed neighbor of Poland, but the national culture of this country is closer to the culture of Germany. The opposite situation could be noticed in case of Latin America, Chile, and Argentina.
Geographic distance is an important factor for the manager representing company M. He mentioned about different time zones in different countries. He gave the examples of countries, where psychic distance is significant despite the geographic distance is not significant. These are Italy and France. The countries characterizing by the similar psychic distance to Poland are Belarus, Ukraine, and Russia. The psychic distance proximity doesn’t mean entering foreign markets, because “money is somewhere else”, that means “on the second way of Baltic and Odra”. Market knowledge and market commitment affect decisions on recourse commitment and the way current activities are performed. Manufacturing firms start entering foreign markets by exporting. These firms then increase their recourse commitment by establishing production facilities abroad only after they have acquired sufficient market knowledge.

The examples of countries with significant geographic distance and small psychic distance are the United States and California. According to the respondent, the engineers and highly qualified specialists have the same mentality and the same cultural characteristics over the country borders.

The summary of respondents perceptions about the differences in mentality and geographic distance between Poland and foreign expansion markets of Polish companies is presented in Table 2.

Table 2
The Managers’ Perceptions About the Differences in Mentality and Geographic Distance in Companies Internationalization

<table>
<thead>
<tr>
<th>Differences in mentality</th>
</tr>
</thead>
<tbody>
<tr>
<td>the impact of nationality on the mentality of managers</td>
</tr>
<tr>
<td>the impact of national policy on the managers’ negotiation style and behavior</td>
</tr>
<tr>
<td>the impact of the differences in mentality on the decision making process</td>
</tr>
<tr>
<td>the impact of the differences in mentality on trust to business partners</td>
</tr>
<tr>
<td>the impact of the differences in mentality on negotiations</td>
</tr>
<tr>
<td>the impact of the differences in mentality on managers’ attitude toward work in different countries</td>
</tr>
<tr>
<td>the globalization as phenomenon reducing the differences in mentality</td>
</tr>
<tr>
<td>the category of global managers and engineers with the same way of thinking around the world</td>
</tr>
<tr>
<td>factors reducing differences in mentality-macro-development arising from social movements (e.g., migration), institutional changes, globalization, and technological advance</td>
</tr>
</tbody>
</table>

The characteristics of representatives of different countries:

Russia as the example of “heavy hand” management country with the high degree of control

Ukraine described as a country with smaller responsibility and smaller ethical standards in than e.g., Poland
different believes, rules and ways of thinking of managers representing different countries, even in EU

the very expressive representatives of Balkan countries

Mongolia called “armored” and “thickly carved”

Belarusian and Russian—are gamed for everything, “have their feet firmly fixed on the ground”

the differences in mentality between Hindu and Arab managers

Scandinavian managers—described as compulsory, detailed, good at their words

Italian managers—described as not good for cooperation

impact of formality on the mutual relations—very formal and not familiar relations in Western countries; “discussions behind closed doors”

the extremes between the differences in mentality of managers in the United States, China, and Vietnam

the differences between the inhabitants of Eastern and Western Europe as the result of communist regime

Polish managers treated as less reliable than their partners from Western countries

Russian managers—described as having different approach to money and business; called story tellers

the analytical way of taking decisions in the United States

emotional relationship to business of the representatives of Balkan countries

the financial calculation as the source of taking decisions in Arab countries

no direct refusal of the managers from Korea

longer decision making process on the Middle East

lack “culture of work” in Eastern countries—the lack of possibility of finding “good people to work”, with proper knowledge and qualifications
Table 2 to be continued

<table>
<thead>
<tr>
<th>the mentality of Ukrainian managers described as factor having impact on the organization and on activity of business partners</th>
<th>attitudes toward time during negotiations</th>
</tr>
</thead>
<tbody>
<tr>
<td>emphatic approach to foreign negotiators</td>
<td>globalization and cooperation in international teams as phenomenon reducing the differences in mentality</td>
</tr>
</tbody>
</table>

**Geographic distance**

modern air transport and electronic communication as factors compressing gaps between home and foreign locations of companies (2) geographic distance as a factor having impact on organization of transport and the way of delivery of goods (2) globalization as factor reducing the geographic distance between countries the impact of different time zones on psychic distance perceptions geographic distance as a factor causing the adaptation of products because of the climate conditions the impact of geographic distance on beginning of local production and investment abroad the impact of psychic distance on transportation costs, the increase of prices, and the decrease of profitability on international markets geographic distance not treated as the barrier of leading business if the product is expensive, and profitable for exporting on huge distances, geographic distance as less important factor in the process of communication with managers (because of the development of the Internet) the bridging role of the partner in reducing geographic distance Siberia and Japan—characterized by the biggest geographic distance from Poland Czech Republic—the country, which is perceived as psychically distant to Poland, despite the geographic distance is small Kazakhstan and Ukraine—the examples of countries perceived as far to each other despite the small geographic distance Bulgaria and Lithuania perceived as countries close taking into consideration of geographic distance and far taking into consideration of psychic distance Spanish and Irish managers—treated as culturally close to Polish managers, despite geographic distance is significant Australia—Internet communication reduces geographic distance Latin America, Chile, and Argentina—countries characterized by the biggest geographic distance, but with national cultures close to Poland Italy, France—countries close to each other taking into consideration the mentality of managers, despite geographic distance is high Belarus, Ukraine, and Russia—countries with similar psychic distance to Poland geographic distance as a factor making difficulties in business activity on the foreign markets, because of transportation costs geographic distance as a factor enabling business activity on international markets (e.g., in China)

**The Significance of Differences in Mentality and Geographic Distance in the Process of Internationalization**

The aim of the research was also to investigate the importance of different psychic distance stimuli in decisions connected with internationalization. The managers were asked to evaluate on a scale of 1 to 5, the significance (one being least important and five the most important) of the differences in cultures, differences in economic and political systems, as well as differences in mentality and geographic distance in the process of internationalization.

The article presents only the results of the differences in mentality and geographic distance on the process of internationalization (Table 3 and Table 4).

The differences in mentality have the most significant impact on the amount of countries subject to foreign expansion of the company (the average is 4.00), the choice of directions of foreign expansion of the company (the average is 3.92), and the choice of the market entry strategy of the company (the average is 3.77).

Geographic distance has the most significant impact on the choice of directions of foreign expansion of the company (the average is 4.00), the choice of market entry strategy of a company (the average is 3.92), and the amount of countries subject to foreign expansion of a company (the average is 3.92).

The value of export and geographic dispersion of foreign operations influences also managerial perceptions of the impact of mentality and geographic distance on decisions connected with entering foreign markets.

The value of export of the company influences the perceptions of managers of the impact of mentality on decisions connected with internationalization. The highest impact of differences in mentality on decisions connected with internationalization perceives the managers of less internationalized companies, which export
value doesn’t exceed 25.00%. According to the managers of these companies, differences in mentality have the highest impact on the choice of market entry strategy of a company (average is 4.50) and on the amount of countries subject to foreign expansion of a company, as well as the pace of internationalization of a company (the average of respondents answers is 4.17).

Such dependencies aren’t observed in case of companies being active on different numbers of continents. In case of companies operating in less than three continents (called less internationalized), the mentality of managers has the most significant impact on the amount of countries subject to foreign expansion (average 4.00), the pace of internationalization (average 4.00), the choice of market entry strategy (average 3.83), and the value of sales abroad (average 3.83). In case of companies operating in more than three continents, differences in mentality have the most significant impact on the choice of directions of foreign expansion of the company (average 4.28), the amount of countries subject to foreign expansion (average 4.00), and the value of capital engagement abroad (average 3.85).

The value of foreign sales of the company influences the managers’ perception of the significance of geographic distance in companies internationalization. The managers having smaller experience in activity on international markets (the value of export of the companies they manage doesn’t exceed 25.00%) perceive the highest impact of geographic distance on the choice of market entry strategy of a company (the average of respondents answers is 4.33), the choice of foreign expansion of the company and the pace of internationalization of the company (the average of respondents answers is 4.17).

Managers’ perception of the geographic distance between the home and host country of the company is also influenced by the number of continents the company operates. In case of companies being active in less than three continents, geographic distance has the most significant impact on pace of the internationalization of the company (average 4.17) and the value of sales of the company abroad (the average of respondents answers is 3.83). In case of companies operating in more than three continents geographic distance has the most significant impact on the choice of directions of foreign expansion of the company (average 4.29), the choice of market entry strategy and the amount of countries subject to foreign expansion (average 4.14) and on the value of capital engagement on foreign markets (average 3.71).

The respondents were also asked to identify the significance of the mentality and geographic distance on the activity on international markets (Table 4).

Differences in mentality as well as geographic distance have the most significant impact on decisions connected with initiating business activity with foreign partners (the average of respondents answers is accordingly 4.23 and 4.15) and withdrawal of business activity from a certain market (the average of respondents answers is accordingly 3.15 and 3.31).

The company experience abroad has impact on the significance of differences in mentality and geographic distance in taking decisions about the company engagement on international markets.

The highest significance of differences in mentality on international business activity is observed in case of companies exporting less than 25% of their total sale (it is in case of initiating business activity with foreign partners—4.50% and withdrawal of business activity from a certain market—3.00%). Such dependencies are not observed in case of the level of internationalization measured by the number of continents the company operates.

The most significant impact of geographic distance on decisions connected with engagement on international markets could be observed in case of companies having smaller experience in activity in international markets. In case of companies exporting less than 25.00% of total sales of the company,
geographic distance has the most significant impact on initiating business activity with foreign partner (the average is 4.50) and withdrawal of a business activity from a foreign market (the average is 3.33). In case of companies operating in less than three continents, the most significant impact on decisions connected with internationalization is observed while initiating business activity with foreign partners (the average of respondents equals 4.33) and withdrawal of a business activity from a certain market (the average is 3.33).

Table 3

**The Significance of Differences in Mentality and Geographic Distance on Decisions Connected With Internationalization**

<table>
<thead>
<tr>
<th>Specification</th>
<th>Differences in mentality</th>
<th>Geographic distance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TS I II III IV</td>
<td>TS I II III IV</td>
</tr>
<tr>
<td>The choice of directions of foreign expansion of the company</td>
<td>3.92 4.00 3.86 3.50 4.28 4.00 4.17 3.86 3.67 4.29</td>
<td></td>
</tr>
<tr>
<td>The choice of market entry strategy of a company</td>
<td>3.77 4.50 3.14 3.83 3.71 3.92 4.33 3.57 3.67 4.14</td>
<td></td>
</tr>
<tr>
<td>The amount of countries subject to foreign expansion of the company</td>
<td>4.00 4.17 3.86 4.00 4.00 3.92 4.00 3.86 3.67 4.14</td>
<td></td>
</tr>
<tr>
<td>The pace of internationalization of the company</td>
<td>3.46 4.17 2.86 4.00 3.00 3.54 4.17 3.00 4.17 3.00</td>
<td></td>
</tr>
<tr>
<td>The value of sales of the company on the foreign markets</td>
<td>3.46 3.67 3.29 3.83 3.14 3.38 3.67 3.14 3.83 3.00</td>
<td></td>
</tr>
<tr>
<td>The value of capital engagement on the foreign markets</td>
<td>3.54 3.83 3.29 3.17 3.85 3.54 3.83 3.29 3.33 3.71</td>
<td></td>
</tr>
</tbody>
</table>

1. Subsample of less internationalized companies (in terms of value of foreign sales) A, B, D, E, I, K. The value of foreign sales in these companies is up to 25% of total sales.
3. Subsample of less internationalized companies (in terms of value of number of continents the company operates) D, E, F, G, H, K. Companies operating on up to three continents were assigned to this subsample.
4. Subsample of highly internationalized companies (in terms of number of continents the company operates) A, B, C, I, J, L, M. Companies operating on more than three continents were assigned to this subsample.

Table 4

**The Significance of Differences in Mentality and Geographic Distance on Decisions Connected With Activity on International Markets**

<table>
<thead>
<tr>
<th>Specification</th>
<th>Differences in mentality</th>
<th>Geographic distance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TS I II III IV</td>
<td>TS I II III IV</td>
</tr>
<tr>
<td>Initiating business activity with foreign partner</td>
<td>4.23 4.50 4.00 4.33 4.14 4.15 4.50 3.86 4.33 4.00</td>
<td></td>
</tr>
<tr>
<td>Performing business activity with foreign partner</td>
<td>2.31 2.50 2.14 1.67 2.86 2.38 2.83 2.14 2.17 2.57</td>
<td></td>
</tr>
<tr>
<td>Withdrawal of a business activity from a certain market</td>
<td>3.15 3.00 3.29 3.33 3.00 3.31 3.33 3.29 3.33 3.29</td>
<td></td>
</tr>
</tbody>
</table>

1. Subsample of less internationalized companies (in terms of value of foreign sales) A, B, D, E, I, K. The value of foreign sales in these companies is up to 25% of total sales.
3. Subsample of less internationalized companies (in terms of value of number of continents the company operates) D, E, F, G, H, K. Companies operating on up to three continents were assigned to this subsample.
4. Subsample of highly internationalized companies (in terms of number of continents the company operates) A, B, C, I, J, L, M. Companies operating on more than three continents were assigned to this subsample.
Analysis and Discussions

The literature overview indicates that there are different approaches to defining and measurement of psychic distance, and there is a need for researchers to rethink the conceptualization, operationalization, and measurement of this phenomenon. It is assumed that psychic distance should be considered at the individual level, and the factors having impact on managerial perceptions of differences between countries depend on the environmental factors, companies characteristics, and managers’ features.

According to the managers, differences in mentality have impact on decisions connected with internationalization, especially on negotiation style and managers’ behavior during negotiations, but also on decision making process and on trust of business partners. The respondents characterized managers from different countries. According to them, there are different believes, rules, and ways of thinking of managers representing different countries. Russia as the example of “heavy hand” management country with the high degree of control, Ukraine is as a country with smaller responsibility and smaller ethical standards than, e.g., Poland. The representatives of Balcan countries are described as very expressive. Mongolia is called “armored” and “thickly carved”. The Belarussian and Russian managers are characterized as “they are game to everythink”, the inhabitants of Asian countries are calm. Scandinavian managers are described as compulsory, detailed, and good at their words, Italian managers—not good for cooperation, because promptness is not important for them. There are observed the extremes among between the differences in mentality in the United States, China, and Vietnam. The respondents observed also long decision making process in Arab countries and the emotional relationship to business in Arab countries.

The respondents of the research stated that also geographic distance has impact on decisions connected with internationalization. Of course, they mentioned globalization and modern air transport and electronic communications as factors compressing the gaps between home and foreign locations of companies, nevertheless according to them, geographic distance still influences the decisions connected with activity on international markets. Some managers stated that geographic distance is as a factor making difficulties or even foreclose business activity on the foreign markets, because of transportation costs (e.g., in China).

Geographic distance has the biggest impact on organization of transport and on the way of delivery of goods. Big distances between home and host countries of international companies cause the increase of prices and the decrease of profitability on international markets. There is also observed the impact of geographic distance on beginning the local production and investment abroad. The managers emphasized the bridging role of partners in reducing geographic distance and the decreasing role of geographic distance in the process of communication with managers (because of the development of Internet). The managers characterized psychic and geographic distance between countries, on which Polish companies are present. Czech Republic is the country, which is perceived as psychically distant to Poland, despite the geographic distance is small. It is close neighbor of Poland, but the national culture of this country is closer to the culture of Germany. Poland and Czech Republic are characterized as countries having almost the same language and the same culture, but this “almost” makes a significant difference. Bulgaria, Lithuania, Kazakhstan, and Ukraine are the examples of countries perceived as far despite the small geographic distance. In the opposite Latin America, Chile, Argentina, Spain, and Ireland are countries characterized by the big geographic distance, but with national cultures close to Poland.

The managers evaluated also the significance of the differences in mentality and geographic distance in the process of companies’ internationalization. Differences in mentality have the most significant impact on the
amount of countries subject to foreign expansion of the company, while geographic distance has the most significant impact on the choice of directions of foreign expansion of the company. All managers stated that differences in mentality and geographic distance have the most significant impact on initiating business activity with foreign partners.

Limitations and Future Research

As with any study, the results should be interpreted in light of some limitations. The study was conducted within the context of one country, which may limit the generalizability of the results to some degree. Therefore, additional research should aim to test the framework in other countries as well.

First, the use of managers responsible for foreign operations introduces a potential limitation in that it is possible that these managers do not constitute samples representative either of other managers or of the general population. In this study, the respondents were more likely to be more experienced in operating on foreign markets and aware of the conditions prevalent on the international environment.

In future, further research of a quantitative nature is needed, which will enable testing of the hypothesis and projection of the results onto the entire population. In general, further research in this field should provide a more comprehensive picture of the importance of psychic distance stimuli and allow for a more precise evaluation of its relationship with internationalization. Such quantitative research is in fact planned, and will be conducted by means of face-to-face interviews. The main objective of this quantitative research will be the identification of the importance of cultural and systemic (economic and political) differences, as well as differences in mentality and geographic distance between Poland and the foreign markets onto which Polish companies expand.

Managerial Implications

The research results show in which ways managerial perceptions of foreign countries (among other factors) systematically influence decisions’ relating to companies’ international activities. The perceptions of mentality of managers and geographic distance between countries may influence the attractiveness of foreign markets as perceived by managers. The research results may also be applied to a country’s economic policy, with the aim of increasing the level of internationalization of companies. Such policy is focused on facilitating access for entrepreneurs to complex, high-quality information necessary for the planning, organization, and fulfillment of the requirements of exporting and foreign direct investment. Managers will therefore be supported by knowledge of and competencies in best-practice activity on international markets as well as the most successful strategies which may be realistically implemented on these international markets.

References


THE IMPORTANCE OF PSYCHIC DISTANCE FACTORS


