FROM THE RESEARCH BENCH

Cultural distance changes with the base country

A distance score is not a free-standing fact. State the base country, construct, comparison unit, and mechanism before interpreting it.

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MANAGEMENT SUMMARY

Cultural distance looks like a property of two countries, but the score carries a reference point and a theory of what it is meant to explain. Change the base country, construct, comparison unit, or outcome and the interpretation can change while country descriptions stay the same. Shenkar's critique identifies illusions of symmetry, stability, linearity, causality, and discordance. A meta-analysis of cultural differences in M&A finds small, mixed effects across sociocultural integration, accounting-based synergy, and shareholder value rather than one rule. Institutional- distance research warns that a relational difference can be confused with a country's direct profile. This review does not rank nations or reject measurement. It provides a worksheet for declaring the base, construct, mechanism, and outcome before a score carries an operational conclusion.

Keywords: Cultural distance · Cross-border M&A · Measurement assumptions · Sociocultural integration · International business research

Cultural distance is not a free-standing fact about two countries. A score embeds a base country, a construct, a comparison unit, and a theory of what the distance is meant to explain. Change one of those and the interpretation can change even when the country descriptions remain the same.

That does not make distance measurement useless. It makes the reference point part of the result. The useful diagnostic question is how far apart the countries are for whom, on which construct, in which decision, and against what outcome.

Which unstated methodological assumptions underlie composite cultural distance indices?

Shenkar's conceptual critique names five recurring illusions in cultural-distance research: symmetry, stability, linearity, causality, and discordance (Shenkar, 2001). A symmetric score assumes that the distance from country A to country B is the same as from B to A. A stable score assumes the relationship does not change. A linear score assumes twice the distance has twice the practical meaning. A causal reading turns association into mechanism. A discordance assumption treats differences as friction without observing the interface where people actually work.

The base country is part of the first of these problems. A firm entering a host country does not experience the comparison in the same position as the host observing the entrant. The relevant question may concern the entrant's learning burden, the host's interpretation of authority, or the coordination between both. A single symmetric scalar can conceal those different objects.

Why does measuring a single transaction outcome fail to evaluate M&A performance?

Stahl and Voigt's meta-analysis examines 46 studies with a combined sample of 10,710 M&A and separates sociocultural integration, accounting-based synergy realization, and shareholder value (Stahl & Voigt, 2008). The overall effects are small and mixed. Cultural differences are more consistently negative for sociocultural integration than for accounting synergy, while shareholder-value results vary by focal firm and measurement window (Stahl & Voigt, 2008).

The result is not that culture does nothing. It is that a cultural difference does not have one portable effect before the outcome is declared. A score that is relevant to trust or integration may not predict an accounting measure in the same direction. A result measured around announcement may not describe a later integration process. The base country is one declaration in a larger chain of measurement choices.

Figure 1 The four-gate distance declaration sheet

BASE COUNTRY Whose position defines the comparison baseline?	FOCAL CONSTRUCT Culture, formal institutions, or informal norms?	UNIT OF OBSERVATION Country averages, regional clusters, or firm cultures?	TRANSMISSION MECHANISM Why should this difference change the focal decision?	FALSIFICATION BOUNDARY What host-market evidence overrides the score?

A distance score earns an operational inference only when the base country, construct, observation unit, mechanism, and override conditions are explicitly declared.

Author's methodological worksheet grounded in Shenkar (2001), Kostova et al. (2020), and Depperu et al. (2024). Blank fields are reader declarations; no single score or country index is supplied.

Why does cultural distance exhibit severe asymmetry depending on the home country?

Kostova and colleagues distinguish institutional distance from the direct institutional profile of a host country and warn that generic measures can be too remote from the mechanism under study (Kostova et al., 2020). Their point applies to cultural distance by analogy, but the analogy must be labelled as an author inference. A distance score may be relational, while a decision may be driven by a host condition that exists regardless of the entrant.

Depperu, Galavotti, and Baraldi study 496 completed majority cross-border acquisitions by Italian firms in 41 countries from 2008 to 2018. Their outcome is whether the target was in an emerging market, not post-deal performance. What they report is not about cultural distance: at increasing distance in regulatory efficiency and financial development, acquiring firms are less likely to enter emerging markets, while it is INFORMAL institutional distance that is positively associated with such acquisitions (Depperu et al., 2024). This page previously named cultural distance as the positive dimension and attached the finding to the wrong citation; the sign belongs to the informal dimension, and it cannot be detached from the base country, sample, and decision.

Why must international expansion teams declare home-country biases before index calculation?

Before using a distance score, write four lines:

1. Base country. Whose position defines the comparison?
2. Construct. Culture, formal institutions, informal institutions, or another object?
3. Mechanism. Learning, trust, compliance, coordination, entry, or a named process?
4. Outcome. Location choice, integration, accounting synergy, shareholder value, or something else?

Then ask whether the score remains meaningful when the base changes. If the decision changes from entry to integration, it may not. If the construct changes from national culture to organizational culture, it may not. If the outcome changes from location to performance, the sign should not be carried across by habit.

How does baseline reference point selection dictate cultural distance conclusions?

The base country is not a footnote. It determines whose position is treated as the starting point and which experience is being represented as a gap. Even where a mathematical distance is written as a symmetric comparison, the organizational work may not be symmetric. The entrant may be learning how to operate in a host environment. The host may be interpreting a foreign authority or practice. A third party may be comparing both with an external standard.

Shenkar's critique of symmetry, stability, and discordance is useful because it makes the hidden choice visible (Shenkar, 2001). A score can be internally consistent and still answer the wrong question. If the decision concerns integration, an entry-distance measure may be too remote. If it concerns location selection, a post-deal integration measure may be too late. The base needs to be declared alongside the construct and outcome, not reconstructed after a result is reported.

This is also why a change in base should be treated as a new measurement, not a harmless update. A new reference point can change the meaning of a high or low value even if the country profiles have not changed. The comparison is a relationship between an object and a position, not a permanent property attached to a flag.

Why is an aggregate cultural distance score a correlation proxy rather than a causal mechanism?

Distance measures often collect several kinds of difference into one scalar. That can be useful for orientation, but it creates a temptation to treat the scalar as the cause of an outcome. Kostova and colleagues warn that institutional distance can be confused with a direct host-country profile and that a generic measure may be too remote from the mechanism under study (Kostova et al., 2020). Applied to this article by analogy, a cultural score may stand in for language, routines, prior experience, or the interface where people actually coordinate.

The analogy is an author inference, not a new finding from the institutional-distance paper. Its purpose is to sharpen the test. Ask what the score is supposed to represent and then ask whether the decision record contains evidence of that mechanism. If the mechanism is learning, observe learning work. If it is trust, observe the relationship event. If it is coordination, observe the handoff. The score can organize the question, but it cannot answer it on its own.

The same discipline prevents a country ranking from becoming a prediction of failure. A large distance may increase a particular work burden, coexist with a successful entry, or matter less than an organizational capability. The outcome has to be observed in the setting named by the question.

How should corporate development synthesize cross-border studies without naive meta-averaging?

The mixed M&A evidence is a good test of comparison discipline. Stahl and Voigt separate sociocultural integration, accounting-based synergy, and shareholder value across 46 studies and 10,710 observations (Stahl & Voigt, 2008). Their results do not form one uniform law across those outcomes (Stahl & Voigt, 2008). Depperu and colleagues study a different object: the location choice of Italian firms and the dimensions associated with entering emerging markets (Depperu et al., 2024).

The studies can be read together as a map of boundary conditions. They should not be averaged into a new distance coefficient. A comparison sheet should preserve the home country, unit of analysis, distance construct, outcome, time window, and direction of reported result. If one field differs, the reader should see the difference before interpreting the signs.

That approach allows an apparent contradiction to become a useful question. A measure associated with a location choice need not predict integration quality. A measure associated with social integration need not predict shareholder value. The disagreement may sit in the outcome rather than in the data.

How should expansion leadership document cultural distance assumptions in an auditable memo?

Before a distance score enters a decision, write a short memo with six fields:

1. Reference. Which country or organization is the base, and why?
2. Construct. Which dimension is being measured, and which dimensions are excluded?
3. Unit. Is the comparison national, organizational, team-level, or relational?
4. Mechanism. What work or response is the score meant to represent?
5. Outcome. Which decision or result will be observed, and over what period?
6. Challenge. What observation would show that the score was a poor proxy for the mechanism?

The memo does not eliminate measurement uncertainty. It keeps the uncertainty from being mistaken for a country fact. That is the useful upgrade: make the base country part of the evidence before the distance number is allowed to travel.

Where are the empirical boundaries of cross-national cultural distance metrics?

The held literature supports a critique of hidden distance assumptions and a separation of culture, institutions, constructs, and outcomes. It does not support a national ranking, a causal claim that cultural distance causes failure, or an average effect assembled from unlike studies. A distance score becomes more useful when its base country is treated as a declared part of the measurement.

The measurement question connects to institutional distance as asymmetric uncertainty and localization as a market-entry decision, where the origin, destination, and decision object remain explicit. When evaluating international expansion vehicles, remember also that cultural distance is not a universal entry-mode rule, as governance choice depends on asset specificity rather than composite indices.

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END OF ESSAY

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