

Triadic multilevel psychic distance in firm internationalization

Triadic
multilevel
psychic
distance

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Abstract

Purpose – This study focuses on the triadic multilevel psychic distance (MPD) between the firm, target market and bridge-maker and its consequences for firm internationalization. Specifically, it spotlights the triadic psychic distance between firms, the levels of psychic distance in the target market (country and business) and the bridge-maker. Therefore, this study examines the triadic MPD among these three entities and its impact on firm internationalization.

Design/methodology/approach – This study uses qualitative and case study research approaches. It is based on 8 case companies and 24 internationalization cases. Secondary data were collected, and interviews with bridge-makers and industry experts were conducted.

Findings – The study found that MPD appeared in the triad. The MPD between firms and markets is related to country-specific differences and business difficulties. The MPD between the firm and the bridge-maker is based on the latter's lack of knowledge vis-à-vis bridging the firm's MPD. Finally, the MPD between bridge-makers and the market is based on the former's lack of knowledge of the home country's business difficulties.

Originality/value – This is the first study to develop and adopt a triadic multilevel psychic distance conceptualization that provides evidence for and sheds light on the triadic MPD and its effect on firm internationalization. This study identifies the reasons behind triadic MPD in connection to firm internationalization. Notably, firm internationalization is interdependent on the triadic MPD setting between the firm, bridge-maker and target market. It has theoretical value and contributes to the recent advancement in the understanding of MPD in international marketing literature.

Keywords Triadic, Multilevel psychic distance, Bridge-maker, Firm, Target market, Internationalization

Paper type Research paper

Received 29 July 2022
Revised 18 February 2023
24 July 2023
24 October 2023
27 November 2023
Accepted 8 December 2023

Introduction

Psychic distance in the foreign target market negatively affects firm internationalization and needs to be addressed or bridged (Child *et al.*, 2009; Safari and Chetty, 2019; Puthusserry *et al.*, 2021). Therefore, firms either need to acquire knowledge about the target market (Falahat *et al.*, 2022; Magni *et al.*, 2022) or they need to bridge factors related to psychic distance, such as culture, language, norms, values, legal systems, business and industry differences, and business difficulties such as competitors and consumer knowledge, in the target market. These factors are related to country and business difficulties related to psychic distance (O'Grady and Lane, 1996; Safari and Chetty, 2019; Liu *et al.*, 2021), which is labeled in this study as multilevel psychic distance (MPD). The psychic distance was initially conceptualized as the difference between countries (Klein and Roth, 1990; Kogut and Singh, 1988; Klein and Roth, 1990; Dinner *et al.*, 2019). Nevertheless, the concept gained momentum when the Uppsala School (Vahlne and Wiedersheim-Paul, 1973; Johanson and Wiedersheim-Paul, 1975) defined the concept as factors preventing information flow between

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The author thank the Editor Susan Freeman and the two anonymous reviewers for excellent comments and guidance during the review process of this manuscript.



firms and markets, and since then, others have used it as a multilevel concept rather than a simple differentiation between countries (Safari and Chetty, 2019; Puthusserry *et al.*, 2021). It includes the firm's understanding of country differences and business difficulties which impact the firm's international marketing strategies and international market performance (O'Grady and Lane, 1996; Evans *et al.*, 2000a; Child *et al.*, 2002; Child *et al.*, 2009; Nordman and Tolstoy, 2014). Recently, others have discussed the importance of connecting coping modes of psychic distance to a trusted bridge-maker (Puthusserry *et al.*, 2021).

Safari and Chetty (2019) discuss MPD not only between a firm and the market but also between the firm and the bridge-maker. Although they shed light on the importance of studying the psychic distance between firms and countries and incorporate the psychic distance between the firm and bridge-maker, few empirical studies have investigated the underlying reasons behind the psychic distance between these three entities. Therefore, this study incorporates three entities: firm, target market, and bridge-maker. It argues that psychic distance exists between all these entities and labels it as a triadic multilevel psychic distance. Safari and Chetty (2019) also called for studying MPD in triads. The MPD includes two levels: country (macro-level factors) and target market (business-level factors). The firm consists of two levels, founder, and firm; however, it is studied as one entity as this study acknowledges the importance of founders' knowledge of target markets but focuses on the focal firm's internationalization. Further, the bridge-maker is also incorporated in the conceptualization of the triadic MPD. In other words, the following entities and levels of psychic distance are included in the conceptualization of this study.

- (1) Home market (founder and firm levels)
- (2) Target market (country and business levels)
- (3) Bridge maker (distributor, agents, etc.)
- (4) Triadic MPD between firm (firm and founder levels), bridge-maker, and target market (country- and business-level factors)

The triadic MPD is shown in Figure 1. The bridge-maker's role is to "bridge" the psychic distance between the firm and the target market as the firm lacks an understanding of the

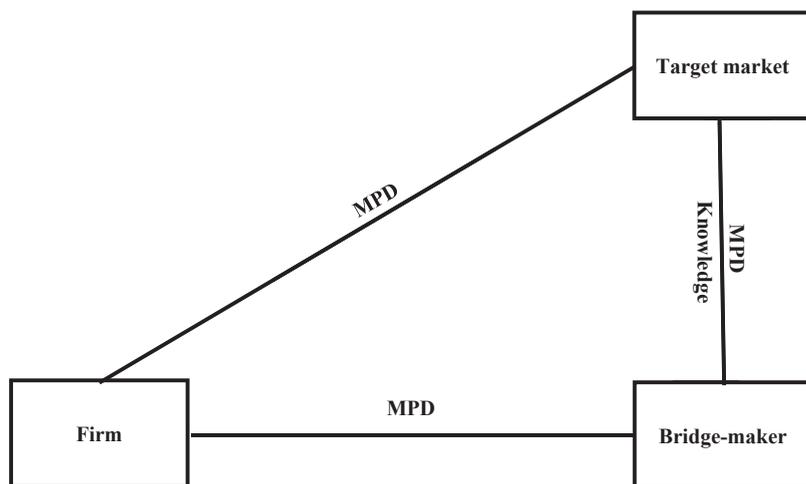


Figure 1.
A model of the triadic multilevel psychic distance (MPD)

Source(s): Created by author

target market, such as country differences and business level psychic distance (Baack *et al.*, 2015; Child *et al.*, 2009, 2022). However, to fully understand the impact of MPD on internationalization and international marketing strategies, going beyond dyadic (between firm and market) toward a triadic conceptualization of MPD is necessary (Safari and Chetty, 2019). Therefore, this study examines the triadic psychic distance between these three entities and their impact on firm internationalization.

The primary task of the bridge-maker is to alleviate a firm's psychic distance in the target market (Puthusserry *et al.*, 2021). It should have sufficient knowledge of the local regulations, culture, political landscape, language, business policies, competitors, and customers in the target market. This knowledge alleviates a firm's psychic distance toward and in the target market (Safari and Chetty, 2019). Psychic distance between the firm and bridge-maker appears when they realize that they cannot understand each other or invest in collaboration, and hence their collaboration does not lead to mutual benefit. Child *et al.* (2009) found that most business owners or managing directors would establish a direct business connection with the bridge-maker, which would often be a single person in the target market. Safari and Chetty (2019) also found that the bridge-maker's knowledge and understanding of the firm's products and services are important for a successful connection between the two entities. Puthusserry *et al.* (2021) demonstrated that firms sometimes use the knowledge of their board members to bridge the firm's level of psychic distance into the target market. However, when the bridge-maker fails to bridge a firm's MPD, a triadic MPD develops and is consequential for firm internationalization. Based on the above arguments and the recent call by Safari and Chetty (2019) on the importance of investigating MPD in a triadic setting, this study examines the following questions.

- (1) How does triadic MPD appear between a firm, a bridge-maker, and the target market?
- (2) What are the consequences of triadic MPD for firm internationalization?

This study develops and adopts a triadic multilevel psychic distance conceptualization and based on case study research provides evidence and sheds light on the triadic multilevel psychic distance and its effect on firm internationalization. MPD between firms and target markets is related to country-level and business-level difficulties. MPD between the firm and the bridge-maker evolves when the bridge-maker lacks the necessary knowledge to bridge the firm's psychic distance into the target market. In successful cases, the firm and bridge-maker develop mutually beneficial collaborations; the bridge-maker has sufficient knowledge about the target market, the firm's products, and their ways of working. Furthermore, the bridge-maker's lack of business-level knowledge about the target market may lead to a distance between the bridge-maker and the target market.

The structure of this study is as follows: first, the theoretical foundation is discussed, MPD and triadic MPD, are outlined; second, the methodology is explained; third, the empirical findings are demonstrated; fourth, the findings are analyzed; and finally, the theoretical and practical implications are discussed and outlined.

Theoretical framework

Multilevel psychic distance

Psychic distance was first presented by Beckerman (1956) as an afterthought and further area for research in his study on transaction costs for firms engaging in internationalization activities. In the 1970s, scholars in Sweden introduced the concept of psychic distance into international marketing literature (Hörnell *et al.*, 1973; Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). They argued that firms start internationalizing into psychic close markets and gradually expand to other psychic distance markets once they obtain

internationalization knowledge. Recent studies have also discussed the importance of knowledge in firm internationalization (Falahat *et al.*, 2022; Magni *et al.*, 2022). Psychic distance is connected to country-level factors such as culture, political system, legal system, differences in educational systems, norms, and values; they further argued that these factors hinder firm internationalization (Johanson and Wiedersheim-Paul, 1975; O'Grady and Lane, 1996; Evans *et al.*, 2000a; Ambos and Håkanson, 2010; Håkanson, 2014). Psychic distance has previously been erroneously used synonymously with "cultural distance," although it has been acknowledged to have characteristics that cultural distance does not (Sousa and Bradley, 2006, Sousa and Filipe Lages, 2011).

In fact, Tihanyi *et al.*'s (2005) meta-analysis of 66 independent samples showed that cultural distance, defined as differences between home and host countries, did not have any significant relationships with entry mode choice, international diversification, and firm performance. Cultural distance has yielded heavy criticism in the literature (Shenkar, 2001; Dow and Karunaratna, 2006; Puthusserry *et al.*, 2021), because it has been used interchangeably with the concept of psychic distance (Evans *et al.*, 2000a). However, even the concept of psychic distance is criticized for being out-of-date and irrelevant in today's globalized world (Stöttinger and Schlegelmilch, 1998, 2000). This criticism is largely based on psychic distance as a uni-level concept. Evans *et al.* (2000b) argues that psychic distance must be viewed as a multilevel concept to fully grasp its potential. Others have used it interchangeably with cultural distance (Kogut and Singh, 1988; Klein and Roth, 1990). Nordström and Vahlne (1994) argued that psychic distance and cultural distance are not the same, but they overlap. Cultural distance focuses solely on differences between countries while psychic distance is perceptual and related to specific individuals/managers' perceptions regarding differences between countries and business-level difficulties (O'Grady and Lane, 1996; Nordman and Tolstoy, 2014; Dinner *et al.*, 2019; Ambos *et al.*, 2019).

Nebus and Chai (2014) developed a multidimensional construct of psychic distance, focusing on managers' awareness, perception, and understanding of context. However, they focused on a multidimensional and not a multilevel conceptualization of psychic distance. Ambos *et al.* (2019) also developed a multilevel psychic distance model in which they operationalized psychic distance at three different level such as: (1) aggregated psychic distance perceptions between home and foreign countries affected by cultural, economic, institutional, and geographical distances; (2) individuals' psychic perceptions of the distance between the home and a foreign country affected by country-specific institutional experience and mastery of local language; and (3) individuals' psychic perceptions of the distance between the home and all foreign countries affected by general international experience, work experience, and formal education.

However, this study focuses on different levels of psychic distance developed by Safari and Chetty (2019). This stream of literature started almost four decades ago, and it was argued that it should involve more than just country differences (Hallén and Wiedersheim-Paul, 1984). It involves country, business, and individual levels (Conway and Swift, 2000; Evans *et al.*, 2000b; O'Grady and Lane, 1996; Safari and Chetty, 2019). Hallén and Wiedersheim-Paul's (1984) theoretical advancement of the concept was the starting point for its development. Others have followed this line of thought and empirically tested the concept at two levels (country and business) (e.g. O'Grady and Lane, 1996; Evans *et al.*, 2000b).

These empirical studies provide evidence that solely focusing on country-level factors provides an inaccurate estimation of the importance of psychic distance and its effect on firm international marketing strategies (Sousa and Bradley (2006). Safari and Chetty (2019) included the levels of founder and firm (home market), country and business (target market), and connection to the bridge-maker. This study adopts the view that psychic distance is a multilevel concept and follow the conceptualization of Child *et al.* (2009), Safari and Chetty (2019), and Puthusserry *et al.* (2021). This study includes founder and firm levels in the home

country and country and business levels in the target market and connects them to the bridge-maker, as suggested by [Safari and Chetty \(2019\)](#), and hence this study focuses on the triadic MPD rather than just the dyadic psychic distance between firm and market ([Figure 1](#)). Others have also emphasized the importance of bridge-makers (third parties or network connections) ([Child et al., 2022](#); [Vissak et al., 2020](#)) in firm internationalization. While scholars have paid attention to more research and conceptualization of multilevel psychic distance, what is missing in the literature is to conceptualize and study psychic distance as a multilevel concept in a triadic context.

Triadic multilevel psychic distance

In previous studies, psychic distance has been conceptualized as a dyadic relationship between the firm and the target market ([Johanson and Wiedersheim-Paul, 1975](#); [Prime et al., 2009](#); [Dikova, 2009](#); [Dinner et al., 2019](#)). [Child et al. \(2009\)](#) were among the first to explicitly discuss the role of the bridge-maker, although others have discussed it implicitly, and introduced the term “bridge-maker.” For example, [O’Grady and Lane \(1996\)](#) argue that some Canadian firms were successful in the US market because they had contacts and worked with US managers or managers who had experience in the US market. [Ojala \(2008\)](#) found that Finnish firms faced distance-related factors when establishing businesses in Japan. To bridge this distance, these firms employed people with knowledge and experience in both Finnish and Japanese culture, language, and business practice, thus minimizing the impact of psychic distance. [Safari and Chetty \(2019\)](#) found that Swedish firms used distributors to internationalize. These bridge-makers reduced the psychic distance at the country and business levels and enhanced Swedish firms’ internationalization.

It is important to go beyond the dyadic psychic distance because in most cases, firms with limited resources and networks tend to collaborate with other actors in the target market or actors with specific knowledge about the target market to enable internationalization ([Guo et al., 2021](#)). The bridge-maker possesses knowledge and understanding of the target market and can help “bridge” the distance gap, such as knowledge of local regulations, politics, business environment, and culture ([Child et al., 2009](#)). Thus, the bridge-maker must have appropriate knowledge according to the various levels of psychic distance to be able to bridge firm MPD toward and into the target market. However, bridge-makers and firms are not always successful in their collaboration for various MPD-related reasons. Here, the triadic MPD appears ([Figure 1](#)) as psychic distance exists between the firm and the target market, between the firm and the bridge-maker, and between the bridge-maker and the target market.

[Magnusson and Boyle \(2009\)](#) discuss the various implications of establishing international relationships and argue that, in the initial stages, psychic distance is positively correlated with uncertainty: uncertainty increases with a higher degree of psychic distance. They further argued that uncertainty appears in different forms, such as the trading partners in the target market. This uncertainty can be reduced by a knowledgeable bridge-maker. This is also discussed by [Safari and Chetty \(2019\)](#), who examine the implications of diminishing uncertainty between the firm and the bridge-maker.

[Conway and Swift \(2000\)](#) discuss the psychic distance regarding successful collaborations. They found that when two or more parties “like” one another (individual-level psychic distance), overcoming uncertainty issues is easier. They stipulated that the greater the degree of liking between the individuals in the firm and the bridge-maker, the more successful the collaboration. Therefore, focusing on firm-level ([Johanson and Wiedersheim-Paul, 1975](#)) and individual-level psychic distance ([Swift, 1999](#); [Conway and Swift, 2000](#)) is important. Uncertainty increases between the firm, the target market, and especially the bridge-maker because of a lack of knowledge and understanding ([Safari and Chetty, 2019](#)).

Johanson and Vahlne (2003) argue that the role of knowledge in connection with psychic distance can be purposeful for the firm and the bridge-maker, and that building a meaningful collaboration can decrease the distance between the actors. Knowledge is crucial for bridge-makers to make a successful impact (Child *et al.*, 2009). Knowledge has been considered (Johanson and Wiedersheim-Paul, 1975; Swift, 1999; Conway and Swift, 2000) decisive for establishing a successful business connection with the bridge-maker, lowering the MPD between firms and target markets. Safari and Chetty (2019) found that a key to bridging is to find knowledgeable bridge-makers. However, as their study pointed out, this is not always an easy task. Their findings show that not all bridge-makers contribute to successful integration into the target market. As such, the MPD between the two affects the firm's perceived uncertainty toward the target market. Therefore, this study argues that MPD can also appear between the bridge-maker and the target market when the bridge-maker lacks sufficient knowledge about macro- and business-level factors to enhance firm internationalization.

In summary, the conceptual framework (Figure 1) consists of triadic MPD between three different entities —firms, bridge-makers, and target markets. Firms start their internationalization, perceiving MPD toward the target market as consisting of differences and difficulties related to country and business factors in the target market (O'Grady and Lane, 1996; Evans *et al.*, 2000a). These difficulties caused by psychic distance are related to the firm's lack of knowledge about these two levels of psychic distance. Neither the founder of the firm nor any other individuals in the firm have the necessary knowledge to operate in the target market. It is, therefore, vital that they start collaborating with bridge-makers to help alleviate MPD difficulties (Child *et al.*, 2009). Collaboration between bridge-makers and firms often starts with a contract, and with time and experience, it is known whether the bridge-maker is appropriate. This is highly dependent on the bridge-maker's knowledge about the target market at the country and business levels of psychic distance. In other words, this study is advancing and contributing to the multilevel psychic distance literature by conceptualizing it in a triadic and interdependent context which has consequences for firm internationalization.

Research design

This study employs a case study method in accordance with Eisenhardt (1989), Yin (1989), Eisenhardt and Graebner (2007), and Dubois and Gadde (2002). Andriopoulos and Slater (2013) suggested general guidelines for increasing the quality of qualitative studies and advancing theoretical insights. They proposed not only framing the study around the theoretical debate but also explaining and justifying why a qualitative study and a certain methodology are necessary. As the MPD construct is in its infancy, it is necessary to use a qualitative study, and the research questions in this study are related to a "how" question that requires a qualitative study.

The research design followed a systematic combination based on abductive logic (Dubois and Gadde, 2002) by linking research activities concerning research questions, theory, and empirical findings. This allows for movement between empirical data and theory throughout the data analysis. As such, this study equated the theory by revealing empirical data to advance the theoretical insights. Furthermore, SMEs are chosen instead of MNEs because they have strong network positions and resources (Johanson and Vahlne, 2009), and they do not rely on bridge-makers as much as SMEs; hence, psychic distance affects them less than SMEs, and MNEs can acquire knowledge and bridge/reduce the psychic distance independently.

The following factors were assessed for the selection of SME case studies: (1) At least one founder (if multiple existed) and the decision-maker for international marketing strategies were available for interviews. These individuals were deemed to have relevant knowledge

regarding firm internationalization and their first contact with the bridge-maker. (2) The firm is neither a part of a larger corporation nor acts as a subsidiary. The reason for this criterion was that it was important to interview individuals who understood and had relevant knowledge of growth dynamics within a firm. If a firm is part of a larger corporation, it may prove irrelevant to the research. (3) The firm has 10–99 employees. This study wanted to exclude firms that were too large or too small. (4) The firm operates in the high-technology sector, as, therein, the product is more complex, and bridge-makers need product knowledge.

This study follows the [European Commission's \(2005\)](#) definition of an SME. Small firms are defined as those that employ fewer than 50 persons and have an annual turnover of less than 10 million euros ([European Commission, 2005](#)). Medium-sized firms have fewer than 250 persons and an annual turnover that does not exceed 50 million euros. Based on this definition, the Swedish firms in this study are classified as SMEs (see [Table 2](#)).

To find the relevant SMEs, a database was used which was supplied by Almi, a government-owned organization that helps firms with various aspects of their businesses, such as venture capital and advisory services. Almi was founded in 1994, and it now has a large database of Swedish SMEs. They hold high esteem in the business sector and are appropriate for case studies. After an initial search, a list of potential firms was created, and it was decided to telephone them to ensure that they matched the criteria discussed above. The first telephone conversation was with the CEOs, and in this initial contact, the purpose and scope of the study were explained to the CEOs. Based on such telephone conversations, eight SMEs were selected. [Eisenhardt \(1989\)](#) suggests that a number between 4 and 10 cases is appropriate for achieving saturation. This study argues that saturation has been achieved, and the number of cases (eight) in this study is appropriate for theoretical saturation. In accordance with [Fellows and Liu \(2015\)](#), a practitioner report to the firms were offered to encourage involvement. To increase validity, three interviews were conducted with three distributors (bridge-makers) from Germany, France, and the UK on Zoom. These three interviews were conducted with managers who had direct contact with foreign firms. It is important to acknowledge that the interviewed bridge-makers are not related to the case companies. It was not possible to interview bridge-makers who were related to the case companies, but it was important for the validity of the study to consider the bridge-makers' points of view. Interviews with bridge-makers were conducted in English in 2023 and lasted between 35 and 45 min. Several questions were asked regarding collaboration with foreign and Swedish firms; all had experience working with Swedish SMEs. Questions regarding working with foreign firms, the potential challenges they faced, and the cultural and business barriers they experienced. Questions regarding why some collaborations worked while others did not. The interviews were transcribed, sent back to the respondents, and returned with minor changes. In line with [Trudgen and Freeman \(2014\)](#), two interviews with industry experts were conducted. These two interviews were conducted with two senior managers of an MNE with experience working in Europe, the USA, and Asia.

[Andriopoulos and Slater \(2013\)](#) highlighted the importance of transparency and the use of tables to increase transparency when communicating study results. This has been considered; hence, three different tables are provided. [Table 1](#) provides background information about the individual CEOs, [Table 2](#) provides detailed information about the SMEs, and [Table 3](#) describes the firms' first three internationalizations. As [Tables 1 and 2](#) show, each firm matches the specified criteria. The respondents are CEOs who have been part of the firm since its founding as one (if more) of the initial founders. Face-to-face interviews were conducted with five CEOs (Cases 1–5) during the 2018–2019 period, and three additional interviews were conducted with CEOs (Cases 6–8) in 2023 in mid-Sweden. To achieve a deeper understanding of the firms before the interviews, the case companies websites were studied and analyzed their business partners, foreign markets, products, suppliers, customers, and so on. It was also important to study the industry to understand how

Interviewee	Position	Year they started working for the firm	Previous international marketing experience
Founder 1	CEO	2001	Over two decades of experience in similar industries before establishing SME1. Had previous international marketing experience
Founder 2	CEO	2001	Had experience in similar industries before establishing SME2 but lacked international marketing experience
Founder 3	CEO	2004	Two decades of experience with similar industries and had international responsibilities in his previous roles. Established SME3 and brought customers he had contact with in his previous roles
Founder 4	CEO	2007	Had more than 15 years of experience in the same industry in a role with international marketing responsibilities. Took over a customer from his previous role and established SME4
Founder 5	CEO	2003	Previously worked in a multinational company and had international marketing experience. Took over the customers from the previous company and established SME5
Founder 6	CEO	2007	Experience in working with similar industries and over 20 years international marketing experience. Founded SME6 in 2007
Founder 7	CEO	2003	Had previously worked with international markets and established SME7. Have over three decades of international marketing experience
Founder 8	CEO	2003	Before establishing SME8 did not had international experience but had worked in similar industries. Currently have 20 years of experience of working with international marketing strategies

Table 1.
Profile of the founders **Source(s):** Created by author

Case	Established	Number of employees	Turnover (euro in millions)	Export (%)	Year for first internationalization	Number of markets
SME1	2001	48	20.5	30	2001	35
SME2	2001	65	14.4	20	2007	26
SME3	2004	30	8.2	20	2004	12
SME4	2007	21	2.5	65	2007	8
SME5	2003	72	22.5	50	2003	35
SME6	2007	25	3.8	75	2008	11
SME7	2003	35	5.2	60	2005	10
SME8	2003	65	20.4	60	2004	32

Table 2.
Case description **Source(s):** Created by author

different firms competed. Furthermore, their publicly available annual reports were appraised. This pre-analysis helped to understand their businesses and allowed to ask specific questions about the markets in which they operated.

Interviews with the case companies were conducted in English if the respondents were comfortable with this; otherwise, they were conducted in Swedish. Consequently, three interviews were held in English and the rest in Swedish, which were later transcribed and

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 1	USA (2007)	<p>"We met an American distributor at an exhibition in Nuremberg. We started the collaboration with a handshake. But later it turned out that the distributor also worked with an Italian company. But he eventually recommended us to work with another American distributor."</p>	<p>"We changed the distributor. The collaboration with the new distributor started by a written agreement where lawyers at both ends were involved. The new distributor performs accordingly. He has the right competence for us. We are both investing more into the collaboration now."</p>	<p>The firm lacked knowledge about the market regarding cultural differences and business difficulties</p>	<p>No, because both the firm and the bridge-maker have adapted to one another and invested in the collaboration</p>	<p>The bridge-maker has demonstrated knowledge about the target market and performed accordingly, and hence, MPD is not an issue here</p>	<p>Performed highly and the collaboration is ongoing</p>
Case 2	India (2008)	<p>"We met a distributor who said that he would be good in selling our products. That he had many contacts and said that he was very knowledgeable about our industry and product."</p>	<p>"It turned out that he did not have many contacts, having much knowledge about the industry/our product nor was willing to learn from us."</p>	<p>The firm lacked knowledge about the market regarding cultural differences and business difficulties</p>	<p>High levels of MPD between the firm and the bridge-maker because of the bridge-maker's lack of knowledge or willingness to learn from the firm</p>	<p>MPD exist between the bridge-maker and the market because of business difficulties. This is related to the bridge-maker's lack of knowledge and connection in the target</p>	<p>The bridge-maker managed to connect them to some buyers but lacked knowledge about service of the product</p>

(continued)

Table 3.
The
internationalization
cases of the SMEs

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 3	Canada (2008)	<p>"We wrote a contract based on the distributors previous experience and achievement in Canada. In this phase we wrote the contract based on the notion that the distributor had knowledge about Canada and how business works in the country, potential competitors and customer knowledge."</p>	<p>"Our distributor performed according to the contract during 2012-2013. He showed that he had competences regarding culture, legal system, competitors, and customers. He had also knowledge about the product and could provide service for the customers. During these two years we trusted his competence. However, an Italian competitor managed to take the distributor from us, and he started to work for them. This was against the contractual agreement, but they did it anyway."</p>	<p>The firm lacked knowledge about the market regarding cultural differences and business difficulties</p>	<p>No. But the bridge-maker engaged in opportunistic behavior, and hence, the collaboration ended</p>	<p>No, because the bridge-maker had knowledge about the target market</p>	<p>The bridge-maker performed initially, but the collaboration was terminated because the bridge-maker started working for a competitor</p>

(continued)

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 4	Germany (2009)	<p><i>"The distributor had a good letter of recommendation as well as previous high performance in sale and we decided to act upon this."</i></p>	<p><i>"The collaboration started well. The distributor started to sell 16 machines and provided our customers with good services. We were impressed by his performance. But then suddenly something changed, the level of service to the customer decreased and we needed to send our own personnel from Sweden to help customers. The problem was that the distributor started to over sell the product to the customers, promised to much performance and we could not commit to that without increasing our prices."</i></p>	<p>The firm lacked knowledge about the market regarding cultural differences and business difficulties</p>	<p>No. It had the knowledge, but an overpromising and opportunistic behavior terminated the collaboration</p>	<p>No, since it had demonstrated the knowledge that helped the firm initially</p>	<p>Initially, the collaboration worked, but eventually, this led to problems in terms of overpromising to customers and not being willing to commit and adapt to one another</p>

(continued)

Table 3.

Table 3.

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 5	Norway (2010)	<i>"We basically started the collaboration by shaking hands. Yes, basically a verbal agreement between us."</i>	<i>"It turned out to work well. Our collaboration has been strengthened. We still work with the same guy. In fact, I personally like him as a person too. He has shown that he can sell, provide good services and willing to adapt to our situation and we do the same."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	No, since the collaboration worked and it mutually benefits both parties	No, because the bridge-maker has demonstrated knowledge about and performed in the target market	Positive outcome on firm sales in the target market
Case 6	England (2010)	<i>"We started the collaboration via a written contract. A guy we knew recommended this distributor."</i>	<i>"The collaboration has worked excellent. The distributor has performed according to the contract and more. We rely on his competence and appreciate his commitment in what he is doing."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	No, since the collaboration has mutually benefited both parties and the bridge-maker is also investing in the collaboration	No, because the bridge-maker has demonstrated knowledge about and performed in the target market	The collaboration has worked over the years, and the two parties enjoy mutual benefits of the collaboration

(continued)

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 7	Switzerland (2009)	<i>"I had a personal relationship with this distributor based on previous working relationships."</i>	<i>"Everything worked well in the beginning and the distributor sold many machines and provided our customer with great service. But then the distributor changed personnel, another seller took over, but the new seller could not provide customers with service and knowledge and hence the collaboration has continued but they do not sell as much as previously."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	No, since the collaboration has partially worked, especially in the beginning. However, because of change in personnel, the bridge-maker does not perform as well as it did initially	No, since the bridge-maker has partially performed and demonstrated knowledge about the target market	Initially, the collaboration worked very well but because of the change in the personnel the distributor's performance has decreased. However, the firm continues to invest in the collaboration to help and educate the new distributor

(continued)

Table 3.

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 8	England (2010)	<i>"We met a distributor during an event and initially agreed to work together in the English market."</i>	<i>"It did not turn out very well because the distributor only focused on simple selling and did not provide the customer with service and advice regarding the product. The distributor lacked knowledge about service and our products, and we needed to terminate the collaboration because he was not willing to learn either."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	Yes, because the bridge-maker only demonstrated knowledge regarding sales and not service and support to the customers	Yes, because the bridge-maker has sales knowledge but lacks knowledge regarding business difficulties related to support and service to customers	The collaboration was terminated because of the bridge-maker's lack of knowledge about the product, market, service, and so on
Case 9	Estonia (2010)	<i>"We had heard about this distributor that they were knowledgeable about the market, competitors and how things work in Estonia."</i>	<i>"Although the distributor was knowledgeable about our product and the Estonian market, the problem was our prices. Our prices are just too high for the Estonian market."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties. In addition, it could not adapt to the Estonian market in terms of price competitions	No, since the two parties had demonstrated that they could work together and understand each other	No, since the bridge-maker had knowledge about cultural differences and business difficulties	The bridge-maker had knowledge about the target market, however, it did not work out well because the company's prices were not competitive

(continued)

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 10	France (2010)	<i>"We were contacted by a distributor who wanted to sell for us. We did not have anyone in France and we thought why not."</i>	<i>"They sold a couple of products initially and it was working initially, although slowly but they were really committed. However eventually they could not sell since other competitors entered the market and they sold their products much cheaper."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	No, since the two parties had demonstrated that they could work together, and the collaboration benefited both parties mutually	No, since the bridge-maker had knowledge about cultural differences and business difficulties	The collaboration did not work because the competitors had cheaper prices
Case 11	Denmark (2010)	<i>"Even in this case we were contacted by a distributor, and we decided to go for it and wrote a contract with them."</i>	<i>"The distributor started well and sold products, could provide good service to our customers. However, they had financial issues and went bankrupt. But they could connect us to another distributor which has the same level of knowledge about the market, and it is still working excellent."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	No, since both bridge-makers have demonstrated that they can work with the firm and bridge their MPD in the market	No since the bridge-maker had knowledge about cultural differences and business difficulties	The first and second collaborations worked well, and hence, it had a positive effect on the firm's internationalization

(continued)

Table 3.

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 12	Ireland (2011)	<p><i>"When it comes to Ireland, we were contacted by more than ten companies who wanted to sell for us. We decided to choose one of them because they had exclusive right to the market. Despite, we had other offers that it was clear they were knowledgeable we decided to choose the one with exclusive rights and started to educate them by sending personnel to Ireland."</i></p>	<p><i>"It turned out well since they are now selling large orders. Although we needed to invest in the collaboration by educating their personnel and it took time, their exclusive rights in the market seems very valuable today and they sell large orders."</i></p>	<p>The firm lacked knowledge about the market regarding cultural differences and business difficulties</p>	<p>No, since the bridge-maker and the firm collaborate well together</p>	<p>No, since the bridge-maker has demonstrated both cultural differences and knowledge of business difficulties in the target market</p>	<p>The collaboration works well as the distributor has exclusive rights and knowledge about the target market</p>

(continued)

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 13	Germany (2008)	"We started by signing agreements with two distributors. They both seemed decent and knowledgeable."	"One of them sold poorly and the other sold strongly. The one who sold strongly wanted to have exclusive rights, although they were a small company initially, we choose them because they performed. You can say that we have helped each other to grow and today the collaboration is more than ten years old."	The firm lacked knowledge about the market regarding cultural differences and business difficulties	No, since the collaboration is mutually benefiting both parties	No, since the bridge-maker has demonstrated its knowledge about cultural differences and business difficulties in the target market	The firm eventually decided to commit to one distributor, and the collaboration works for both parties
Case 14	Romania (2008)	"A distributor contacted us and based on initial discussion we decided to sign an agreement with them."	"After signing the agreement, we did more research about them, and we found out that the distributor had been involved in different scandals. We did terminate the collaboration because we did not want to be associated with the distributor."	The firm lacked knowledge about the market regarding culture differences and business difficulties	Yes, since the bridge-maker was involved in a business scandal and the company distanced itself from them	It is not clear, since the collaboration never started and not even an agreement was signed	The collaboration was terminated because the firm did not want to be associated with the distributor

(continued)

Table 3.

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 15	England (2010)	<i>"We always write a contract, and we did the same with this distributor."</i>	<i>"Although the distributor had good knowledge about our products and could provide good service to our customers the collaboration never worked perfectly and eventually it was terminated. It seems like they in England have a completely different culture than us. They are more selfish and opportunistic, and they were always trying to make more money on our expenses. Therefore, we decided to terminate the collaboration with the distributor."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	Yes, because of culture differences between the two parties	No, since the bridge-maker could perform, and it demonstrated knowledge about the target market	The collaboration initially enjoyed contractual trust and competence trust, but it was terminated because of the distributor's lack of goodwill trust and opportunistic behavior
Case 16	Norway (2008)	<i>"We met a Norwegian distributor and we felt that we could work together and decided to work with them."</i>	<i>"The collaboration was not smooth in the beginning, but we have managed to work together. Now, they sell and provide aftersales services in a good way. The collaboration is ongoing."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	Initially there was some business difficulties between the firm and the bridge-maker. But they managed to overcome these difficulties	No, since the bridge-maker has knowledge about the market in terms of culture and business knowledge	The collaboration is ongoing since the bridge-maker performs in the market

(continued)

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 17	Finland (2008)	<i>"We were contacted by a distributor in Finland and decided to work together."</i>	<i>"They were highly professional, and they understood our products. The collaboration was working already in the beginning."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	No MPD between the firm and the bridge-maker and hence the collaboration has worked	No, because the bridge-maker has demonstrated its knowledge about the Finnish market in terms of culture differences and business difficulties	The collaboration has worked and benefits both the firm and the bridge-maker
Case 18	Denmark (2009)	<i>"We met a Danish distributor in an exhibition and decided to write a contract with them and work together."</i>	<i>"The collaboration started badly, we needed to teach them more about our product qualities. But they were willing to learn and after a while they started to sell well and provide better aftersales services."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	There were business level difficulties between the firm and the bridge-maker but with time and education they managed to overcome these difficulties	The bridge-maker had cultural differences knowledge about the market, but needed to be educated about the product prior it could take the product to the Danish market. Once the bridge-maker learned about the product MPD between the bridge-maker and the market was coped with	The collaboration started slowly, but with education and learning the collaboration works and the bridge-maker performs in the market which benefits both the firm and the bridge-maker

(continued)

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 19	Germany (2005)	<i>"We were contacted by a German distributor who wanted to sell our product in Germany, and we started the collaboration by writing a written contract."</i>	<i>"There were some miscommunications in English, but we managed to sort things out and they had excellent knowledge about our product. They had studied our company and product very carefully and knew about us. I am guessing that they had studied our website carefully."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	"Some country differences in terms of language differences and miscommunications but managed to overcome this	No, since the bridge-maker has performed, and the collaboration is ongoing	The collaboration has existed for several years, and it is still ongoing. The collaboration has benefited both the firm and the bridge-maker
Case 20	France (2005)	<i>"We met a French distributor in an exhibition in Germany, he did not talk well in English, but we managed to communicate and eventually decided to work with them since we did not cover the French market."</i>	<i>"It was problem in the beginning in term of that their English was not good, but we managed to solve this issue. They started to sell and could provide aftersales services, but they ended the collaboration three years later without any explanations."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	Problem with English language but overall, the collaboration worked till the bridge-maker ended the collaboration without any explanations	For three years they performed in the market and did and had cultural differences knowledge and business difficulties	The collaboration worked for three years but was terminated by the bridge-maker

(continued)

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 21	Norway (2005)	"I contacted a distributor I knew in my previous role as a manager in another company and asked them to sell for us and they agreed."	"I knew the distributor previously and we knew how to work together and after I explained what we expected from them it worked right away. They have managed to sell in the market and provides our customers with great services and installations of the products."	The firm lacked knowledge about the market regarding cultural differences and business difficulties	No, since the CEO and the distributor knew each other previously and knew how to work together	No, since the distributor has demonstrated knowledge about, both culture differences and business difficulties in the market and has performed according to the agreements between the firm and the bridge-maker	The bridge-maker has performed, and the collaboration benefits both the firm and the bridge-maker
Case 22	England (2004)	"We were contacted by a distributor in England and decided to work together based on what they promised to do for us."	"The collaboration did not really work, they managed to sell few products, but they were never interested in increasing the level of investments with us. We terminated the collaboration after a while since it took to much of our time but did not lead to huge profits."	The firm lacked knowledge about the market regarding cultural differences and business difficulties	There were some business level difficulties since the bridge-maker was not interested to increase its investment nor wanted to learn more about the firm	The bridge-maker sold few products and neglected customer needs in terms of providing good services to the customer	The collaboration did not work well, and the firm terminated the collaboration based on poor performance

(continued)

Table 3.

Cases	Country	Initial contact with bridge-maker	Post-entry challenges or why the collaboration worked	MPD-firm and market	MPD-firm and bridge-maker	MPD-bridge-maker and market	Outcome
Case 23	Norway (2004)	<i>"In the beginning of our company I just wanted to sell as many products as possible and hence I decided to go with this distributor from Norway. Although I was not sure that they were suitable."</i>	<i>"He did not manage to sell a single product and did not want to learn from us, I guess it was a mistake to go with this guy, but I was eager to sell as many product as possible since we needed to make money."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	Business level difficulties between the firm and the bridge-maker	The bridge-maker did not sell any products and hence it failed at business level difficulties	The collaboration was terminated since the bridge-maker did not perform in the market
Case 24	Italy (2005)	<i>"Once again, I was eager to sell products too fast and decided to allow an Italian distributor to sell for us in Italy based on what he promised us that he had a large portfolio of customers."</i>	<i>"He managed to sell for us during the first year and beginning of the second year, but then suddenly he wanted to increase its commission with a lot which I could not agree upon. I tried to negotiate but he refused."</i>	The firm lacked knowledge about the market regarding cultural differences and business difficulties	The collaboration worked initially but because of business level difficulties such as commission negotiation the collaboration was terminated	No, since the bridge-maker had both knowledge about culture differences and business difficulties in the target market	The collaboration worked initially but was terminated eventually because the firm and the bridge-maker failed in negotiation with each other

Source(s): Created by author

translated into English. The interviews lasted between 80 and 150 min and constituted the main data gathered for this study. The respondents also provided internal documents, brochures, slideshows, and so on, to help with data collection. The respondents also provided guided tours of their business facilities.

The interview technique included open-ended questions covering the research topic. This study inquired about the formation of the firms and their growth strategies, their three initial internationalization experiences, the potential challenges they faced, their main sales market, and the cultural and business barriers they were confronted with. Questions related to how they worked to address cultural- and business-related challenges were asked, in addition to how they established business partners in the target markets (early and later internationalization). Triangulation was achieved by comparing the primary and secondary data such as slideshows, brochures, annual reports, and website information. Secondary data provide information on important events in a firm's history and how it achieves growth. The interviews were aimed at inquiring about the firms' product development, their choice to sell to a foreign market(s), earliest internationalization occurrences when they lacked internationalization knowledge, and challenges and opportunities arising from internationalization occurrences. Expert interviews confirmed the challenges of working with partners in international markets.

Cope and Watts (2000) suggest that respondents tend to remember these (earlier internationalization) important events in more detail because they represent critical stages in firms' growth history and knowledge gain. Additionally, Gruber *et al.* (2012) and Ojala (2015) suggest that founders recollect these prominent occurrences in their first few markets very well because they are fixed in their memories. As the early stages of internationalization are essential occurrences of great importance to a firm, the potential for retrospective bias is negligible (Akerlof and Yellen, 1985; Chetty *et al.*, 2014). Therefore, it was decided to include only the case companies' first three internationalization experiences.

All respondents approved of the recording of the interviews. They were later transcribed and sent to the respondents to allow them time to review and ensure that the transcript was accurate as per their initial responses regarding markets, business partners, products, and so on (Ghauri and Grønhaug, 2005). The respondents made minor changes regarding the order in which they entered the markets and corrected the names of the people mentioned in the interviews. Together with the secondary data, this information was used to write separate SME case studies. According to Pettigrew (1990), combining primary and secondary data can sometimes be cumbersome, and using case studies makes data organization more effective and insightful for further analyses.

Andriopoulos and Slater (2013) also suggest that it is important to increase the trustworthiness of the data, and once the data have been collected, an independent researcher ought to review the collected data and discuss emerging patterns with the independent researcher to determine if coding and conclusions differ between the researcher who has collected the data and the independent researcher to receive an outside perspective. Accordingly, this practice was adopted, and after a discussion with the independent researcher, some minor inconsistencies were found, and some adjustments were made (Table 3).

Initial coding techniques were enabled, such as attribute, structural, and descriptive coding, in accordance with Saldaña (2015). For attribute coding, Rubin and Rubin (2011) discussed features such as background information on the case, the firm's name, respondents' names, the roles they played, as well as the duration, location, and date of the actual interview. Structural coding was used in accordance with MacQueen *et al.* (2008), as a semi-structured interview guide was adopted to organize and classify the data. For the data analysis, a list of topics was written, and the transcripts and data were coded in accordance with these topics. By coding the initial internationalization occurrences for each SME and establishing the reason behind the occurrence, this study was able to capture the impact of the MPD in the

triad and its effect on SMEs' internationalization. This study was also able to establish the different challenges faced by firms in the different stages of their internationalization experiences and could determine whether the challenges were related to psychic distance and bridge-makers' lack of knowledge (see [Table 3](#)).

Using descriptive coding, common themes for all internationalization occurrences were identified. For example, if internationalization was negatively affected by the bridge-maker's lack of knowledge about the target market, the firm could not overcome psychic distance. Transcripts and case studies were categorized to help describe the market entry outcomes. Descriptive codes were used such as "first internationalization," "challenges," and "first three internationalization occurrences and how the SMEs came into contact with different bridge-makers, as well as the challenges faced by the SMEs and bridge-makers during internationalization." This emanated from [Safari and Chetty's \(2019\)](#) and [Conway and Swift's \(2000\)](#) articles on MPD to establish words and accounts that harmonized with firm entry decisions in accordance with the concept of knowledge ([Johanson and Vahlne, 1977](#)). Furthermore, comprehensive word tables were enabled to perform within-and cross-case analyses of the data ([Miles and Huberman, 1994](#)). The tables offer a substantial account of important events ([Strauss and Corbin, 1994](#)) that relate to a firm's foreign market selection, entry decisions, and challenges during the internationalization process. When the tables were developed satisfactorily, it was ensured that the data matched those of the transcripts and case studies. After the final coding was completed and organized in tabular form, it was sent to the respondents to ensure that the interpretation of their internationalization was accurate and in order. Some minor changes were made to the tables in terms of the years of internationalization occurrences.

However, to increase the trustworthiness of the data, the recommendation of [Andriopoulos and Slater \(2013\)](#) was adopted, who suggested the importance of increasing the trustworthiness of the data by collecting it, using an independent researcher to examine the collected data, and discussing emerging patterns with the independent researcher to see if the coding and conclusions differed between the researcher who collected the data and the independent researcher and hence received an outside perspective. After discussions with an independent researcher, some minor disagreements were resolved, and some adjustments were made to [Table 3](#).

Findings

In this section, the findings of 24 internationalization cases are presented. The findings are divided into three patterns based on the abovementioned theoretical framework. These are the triadic MPD between firms and markets, firms and bridge-makers, and bridge-makers and markets. [Table 3](#) presents 24 cases of internationalization. A triadic MPD exists between three different entities: firm, market, and bridge-maker. Quotations from interviews with bridge-makers and industry experts are utilized.

Triadic multilevel psychic distance.

MPD between firm and market

The case companies considered in this study are SMEs with limited resources. Hence, they are unable to cope with the psychic distance and its multiple levels in the target market. Interviewees (SMEs) stated that problems usually appeared in terms of culture, language issues and misunderstandings, legal challenges, and other industrial and business difficulties.

Our company is small, and for us to internationalize to a market, it is important that we know how it works over there . . . in some countries, the way they do business, talk, or their culture is very much

different from Swedish standards. It is important for us to learn more about these markets, but usually, we do not have the time nor resources to deal with such issues. (Case 3)

Swedish companies usually do not understand our culture or laws very well. They also do not have information about customers in Germany, and the German language is an issue for them as well. So, we help them with these problems and sell for them. (Bridge-maker 1)

In the beginning, I was eager to sell to any market, but I was inexperienced and did not know about different cultures and how business is conducted overseas. (Case 8)

The quotes from Cases 3 and 8 represent the opinions of not one but all founders, and they have repeatedly emphasized the difficulties in conducting business in the target markets based on their company's lack of knowledge about the target market. Despite lacking knowledge of the different aspects of cultural and business difficulties, the founders stated that they were still active and conducted business through distributors who wanted to help sell their products in the said market. The German bridge-maker confirms that Swedish SMEs lack knowledge about the target market in terms of cultural differences and business difficulties and that they have the knowledge to help bridge SMEs' MPD.

MPD between firm and bridge-maker

Initially, the case companies either contacted a distributor (bridge-maker) or had been contacted by a distributor to start a collaboration. This was because they needed help in selling their products and services or the bridge-maker offered to sell their products and services in the target market. Once contact was initiated between the case companies and bridge-maker in all cases (Table 3), there was an agreement (written or verbal) between the two.

We do often meet someone, and then, once initial contact has been established, we do assess their abilities to sell for us and their knowledge not only about the market but also about our products. We do choose someone who knows the country well in terms of language, culture, industry, competitors, and other business-related problems. Once we conclude the assessment, we decide to write a contract with them so that they can start to sell for us. (Case 2)

I knew that we needed someone who was able to sell for us in different international markets, but it is not only about selling the product, but the distributor also needs to provide the customer with installations of the product or any forms of services related to the product. (Case 6)

We are a big company, and in some markets, we invest in our own subsidiaries and hire our own personnel; often, we hire locals who know the market very well. (Industry expert 2)

Small companies usually need someone to help them to understand the French market. Especially companies from Sweden who cannot speak the language. But the issue is beyond only language; they also do not know how things work here. (Bridge-maker 2)

Swedish companies are very good at speaking English, but they usually do not know much about British customers, and we help them to find customers and sell for them. (Bridge-maker 3)

The case companies acknowledge that they do not have knowledge of the target markets, which is why they need to collaborate with different bridge-makers. Sometimes, the collaboration must be terminated because of competition in the target market. Some competitors offered cheaper prices (Cases 1, 9, and 10) or the distributor started working for the firm's competitor (Case 3). Unlike MNEs, which hire their own personnel, SMEs collaborate based on verbal or written contracts.

Our distributor started to sell well initially, and he showed a high level of knowledge and competence not only to sell but also to provide the right types of services to our customers. Unfortunately, other

competitors entered the market and offered similar products at cheaper prices; hence, our distributor's sales decreased, and we could not continue with the collaboration because we could not compete price-wise. (Case 3)

Based on the above-stated quotations, even when the distributor has competent and good networks in the target market, the firm still needs to provide competitive prices; otherwise, it does not matter how competent the distributor is. In the 24 cases of internationalization, it was evident that many of the collaborations were terminated because of the bridge-maker's poor performance in selling the product (Cases 2, 8, and 23), the bridge-maker managed to sell but did not have the necessary service knowledge about the sold products (Cases 8 and 22), and the bridge-maker's total subpar performance in terms of selling the product or willingness to adapt to the firm's needs (Case 4). Continued collaboration was not justified for the abovementioned reasons. In some cases, the firm needed to invest even more in the sale just because the bridge-maker could not provide the "right" services to the customer.

The distributor could sell very well; however, it turned out that he was mostly focused on simple selling and could not provide customers with necessary services around the product, and we could not continue with the collaboration because most of our customers require a high level of services as well. (Case 8)

It started well, and the distributor not only sold many products but also provided our customers with very relevant services, but then, suddenly, something changed. It turned out that the distributor had overpromised the customer, and we could not provide such performance guarantees in relation to our products. We even needed to send our own personnel to Germany to provide services and explain to the customer about what we could deliver, especially based on the prices we had agreed upon. (Case 4)

The distributor in France started to sell well but eventually they terminated the collaboration without any forms of explanations. I thought it was highly unprofessional. (Case 7)

It could happen that we, in the beginning, took jobs just to increase our turnover, even if we did not have knowledge about the company nor its products. If the product is simple and easy to sell, accepting this type of collaboration is not a problem. But nowadays, we are a bigger distributor with a good reputation, and we make sure that we protect our image. Therefore, we need to ensure that we provide value for companies that we initiate a collaboration with. (Bridge-maker 3)

Well, if the price is too high and others can provide better prices, well then, they must decrease their prices. Otherwise, how are they and we going to make money?" (Bridge-maker 2)

I believe it is important for smaller companies to work with experienced distributors and be clear about what is required by both parties, but this is often challenging for smaller companies, as they do not have the resources to deliberate the potential distributor. Thus, they must learn by gaining experience in how to select reliable partners. (Industry expert 1)

In most cases, the collaboration was terminated because of the bridge-maker's inability to sell, provide services, overpromise, and, more importantly, refuse to invest in the collaboration to learn and adapt to the firm's needs (Cases 3, 11, and 15). The distributor was involved in different wrongdoings (Case 14). In some cases, collaborations were terminated because of a lack of commitment from the bridge-maker (Case 22), or the collaboration was terminated by the bridge-maker without any explanation (Case 20). The bridge-makers' views were that they could accept collaborations even if they lacked the necessary knowledge about the company or its product, but this was for survival reasons in their first years. The bridge-maker from France confirmed that competition could be a major issue if the company with which they worked did not have a competitive price.

Our distributor in England started well and could sell products and provide good services to our customers. But eventually, he became increasingly selfish and did not want to invest in our

collaboration. We wanted to sell other products, and he needed to learn about the new products that he ignored; hence, we terminated the collaboration. (Case 5)

He, our distributor, initially sold a lot of products, and we were impressed, and we wanted to invest more in our collaboration. However, he began working for other competitors. We really wanted to increase our collaboration but, instead, he went to our competitors. (Case 3)

Some distributors can be selfish because they have money issues or are just too greedy, but we are trying to be fair, and our collaborators need to understand that it goes both ways and that we both need to benefit from the collaboration. (Bridge-maker 3)

In various countries, there are different cultures and ways of doing business, and based on my experience in some countries, they are more short-term-oriented and focus only on short-term benefits. In Sweden, we are more long-term-oriented and want to have a long-term collaboration. (Industry expert 1)

The MPD between a firm and a bridge-maker is related to a lack of knowledge about the target market regarding sales performance and service provision, and sometimes they engage in opportunistic behavior and refuse to invest in the collaboration to learn about the case companies' products and their way of working. In particular, opportunistic behaviors and reasons thereof were confirmed by the bridge-maker from the UK.

MPD between bridge-maker and market

In a triadic MPD setting, it is evident that psychic distance can appear between the bridge-maker and the target market. In such cases, the bridge-maker sometimes lacks knowledge about the business-level psychic distance in terms of a lack of understanding of business connections, customers, or competitors (Cases 2, 22, and 23). It is true that they may be able to speak the local language and have knowledge of the local culture, but they lack knowledge about certain relevant factors such as network connections, competitors, or customer knowledge. In other words, for the most part, MPD at this level is based on the business level of psychic distance.

This guy was overpromising already in the beginning. We were hoping for the best, and we said sure, let us try it. But it turned out that he did not have many connections, know our industry here and in India, know anything about our competitors . . . he could hardly sell or take care of customers. (Case 2)

They could not even sell a single product and quickly we needed to end the collaboration with the Norwegian distributor because it was time-consuming and did not lead to any benefit for us. (Case 8)

Maybe some distributors chose to take jobs even if they did not know much. I mean in my job it is important to know where the customers are, what they need, and how to satisfy their needs. You can eventually sell, but you need to provide value for both the customer and the company you have agreed to work for. (Bridge-maker 3)

How can you take jobs if you do not have information about customers and knowledge about how it works in Germany? We know how the German market works and we take care of our customers and the companies we work for. (Bridge-maker 1)

We know the French market, but maybe we were not very good at it in the beginning when the company was started. I mean we learn by doing. Today, we know more about our industry and customers, and we have a larger network than we had in the beginning. (Bridge-maker 2)

Although the bridge-maker is supposed to know about the countries from which it comes, this does not necessarily mean that it possesses sufficient knowledge to enhance firm internationalization and act as a bridge-maker. These distributors did not have knowledge of business-level psychic distance. In less extreme cases of MPD between the bridge-maker

and the target market, which is, for the most part, the bridge-maker's country of origin, the bridge-maker has knowledge about selling the products but lacks knowledge about service provision, competitors, and customers, and in some cases, lacks knowledge about the legal systems in the target market. Considering bridge-makers' views, they confirmed that some bridge-makers might not be knowledgeable about the target market in terms of industry expertise, customer knowledge, or access to networks. This means that they can have knowledge of country-level psychic distance but not of business-level psychic distance.

Discussion

It is evident from the cases described above that internationalization starts once the firm has access to a bridge-maker that helps it gain knowledge about the target market regarding MPD, that is, knowledge about culture, language, legal system, business difficulties, competitors, customers, and so on. This confirms [Child *et al.*'s \(2009\)](#) finding that bridge-makers are essential in bridging firm MPD in the target market. However, if the firm and the bridge-maker could not collaborate, this was owing to a lack of knowledge or commitment to the collaboration. Hence, this study has identified the MPD between three different entities: firm, bridge-maker, and target market. The triadic MPD is discussed and analyzed below.

Firm MPD toward the target market in this study is a confirmation of the previous literature that firms are affected by not only country-level ([Dow and Karunaratna, 2006](#)) but also business-level ([Child *et al.*, 2009](#); [Safari and Chetty, 2019](#); [Sousa and Bradley, 2006](#)) psychic distances. The MPD at this level is mainly related to a firm's lack of resources to acquire knowledge about the target market ([Falahat *et al.*, 2022](#); [Magni *et al.*, 2022](#)). The firms in this study also did not have personnel or board members ([Puthusserry *et al.*, 2021](#)) with knowledge of the target market; hence, the MPD regarding the target market did not allow them to operate independently. The firm needed to rely on bridge-makers who possessed knowledge about the target market in terms of culture, legal systems, political systems ([Dikova, 2009](#); [Johanson and Wiedersheim-Paul, 1975](#); [Liu *et al.*, 2021](#)) and business-level factors such as competitors, customer knowledge, and other business difficulties ([Child *et al.*, 2009](#); [O'Grady and Lane, 1996](#)). In cases where the bridge-maker ([Table 3](#)) had knowledge of MPD and could sell and provide services to the firm's products, the collaboration benefited both the firm and the bridge-maker. In these cases, both parties committed to and invested well in the collaboration. The bridge-maker made sure to learn about the firm's products and ways of learning, while the firm committed to educating and providing sufficient time for the bridge-maker to bridge their MPD toward the target market.

The MPD between firms and bridge-makers was evident in some cases. Although few studies have previously investigated the psychic distance between these two entities (e.g. [Safari and Chetty, 2019](#)), it is important to clarify that, in this study, different reasons were found for the MPD between the firm and the bridge-maker. First, the bridge-maker lacked knowledge of the target market (Cases 2, 4, 8, 22, and 23). The bridge-maker could not reduce the firm's uncertainty in the target market, mainly because of the business level of psychic distance and, in a few cases, because of country-level psychic distance ([Sousa and Bradley, 2006](#)). At the business-level psychic distance, the bridge-maker was sometimes able to sell the products but lacked sufficient knowledge in terms of providing services about the sold products. This is interesting because it shows that it is not enough to have partial knowledge of business-level psychic distance. The bridge-maker must also acquire other aspects of business-level psychic distance knowledge for long-term business collaborations ([Conway and Swift, 2000](#)). This is interesting because [O'Grady and Lane \(1996\)](#) suggest that firms sometimes fail in the target market because they lack knowledge and resources regarding

business-level psychic distance. While this study's findings do not disagree with O'Grady and Lane (1996), this study suggests that it is not the firm's resources nor knowledge that is important here but rather the bridge-maker's resources and knowledge about the business-level psychic distance that hampers firm internationalization.

Furthermore, in a few cases, MPD was caused by a lack of understanding of one another in terms of working relationships or because the parties refused to commit to and invest in strengthening the collaboration. In some cases, even though the bridge-maker had knowledge about the target market, the collaboration could not continue because the firm could not compete in the market because of business-level psychic distance, such as competitors' cheaper prices, or because the firm could not invest in the collaboration. This was also confirmed by the interviewed bridge-makers who argued that it was not enough to have a good collaboration, but prerequisites such as competitive prices needed to be present for the collaboration to benefit both parties. In other cases, MPD was related to the fact that the bridge-maker, despite having knowledge about the target market and being able to bridge firm MPD, instead engaged in opportunistic behavior (Case 3), such as working for competitors or overpromising (Case 4) customers in terms of product functionality and service offerings. The interviewed bridge-makers explained this in terms of the likelihood that these bridge-makers were not serious partners or that they might have financial problems that led them to act in an unserious or opportunistic way.

Surprisingly, this study also identified the MPD between the bridge-maker and the target market. This is interesting because the previous literature does not shed light on the existence of psychic distance and MPD between these two entities. This is understandable because, for the most time, international marketing scholarships are interested in understanding the differences between countries (Dow and Karunaratna, 2006) or differences between actors' understandings of a target market. As this study conceptualized MPD as a lack of knowledge about country differences and business difficulties (Dinner *et al.*, 2019; Safari and Chetty, 2019), this study also found that bridge-makers lacked knowledge about business-level factors, such as networks, competitors, and customer knowledge, and country-level factors, such as a lack of sufficient legal knowledge. Furthermore, it shows that even an entity, such as a bridge-maker, can encounter MPD because of its lack of knowledge of its country of origin. For a bridge-maker to fulfill its role (Puthusserry *et al.*, 2021), it must have knowledge about its country of origin or the market in which it is supposed to bridge firm MPD. If the bridge-maker lacks this knowledge, it will not be able to fulfill its duty as a bridge-maker; it will also experience MPD toward the target market in its journey to act as a bridge-maker, and the risks are high because it fails to bridge firm MPD. The interviewed bridge-makers confirmed that there were bridge-makers who were not serious, but if they wanted to build a good reputation, they needed to have a long-term focus, where they could provide value both for customers and the internationalizing firms they worked for. Hence, it is important that bridge-makers are knowledgeable about the target market; otherwise, it will cause MPD in the collaboration even more and the collaboration will be terminated. This can also be connected to O'Grady and Lane (1996) theoretical contribution that business-level knowledge is highly important to overcome psychic distance, but in this triadic context, it is not the firm's knowledge or lack of knowledge about business-level difficulties but rather the bridge-maker's lack of knowledge about business-level difficulties that causes a psychic distance between the bridge-maker and the target market and hampers firm internationalization. This study has confirmed the O'Grady and Lane (1996) suggestion for the further improvement of the conceptualization of psychic distance in terms of its multilevel and business-level difficulties that need to be paid more attention to, but it has also shown that the problem of lack of knowledge at the business level is related to not only firms' lack of knowledge but also bridge-makers' lack of knowledge about business-level psychic distance.

Conclusion

Theoretical implications

This study aims to shed light on the triadic MPD between three entities: firm, bridge-maker, and target market. This study makes several theoretical contributions to the literature on how triadic MPD appears between the three entities and the consequences of triadic MPD for firm internationalization.

Although this is not the first time that psychic distance has been conceptualized as a multilevel concept, and this study follows the same line as [Safari and Chetty \(2019\)](#) and [Puthusserry et al. \(2021\)](#), it is the first contribution to conceptualize MPD in a triadic context. The previous literature has mainly focused on explaining the MPD between two different entities and conceptualizing psychic distance and its different levels in a dyadic context. By conceptualizing MPD in a triadic setting, this study provides theoretical insights into the complexity of triadic MPD and its effect on firm internationalization. The MPD in the triad appears because of a lack of knowledge about the target market. The firm lacks knowledge about country differences and business difficulties, so it approaches or is approached by a potential bridge-maker ([Child et al., 2009](#)).

The bridge-maker can either bridge the firm's MPD based on its MPD knowledge or fail because it does not possess the knowledge to fulfill its duty as a bridge-maker. Few studies have focused on bridge-makers' role in bridging psychic distance, especially MPD, which is unique in that it shows that a lack of knowledge hinders the bridge-maker from acting as a bridge-maker. In fact, it shows that firm internationalization is embedded in triads, and MPD needs to be bridged and reduced. Firm internationalization is interdependent on bridging and reducing MPD in a triadic setting. In scenarios where the collaborations were unsuccessful, the bridge-makers lacked MPD knowledge. In the worst-case scenarios, the bridge-makers did not show any knowledge about the target market, whether it was related to the country-level factors of psychic distance (e.g. legal system) or knowledge about business-level factors and failed to sell any products. This is interesting because it shows that most internationalization efforts fail because the bridge-makers fail. The firm cannot cope with MPD because of the failure of the bridge-maker. Moreover, it shows that firm MPD needs to be reduced and bridged at the bridge-maker level before the MPD moves toward the target market. Some of the failures also occur because the firm cannot commit to competitive prices, and hence, the collaboration is affected by competition (business-level psychic distance) in the target market.

Furthermore, this study shows that MPD appears between the bridge-maker and the target market. Even when a bridge-maker originates from the target market and has existed in that target market for decades, this does not necessarily mean that it can act as a bridge-maker because bridge-making requires MPD knowledge about the target market. This indicates that a bridge-maker's country of origin does not automatically provide the bridge-maker with MPD knowledge, but rather, the bridge-maker must consciously acquire this knowledge and adapt it to bridge the firm's MPD into the target market. This contribution has strong theoretical implications for the future conceptualization of psychic distance. This shows that scholars need to go beyond the dyadic conceptualization and incorporate triadic MPD or even multi-actor MPD into future conceptualizations. The contribution of this study to triadic MPD has shown the complexity of MPD in the triad and how MPD appears between these three different entities, in addition to its effect on firm internationalization. In other words, this study also contributes to the interdependency between the three entities, and MPD in the triad has implications for all entities. Bridging the MPD requires knowledge, and if that is not possible, firms or bridge-makers need to collaborate on resources to learn and acquire knowledge about the target market.

This study adds to the existing body of knowledge on psychic distance, as [Hallén and Wiedersheim-Paul \(1984\)](#) began a multilevel conceptualization of psychic distance. [O'Grady and Lane \(1996\)](#) later argued for the importance of business-level psychic distance and that

firms needed to have the knowledge to reduce barriers related to business-level psychic distance. Others focused on the role of the bridge-maker (Child *et al.*, 2002, 2009) in connection to the firm's psychic distance or multilevel psychic distance (Puthusserry *et al.*, 2021; Safari and Chetty, 2019). This study adds to this body of knowledge by confirming that psychic distance is multilevel, but it also appears in a triadic context between the three entities of the firm, the bridge-maker, and the target market. This shows that the firm needs to have access to a knowledgeable bridge-maker that can bridge the firm's psychic distance into the target market and that it is this access to a specific knowledgeable bridge-maker that the firm needs to have rather than acquire knowledge about multilevel psychic distance by itself. However, it has also shown that it is not always the bridge-maker that can act as a bridge-maker, as it lacks sufficient knowledge about the target market causing a psychic distance between not only the firm and the bridge-maker but also the bridge-maker and the target market, and hence, the triadic multilevel psychic distance has consequences for firm internationalization.

Practical implications

The results of this study have several practical implications. The findings indicate that firms, especially SMEs with limited knowledge about different target markets and limited resources, are dependent on bridge-makers to penetrate foreign markets. However, entering a collaboration with a bridge-maker is not without difficulties. It is important that firms and bridge-makers set rules for regulating their relationships and achieve a consensus on the requirements of the collaboration. The bridge-makers interviewed in this study confirmed that there were unserious and inexperienced bridge-makers in the target market; hence, firms need to avoid these unserious bridge-makers and target experienced ones who know their market well. Although contracts between the two parties are important, this study has shown that these contracts may not solve all the problems that can occur in the process of collaboration. Collaboration requires time and must be deliberated upon by both parties. However, before collaboration starts, both parties must conduct an initial deliberation regarding whether their future collaboration can benefit both parties. For the firm, it is necessary to decide whether to enter the collaboration based on the notion that the bridge-maker can help, has the knowledge to bridge MPD barriers, is serious, provide value for customers and the firm, and has a long-term focus rather than being short-term-oriented and opportunistic. The bridge-maker also needs to ensure that the firm is willing to commit to the collaboration and provides it with the prerequisites to perform in the target market. These prerequisites are primarily related to competitive prices that are crucial for bridge-maker performance in the target market.

Once a collaboration starts, it is important for the firm to evaluate it based on the performance of the bridge-maker in terms of sales, customer support, and services. High sales performance is not sufficient because the customer also requires services and support, and in the absence of these services, customers' perceptions of the company are affected; hence, the brand image of the firm is negatively affected. Furthermore, it is important that both the firm and bridge-maker commit to the collaboration by investing time, money, and resources, and helping each other strengthen the collaboration. These investments in the collaboration can lead to further increases in profit, mutually benefit both parties, and create value for the customers.

Limitations and future research

This study is based on qualitative case study research and offers several theoretical insights and contributions. However, the findings of this study need to be tested and clarified through larger quantitative studies. This study suggests that future studies investigate the triadic MPD conceptualization in a large survey to test the contributions of this study. Furthermore, this study focuses only on Swedish firms' internationalization and their collaboration

patterns with bridge-makers; therefore, it is important that future studies explore beyond the Swedish context. Although it is strongly believed that the theoretical contributions of this study are valid for other contexts, it is important to include other contexts for the sake of theoretical and empirical generalizations.

This study collected data from the vantage points of firms by interviewing the CEOs and obtaining secondary data about the case companies. This study also collected data from industry experts and bridge-makers that were not related to the specific collaboration that was explored. However, it is important to acknowledge that this is a limitation. Therefore, future studies should also include the bridge-maker's view in the "actual collaboration" to increase the understanding of triadic MPD from different angles and vantage points. The consideration and inclusion of the view of the bridge-maker in the "actual collaboration" would increase the internal validity of future research, but it also can utilize the conceptual development by Conway and Swift (2000), who argue for and conceptually explore MPD in relation to relationship marketing theory. It is important to understand both the firm and bridge-maker views to shed light on how MPD is developed in a triadic context as well as in a dyadic business relationship. This may elucidate why some collaborations work for several years and why both parties, the firm, and the bridge-maker, have a long-term view of collaboration by building long-term relationships, while others are dysfunctional and lead to opportunistic behavior by one or both parties therewithin.

This study focuses on the triadic MPD between three different actors—firms, bridge-makers, and target markets—and its consequences for firm internationalization. I suggest that future studies should explore the possibility of involving other actors that impact a firm's international marketing strategies and their effects on MPD. One suggestion involves political actors. Some markets are highly connected to political actors and firm networks; in such markets, it is important to explore whether and how such political actors and connections alleviate or increase firm MPD. Does a firm need to use bridge-makers for involvement with these political actors, or can these political actors act as bridge-makers for the firm? These are important questions to explore, especially in emerging markets, where political ties are paramount for firm internationalization.

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