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A Systematic Literature Review of Psychic Distance in Business-Societal Relations: Toward Sustainable and Reimagined Frontiers in Responsible Management

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A Systematic Literature Review of Psychic Distance Hazards: Toward a Holistic Approach to Sustainable and Responsible Businesses and Societal Relations

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Summary

Psychic Distance (PD) conceptually refers to a range of economic, cultural, legal and language differences, posing barriers/hazards to how businesses, markets, and people interact. Despite the traditional approach to systematic reviews focusing on the nature, scope, and impact of PD hazards at local and global company levels of operation, the fast pace and scale of socio-economic, political, and environmental changes require a more holistic and complex approach to enhance sustainable and responsible businesses. Such a gap calls for a research shift to cover emerging challenges, and address climate change, biodiversity, pollution, and related sustainable environmental concerns. This developmental paper is a call to challenge traditional, dominant quantification approaches with the need for greater reflexive insights into organisations and people's behaviours posing hazards to how businesses and society interact sustainably and responsibly. Implications of this reorientation will facilitate a better understanding of the changing nature, scale and impact of local and international trade, circular economies, contract violations, governance structures and policy frameworks. Therefore, this developmental paper focuses on a four-decade review of over 60 journal articles and survey data from 228 managers in Nigeria's automobile industry. The results surface 4 sets of findings namely 1) occasional use of theory-informed PD scholarship on contractual violations, 2) dominance of statistical research designs, 3) sampling and data collection techniques based mainly on 65% quantitative, probability samplings and 4) PD scholarship's dependence on European and American research. The paper develops a holistic framework to address the fast-changing paces and scale of the PD barriers to business sustainability and responsibility thereby broadening the PD and SRB field's scope and reach. The implications of the contributions on how to structure the circular economy, how businesses conduct operations locally and globally, the nature and impact of sustainability strategies, methodological reform and contract and transactional issues in employment relations are articulated.

Keywords: Psychic distance, sustainable, responsible, organisation, management, relations

Track: Sustainable and Responsible Business

Paper type: Developmental review article

Introduction

As a construct, Psychic Distance (or PD), refers to an individual's or people's perception of differences between home and foreign business markets (Hakanson and Ambos 2010). Studies conducted on PD to date (Griffith and Dimitrova, 2014; Katsikeas et al., 2009; Shenkar, 2012; Zaheer et al., 2012) continue to focus on dominant hazards to business performance locally and globally (Vătămănescu et al., 2020; Dinner et al., 2019; Evans et al., 2000). Such hazards include, for example, the interruption of information flows between firms and markets (Ellis et al., 2010) and trade partnership disruptions (Bello et al., 2003). Despite PD's research attractiveness in highlighting how trade and market relationships expose significant socio-cultural differences between people, businesses and civic societies (Magnusson and Boyle, 2009; Griffith and Dimitrova, 2014), the construct, whose origin has mainly been associated/popularised by O'Grady and Lane (1996), highlights the critical importance of how businesses, at local and global levels of operations should adopt strategies, policies and governance structures in their operations to mitigate key socio-cultural and economic hazards with stakeholders (Fonfara et al., 2021).

Few PD studies have transcended import-export relational hazards (Leonidou et al., 2014; Griffith and Dimitrova, 2014; Aykol and Leonidou, 2018), or how business strategies can tackle traditional PD's focus on socio-cultural issues between staff and other societal and business members (Puthusserry et al., 2014; Evans and Mavondo, 2002). Therefore, how business practices can address emerging sustainability and responsibility hazards in contemporary organisations and society is missing and a framework to understand what is needed is also missing. For example, Di Vaio et al. (2020) recently examined challenges posed by the usage of AI technologies in agri-food businesses to identify a set of management strategies and new business models but failed to highlight how these may relate to PD issues. On the other hand, Lu et al.'s (2019) surfacing of multiple challenges such as corruption, environmental, economic, and good governance in the energy sector highlight the importance of tackling PD related hazards to business operations. Additionally, while an emerging range of sustainability and responsibility business (SRB) challenges to business operations feature corporations and employees' lack of commitment to sustainability (Ha-Brookshire, 2017), there is an apparent lack of a more balanced investigation of environmental and sustainability concerns from both industrialised and developing countries (Barkemeyer et al. 2014; also see Camilleri, 2022). Therefore, a rebalancing of socio-economic and environmental needs

(Painter et al., 2019), and more sustainable political negotiations between countries and international businesses (Bergman et al., 2017) are recognised as necessary in the emerging SRB scholarship, whereas the changing nature, scale, methodological and theoretical orientations of what PD could offer to local and global levels of business operations, their sustainability and responsibility is lacking.

To date, Torres et al. (2023) and Camilleri (2022) respectively proposed a thematic framework covering a range of corporate governance to wellbeing and HR practice harmonisation at a global, interorganisational level. However, gaps in the PD and SRB field are recognisable from our use of over 60 journal articles on the PD and SRB, which focus mainly on an examination of the nature, scope and methodological approaches on PD-related hazards, whilst missing to develop a more complex, holistic set of theoretical, methodological, and practice-based approaches to enhance greater understanding of the sustainability and responsibility issues in individual, business and societal relations. Therefore, this study investigates these initial research questions: 1) ‘what is the nature, context, and scope of PD literature?’ 2) ‘how do businesses develop strategies at local and global level operations to comprehensively address the changing socio-cultural, economic and environmental hazards posed to organisational and societal members?’ 3) ‘what theoretical, managerial and methodological challenges emerge from business-societal relational re-configurations?’ 4) ‘what ways have been used to measure and report the PD hazards in the PD – Sustainable and Responsible Business field and what are their potential value-adding opportunities?’ and 5) ‘what barriers does the PD literature surface?’

Methodology

This study first uses the current dominant, positivist research philosophy in PD scholarship to survey 621 businesses operating in the Nigerian import – export trade in automobiles to see what the findings from such a dominant methodological approach would be, the scale and impact of the hazards on the sustainability and responsibility of business, individual and societal interactions. A sample of 1200 businesses from this database was chosen using a rigorous random processing technique. The managers in charge of import operations at each of the selected organisations was contacted and informed about the study's objective, and they agreed to participate. Data were gathered using a standardised seven item questionnaire (see Ang et al. 2007 for later version) Likert scale from strongly disagree (1) to strongly agree (7) in line with studies on PD (Sousa & Bradley, 2005; Ang et al. 2007). Respondents were

requested to evaluate most important working relationships with their organisations to produce heterogeneity in the results and participating businesses were visited to enhance responsiveness and data validity. 237 questionnaires were returned (i.e., 19.7% response rate), of which 228 were valid and used.

Findings from Literature Review

The SLR on PD hazards highlighting how local and global level business operations were conducted using all the 4 key areas following Tranfield et al., (2003) and Aykol and Leonidou et al. (2018), namely, 1) theoretical approaches; 2) research designs; 3) research scope and 4) sampling and data collection methods.

The theoretical approaches ranged from Social Exchange Theory, Transactional Costs, Resource Based View, Relational Exchange Theory to Organisational Learning Theory and ‘Others’. A further breakdown and analysis showed that although some of the articles did not examine PD in business-societal relations from a theoretical angle (28.3%), those that did adopted a Social Exchange Theory (15%) and Relational Exchange Theory (11.6%), to show people’s perceptions of the business relations. While transaction cost analysis (10%) and Resource-Based View (11%) highlighted the centrality of how the business – societal relations were perceived as a cost hazard, other theories, such as institutional and network theories were minimally applied. Themes on ‘hazards’ or ‘risks’ mainly highlighted contractual violation and communication constraints (Leonidou et al., 2016; Leonidou et al., 2017a; Leonidou et al., 2017b).

Interestingly, the research designs highlighted mainly statistics (90%), causal relationships (85%) and formalised studies (81.6%). Within these, there were also longitudinal studies accounting for 13.3% description ones (10%) and case studies were the least used with 5% showing a spread of how contractual hazards were represented in research designs. The sampling and data collection techniques also included quantitative approaches based on probability sampling (65%), mail (53.3), non-probability sampling (30.1%), and electronic (26.6%) and personal and drop-in questionnaires accounting for only 3.3% of the papers. The business member compositions in this category were as follows: 100 – 249: 55%, 250 – 499: 23.3%, 500 – 999: 1.6%, less than 19: 8.3%, 20 – 29: 13.3, 30 – 39: 11.6% and 40 and more: 35%. The population were mainly constituent of either CEOs/Presidents (15%) or export executives (21/21.5%), reflecting their perception of business hazards.

The final, PD research scope is dominated by inter-organisational relational hazards focusing from predominantly European and American scholarship (Aykol & Leonidou, 2018). Despite the globalisation and internationalisation of businesses' operations beyond Europe and America, the developing world is neglected regarding PD scholarship. Based on these findings, this study calls for an extension of PD research and Sustainability and Responsible Business research to cover wider geographical, socio-cultural, and economic dispensations.

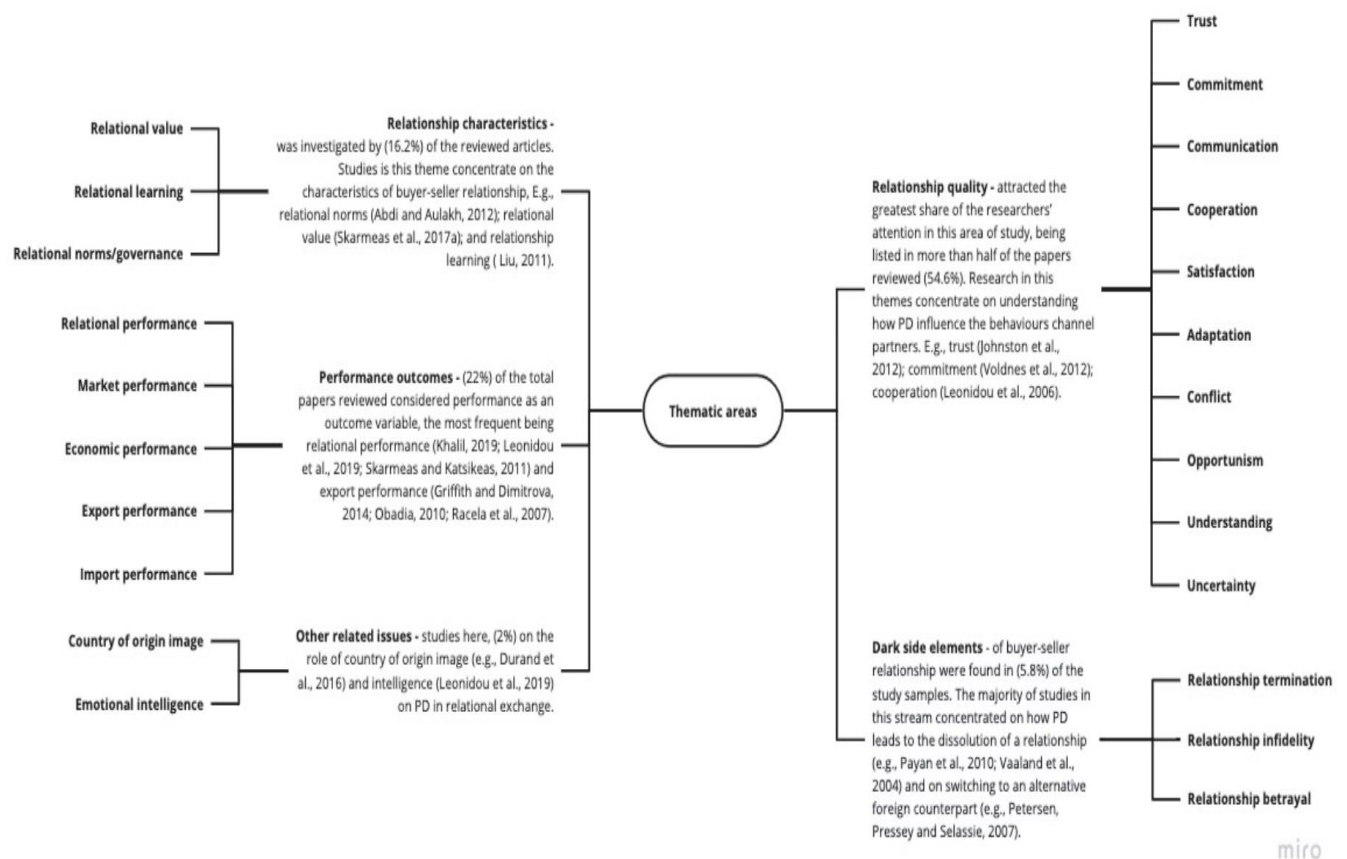


Figure 1: Summary of thematic areas on PD in Business-Societal relations

Overall, the findings demonstrated that the business – societal relations were characterised by a mixture of long-term vs short-term interactions (Haugland, 1999) and how managers' socio-cultural exchanges with other managers (Bello et al., 2003; Lee et al., 2018), impacted people's, their businesses' performance (Skarmas and Katsikeas, 2001) and how governance structures and processes were applied (Abdi and Aulakh, 2012; Li and Ng, 2002a). Although efficiencies were sought (Williamson, 1975; 1979) especially in terms of cutting down on cross-border

partnership transactions, such cuts increased environmental uncertainty between businesses and societal members (Leonidou et al 2014). Additionally, focusing on controlling transactional and relational costs, adversely impacted on relational complementarity, learning resources and capabilities identification and utilisation, thereby fundamentally impacting members' and business viability (Griffith and Dimitrova, 2014; Skarmeas et al., 2016 – see Figure 1 above for findings' summary).

Conclusion and future research avenues

As a follow up, the authors intend to further examine any emerging and dominant hazards in the PD and SRB research field by investigating challenges to how business leaders resolve evolving socio-economic, cultural, and political barriers to organisations' resource utilisation, capabilities enhancement, and strategic realignment to meet new challenges in developing and developed economies. It is therefore time to call for a more variegated and nuanced understanding of what the changing complexities of PD hazards could be and their impacts on the sustainability of responsible and sustainable business practices, policies, procedures, cultures, and structures. Such a new call will also focus on the resolution of the multi-dimensional resource adversities in a more targeted manner, especially for resource strapped businesses at both local and global levels of operations.

Such a call has implications for contract violations, environmental and poverty reduction related concerns and the need for businesses to be more sustainable and responsible in their strategy choices and implementation and methods used in evaluating the PD hazards. Therefore, as the world is constantly changing and becoming more complex demographically, socio-culturally, and economically, business strategies also need to evolve by considering more reflexive accounts of people's behaviours as points of increasing focus for PD and SRB researchers interested in hazards to sustainable and responsible business – societal relations. There is an additional implication, which is that PD scholars also need to learn new methodological orientations to better reflect the changing nature, scope, design of the field and its far-reaching sustainability impact on how people perceive their employment relations with businesses. While an emerging stream of scholarship from Asia are surfacing the darker-sides of business and societal relations (5.8%), and some of the violations have led to business-societal relational dissolution/termination (Payan et al., 2010; Vaaland et al., 2004), and even switching of business partners (Petersen et al., 2007) and outright infidelity and betrayal particularly in predominantly Western contexts (Leonidou et al., 2017a; Leonidou et al.,

2017b), it is crucial that scholarship lessons are learnt in not only which types of evolving hazards would be most detrimental to local and global levels of business operations and sustainability, but also the need for fresh methodological approaches that provide more in-depth insights into the socio-cultural and behavioural complexities of people in different parts of the world and how these could inform new avenues in PD and SRB scholarship (see Figure 2 below for the proposed framework for this).

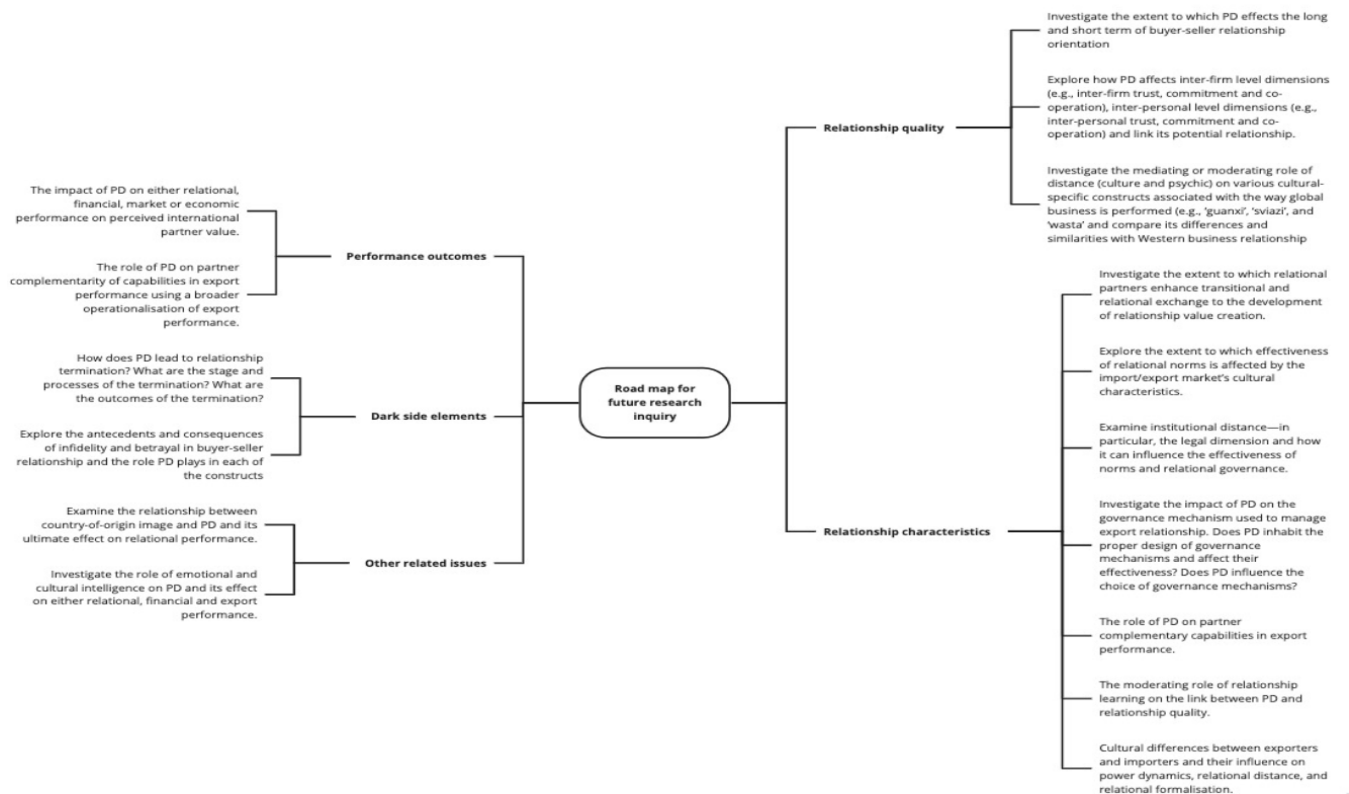


Figure 2: Holistic Framework on PD, Sustainable and Responsible Business

This point about ‘outright infidelity and betrayal in predominantly Western contexts’ is important in the way psychic distance hazards are investigated in future studies in the PD and SRB field by examining it from different business contexts, different scholars and more insightful participatory action research approaches that have been missing in PD and SRB scholarship. The work continues.

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