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**DISTANCE AND PREFERENCE FOR FULL VS. SHARED CONTROL:
THE MODERATING ROLE OF DECISION-MAKER SELF-CONSTRUAL**

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Keywords: distance, entry mode, self-construal, individualism/collectivism

Distance and Preference for Full vs. Shared Control: The Moderating Role of Decision-Maker Self-Construal

Abstract

Previous research on the impact of distance on the choice between full vs. shared control international market entry has produced inconsistent results. The authors suggest that the characteristics of the decision-maker may be an important boundary condition, which helps explain this inconsistency. Specifically, the authors examine how differences in decision-maker self-construal influence the effects of distance on entry mode decisions. To investigate the phenomenon, the authors use multiple methods to conduct three separate studies, including two experiments and a meta-analysis. The results offer consistent evidence that the distance-entry mode relationship is stronger for managers with an independent self-construal versus interdependent self-construal.

Keywords: distance, entry mode, self-construal, individualism/collectivism

The exploration of how businesses enter international markets has captivated the attention of scholars for many years. Notably, the concept of ‘distance’ between the home and host market has frequently been identified as a key factor influencing firms’ international market entry mode choice (Anderson and Gatignon 1986; Kogut and Singh 1988). Despite its recognized importance, the influence of distance on entry mode decisions has shown mixed findings. In this article, we emphasize the significance of considering the characteristics of decision-makers to gain a clearer picture of how distance influences the choice of entry strategy into foreign markets, aiming to enrich the entry mode literature. We propose that differences between individual strategic decision-makers that form the foundation of decisions and actions in firms are one possible explanation. Indeed, understanding differences in the “underlying motivations, interactions, and characteristics of individual managers” is important for a more nuanced understanding of complex phenomena (Contractor et al. 2019, p. 3).

We argue that differences in decision-maker self-construal, which is defined as the way an individual perceives the self in relation to others (Markus and Kitayama 1991), may help explain the inconsistent empirical evidence regarding the relationship between distance and preference for full vs. shared control. Individuals with a predominantly independent self-construal view themselves as unique and separate from others; whereas those with a predominantly interdependent self-construal perceive themselves as connected to others (Triandis 1989). Self-construal is also important from a cross-cultural perspective because individualist societies (e.g., the US, Canada, and the UK) tend to be dominated by a chronic independent self-construal whereas collectivist societies (e.g., China, Japan, and South Korea) tend to be dominated by a chronic interdependent self-construal (Ma et al. 2014; Wong et al. 2022).

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We theorize that managers' self-construal orientation influences the commonly perceived relationship between distance and entry mode preference for entering new markets. For those with a more independent self-construal, there will be a strong negative relationship between distance and preference for high control and ownership. This perspective aligns well with Transaction Costs Economics (TCE) theory, a commonly utilized approach to understand the impact of distance on entry mode choices. In contrast, for decision-makers with a more interdependent self-construal, we expect the relationship between distance and entry mode preference to be much weaker.

The conceptual framework offers a clearer understanding of a theoretically-important relationship, which has challenged researchers for several decades. An improved understanding of firms' international market entry decision making is important, as evidenced by the abundance of studies and meta-analyses that have explored this phenomenon. Whereas universally-generalizable theories may be appealing, our study highlights the need to consider the context in which international marketing decisions are made. We contribute to the literature by finding that the weak and inconsistent outcomes concerning the effect of distance on entry mode choice may be, in part, due to an important, but unacknowledged boundary condition of the TCE perspective.

Our study suggests that decision-makers with more independent self-construal conform closely to the TCE predictions, whereas decision-makers with more interdependent self-construal appear to be less concerned with distance. It is noteworthy that the TCE perspective was largely developed by Western scholars, with a presumably independent self-construal examining the international entry of mostly Western firms, and it highlights the need to question the cross-cultural generalizability of established theories. Further, this underscores the importance of considering the individual characteristics of decision-makers. Much of the international entry

mode literature has examined large secondary databases and focused on firm-level factors as drivers of entry mode decisions. This study joins a growing microfoundations perspective, which suggests that the foundation of decisions and actions in firms occurs at the individual level, arguing for the need to consider the individual decision-maker to better understand strategic decisions (Contractor et al. 2019; Vahlne and Schweizer 2022).

For managers, our study offers guidance to help recognize how self-construal may influence decision-making and the need to develop structures to ensure that strategic decisions are based on sound analysis, and not unduly influenced by manager biases. Finally, by examining the phenomenon using multiple methods, we offer robust evidence in support of the conceptual framework and adhere to calls in the literature that “the study of any phenomenon requires the use of multiple methodological procedures to avoid the systematic biases, errors, omissions, and limitations introduced by any single option” (Nielsen et al. 2020, p. 1478).

We proceed by offering definitions and explanations of our key constructs. Then, we review the literature on distance and entry mode choice. This is followed by our discussion of how the TCE prediction may be accentuated by individuals with an independent self-construal and attenuated by individuals with an interdependent self-construal. Following that discussion, we present the empirical studies, which across two experiments and one meta-analysis offer robust evidence, and we conclude by discussing the theoretical and managerial implications.

Conceptual Background and Hypotheses

Definition of Key Constructs

This study focuses on three key variables, distance, self-construal, and full vs. shared control entry mode. In past research, distance has been investigated with various qualifying

terms, such as psychic distance, cultural distance, sociocultural distance, etc. to capture differences between countries. However, concerns have been raised about the significant overlap of these terms and their frequent use within the same theoretical frameworks (Dow et al. 2020). Therefore, we employ the generic term *distance*, and define it as “the extent of differences between country pairs” (Hutzschenreuter et al. 2016, p. 160), and with its attached assumption that these differences impede information flow between the firm and the market, thereby increasing complexity.

The second key construct, self-construal, describes how individuals perceive their self-identity in relation to others, either as separate and distinct, or as interconnected (Singelis 1994). An independent self-construal focuses on individuality, self-expression, privacy, and autonomy. On the other hand, an interdependent self-construal emphasizes relationships, harmony with others, and belongingness (Markus and Kitayama 1991). It is well-established that individuals' self-construal varies systematically based on the cultural environment. Cultures that value independence tend to foster an independent self-construal (e.g., North American, Western European), while cultures that place greater value in fulfilling social obligations generate high levels of interdependent self-construal (e.g., East Asian) (Singelis 1994; Zhang and Shrum 2009). Societies encourage the development of one or the other perception of the self, and individuals maintain a relatively consistent long-term predominant self-construal, which is termed *chronic self-construal*. At the same time, research has demonstrated that a perspective of self that differs from the one nurtured by the culture can be temporarily activated, which is referred to as *situational self-construal* (Ma et al. 2014; White et al. 2012). For example, Gardner et al. (1999) demonstrated that with the use of simple priming tasks, participants could temporarily identify with culturally inconsistent self-construal (i.e., Americans, who are known

to have higher levels of independent self-construal, being exposed to interdependent self-construal primes). These results suggest that a perception of the self that goes against the culturally dominant type can be temporarily activated and attitudes can thus be altered, which demonstrates the malleability of the self. It is customary (e.g., Wong et al. 2022; Zhang and Shrum 2009) and recommended (Oyserman and Lee 2008) that research examining the effects of self-construal analyze both chronic differences in self-construal, based on origin, and temporarily salient self-construal, based on priming.

The literature has identified and defined numerous potential entry modes. For example, Anderson and Gatignon (1986) identified no fewer than 17 distinct entry modes. However, they recognized the preeminent role of control and all of their theoretical arguments focused on the degree of control each entry mode would afford and its associated tradeoff in terms of increased risk. Subsequent empirical work analyzing entry mode choice has often adopted this lens and examined differences between full and shared control entry modes. Our self-construal theory arguments are also related to the degree of control that is desired, and thus we limit the scope to the binary distinction between full and shared control entry modes. Empirically, we examine both *preferences* for full vs. shared control in our experimental studies, whereas the meta-analysis examines full vs. shared control of past entry mode *decisions*.

The TCE Perspective on Full vs. Shared Control and Distance

The conceptual development of TCE theory is often attributed to Coase (1937) and Williamson (1979) who explored the nature and limits of the firm. The conceptual article by Anderson and Gatignon (1986) followed by their empirical assessment (Gatignon and Anderson 1988) are seminal applications of TCE theory to international entry mode decisions. Their framework considered additional TCE dimensions, such as asset-specificity and free-riding

potential, but they note that “a particularly potent form of internal uncertainty is caused by ‘sociocultural distance,’ the difference between home and host cultures” (Gatignon and Anderson 1988, p. 311). In response to high uncertainty, managers are expected to opt for a lower degree of control. If you are “not familiar, comfortable, or even in agreement, with the values and operating methods of the host country,” then managers would be inclined to shy away from the involvement that is associated with ownership (Gatignon and Anderson 1988, p. 311). They further suggest that high distance may lead managers to undervalue foreign investments, find it difficult to transfer home management techniques and processes to a dissimilar operating environment, and perceive high information costs. Combined, based on these arguments, Gatignon and Anderson (1988) conclude that high uncertainty based on distance should be related to a preference for lower control.

This argument has been expanded by multiple researchers, which is aptly summarized by Dow et al. (2020). They conclude that managers view large distance as a source of uncertainty, which can be mitigated by accessing complementary local assets. To overcome “their inability to understand, manage, and predict future events” in the local host market, managers are expected to prefer lower control joint ventures “to access the cooperation of skilled local managers who do not suffer the same disadvantage and to incentivize those managers appropriately” (Dow et al. 2020, p. 317).

Further, whereas TCE has been the dominant theoretical lens in studies examining international entry mode choice (Zhao et al. 2004; Zhao et al. 2017), other theoretical perspectives make similar predictions. For example, the Uppsala internationalization model predicts that firms will enter distant markets with a smaller commitment rather than a full commitment (Johanson and Vahlne 1977), and the resource-based view perspective suggests that

higher control entry modes are more likely in more similar markets where it is easier to transfer the firm's competitive advantage (Sharma and Erramilli 2004). Combined, this leads us to our baseline hypothesis:

Hypothesis 1: As distance increases, preference for full control (vs. shared control) entry mode decreases.

Although the hypothesis that greater distance decreases the preference for full control entry modes has been advanced in many other articles (e.g., Agarwal 1994; Brouthers and Brouthers 2001; Hennart and Larimo 1998), empirical support has been inconclusive. The aggregate evidence in several meta-analyses has ranged from only a weak negative effect (Magnusson et al. 2008; Zhao et al. 2004) to no effect at all (Beugelsdijk et al. 2018; Morschett et al. 2010; Tihanyi et al. 2005). Both theory-based and measurement-based explanations have been proposed to account for the lack of conclusive empirical evidence.

The theory-based explanation tends to focus on the threat of opportunism. It has been suggested that large distance means that managers cannot trust or easily verify the behaviors and performance of a local partner, which suggests that transaction costs related to monitoring and enforcement will be high. In response, it has been suggested that managers will elect to forego the use of local partners to minimize the threat of opportunism (Dow et al. 2020).

The measurement-based explanation tends to suggest that the lack of a significant relationship between distance and entry mode choice is due to overreliance on the Hofstede-based cultural distance (CD) index, developed by Kogut and Singh (1988). The CD index has been criticized as excessively narrow (e.g., Maseland et al. 2018; Shenkar 2001), and

examinations of large secondary databases using a proxy measure of distance fail to account for the managers' individual perceptions.

Whereas both of these explanations have merit, we propose an alternative explanation for the inconclusive empirical findings. We suggest that differences in decision-maker characteristics as it relates to self-construal may offer a clearer understanding of the relationship between distance and entry mode preferences. We illustrate the conceptual framework in Figure 1 and explain the arguments in detail in the following section.

“Insert Figure 1 about here”

The Moderating Role of Independent Versus Interdependent Self-Construal

We posit that the influence of distance on managers' decisions regarding entry mode selection will be affected by the self-construal of managers. When encountering high distance, managers tend to assume considerable differences compared to the firm's home environment, with the market seeming unfamiliar and difficult to understand (Dow et al. 2020). Customer behaviors and perceptions are different or even unknown, distribution channels function differently, and developing the necessary understanding and required relationships with government officials, customers, suppliers, and other stakeholders is challenging. To be successful, the foreign firm must acquire and absorb significant tacit knowledge about the local market and oftentimes implement significant adaptations to its strategy to fit the host market (e.g., Westjohn et al. 2017). Consequently, managers are increasingly aware of the need to access local knowledge and resources by forming partnerships with legally bound local partners and sharing control, which helps them navigate the complexities and uncertainties inherent in high distance markets.

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We propose that the relationship between distance and entry mode choice will be particularly strong for managers with a more independent mindset. This inclination stems from the traits and characteristics of an independent self-construal, emphasizing the importance of guarding against opportunism and preference for avoiding full commitment to relationships without the security of a contract (Griffith et al. 2006). In effect, managers with a strong independent self-construal tend to build relationships with business partners based on calculative motivation, have a preference for detailed, formal contracts, and use contract-based problem solving (Handley and Angst 2015). Thus, when relationships with local partners are required, such as in high-distance markets, a strong desire to manage relationships with formal contracts will reinforce the preference for shared control entry modes.

In contrast to independent self-construal, we expect the relationship between distance and entry mode choice to be weaker for decision-makers with a strong interdependent self-construal. Key characteristics associated with an interdependent self-construal include thinking in terms of 'we' rather than 'I,' sharing information, and maintaining harmony with others (Markus and Kitayama 1991). Further, relationships tend to be loosely managed, and contracts tend to be less detailed and do not seek to account for every possible contingency. When conflicts arise, they are preferably solved through discussion and mediation and without the use of legal enforcement (Dyer and Singh 1998). With values and preferences that prioritize cooperation and harmony with others, those with an interdependent self-construal perceive less risk obtaining local knowledge through informal connections, and tend to have a greater propensity to trust others (Westjohn et al. 2022). Thus, unlike managers characterized by a highly independent self-construal, who prefer formal contracts and equity-based incentives to manage relationships, managers with an interdependent self-construal prefer to foster an environment of trust and

cooperation (Westjohn et al. 2022). Interdependence denotes greater comfort in developing trusting and committed relationships with locals without the need for protection through a legal contract (Sullivan and Peterson 1982). In effect, the social network is viewed as a social safety net rather than a perceived risk that needs to be protected against. Managers with a strong interdependent self-construal believe that conflicts are preferably worked out through mutual discussion, and the use of legal contracts and enforcement is seen as evidence of mistrust (Dyer and Singh 1998). Thus, preference for shared control modes in distant markets may be relatively weak for decision-makers with a strong interdependent self-construal.

In sum, we suggest that while both types of decision-makers (i.e., those with an independent and interdependent self-construal) may see the same need for local knowledge in high distance markets, they may choose different paths to meet that need. Managers with an independent self-construal are expected to exhibit stronger preference for accessing local knowledge through a formal contract with a local partner, to protect themselves from perceived risk. Thus, they will strongly adhere to the TCE predictions. In contrast, managers with an interdependent self-construal will see less need to adopt a different mode of entry in distant markets due to greater comfort relying on loose informal relationships with a variety of actors in the local market to gain the necessary local market knowledge. Combined, these arguments suggest a stronger effect of distance on entry mode choice for decision-makers with an independent self-construal, compared to decision-makers with an interdependent self-construal.

Hypothesis H2: The proposed negative relationship between distance and preference for full control entry mode is stronger for decision-makers with an independent self-construal than for those with an interdependent self-construal.

Study 1: Chronic Self-Construal

Study 1 is designed to investigate chronic differences in self-construal, defined as someone's primary self-construal that is generally activated and guides behavior. Thus, we examine decision-makers from two countries that have opposing self-construal values. Although variability in self-construal exists within cultures, it is generally accepted that people in the US have a predominantly chronically accessible independent self-construal, whereas people in South Korea have a chronically accessible interdependent self-construal (Hofstede et al. 2010; Wong et al. 2022; Zhang and Shrum 2009).

Participants and Procedure

This study employs an international decision-making case vignette experiment, which has been successfully used in international decision-making studies (Baack et al. 2015; Clark et al. 2017; Dow et al. 2020), in order to examine the moderating effect of chronic differences in self-construal on the relationship between distance and entry mode preferences. We developed a case vignette adapted from business school teaching cases (see Web Appendix A), which allows us to manipulate distance but hold constant other variables that could potentially be important in the decision, such as firm goals, market needs, and organizational strategy. The case vignette places participants as the managers of a company manufacturing industrial equipment, which is expanding into a new market, and they are in charge of analyzing the firm's first planned foreign manufacturing plant. Consistent with typical internationalization patterns, the firm was described as having significant exporting experience and success, and the firm was now interested in establishing a foreign subsidiary.

Further, the case vignette manipulated the distance of the host market, following the definition and examples of distance from Johanson and Vahlne (1977) and Katsikeas et al.

(2009). In the high distance condition, the market exhibits major cultural, economic, and business differences. In contrast, the low distance scenario described the market as having only minor cultural, economic, and business differences. We fine-tuned the scenario in multiple pre-tests to ensure that participants clearly understood the decision they were asked to make and that the high vs. low distance scenario appropriately manipulated distance perceptions.

After reading the case vignette, we asked participants to recommend their desired entry mode choice for the new manufacturing facility. We presented a definition of full and shared control entry modes to the decision-maker as well as highlighted the tradeoffs between decision-making control and risk for each entry mode (see Web Appendix B). To control for any order or presentation effects potentially biasing the results, the order in which the options were presented was randomized. The resulting variable was coded 1 for full control and 0 for shared control.

Our aim in this study is to examine the effect of differences in chronic self-construal on the decision-maker's intuitive preference for a certain entry mode choice. Accordingly, we selected Executive MBA students as our participants, given their experience or potential capacity to make informed decisions in the realm of international strategy. To compare the impact of chronic self-construal, our study drew upon two distinct groups of participants: those from a university in the US, representing an independent self-construal, and those from a university in South Korea, representing an interdependent self-construal. We eliminated a small number of participants with international backgrounds, which would potentially confound the findings, and were left with a final sample of 71 respondents from the US and 75 from South Korea. The average age was 35 with 11 years of work experience. Approximately half the sample (47%) indicated that they had international business experience and significant international travel experience.

Participants were randomly assigned to either the high (coded as 1) or low (coded as -1) distance condition. Chronic self-construal was coded as 1 for the US participants and -1 for the South Korean participants. Thus, this study employs a 2×2 between-subjects design (distance: high vs. low; and chronic self-construal: independent [US] vs. interdependent [South Korea]). The Korean version was translated into Korean and then back-translated into English in order to ensure equivalence (Brislin 1970).

In addition to measuring the key dependent variable, we examined the effectiveness of the distance manipulation with a three-item scale ($\alpha = 0.92$), capturing perceived distance between the home and target market (Katsikeas et al. 2009). We also confirmed the participants' self-construal orientation with a three-item scale ($\alpha = 0.71$), based on Alavi and McCormick (2007) to verify that there was indeed a significant difference in chronic self-construal between the US and South Korean participants.

Results

First, we checked whether the two scenarios designed to manipulate distance elicited different target market perceptions in participants. As designed, participants perceived the high distance condition as more distant than the low distance condition ($M_{\text{High Distance}} = 5.36$, $M_{\text{Low Distance}} = 2.27$, $F(144) = 184.08$, $p < 0.001$). In addition, we examined differences in chronic self-construal between the US and Korean samples. Consistent with expectations, the US sample scored higher on independent self-construal than the Korean sample ($M_{\text{US}} = 5.36$, $M_{\text{South Korea}} = 4.82$, $F(144) = 7.79$, $p = 0.006$).

We analyzed the proportion of participants choosing different choices of entry mode using logistic regression (see Table 1). The logistic regression reveals that distance has a significant negative effect on entry mode ($b = -1.31$, Wald's $\chi^2(1) = 19.01$, $p < 0.001$, odds ratio

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= 0.27), meaning that preference for a WOS decreases when distance increases, supporting H1.

The participants' home country only weakly affects entry mode ($b = -0.60$, Wald's $\chi^2(1) = 3.56$, $p = 0.059$, odds ratio = 0.55). None of the participant demographics have a meaningful significant effect; the correlation table can be found in Web Appendix C.

“Insert

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Table 1 about here”

With respect to the hypothesized interaction between distance and self-construal, we find support for H2 ($b = -0.77$, Wald's $\chi^2(1) = 6.59$, $p = 0.010$, odds ratio = 0.46), illustrated in Figure 2. The significant interaction is evident by examining the conditional effects. For the American decision-makers, the effect of distance on entry mode choice is highly significant ($b = -2.08$, $p < 0.001$), whereas the effect of distance on mode choice is weaker for the Korean decision-makers ($b = -0.54$, $p = 0.036$). Following convention in experimental design and analysis, our primary analysis used the participant's home country (US vs. South Korea) to capture chronic self-construal as input in the model. In a subsequent analysis, we reran the model and used the continuous measured self-construal variable as input, which produced qualitatively identical results with a significant interaction between distance and measured self-construal ($b = -0.33$, Wald's $\chi^2(1) = 3.42$, $p = 0.06$, odds ratio = 0.72).

“Insert Figure 2 about here”

Discussion

Using an experimental scenario approach, Study 1 has offered evidence indicating that the relationship between distance and entry mode choice is influenced by decision-maker self-construal. The coefficient for the American sample is approximately four times the magnitude of the coefficient for the South Korean sample. Thus, there is a strong significant effect of distance on entry mode for the American decision-makers, whereas the effect for the Korean decision-makers is modest, which supports our conceptual predictions. However, Study 1 is limited by the fact that it does not conclusively isolate the effect of self-construal. There may be other differences between Korean and American decision-makers, which could potentially explain the results.

Study 2: Situational Self-Construal

The objective of Study 2 is to address the limitation of Study 1 by employing a priming task to activate situational self-construal. Whereas people have a chronic self-construal, it is also well-established that individuals hold both types of self-construal at the same time and it can be manipulated so that those with a chronic independent or interdependent self-construal can be induced to take the opposite perspective. By activating a specific self-construal, researchers can more conclusively isolate the effect of self-construal and offer stronger causal evidence. Thus, Study 2 mirrors Study 1 apart from the fact that the study participants are randomly assigned to either the independent or interdependent self-construal priming task.

Participants and Procedure

This experiment employed a 2×2 between-subjects design (distance: high vs. low; and situational self-construal: independent vs. interdependent). The scenario for this study was identical to Study 1, and participants were randomly assigned to either the high (coded as 1) or low (coded as -1) distance condition about the firm's international expansion. However, participants were all drawn from the same population and randomly assigned to either the independent (coded as 1) versus interdependent (coded as -1) self-construal prime.

We used a well-established technique to prime self-construal, based on the idea that an independent self-construal emphasizes uniqueness, whereas an interdependent self-construal emphasizes commonality and belongingness (Trafimow et al. 1991). Accordingly, in the independent self-construal condition, participants were asked to spend a few minutes to think about and write down three things that make them unique from their family and friends. In

contrast, in the interdependent self-construal condition, participants were asked to describe three things they have in common with their family and friends.

We recruited a sample of 144 respondents from the U.S. with characteristics similar to respondents in Study 1. The average age of respondents was 43 with 18 years of work experience and approximately half of those (46%) indicated experience with international business and significant international travel. The objective of this study is to examine whether temporarily salient differences in self-construal lead to different intuitive entry mode preferences, thereby providing insights into how the underlying self-construal of the decision makers could bias decisions in the international strategy.

The remainder of the study mirrored the process from Study 1. Following the completion of the priming exercise, they recommended their preferred entry mode: full control mode (1) or shared control mode (0). We also measured the perceived distance to the target market with the same three-item scale as in Study 1 ($\alpha = 0.96$), and we measured the effectiveness of the priming exercise with the same three-item ($\alpha = 0.85$) self-construal scale.

Results

As designed, participants perceived the high distance condition as more distant than the low distance condition ($M_{\text{High Distance}} = 5.91$, $M_{\text{Low Distance}} = 2.83$, $F(142) = 127.63$, $p < 0.001$). Further, the self-construal priming exercise was successful. Participants that completed the independent self-construal prime scored higher on independent self-construal than participants who completed the interdependent self-construal prime ($M_{\text{Independent}} = 5.77$, $M_{\text{Interdependent}} = 5.37$, $F(142) = 4.45$, $p = 0.04$).

To assess the moderating effect of situational self-construal, we conducted logistic regression analysis with distance as the focal antecedent, situational self-construal as the

moderator and entry mode as the dependent variable, and controlling for gender, age, and international experience; the results are presented in Table 1. Distance has a significant negative effect on entry mode choice ($b = -0.86$, Wald's $\chi^2(1) = 15.94$, $p < 0.001$, odds ratio = 0.42), indicating that as distance increases, preference for full control decreases, which supports H1. Situational self-construal does not directly affect the entry mode choice ($b = -0.14$, Wald's $\chi^2(1) = 0.42$, $p = 0.52$, odds ratio = 0.87), and none of the demographic characteristics have an effect.

Importantly, the results support the hypothesized interaction effect, illustrated in Figure 3, between distance and situational self-construal ($b = -0.43$, Wald's $\chi^2(1) = 3.93$, $p = 0.047$, odds ratio = 0.65). The significant interaction is evident by examining the conditional effects, where for those primed with an independent self-construal, the effect of distance on entry mode choice is highly significant ($b = -1.29$, $p < 0.001$), whereas for those primed with an interdependent self-construal, the effect of distance on entry mode choice is significantly weaker ($b = -0.43$, $p = 0.089$). Thus, the results of Study 2 confirm the results of Study 1, supporting both H1 and H2.

“Insert Figure 3 about here”

Discussion

The objective of Study 2 was to isolate the effect of self-construal and offer causal evidence. In support of the hypotheses, the coefficient for participants primed with an independent self-construal is approximately three times greater than that for participants primed with an interdependent self-construal. This offers converging evidence that there is a strong significant effect of distance on entry mode for those primed with an independent mindset, whereas the effect for those primed with an interdependent mindset is modest. Given the commonality in structure between Studies 1 and 2, it is interesting to note that the magnitudes of the coefficients relating to self-construal are smaller in magnitude in Study 2. This is to be

expected given that self-construal is only evoked through a priming mechanism.

In two separate experiments, we have found empirical support that is consistent with the conceptual framework. However, a notable limitation of the experiments is that they are based on case vignettes, and we are only able to capture the decision-maker's *instinctive preferences*. To gain greater confidence in our findings, it would be helpful if the effect could be replicated on actual entry mode decisions.

Study 3: Meta-Analysis

The objective of Study 3 is to further triangulate the evidence using *actual* entry-mode decisions. Therefore, in our final study, we conduct a meta-analysis of actual entry-mode decisions rather than preferences to help enhance generalizability and robustness.

Database Development

Unlike prior meta-analyses in this area, whose goals were to offer a broad review of the literature and factors determining entry modes and/or the effects of distance, we concentrate exclusively on examining differences in the distance-entry mode relationship based on the orientation of chronic self-construal determined by the home country from which the firm originates. Given this narrower scope, we developed the following criteria to identify suitable articles for the meta-analysis:

- 1) As our dependent variable, only studies that examine full and shared control entry modes (i.e., WOS vs. EJV) qualify. Studies examining other issues (e.g., establishment mode, location choice, and performance) are not included.
- 2) For our analyses of H2, all firms from a given sample must be from the same home

country so that chronic self-construal orientation can be operationalized. Due to the cultural homogeneity of the Nordic countries, we included three articles whose samples included firms from multiple Nordic countries (Dow and Larimo 2009; Dow and Larimo 2011; Larimo and Arslan 2013). All other studies had firms from a single home country.

- 3) For comparative purposes, multi-home country studies are included in a robustness check for the main effect (H1).

We began the search for appropriate articles by reviewing the meta-analysis by Beugelsdijk et al. (2018), which examined 119 effect sizes from 36 articles. Subsequently, we systematically searched for additional articles using ABI/INFORM, Business Source Ultimate, Scopus, Web of Science, and Google Scholar databases. We used keywords such as “*sociocultural distance*,” “*psychic distance*,” “*cultural distance*,” “*institutional distance*,” “*economic distance*,” “*cultural differences*,” “*internationalization*,” “*entry mode*,” “*joint ventures*,” and “*wholly-owned subsidiaries*.” Following the completion of our initial study sample, we performed a manual search across the top journals in the disciplines of international business, marketing, and management. We then examined the reference lists for all the papers deemed suitable in the previous steps. Finally, we posted requests for unpublished research on ResearchGate to address the “file-drawer” problem (Rosenthal 1995).

Data Analysis

The iterative search process led to a final dataset consisting of 114 independent samples in 75 studies, with a cumulative sample size of 193,559 individual entry-mode decisions. The key relationship extracted from each article was the correlation between distance and entry mode choice. We adopted a coding of full control mode (i.e., WOS) as 1 and shared control mode (i.e.,

EJV) as 0. For studies employing alternative coding (i.e., 1 for shared control mode and 0 for full control mode), the results were adjusted to reflect a consistent direction of effects. Of the 114 samples, bivariate correlations (r) were available for 105. For the remaining 9 samples, we transformed regression coefficients into correlations using the approach recommended by Peterson and Brown (2005). The results are consistent if we restrict the sample to only the studies that reported bivariate correlations, indicating that including studies with transformed regression coefficients did not bias the results.

Further, Hunter and Schmidt (1990) recommend correcting for measurement error. Since all variables in our meta-analysis were objective, we followed established methods and relied on a conservative 0.80 reliability estimate (Dykes and Kolev 2018). Next, corrected correlations were transformed into Fisher's z -coefficients to correct for skewness in the effect size distribution. Subsequently, we averaged the z -coefficients and weighted them by an estimate of the inverse of their variance ($N-3$) (Hedges and Olkin 1985). Finally, we estimated the effect size using a random-effects model, converted the Fisher's z -coefficients back to correlation coefficients, and calculated 95% confidence intervals (Rosenthal 1994).

To analyze the moderating effect of chronic self-construal (H2), we proxied chronic self-construal using Hofstede's individualism scores as has been done in other research (e.g., Zhang and Shrum 2009), which is based on the assumption that individual-level self-construal values closely correspond to societal-level individualism values (Markus and Kitayama 1991). We tested for moderation using both meta-regression and between-group analysis using SPSS macros developed by Lipsey and Wilson (2001). In the meta-regression, we also control for the other Hofstede values to provide more robust results.

The complementary subgroup analysis offers a straightforward interpretation of the

results. For the group analysis, we divided the sample into two groups based on societal individualism scores. The seven countries (China, Japan, Singapore, South Korea, Spain, Taiwan, and Turkey) in the low individualism group have individualism scores ranging from 17 to 51 and a mean score of 37 and are expected to be dominated by an interdependent self-construal. In contrast, the nine countries (Australia, Denmark, Finland, Italy, Netherlands, Norway, Sweden, Switzerland, and the USA) in the high individualism group have individualism scores ranging from 63 to 91, with a mean score of 75, and are expected to be dominated by an independent self-construal.

Results

The main effect of distance on entry mode is reported in Table 2. The negative effect in the studies that include samples with firms only from the same home country ($k = 76$), or from a cluster of countries with similar levels of chronic independent self-construal is ($r = -0.095$; 95% CI: -0.137 to -0.053), which indicates that as distance increases, firms are less likely to select full control, supporting H1. As a robustness check, when the sample is expanded to include studies with samples consisting of firms from a variety of countries ($k = 114$), the result is slightly weakened, but significant ($r = -0.055$; 95% CI: -0.084 to -0.026). These results are consistent with prior meta-analyses, which have found a modest, negative effect of distance on entry mode choice.

Further, most studies have operationalized distance using the Hofstede-based cultural distance index developed by (Kogut and Singh 1988). However, our sample also included distance operationalizations based on, for example the GLOBE cultural value scores (House et al. 2004), Schwartz (1994) cultural values, Dow and Karunaratna (2006), institutional distance, or economic distance. We examined whether different operationalizations of distance influence

the relationship between distance and entry mode choices. However, the results from the meta-regression indicate that this relationship is not influenced by the varying operationalizations of distance ($Q=0.872$, $p = 0.35$).

“Insert Table 2 about here”

Of greater interest is whether chronic self-construal moderates the distance-entry mode choice relationship. First, we conducted a test of homogeneity to determine whether there was significant variance between studies. The significant Q -statistic ($Q = 4345$, $p < 0.001$) suggests that moderator variables may explain the heterogeneity in effect sizes.

We present the results from the meta-regression and subgroup analysis in Table 2. The meta-regression indicates a significant negative moderating effect of self-construal ($b = -0.005$, $p = 0.02$), which supports H2. Further, the subgroup analysis illustrates the significant moderating effect by revealing a relatively substantial negative effect of distance on entry mode choice in the independent self-construal group ($Q = 84.53$; $r = -0.253$, $p < 0.001$) with a much weaker effect in the interdependent self-construal group ($r = 0.048$, $p = 0.036$). This provides further support for H2.

Discussion

The objective of this study was to enhance our understanding of the relationship between distance and international entry mode choice. This relationship has interested scholars for decades. However, despite much interest, the empirical findings have been inconsistent and inconclusive. We propose a new explanation for these inconclusive empirical findings, which have long puzzled scholars. We suggest that differences in decision-maker characteristics, specifically self-construal, may offer a clearer understanding of the relationship between distance

and entry mode preferences.

To examine this prediction, we conducted two experimental studies and one meta-analysis. Across all three studies, we found consistent evidence that there is a strong negative relationship between distance and entry mode choice for decision-makers with an independent self-construal. However, for decision-makers with an interdependent self-construal, the relationship between distance and entry mode choice is comparatively weaker. These findings offer new theoretical insights and practical guidance for managers navigating international entry decisions.

Theoretical Implications and Contributions

Our investigation proposes that these inconsistent empirical results can, in part, be explained by a simple but important boundary condition of the TCE perspective, thereby contributing to the entry mode literature. The traditional TCE perspective largely originated in the 1960s, 1970s, and 1980s when outward foreign direct investment (FDI) was dominated by Western countries such as the USA, Great Britain, France, and Germany. However, it is interesting to note that these very same countries all tend to have a relatively high proportion of people with an independent self-construal.

As a result, it is not surprising, that many of the aspects of independent self-construal are reflected in the traditional TCE perspective. Foremost among these, is a strong concern for guarding against others taking advantage of your firm; and thus, terms such as opportunistic behavior, hold-up, slack, and information asymmetry tend to dominate the TCE terminology. Similarly, there is a strong emphasis on contracts and incentives to control potential partners, and a focus on the ability to monitor their activities. Ultimately, in the absence of strong market mechanisms, direct (equity) control is typically seen as the optimum solution in TCE. We do not

dispute or reject this theoretical perspective, but we argue that it does have important boundary conditions. Many of the underlying assumptions of the traditional TCE perspective are a reasonable description of an independent mindset. However, TCE may not necessarily be as powerful or insightful in settings where chronic interdependent self-construal predominates, such as South Korea, China, or Japan. This limitation of the traditional TCE perspective becomes more relevant and critical as the balance of outward FDI shifts toward Eastern countries.

Two experimental studies support both our direct and moderating hypotheses in terms of individual entry mode preferences and the complementary meta-analysis offers supporting evidence on actual entry mode decisions. This leads to a more granular understanding of how distance may lead to differing entry mode decisions depending on the self-construal of decision-makers.

Decision-makers with an independent self-construal seem to strongly follow the traditional TCE scenario. They appear to base their decisions on a calculation of personal harms and benefits, with a strong effect of uncertainty. When entering distant markets, they willingly seek out local partners in order to access critical tacit knowledge, but doing so with a shared control mode that emphasizes incentives and control. Our findings in regards to decision-makers with an independent self-construal are also corroborated by the recent study by Dow et al. (2020) whose sample was limited to Australian decision-makers, which would be expected to have independent self-construals. Conversely, decision-makers with an interdependent self-construal only weakly follow the traditional TCE scenario. They appear to place greater importance on building trust and cooperation with others. As a result, when entering distant markets, their preference for shared control modes also appears to be more muted. They may perceive the need for more local tacit knowledge, but their greater comfort in developing informal business

partnerships and relationships appears to allow them to access this knowledge by other means. Thus, their preference for an equity-based solution (i.e., an EJV) is more muted.

Our focus on self-construal of the decision-maker, as the key construct delineating the boundary condition, also highlights an additional contribution. The vast majority of entry mode research has focused on firm and environmental factors to predict entry mode. In contrast, this study highlights that critical strategic decisions are ultimately decided by individuals (Contractor et al. 2019; Maitland and Sammartino 2015). This omission of neglecting the role played by characteristics of decision makers is common, but it is particularly striking in this context given that the TCE perspective is largely concerned with what actions a manager might be able to take in terms of pre-empting potential problems relating to uncertainty. Our findings support this perspective as we show that self-construal has a substantial influence on the decision-maker's entry mode preferences.

We also argue that our empirical approach and employment of multiple methods are critical strengths in this paper. Instead of relying on large-scale surveys or secondary data, which are said to drive small effect sizes (Zhao et al. 2004), this study employs empirical approaches to manipulates distance. It uses scenario-based experiments that examine both chronic self-construal (Study 1) and situational self-construal (Study 2). Further, the complementary meta-analysis was conducted that incorporates multiple independent datasets of actual international market entries. We posit that the real strength of our paper is in the consistency of the results across the three approaches. This triangulation of the evidence provides more robust and compelling research findings, which we believe have important managerial implications.

Managerial Implications

Our findings provide evidence of an inherent bias that marketing managers may have when

evaluating international markets and making entry mode decisions. In other words, despite the importance of the entry mode strategy to the success of the company, the evidence suggests that managers' self-construal values may have a significant impact on corporate strategic decisions. A famous illustration may be Disney's international theme parks (Matusitz 2010). Disney's first international park was opened in Japan, a country with a high distance from Disney's home market. Consistent with our framework and findings, Disney let a local Japanese partner develop the park, and it has generally been viewed as successful. However, the development of Disney's European theme park in Paris, which has a relatively low distance from its home market, was much less successful, at least initially. Again, consistent with our framework and findings and in contrast with its Asian endeavors, Disney opted for a wholly-owned operation. These decisions may have been influenced by the decision-maker's independent self-construal and contributed to Disneyland Paris's early struggles. It was only after Disney increased the involvement of local partners that they were able to turn its theme park into a successful European operation. This illustrates the importance of making firms aware that their strategic decision-making process may be impacted by inherent value biases to give them an opportunity to mitigate it.

Potential remedies to suppress the bias may, for example, be to ensure an objective and formal decision-making process. A formal decision-making process can help marketing managers solve problems by establishing clear selection criteria, weighing evidence, examining alternative choices, and choosing the best route to take (Armstrong 2012). However, sometimes the formal decision-making algorithm may (intentionally or unintentionally) be designed to support the decision-maker's inherent bias. To combat this, we suggest that when the recommended entry mode strategy follows the findings presented in this study, the burden of proof may need to be higher. In effect, the manager must provide a convincing case that is based

on sound and exhaustive analysis, and not based on an inherent bias.

Another remedy to reduce bias is to create international diversity in decision-making teams. Although the positive effect of diversity in top management team (TMT) has received increasing attention, diversity ratios in top executive positions are still low and often limited to different ethnicities that still share the same culture. Assuring international diversity in TMT allows a firm to evaluate potential problems from all angles. As a result, culturally-diverse teams may be better at dealing with complicated circumstances and coming up with innovative ways to solve problems (Taras et al. 2019). In effect, international diversity can prevent firms from being overly-impacted by a particular cultural orientation and can help to improve the comprehensiveness of their strategic decisions.

Limitations and Future Research

One potential limitation of this study may be the argument that international strategy decisions are highly complex, decided jointly by a team of decision-makers, and should therefore not be influenced by the values of a single decision-maker. However, at least two factors counter this argument. First, research has shown that the Highest Paid Person's Opinion (HiPPO) can be very powerful and even in executive leadership teams, people defer to the HiPPO (Grant 2021). Accordingly, it should not be surprising that the experience and personality of the top decision-maker (i.e., CEO) have been found to influence international strategy decisions (e.g., Herrmann and Datta 2006; Nadkarni and Herrmann 2010). Second, even in instances where major strategic decisions are jointly decided by an executive team, McKinsey's analysis indicates that diversity in top management teams is still very limited in most organizations (Coury 2020), and thus if all executives share the same self-construal orientation, it is likely to lead to the same outcome.

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The scope of this study is limited to the key variables of interest: distance, self-construal, and full versus shared control. We investigate the distance between two countries based on cultural, economic, and administrative differences (Ghemawat 2001; Zaheer et al. 2012). However, international business decision making and activities can also be affected by geographic and temporal distance (Drogendijk and Martín 2015). Additionally, the decision-maker's personal attributes, such as personality and regulatory orientation could also influence strategic decision-making. Moreover, the effect of self-construal may extend to other strategic decisions in the international marketing sphere (e.g., international market selection, integration versus responsiveness strategy, etc.). Thus, it would be natural to extend this research into other managerial difference variables and other strategic decisions.

In terms of methodologies, we used scenario-based experiments in order to isolate the moderating effect of self-construal and establish causal evidence. However, the research participants had limited experience in making entry mode decisions and were asked to choose their preferred entry mode choice, which differs from measuring actual company decisions. To compensate for this limitation, we conducted a meta-analysis of the perceived distance-entry mode literature. Future researchers might consider testing the same phenomenon with different samples, employing different methodologies, or incorporating additional variables into the research framework to overcome these limitations.

We have treated distance as an aggregate construct that subsumes all kinds of differences between the home and target market. However, other researchers have focused on specific dimensions of distance and found evidence of differential effects based on the type of distance (e.g., Dinner et al. 2019; Griffith et al. 2021). Thus, another potential route to extend this study would be to examine if and how self-construal moderates the relationship between different

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dimensions of distance and entry mode choice. It may be that certain types of differences are more influential in some international marketing settings than others.

Conclusion

Whereas much work remains to further advance our understanding of the international market entry process, we believe this study offers some important new insights. We shift the focus from firm variables onto the individual decision-maker, which allows us to identify and develop an important boundary condition with respect to the TCE perspective concerning international entry mode choices. This insight offers a potential explanation to the inconsistent and ambiguous results in the literature to date concerning the distance-entry mode relationship, by highlighting a critical difference in the relationship due to inherent biases based on the decision-makers self-construal.

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Table 1 Logistic regression results for Studies 1 and 2

	Study 1 Chronic Self-Construal				
	<i>b</i>	S.E.	Wald	<i>p</i>	Odds ratio
Constant	0.41	0.79	0.27	0.601	1.51
Gender (Male = 1; Female = 0)	0.18	0.45	0.16	0.690	1.19
Age	-0.03	0.02	1.46	0.227	0.97
International experience	-0.14	0.13	1.23	0.268	0.87
Self-Construal (Independent = 1; Interdependent = -1)	-0.60	0.32	3.56	0.059	0.55
Distance (High = 1; Low = -1)	-1.31	0.30	19.01	0.000	0.27
Distance * Self-Construal	-0.77	0.30	6.59	0.010	0.46
	Study 2 Situational Self-Construal				
	<i>b</i>	S.E.	Wald	<i>p</i>	Odds ratio
Constant	0.03	0.73	0.00	0.967	1.03
Gender (Male = 1; Female = 0)	0.16	0.39	0.17	0.677	1.18
Age	-0.02	0.02	0.72	0.395	0.99
International experience	-0.13	0.12	1.15	0.285	0.87
Self-Construal (Independent = 1; Interdependent = -1)	-0.14	0.22	0.42	0.519	0.87
Distance (High = 1; Low = -1)	-0.86	0.22	15.94	0.000	0.42
Distance * Self-Construal	-0.43	0.22	3.93	0.047	0.65

Table 2 Meta-Analysis Results (Study 3)

Bivariate Relationship	Homogeneity		Cumulative	Mean r	LLCI	ULCI
	k	Test Q	N			
Distance \rightarrow Entry Mode	76	3065.87	100,933	-0.095	-0.137	-0.053
Robustness test	114	4345.00	193,559	-0.055	-0.084	-0.026
Meta-regression Moderator	k	b	SE	p	LLCI	ULCI
Intercept	76	0.363	0.267	0.174	-0.160	0.886
Chronic Self-Construal (Individualism)	76	-0.005	0.002	0.001	-0.008	-0.002
Long-Term Orientation	76	0.000	0.001	0.906	-0.003	0.002
Masculinity	76	-0.001	0.002	0.741	-0.003	0.002
Uncertainty Avoidance	76	0.002	0.001	0.089	0.000	0.004
GDP Growth	76	-0.025	0.028	0.361	-0.079	0.029
Corruption	76	-0.005	0.004	0.131	-0.012	0.002
Urbanization	76	0.002	0.004	0.590	-0.005	0.010
Subgroup Analysis	Difference		k	Mean r	LLCI	ULCI
	Test Q					
Self-Construal	84.53					
Chronic independent self-construal			36	-0.253	-0.297	-0.207
Chronic interdependent self-construal			40	0.048	0.003	0.092

Note: Significant Q -statistics indicate the presence of variation not explained by sampling error and justify testing moderators. Mean correlation coefficients are sample-size weighted. LLCI and ULCI are the 95% lower and upper limit confidence intervals. k = number of correlations in the group. b = unstandardized coefficient. We conducted the meta-regression analysis using full-information maximum likelihood estimation (Lipsey and Wilson 2001).

The robustness test ($k = 114$) includes studies with samples consisting of firms from a variety of countries, as opposed to the main test ($k = 76$) which includes samples with firms only from the same home country.

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Figure 1 Conceptual Framework

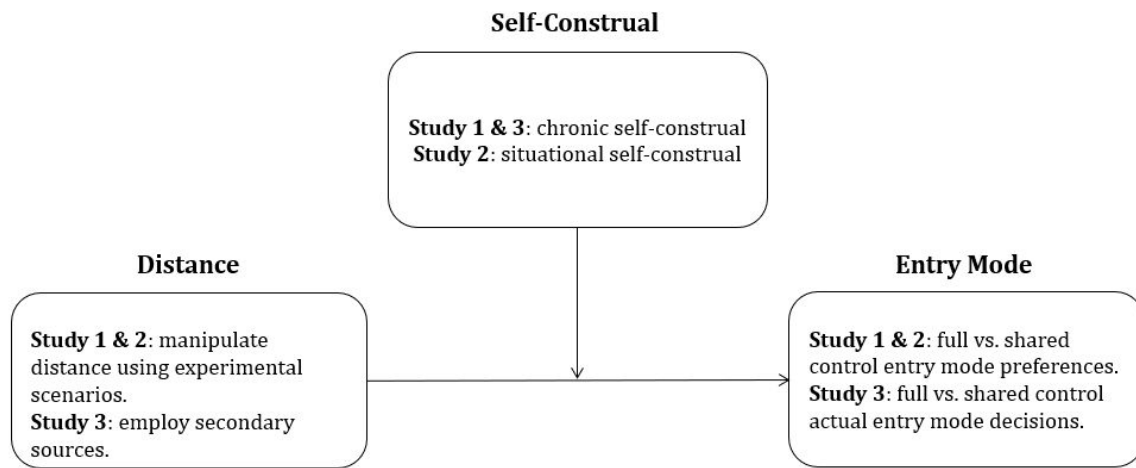
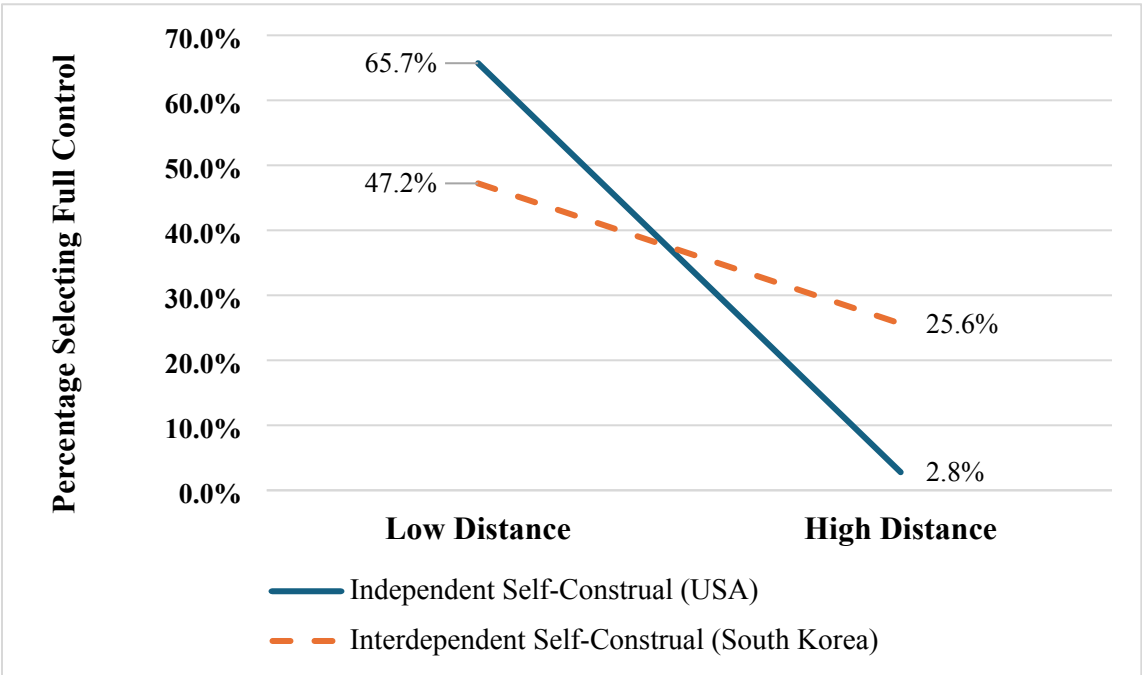
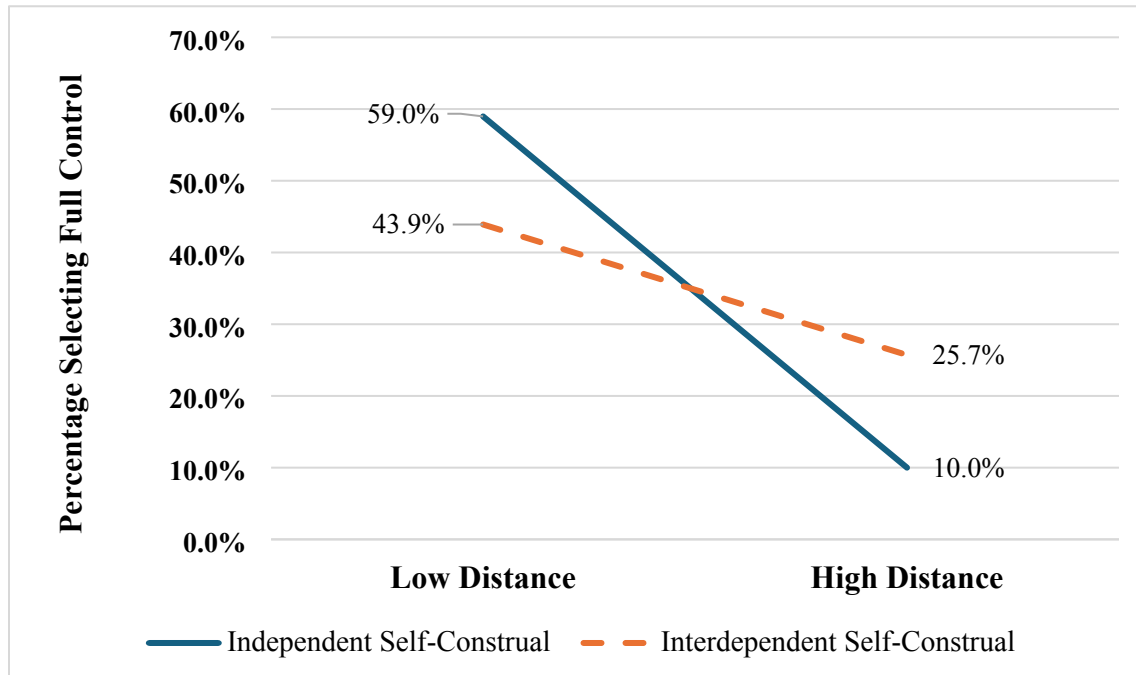


Figure 2 *The Effect of Distance and Chronic Self-Construal on Entry Mode Preference (Study 1)*



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Figure 3 *The Effect of Distance and Situational Self-Construal on Entry Mode Preference (Study 2)*



WEB APPENDICES

Distance and Preference for Full vs. Shared Control: The Moderating Role of Decision-Maker Self-Construal

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These materials have been supplied by the authors to aid in the understanding of their paper. The AMA is sharing these materials at the request of the authors.

Web Appendix A: Scenarios (Experiments)

Entry mode scenario and distance manipulation

Imagine you are a manager for a large US (Korean) manufacturing company. Your firm is the leader in the US (Korean) market in the manufacture of a specialized type of industrial equipment and the firm has exported to more than 20 countries for over a decade. However, to date, your firm has not established any manufacturing plants overseas.

You are involved in an exciting project analyzing the firm's first planned foreign manufacturing plant and you are asked to recommend about how much ownership and control over the new factory the company should have.

The new manufacturing plant will be located in a country that can be described as very culturally [**similar / different**]. Customer demand is expected to be strong [**and / but**] cultural differences are [**minor / major**] and [**insignificant / significant**]. Business practices and relationships with suppliers, customers and the government are very [**similar / different to / from**] the US. Relatedly, the level of economic development is very [**similar / different to / from**] the US.

Independent/interdependent self-construal prime (adapted from Trafimow et al. 1991)

For the next few minutes, please think about what [**what makes you unique and different from / you have in common with**] your family and friends, and write complete sentences in response to the questions below.

First, what are 3 things [**that make you unique and different from / you have in common with**] your family and friends?

Now, think about a time when you [**achieved a personal goal resulting from figuring something out independently on your own, or after having made a tremendous individual effort, even though your friends or family did not support you / sacrificed something for the good of benefiting your family, a group of friends, or teammates**]. In a few sentences, describe the situation below, e.g., what did you sacrifice and how did it benefit the collective group?

Appendix B: Scale Items and Sources (Experiments)

Table W1: Scale items and sources (Experiments)

<i>Distance</i> (Katsikeas et al. 2009)
Very similar / very different (7-point)
Study 1: $\alpha=0.92$; Study 2: $\alpha=0.96$
1. Cultural values.
2. Accepted business practice.
3. Economic environment.
<i>Entry Mode</i> (This example presents advantage first, followed by disadvantage. Half the participants received an alternative version where the disadvantage was presented first.)
Full control - In a full-control entry mode, the firm would have sole ownership. The advantage is that it would have complete control of decision making and receive all potential rewards (profits), but the disadvantage is that it would assume all the risk.
Shared control – In a shared-control entry mode, the firm would share ownership with a local partner. The advantage is that it would assume less risk and provide access to the partner's knowledge on local markets. But the disadvantage is that it would need to share decision-making and all potential rewards (profits) with the local partner.
<i>Independent Self-Construal</i> (Alavi and McCormick 2007)
Strongly disagree / strongly agree (7-point)
Study 1: $\alpha=0.71$; Study 2: $\alpha=0.85$
1. I am a unique person, different from others.
2. My personal identity is very important to me.
3. I would rather depend on myself than others.

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Appendix C: Correlation Matrices (Studies 1 and 2)

Table W2: Correlation Matrices (Studies 1 and 2)

	1	2	3	4	5	6
<i>Study 1</i>						
1. Distance	1					
2. Self-Construal	-0.055	1				
3. Entry Mode Preference	-0.368**	-0.108	1			
4. Gender	0.038	-0.034	0.015	1		
5. Age	0.114	-0.176*	-0.158	0.128	1	
6. International Experience	0.046	0.039	-0.133	0.067	0.381**	1
<i>Study 2</i>						
1. Distance	1					
2. Self-Construal	0.027	1				
3. Entry Mode Preference	-0.191*	0.151	1			
4. Gender	-0.014	0.006	0.040	1		
5. Age	-0.087	0.076	-0.126	-0.121	1	
6. International Experience	0.000	0.002	-0.139	0.022	0.348**	1

* $p < 0.05$; ** $p < 0.01$.