

Psychic Distance within the Realm of International Student Retention

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December 2018

A project submitted in partial fulfillment of the
requirements for the degree

Master of Arts in Communication

Division of Communication

University of Wisconsin – Stevens Point

Stevens Point, Wisconsin

Acknowledgements

I would like to thank everyone who has helped me and supported me on my journey to finishing this paper. It has been a wonderful time and a tremendous learning opportunity that would not be possible without my project committee members, Dr. Elizabeth Fakazis and Dr. Ricardo Boeing, and the committee chair, Dr. Timothy Halkowski. Thank you for guiding me and helping me every step of the way.

I would also like to express gratitude to my family and my husband's family for supporting me and believing in me during these two years. Your support has been invaluable and made this all possible. Finally, I would like to thank my grandfather for fostering the love for learning in me at a very early age. All my dreams and aspirations came from my desire to learn, to grow, and I hope he is proud of me.

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Introduction

Educational institutions throughout the United States have been receiving more and more international students in the last few decades. Students from other countries show an increased interest in studying in the US as it gives them an opportunity to experience a new culture, acquire or practice their English language skills, enhance their cultural outlook, and boost their employability in the future. Nilsson and Ripmeester (2016) found that being able to find a job after graduation is a big factor for students when it comes to their choices of institutions located abroad. Moreover, the authors found indicators of better employability of those with an international education as opposed to non-mobile students. This is explained by their intercultural competence, foreign language skills, and global awareness that are developed during their studies abroad.

US universities also have big interest in enrolling international students. Gai, Xu, and Pelton state that due to constrained resources and decreased government funding, educational institutions need students from other countries because their financial contributions play an important role in “maintaining the quality of U.S. institutions of higher education” (Gai, Xu, & Pelton, 2016, p. 182). During the 2016-2017 academic year, the Association of International Educators reported that 1,078,822 international students were studying in the US, contributing \$36.9 billion to the U.S. economy (NAFSA: Association of International Educators, n.d.).

Due to the increase in international student populations and the benefits that come with their recruitment, competition for students from other countries is growing and becoming more intense. Numerous educational institutions try to work towards internationalizing their education after making a realization that it is profitable to enroll international students. Consequently,

colleges and universities in the US are under pressure to establish stronger brands and marketing campaigns to attract more students and be competitive enough.

University of Wisconsin-Stevens Point (UWSP) is not an exception. With growing competition and diversity of schools for future students to choose from, the Office of International Education at UWSP (OIE) is in constant search for better recruitment and retention strategies. The biggest challenge they are currently facing is retaining international students from the moment they were admitted to the day they arrive on campus. As this period brings a lot of uncertainty to newly admitted students, the office is trying to help new international students transition smoothly by sharing information about the next steps that students will need to take prior to their studies as well as learn more about the university and the community. Considering that a lot of students choose to pass on the opportunity to study at UWSP even after being admitted, the office realizes that it is vital to improve communication with these students and that simply sharing useful content with them is not enough. They suspect that the frequency with which they contact newly admitted internationals as well their choices of communication channels might be impacting their student retention success.

Many institutions have the same struggle of finding the right ways to successfully compete for internationals with other institutions globally and within the US at any and all stages of retention process. What makes it even more challenging is the fact that students come from all over the world bringing cultures, views, and expectations that differ from those of the US. These differences pose an additional challenge to university representatives because such differences create uncertainty for both sides, so effective communication between a school and newly admitted students is crucial at this stage.

To better understand the effects of student differences, this paper aims to introduce the concept of psychic distance, which is widely used in international relationship marketing, and apply it in an attempt of improving the retention rates of international students at UWSP. To do so, different measures of psychic distance will be compared and analyzed, and the result will be transformed into a training session for the Office of International Office. The chosen way of applying the concept of psychic distance is expected to make a conceptual contribution to the field of international education as a whole and be a new and unique way of improving newly admitted international student retention rates at UWSP in particular.

Relationship Marketing and Psychic Distance

Traditionally, marketing has been associated with sales and advertising. The marketing mix paradigm, consisting of four Ps – product, price, place, and promotion, “has dominated marketing thought, research, and practice” for a long time (Grönroos, 1994, p. 4). The four Ps are used by marketers in any field imaginable to sell a product or service their companies make or offer. In his 1994 article *From Marketing Mix to Relationship Marketing*, Christian Grönroos pointed out that the fulfillment of the marketing mix strategy was intrinsically “production-oriented” rather than “customer-oriented”, making the customer a passive participant of the process. He also mentioned the emergence of *relationship marketing* at the time, which aimed at forming long-term relationships with customers. He believed it was an important paradigm shift needed to build relationships of better quality with consumers.

Since then relationship marketing has become an essential component of any marketing campaign. Companies do not simply try to sell their products but also aim to establish long-lasting relationships with their customers. Many businesses depend on repeat customers, so it is vital to create satisfying experiences for customers, so they would wish to come back (Pride &

Ferrell, 2018). Moreover, acquiring new customers is a challenging and very expensive endeavor that requires a lot of resources. Business authors Murphy and Murphy calculated that acquiring a new customer may cost five times as much as retaining an existing one. To put things in perspective, they said that a 2% increase in customer retention can decrease costs by about 10% (Murphy & Murphy, 2002).

These numbers highlight the importance of relationship marketing. Instead of focusing mainly on a single transaction, relationship marketing aims at creating relationships that are satisfactory and customers feel loyal to their product(s). Big companies typically invest more in relationship marketing campaigns. They realize that every department should perform their duties while having the customer as their biggest priority. Nowadays, the majority of companies face competition from other companies that offer similar products. Thus, constant fostering of customers' satisfaction and loyalty is vital in every relationship marketing campaign.

Globalization adds another layer of advantages and challenges for industries. It offers many new possibilities for companies to expand into foreign markets and reach bigger target audiences. If a company performs well abroad, its revenue is increased as well. However, there is a caveat to doing business internationally. Conway and Swift (2000) state that relationship marketing in an international context adds additional complications as relationships now need to be developed outside the "same cultural context." They go on to say that the greater "degree of difference (or "distance") between the parties concerned . . . , the harder to achieve and more resource intensive will be the process of relationship development" (p. 1395). Not only do marketers need to adapt their strategies of doing business to the countries of their choice, but also keep in mind that the level of psychic distance between two given countries will affect consumers' characteristics and preferences.

Competition for International Students

When we hear the word *marketing*, most of us think about companies or stores all around us that offer a plethora of products to choose from. However, higher education in general and international student recruitment and retention in particular are two areas that marketing directly pertains to. From the perspective of the marketing mix, universities and colleges offer a product (i.e. education) at a certain price and embark on promotional campaigns in a variety of places in order to recruit students. Further down the road, building and fostering long-term relationships with students is no less crucial as competition is fierce and never-ending. Thus, the need and importance of marketing within the realm of higher education as well as international education becomes obvious and has been widely accepted as a norm (Azmat, Osborne, Rossignol, Jogulu, Rentschler, Robottom, & Malathy, 2013).

International students are of particular interest to U.S. educational institutions. Gai, Xu, and Pelton (2016) pointed out that due to decreased government funding and limited resources throughout the country, educational institutions need students from other countries because their financial contributions play an important role in “maintaining the quality of U.S. institutions of higher education” (p. 182). To put it into perspective, in 2002-2003 Tas provided data published by the Institute of International Education that indicated a record number of over 583,000 of international students studying in the US for that time, who contributed nearly \$12 billion to the U.S. economy that year (Tas, 2004).

During the 2016-2017 academic year, the Association of International Educators reported that 1,078,822 international students were studying in the US, contributing \$36.9 billion to the U.S. economy (NAFSA: Association of International Educators, n.d.). This figure shows that between the years 2004 and 2017 the population of international students in the US almost

doubled and the revenue from these students more than tripled. Greene and Greene (2010) do a good job summarizing the significance of international students' presence in U.S. colleges and universities by describing them as a "flock of full-paying international students swarming from abroad, cash in hand, diversity in pocket, to balance the hard times of budget cuts" (p. 70).

Internationalization of education takes place everywhere and students from abroad comprise bigger and bigger parts of the student populations in numerous countries around the globe (Azmat et al., 2013). Thus, it is no surprise that many nations are competing to enroll international students. Fanta Aw states that some of the common strategies that institutions use to attract internationals include branding and marketing to advertise their programs and institutions as a whole, easier immigration policies, and competitive tuition costs. Consequently, the US now has a lot of strong competitors and "may be in danger of losing its dominance as the destination of choice for international students" (Aw, 2012, p. 10). For instance, the United Kingdom initiated nation branding and established a nationwide education brand called 'Education UK'. This initiative focuses on promoting the value of UK education, wonderful student experience, and collaboration with governments in other countries with the goal of diversifying markets (Lomer, Papatsiba, & Naidoo, 2016).

Even though the US and the UK remain two most popular student destinations, other countries are stepping on their heels. For example, Canada is working towards recruiting more and more international students. They are considered 'ideal' immigrants who can contribute to local institutions and communities as students and as potential employees after graduation. In order to attract international students, Canada facilitates more flexible immigration policies for those students. Other big competitors are Australia, New Zealand, Singapore, and Malaysia (Lomer et al., 2016). European countries, such as France and Germany are also becoming more

internationalized by increasing the number of programs and classes offered in English.

Internationalization of education requires educational institutions worldwide to compete for internationals in order to gain positional advantage in the global economy, facilitate research mobility and growth, and attain highly skilled professionals (Shahjahan & Morgan, 2016).

Besides having to compete internationally, US institutions are fighting for internationals within the country. According to a study done by Gai et al., the distribution of international students in the U.S. is highly disproportionate: one third of all students study in colleges and universities located in the states of New York, California, and Texas, which means that the other forty-seven states are forced to make a bigger effort at recruiting international students (Gai et al., 2016). Moreover, Aw found that the largest populations of students from other countries are concentrated in a number of selected universities. More specifically, around 60% of international students were found to choose one of the 170 institutions with already established international populations (Aw, 2012).

UWSP is not an exception. It has long been recruiting international students trying to have a diverse student population on campus. The Office of International Education on campus utilizes a multitude of strategies to recruit international students from all around the world, including partnering with agencies abroad as well as attending study abroad fairs in various countries. However, they also take hits during these competitive times when numerous universities compete for international students. An especially large number of new international students is lost between the moment of their admission and the time of their enrollment. Newly admitted international students face a lot of uncertainty at that time and have a lot of questions about their next steps. The big areas of uncertainty include applying for and successfully getting

their student visas, selecting their courses, getting more acquainted with the school and the community.

This uncertainty is further complicated by the fact that they are still in their home countries and there is no face-to-face communication between them and international office representatives. Thus, international education offices need to stay in touch with these students to assist them and help answer their multitude of questions in this period of uncertainty. Additionally, many students apply to and get accepted by several universities, so competing for a student is far from being over at this point. If a student gets accepted by more than one school, they will have to do more research to pick the best school possible (Azmat et al., 2013). Consequently, international office representatives have to be aware of that and continue communicating vital information to these students to make their school their final pick.

The OIE staff at UWSP recognize these factors and try to maintain communication with newly admitted international students. Lately, they have been working on creating informative and engaging content that they would like to share with newly admitted internationals in order to help them on their journey to the US. However, they feel that they could benefit from knowing how frequently they should share this content to keep it balanced yet engaging. Additionally, knowing what means of communication students are most responsive to could help them establish successful communication channels with students that are still away and weighing their options. That is a reality that all universities and colleges that recruit international students face. Even though they recognize the challenges that come with recruiting and retaining internationals, there are still a lot of gaps that make it hard to ensure students' enrollment even after they were admitted. This once again points out to the importance of this research which aims at expanding the scope of existing international student retention strategies.

Marketing and Recruitment of International Students

International students are clearly significant contributors to the U.S. economy, so attracting and retaining such students is one of the main tasks for educational institutions. In the last years, many colleges and universities across the country realized the importance of ‘marketing’ themselves to prospective and enrolled students. Traditionally, recruitment of local and international students was done through the admission and international offices. The process was compartmentalized and did not require involvement of other offices on campus. Considering that the need for international students was not as high, their recruitment was a straightforward process done by a select number of university staff. However, the increase in competition for internationals requires bigger efforts and more involvement of other departments on campus to recruit students (Aw, 2012).

Nowadays, many scholars recommend that universities and colleges carry out proactive institutional branding and marketing campaigns to be able to stay competitive and successfully recruit and retain students from abroad (e.g. Hemsley-Brown & Oplatka, 2006; Greene & Greene, 2010). Jennings agrees and says, “as universities have become more exposed to competitive market forces, marketing has become more important in contributing to the creation of favorable institutional images that will help attract students, staff and resources” (Jennings, 2017, p. 62). In this sense, potential international students are viewed as consumers. Their decision-making process can be compared to that of consumers, which is commonly viewed as a five-stage process that includes, a) need recognition, b) information search, c) evaluation of alternatives, d) purchase/consumption, and e) post-consumption evaluation.

All five stages are important for one’s decision-making but steps two, three, four, and five are of the greatest importance to institutions. Stages two and three demonstrate the need for

establishing a successful institutional brand and initiating a proactive marketing campaign that will attract prospective students' attention during their search and making selection of that university an attractive option when having multiple alternatives. As students have more options to choose from and transferring from one school to another is relatively easy, retention and the overall experience of international students at a given institution become new and important goals for institutions - the ideas represented by stages four and five. From this perspective, it becomes obvious that educational institutions' job does not end as soon as they recruited students. They need to continue working on their reputation and achieve international student satisfaction.

To achieve this goal, Bejou and Bejou (2012) propose use of aggressive marketing and development of strategic models that include brand management, customer relationship management, niche marketing, faculty support, student services, and professional development services. Jennings (2017) also suggests enhancement of marketing communications, business ethics, and increased attention to customer care. International students should not be forgotten about as soon as they are admitted but rather guided through the process of integration with the school and throughout their study period until graduation.

Retention of Newly Admitted International Students

In their search for a perfect school abroad, prospective students usually find several that meet their criteria. They apply to these multiple schools to ensure their success of being admitted after the competitive selection process is over. It often happens that these students get accepted into more than one institution as a result. In this case, prospective internationals need to make a choice among those schools. At this stage, the problem of retention comes in. Recruiting an international student is only half the battle. Due to the competitiveness among educational

institutions, education provider's job does not end with recruiting a student from abroad. In fact, institution representatives need to embark on a proactive campaign of retaining those students through establishing closer relationships and fostering brand loyalty from the moment of admission to the moment of enrollment.

Excellent communication, direct and indirect, is a key component when it comes to international students. Retaining newly admitted internationals is a unique challenge. Even though these students are officially part of the institution, they are not able to start their studies for another 4-8 months due to visa procedures. After a more general search phase is over and they are admitted, international students now start considering more profound factors for each of the schools they have been admitted to. Even though they know a lot about each particular university at this point, there are still a lot of things that they have yet to learn about it. Up to this point their search was generally focused on specific academic programs and the overall institution standing, whereas after admission students wish to delve deeper to know more about social and residential aspects of said institutions (Greene & Greene, 2010).

Tas highlights the importance of communication between students and the university at this stage. He says that international students require assistance with completing the processes of admission and orientation, additional information about university's numerous offices and facilities as well as better understanding about their international status (Tas, 2004).

Unfortunately, many university representatives do not account for how much information newly admitted students still lack at this point. Being in another country and unable to see everything in person complicates things because everything needs to be done online. It makes it more difficult for international students to find and grasp all the incoming information and, as a consequence, socially adapt to the new environment.

This period is an excellent opportunity to help newly admitted international students learn more about the university and make a more personal connection with it. This, in turn, will help foster their commitment to the institution. Morris and Sherman (1981) define commitment as “an attitude in the form of an attachment that exists between an individual and an organization (p. 515). Creating an attachment while being hundreds or thousands miles away is challenging, thus, making sure that institution representatives stay in close contact with their students as well as try to meet their current needs is crucial. Bejou and Bejou (2012) mention expansion of relationships with students and providing them with additional information as well as services as important components of fostering commitment. As newly admitted internationals are going through anticipatory socialization, they need to learn more about the university and identify with it further.

For example, Bugeja proposes incorporating student video blogs that show exemplary faculty, staff, and graduates to help new students identify with institutions. This type of blogs can be helpful with learning more about current and former members of the university and demonstrate what traits and accomplishments are valued in ‘real’ representatives of this institution. Bugeja also recommends creating transparency pages on university websites displaying vital and updated statistics about graduation and placement rates and average student loan rates (Bugeja, 2013). Such data can help students identify with the institution and build appropriate expectations about their future experiences there.

If university staff constantly communicate with international students directly and through other channels sharing valuable information with them, these students will be able to see that they were not forgotten and that the university cares about their success related to their enrollment, integration, and future studies. More communication will also result in recognizing

the values and characteristics of the institution through social interactions between the institution and students, which, in turn, can lead to stronger commitment with that particular institution.

Even though many scholars highlight the importance of effective communication and fostering newly admitted students' loyalty, it is unclear how to adapt this communication to newly admitted international students' cultural backgrounds. All the recommendations mentioned in literature, including some examples above are good starting points, but they are too general for a situation that requires more specificity. To better adjust to different students' cultural characteristics and preferences, it is important to learn more about these unique differences in order to have a better success at keeping them informed in ways that will resonate with them as well as foster their loyalty to the university. Educating the Office of International Education at UWSP on the concept of psychic distance and equipping them with a way to measure psychic distance levels between the US and other countries might just be a perfect tool for that.

Psychic Distance

Globalization is taking place everywhere. As trade across borders becomes more and more common, knowledge and understanding of international relationships is becoming increasingly important. Relationship marketing "involves organisations gathering information about their customers and then deciding with whom they can develop a dialogue" (Conway & Swift, 2000, p. 1391). International relationship marketing, then, becomes crucial when a business is operating outside the country borders and/or with representatives in other countries. They also point out the vitality of communication in building business relationships. They note that communication is often overlooked or taken for granted, drawing attention to the fact that

“all other business components are experienced through the medium of communication” (p. 1394).

When a company expands abroad or two companies from different countries partner up, they enter a cross-cultural business relationship. Such relationships are found to be influenced by various factors that emerge due to differences in “...value systems and can be synthesized in the concept of distance to one’s market” (Conway & Swift, 2000, p. 1391). Such distance is defined as ‘psychic distance’. It is important to consider psychic distance as differences in cultures and values in the process of doing business have been found to have a significant effect on business outcomes.

The relationship between the OIE and newly admitted international students can be considered a business relationship because students view their international education as a product that they want to receive and benefit from while the university is providing services to satisfy its students’ needs. In this sense, international students can be viewed as consumers and the university can be viewed as a supplier. Both the OIE staff and international students are also in a cross-cultural relationship because they come from different backgrounds and are used to somewhat different ways of handling matters and making decisions. Thus, learning more about different levels of psychic distance between the two parties can prove to be beneficial.

The staff at the OIE could specifically benefit from identifying the levels of distance between the US and a student/country of interest to adapt their communicative styles accordingly, provide better services, and be more competitive overall. Conway and Swift (2000) argue that the higher the level of psychic distance, the more communication is needed to reach mutual understanding. So, knowing the level of psychic distance could help the OIE staff identify the frequency and means of communication needed to reach certain international

students. It could help them know what ways of communicating would most effectively reach their target audiences and potentially strengthen the ties with those individuals. To be able to utilize psychic distance, the OIE staff would need to gain knowledge about the concept of psychic distance, its effects on communication and mutual understanding, and the ability to measure and apply it.

Problems with Operationalizing Psychic Distance

Even though researchers generally agree that cultural differences play an important role in business outcomes, the operationalization of the psychic distance concept has been challenging. In their overview of literature, Sousa and Lages (2011) found that the constructs of psychic distance can be broken into three broad categories. The first group of researchers define the concept of psychic distance as equal to cultural distance (e.g. Hofstede, 1983; Fletcher & Bohn, 1998; Kogut & Singh, 1988). However, other researchers argue that the two concepts are far from being identical, leaning more towards the conceptualization of cultural distance as one of the components of psychic distance.

The disagreement does not end there. Those who claim that cultural distance and psychic distance are not the same, additionally have different ways of measuring the concept. To be precise, the second group of researchers measure psychic distance only at a macro-level. They use national level indicators, such as language, industrial development, religion and others, using publicly available information about various countries (e.g. Brewer, 2007; Dow & Karunaratna, 2006; Ali, 1995). Although this approach is broader than the first, a third group of researchers criticize it for ignoring the micro-level differences which are more individual and perceptive in nature. These researchers emphasize the importance of such perceptive aspects of cultural and

business differences in measuring psychic distance (e.g. Evans, Treadgold, & Mavondo, 2000; Sousa & Bradley, 2005; Sousa & Lages, 2011).

These differences of opinion in identifying levels of psychic distance among various countries have led to creation of various measures of psychic distance which have their advantages and disadvantages. Not surprisingly, there is no consensus on measuring psychic distance up to this day. Fortunately, for the purposes of this paper this is a good thing. Comparing and contrasting the existing ways of measuring psychic distance can help identify the most adequate measure to offer to the OIE for their use in the office.

Originally, psychic distance was used to decide what countries a business could potentially expand successfully into. Now, it is used in many other marketing-related processes and operations across various fields. However, using psychic distance as a communication tool at a university seems to be a unique endeavor. Its novelty makes for an exciting opportunity to try to expand existing recruitment and retention strategies by utilizing something completely new. Thus, the final task of this paper will be to discuss the feasibility of using this concept and creation of some recommendations for properly using the measure when working with international students.

Type One: Psychic Distance = Cultural Distance?

Globalization is an ever-evolving process. It comes as a result of constant enhancements of communication technologies and ease of movement around the world. Globalization can be a positive thing but moving outside one's country boundaries brings some challenges along with benefits. Numerous researchers have established that cultural differences between cross-cultural relationships play a significant role in the likelihood of success of new international business

ventures (Dow & Karunaratna, 2006; Johanson & Wiedersheim-Paul, 1975). Thus, firms have to be aware of additional differences, such as language, cultural norms, lifestyles, consumer preferences and others and be prepared to adjust their techniques accordingly (Sousa & Bradley, 2006).

Many authors have tried to create measurements of cultural differences, but Hofstede's framework for measuring cultural dimensions has been the most prominent and widely used framework over the last few decades (Sousa & Bradley, 2006). Hofstede created four indices to measure national differences: power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity. He then used them to empirically measure cultural differences across fifty countries and three regions (Hofstede, 1980; 1983) by analyzing 116,000 questionnaires. He was also able to establish reliability of his framework by using his indices at two separate points in time – one in the year of 1968 and the other in 1972. Additionally, in his work with Bond (1988) a fifth dimension “long term/short term orientation” (i.e. Confucian Dynamism) was added. This dimension is only applicable to Eastern countries, so it is not always used.

Hofstede's measure gained prominence and frequent use due to two factors: validity and reliability over time and lack of a better measure. Decades later, researchers still use Hofstede's measure. For example, Harrison used it because he thought that his “classification and measures have been replicated and supported for validity and reliability in subsequent studies” (Harrison, 1993, p. 321). He also claimed that for a culture to change it takes a long time. Fletcher and Bohn used Hofstede's dimensions in their work, justifying it with the “absence of a better measure” (Fletcher & Bohn, 1998, p. 55). This rings true for many other researchers who have used this measure to measure cultural differences. Due to some limitations, Hofstede's indices were nonetheless a big contribution to the business field, and they were later used in various

shapes and forms by numerous researchers who attempted to measure cultural distance and psychic distance (Kogut & Singh, 1988; Harrison, 1993; Sivakumar & Nakata, 2001).

Kogut and Singh were the first researchers to create a single measure that was adapted from Hofstede's cultural difference indices. In their 1988 work, they use two terms to describe "characteristics of national cultures" that they were studying: psychic distance and cultural distance. Even though Hofstede's as well as Kogut and Singh's measures have contributed greatly to understanding cultural differences between businesses representing different countries, many researchers find the interchangeability of the terms *cultural distance* and *psychic distance* problematic. In fact, multiple works have found that the two constructs capture different phenomena (Brewer, 2007; Johanson & Wiedersheim-Paul, 1975; Evans, Treadgold, & Mavondo, 2000; Sousa & Bradley, 2006). These researchers point out that Hofstede-based dimensions are limited and do not consider other various factors, such as different levels of economic and political development, different languages, education levels and others (e.g. Sousa & Lages, 2011). As a result, the majority of researchers have moved away from this way of measuring psychic distance or are using it to measure cultural distance as one of the components due to lack of a better measure of cultural distance specifically (Fletcher & Bohn, 1998).

Type Two: Macro-Level Factors

The term "psychic distance" was first used by Beckerman (1956) in his work on intra-European trade flows and was sporadically referred to by several authors in the following decades. The term did not gain prominence nor was its construct fully developed until Johanson and Wiedersheim-Paul discussed in their work what factors should comprise the construct of psychic distance. They defined psychic distance as "factors preventing or disturbing the flows of information between firm and market" and included things such as differences in culture,

language, political systems, education and industrial development levels among others (Johanson & Wiedersheim-Paul, 1975, p. 308). For their research, they used publicly available data about the firms under investigation as well as interviews with employees.

In their work, they pointed out a correlation between psychic distance and geographic distance. However, they stated that there were quite a few exceptions to that. They found it peculiar that the level of psychic distance between England and Australia was low notwithstanding the big geographical distance. Similarly, even though Cuba and the USA are geographically close, their level of psychic distance is very high. These peculiar instances led to a conclusion that levels of psychic distance change with time due to “the development of the communication system, trade and other kinds of social exchange” (Johanson & Wiedersheim-Paul, 1975, p. 308). At this point, we can notice that cultural distance is differentiated from psychic distance and is viewed as only one of the components thereof.

This approach to psychic distance found support in many other works. Ali (1995) claimed that *psychic distance* is a broader concept than *cultural distance* because it does not only incorporate differences in culture, but also in languages, business practices, and norms. He concluded that disagreements and misunderstandings between business partners representing different countries happen due to differences of how business and management are done. He says that such differences are rooted in one’s “own country environment” and are influenced by the “cultural, legal, political and economic of a partner’s own country of origin” (p. 51). Ali called these differences “macro” level factors.

Dow and Karunaratna (2006) also proposed looking at the macro-level factors, which they call “stimuli” as one way of measuring psychic distance. They believe macro-level factors such as differences in language, political systems, and religion to be “major influencers of

international marketing decisions (p. 578). The authors also argue that cultural distance is only one of the aspects of psychic distance and that Hofstede's scales had big limitations in measuring psychic distance. This statement resulted from an earlier study by Dow (2000), in which Hofstede's indices were used along with other measures. The combination of these two studies showed that in isolation Hofstede's scales had "weaker predictive validity" than other measures used (Dow and Karunaratna, 2006, p. 581).

In addition to that, Dow and Karunaratna discussed some researchers' criticisms about measuring psychic distance in terms of only macro-level variables. This group of researchers, who I will discuss in the next section, argue that we cannot ignore the perceptive side of psychic distance that is experienced by individuals working at firms and making decisions when doing business internationally. Dow and Karunaratna (2006) acknowledge that this aspect should not be neglected. However, they argue that decision-makers' perceptions differ greatly depending on their previous international experience, education level, and age. Moreover, they propose that macro-level factors are more significant as they "create the climate within which a manager's cognitive processes operate, and therefore frame the conditions within which managers form their perceptions and make their decisions" (p. 580). Overall, their study is significant as it differentiates between macro-level variables and perceptual factors. Additionally, they used a variety of research methods to measure each component of psychic distance, using publicly available data for some and surveys for others.

In his work *Operationalizing Psychic Distance: A Revised Approach*, Brewer (2007) points out the problem of operationalizing *psychic distance* and discrepancies in research articles published by numerous authors that aimed to define and measure it. To try to operationalize the concept in a more concise way, his work aims at going back to the basics – Johanson and

Wiedersheim-Paul's definition of psychic distance used in 1975. They defined it as "factors preventing or disturbing the flows of information between firm and market", which Brewer compares to "unfamiliarity" with a market (p. 308). Brewer argues that higher levels of psychic distance (i.e. higher levels of unfamiliarity) are a "significant deterrent to market entry, at least in the initial stages of a company's international business development" (p. 43). The more familiar managers are with the market of their interest, the more likely they will consider entering it and the less information they will need to learn about said market.

Brewer identified 15 indicators that inhibit the flow of information between companies: two-way trade, stock of foreign investment, trade agreements, value of aid programs, trade representation offices, colonial relationship, shared wars, geographic proximity, cultural similarities, sport preferences, language similarities, secondary information availability, immigration numbers, level of development of the foreign country, and its level of corruption. He then constructed them into an index that he loosely based on the Globalization Index created by A.T. Kearney (2003) and *Foreign Policy Journal* and normalized the values allocating them between 1 and 0, 1 being the most psychic distance and 0 being the least (see Appendix A). The author states that this index that focuses on countries' commercial, political, historic, geographic, social, and information ties as well as development helps understand psychic distance levels between any two countries because "it builds on the items that are directly responsible for the ease of information flows between a country and a firm" (p. 48).

Using the index, Brewer measured psychic distance between Australia and 25 other countries, whose selection was based on geographic diversity, variety of trade ties, and publicly available data (see Appendix B). To illustrate some interesting patterns he discovered, he described fascinating differences in psychic distance between Australia and Hong Kong versus

Australia and Germany. He states that if we were to look at strictly cultural differences, Australia and Hong Kong would be more distant than Australia and Germany. However, his findings revealed the opposite due to an existing trading agreement, similarities in colonial history, geographic proximity, and a shared war. Thus, he claimed that his index provides useful insights into underlying factors that affect psychic distance levels and shows that simply comparing cultural differences is misleading.

As can be seen, this author also supports the use of macro-level factors comprising psychic distance. Not only does he differentiate between simply “cultural differences” and “factors that impede the flow of information”, but he also undermines the importance of perceived differences between various countries (Brewer, 2007, p. 61). He places more significance on how decision makers can access publicly available data to enhance their knowledge about another country rather than focusing on people’s perceptions. Brewer believes that his index is a comprehensive measure of factors that inhibit information flows that can help managers become more familiar with other countries in order to be able to make important decisions.

All in all, this group of researchers support measuring psychic distance with the help of macro-level factors that are publicly available. They argue that there is more to the concept of psychic distance than merely cultural differences, thus rebuking the widespread belief that geographic proximity usually equals lower levels of psychic distance (Johanson & Wiedersheim-Paul, 1975; Bello et al., 2003). Another interesting shift observed is their use of additional methods to gather data. More specifically, as they were looking at macro-level variables, use of publicly available data was prominent among this group of researchers. All in all, some of the researchers representing the second group acknowledge the fact that individual perceptions have

an effect on psychic distance levels, but they argue that these perceptions are driven by bigger, national factors.

Type Three: Perceptual Differences

In their review of literature, Sousa and Lages (2011) describe a third way of operationalizing psychic distance – with its focus on perceptions of business decision makers. These authors agree that cultural differences are only one of the components of psychic distance. Moreover, they claim that to fully understand it, we need to look at perceptions of differences of individuals involved in the decision-making process. To study these differences, they used a survey in 301 firms. Sousa wrote several articles with other authors trying to study the concept of psychic distance (Sousa & Bradley, 2005; Sousa & Bradley, 2006). In their 2006 article, Sousa and Bradley gave justification for measuring psychic distance on the individual, perceptual level by looking at the meaning of the word ‘psychic’ itself. The word comes from the Greek word *psychikos* and means ‘mind’ or ‘soul’. Thus, they argued that we cannot measure psychic distance in terms of publicly available information that displays country-level aspects.

Even though this logic makes sense, this is a question of terminology and makes things confusing because numerous researchers studied various phenomena that they referred to as “psychic distance.” To add even more confusion, Sousa and Bradley continue their argument and suggest the term “cultural distance” for analyzing country-level differences (Sousa & Bradley, 2006). This once again leads to the problem of operationalizing psychic distance itself and deciding where cultural distance comes in. All in all, Sousa and Bradley (2006) and Sousa and Lages (2011) claim that neither cultural differences nor macro-level factors alone take into account the “subjective differences and individual level bias in the decision making (Sousa & Lages, 2011, p. 204).

They do, however, acknowledge the significance of measuring psychic distance at a macro-level. Sousa and Lages included such factors as language differences, culture, political and legal systems, economic and industrial development, education, and marketing infrastructure into their measure construct. They criticized the prominence of the unidimensional measure of cultural differences and, in response, attempted to create a multi-dimensional scale to measure psychic distance in their research study. Their scale consisted of two dimensions: country characteristics distance and people characteristics distance.

The country level characteristics included six items: economic and industrial development levels, communications infrastructure, marketing infrastructure, technical requirements, market competitiveness, and legal regulations. These were believed to be vital elements of psychic distance that stemmed from specific country features (i.e. macro-level of analysis among the supporters of the second measure type). In addition to that, they attempted to integrate the perceptions of individuals into the measure. Sousa and Lages suspected that language differences could increase transaction costs and create risks, while differences in traditions, attitudes or beliefs could cause misinterpretation between decision makers.

To be able to assess such individual differences, they constructed a seven-item measure that included the following items: per capita income, customer purchasing power, lifestyles, consumer preferences, education and literacy level, language, and cultural values, beliefs, attitudes and traditions. This way, they took measuring psychic distance one step further by adding individual perceptions to the picture. When summarizing their findings, they stated that both dimensions of psychic distance had a significant effect on a company's international marketing strategy and were helpful in making managers aware of how psychic distance might affect their decisions in the workplace.

Evans, Treadgold, and Mavondo (2000) also argue that the existing definitions of psychic distance do not fully describe the concept. They look at the origin of the word 'psychic' and state that it cannot be measured by the "simple presence of external environmental factors" but rather "in terms of perception and understanding, of cultural and business differences" (p. 375). The business differences they included in the concept were legal, political environment and economic environment, business practices, language and industry or market sector structure.

What made Evans et al.'s study stand out was the fact that unlike other researchers, they did not claim that higher levels of psychic distance were necessarily a deterrent to business relationship development. In fact, on par with a much later study by Stahl, Tung, Kostova, and Zellner-Bruhn (2016), who tried to apply the Positive Organizational Scholarship Perspective to cultural distance and believed that "foreignness can be an asset rather than a liability" (p. 624), they suggested the existence of a "psychic distance paradox". This phenomenon demonstrates that there are differences in psychically close countries and that psychic distance can be negatively related to organizational performance (O'Grady & Lane, 1996; Evans et al., 2000).

Evans et al. discovered that the "closer" a country was perceived to be, the less effort was put into learning subtle differences between the two countries. This behavior resulted in unexpected problems in performance when such differences came to the surface. On the other hand, they found that the higher the uncertainty about another country was, the more management tended to research and learn about that country prior to making decisions. This led to decreasing levels of uncertainty and better understanding of the firm in the other country (Evans et al., 2000).

A similar trend was demonstrated in a study done by Shoham, Rose, and Albaum in 1995. They used the EPRG (Ethnocentrism, Polycentrism, Regiocentrism, and Geocentrism)

framework to assess the international orientation of organizations with the help of surveys. In short, this framework represents the different ways companies progress with internationalization: from Ethnocentrism (local) to Polycentrism (host), to Regiocentrism (partial) or Geocentrism (global) orientation. Each of these orientations require different levels of standardization or adaptation.

In their study they looked at how psychic distance, which they called “psychological distance”, affects the choice of an orientation. According to this four-way orientation framework, Polycentrism is about adapting to the market needs of the host market. However, they found that when companies exported to psychologically close markets, they disregarded the host market needs and tastes, there was little adaptation. The authors concluded that this most likely happened because “these tastes closely parallel those of home markets” (p. 31). This study mirrors the finding by Evans et al. (2000) that companies that perceive their counterparts to be psychically close put little effort into learning about the subtle differences and needs of the other side. These findings, although different from most, highlight the fact that gaps in understanding psychic distance as a whole still persist and proves understanding of the effects of perceptions on managers’ behaviors useful.

Choosing the Best Measure for the Office of International Education at UWSP

With growing competition, more and more universities understand the importance of relationship marketing and fostering loyalty among international students between the moments of their admission and arrival to campus. In this period, however, simply informing students about what the university is like and what it offers can be of limited use. Implementing the measurement of psychic distance by international office representatives will help them account for more subtle differences in students’ characteristics, expectations, and preferences, which, in

turn, will increase their skill in adjusting their communication and information flows from one country to another. If utilized effectively, all three measures of psychic distance can be helpful at uncovering deeper layers of differences that exist between various countries.

Based on the literature review, it has been demonstrated that the first measure has limitations and does not uncover all the levels of differences that exist. Specifically, Hofstede and his followers mainly defined distance as eco-logical or environmental factors, not individual or psychological, and used only four cultural dimensions to measure distance: individualism/collectivism, masculinity vs. femininity, power distance, uncertainty avoidance, and sometimes short vs. long term orientation. However, many researchers have since found that cultural differences are only a partial representation of psychic distance and include other things such as language, political systems, business differences, industrial development, education and others (Fletcher & Bohn; 1998; Evans & Mavondo, 2002; etc.). Using the first measure for the purposes of retaining newly admitted students might not be the most effective as it does not go beyond the most common, on-the-surface differences. These differences can be helpful with understanding how local and international students differ, but they do not unveil the subtle differences among different groups of international students, which is the purpose of this paper.

Further, even though the third measure seems to be one that grasps the majority of variables, inconsistencies in variables measured make it unnecessarily complicated and flaw-prone. For instance, Fletcher and Bohn argue that psychic distance is based on managers' perception of differences between countries, yet they used Hofstede's measure of psychic distance as a proxy in their study. In a different case, scholars who viewed psychic distance as "perceptual", had elements such as levels of literacy and education, political and legal systems,

economic and industrial development in their surveys, all of which are argued by others to be macro-level elements of psychic distance (Sousa & Bradley, 2006; Sousa & Lages, 2011).

Along with that, some researchers who support the third measure of psychic distance believe that macro-level factors influence individual perceptions. For example, Sousa and Lages (2011) listed language, legal and political systems, education levels, economic and industrial development, marketing infrastructure, and culture as factors that influence “perceptions of psychic distance” (p. 208). Similarly, Dow and Karunaratna (2006) argued that macro-level factors “create the climate within which a manager’s cognitive processes operate, and therefore frame the conditions managers form their perceptions and make their decisions” (p. 581). They also pointed out that it is not feasible for researchers to survey managers prior to important decisions. Usually, it is done afterwards. Thus, the focus on managers’ perceptions creates a problem of distinguishing whether “the ‘perceptions’ influenced the ‘decision’, or whether the ‘post-decision’ experience influenced the ‘perception’” (p. 580).

In their limitations section, Sousa and Lages pointed out that the level of significance of individual perceptions might be affected by the size of a company. In their study, 96.3 percent of firms had fewer than 500 employees. With that, they suspect firms of this size “may be more severely affected by psychic distance because they do not have a large internal base from which to draw information, and because they may be less professional and systematic in gathering information” (Sousa & Lages, 2011, p. 216). According to the UWSP website, over 1,000 faculty and staff are employed at the university, which makes it twice as big as the firms under the study. It can be assumed that a big organization like UWSP has a more centralized internal informational base, so individual perceptions might possibly not have that big of an effect (“Fast Facts”, 2017).

Finally, both the first and third measures of psychic distance are also heavily reliant on surveying respondents. Not only is this approach time-consuming and requires subsequent analysis, it is also very short-lived and requires for new surveys as time goes by. This type of measure makes its use impractical in the context of higher education. Because our goal of helping the UWSP Office of International Education is more introductory and they most likely will not have time or resources to conduct surveys, the feasibility of using the first or third measure seems to be minimal.

The second measure of psychic distance, on the other hand, is most appropriate and effective for the OIE. It includes a lot of components that make it possible to unveil the array of differences between any two countries, yet it does not require surveying groups of people. This makes it less time- and resource-consuming. Additionally, the measure is based on information that is publicly available and is easy to calculate. Another attractive quality of the second measure is that even though information is not static, the most recent information can always be accessed online, and the distance levels can be re-calculated with ease. If we used the first or third measure, changes of variables over time would require gathering new information through additional surveys, just like in case of Hofstede's multiple questionnaires (Hofstede, 1980; 1983; Hofstede & Bond, 1988). The second measure shortcuts that need. Overall, the second measure of psychic distance which looks at macro-level factors when identifying differences between countries is a good introductory step toward understanding how international students differ from country to country. It goes a step further from general knowledge that international students differ from American students and allows the staff of the OIE to take a more in-depth look at subtle variations within the international student population itself.

Measuring Psychic Distance Between US and International Students

Now that we have established that the second type of measuring psychic distance is most appropriate for the purposes of the OIE, using Brewer's index (2007) as a template for the office staff seems to be a good way to start their familiarization process with the concept. In his work, Brewer identified 15 indicators that inhibit the flow of information between companies: two-way trade, stock of foreign investment, trade agreements, value of aid programs, trade representation offices, colonial relationship, shared wars, geographic proximity, cultural similarities, sport preferences, language similarities, secondary information availability, immigration numbers, level of development of the foreign country, and its level of corruption. He then constructed them into an index that he loosely based on the Globalization Index created by A.T. Kearney (2003) and Foreign Policy Journal. Brewer states that this index helps understand psychic distance levels between any two countries because "it builds on the items that are directly responsible for the ease of information flows between a country and a firm" (Brewer, 2007, p. 48). He argued that these factors play a more important role in identifying levels of differences than simple geographic distance.

To introduce the concept of psychic distance and explain how to measure it as well as integrate it into the overall process of retaining newly admitted international students, I will conduct a training session for the staff of the OIE. This index is easy to use, replicate, or adjust for measuring levels of psychic distance between the USA and any given country that a newly admitted student represents. All that the OIE will need to do is read brief descriptions of how every factor was calculated and make their own calculations based on the most recent data available. Unfortunately, the Globalization Index created by A.T. Kearney (2003) and Foreign Policy Journal that Brewer used is quite outdated. Moreover, it does not exist anymore. The last

index by them was published in 2007. However, because the indicators Brewer used are typical and easily measurable, there are numerous other indices that can be used in place of it (see Appendix C for more information on the adapted index). To assist the OIE with getting information fast and efficiently, I will provide the OIE staff with some external resources and indices names, from which they will be able to access necessary information.

Calling this index a *template* was not accidental. It is important to make sure to educate the OIE staff understands that the index should be utilized in a flexible manner, where some changes can be made or only parts of the information need to be looked at depending on the situation. For example, I would recommend substituting the *Secondary Information Availability* indicator for *Internet users*. Counting the number of catalog entries in a library to identify information ties seems to be outdated because access to the world web is available throughout the US. On the other hand, because international office staff communicate with newly admitted international students primarily via email, accounting for how many internet users there are in a given country and how much internet access they have might affect how often the staff communicate with those students. For instance, whereas an average student from Germany could be reached frequently and via multiple means of communication (e.g. email and various social media) due to their widespread access to the web (89.6 percent of the population), a newly admitted student from Tajikistan where only 20.5 percent of the country population are internet users, might be much harder to reach (The World Factbook, 2016). Thus, messages might need to be sent out rarely, but they would need to be more informative and to the point. Lack of access to the internet in Tajikistan would need to be taken into account when crafting informative messages and deciding how often to send them to students.

Overall, the introduction of this index is by no means a claim for perfection and/or using it as is. Its flexibility is actually the beauty of this index. At this stage, the goal is, rather, to provide the staff with a base that will assist them in identifying how students differ from country to country and what their unique communication needs might be. Among other things, this index will hopefully help them get a better idea of how frequently such students might need to be contacted or what most suitable means of communication with them might be.

Additional Suggestions for Integrating the Psychic Distance Index

In addition to this index's ability to be an independent assistant with understanding psychic distance between the US and other countries, educating the OIE staff on possible usefulness of integrating the index as part of the whole student retention process might prove beneficial. As applying the concept of psychic distance in the sphere of international education and student retention is new, there are no straightforward answers to the questions of frequency and means of communication that the OIE posed.

Most researchers of psychic distance studied in this paper seem to agree on one aspect: the more psychically distanced countries are, the more communication is required (e.g. Conway & Swift, 2000; Bello, Chelariu, & Zhang, 2003). Even though this logic might resonate with us on the most profound way, it can be a simple fallacy. Schomaker and Zaheer find the many authors' approach of operationalizing communication in terms of frequency problematic. Even though they recognize that communication is crucial in knowledge transfers, simply assuming that "more is better" can be dangerous (Schomaker & Zaheer, 2014). The earlier example with Tajikistan demonstrates how more communication could prove to be harmful to the communication flow even though the US and Tajikistan are psychically distant.

Consequently, one thing the OIE staff could do is to combine their expertise with the index findings in order to determine the best course of action in a given situation. Their own experience could be measured and, possibly, be a good contributor in getting a sense of what new international students from a certain country are generally like and what effective communication with them might entail. Moreover, I would suspect that the OIE systematically collects some data on outreach and successful recruitment and retention, so integrating that and comparing it against the psychic distance index might provide for a deeper level of understanding as to how frequently and via what means of communication students need to be reached.

Finally, going back to previously mentioned problem of using identical approaches of recruitment, retention, and communication with newly admitted international students from any and all countries, my recommendation would be to adapt admission/enrollment flow charts based on psychic distance findings. If these charts are tailored to specific needs of students from different countries, they allow for more diversity and flexibility of communication processes. Moreover, such charts will mainstream the process, as anyone in the office will be utilize them to effectively communicate with students from a given country/group of countries, meet their information needs and address their unique questions and concerns. Overall, there is a plethora of other ways the calculated psychic distance index can be used depending on unique procedures and objectives of the international office, giving them a better understanding of differences among newly admitted international students from all over the world.

Discussion

The major contribution of this paper is a conceptual one. Having studied dozens of scholarly works about international student recruitment and retention and the concept of psychic

distance, there was not a single article that connected the two together. To converge the two, this paper attempted applying the concept of psychic distance, which is typically used in international relationship marketing, to recruitment and retention of international students to US universities. More specifically, it was used to assist the Office of International Education at UW-Stevens Point in finding better ways of recruiting and retaining new internationals.

It has long been established that simply offering a product is not enough to run a successful business. Knowing customers and building long-lasting relationships with them is a priority for any business venture as it provides for better tailoring of services and fostering brand loyalty. Recruitment and retention of international students to US educational institutions is a type of a business relationship that poses additional challenges due to cultural differences as well as differences in language, economic and political structures, and business practices among others.

Even though every stage of international student recruitment demands rigorous communication and establishment of long-lasting relationships, one of the more challenging stages is the dormant period between a student's admission and their enrollment. Their physical absence in the country of their upcoming studies creates additional obstacles to effective communication, knowledge transfers, and relationship establishment because both parties are not fully acquainted and there is a lot of uncertainty on both sides. So, knowing and measuring the ways in which international students differ can help us learn more about them and improve our ability to foster a close relationship with them. More precisely, it can be done through measuring levels of psychic distance of newly admitted students in order to adapt the frequency and means of communication they most expect and/or desire based on their unique cultural backgrounds.

Unluckily or not, there is little agreement among scholars and researchers about operationalizing and measuring psychic distance. This fact provided for an opportunity to explore its different angles and multiple ways to measure it in an attempt to find the most suitable way for the purposes of the international office at UWSP. As this attempt is first of its kind, a comparative analysis of all measures of psychic distance was conducted, the best measure was chosen, explained, and justified for specific purposes of the OIE.

It has been found that the first measure of psychic distance that only truly measures cultural differences is insufficient, as it does not uncover all the levels of differences among countries. Many opponents of this type have found that psychic distance includes other things such as language, education levels, political systems, business differences, industrial development, and others (Fletcher & Bohn; 1998; Evans & Mavondo, 2002; etc.). The second type, which looks at differences on the macro level, has proved to be a more detailed tool that unveils many more additional factors that affect psychic distance. Some researchers argued, however, that it does not capture a more subtle, perceptual side of psychic distance (Sousa & Lages, 2011). The third measure also demonstrated certain limitations. Even though it seems to be one that grasps the biggest majority of variables out of all three measures, inconsistencies in what variables are included and how they are measured make this already complicated phenomenon even more flaw-prone (Brewer, 2007; Sousa & Lages, 2011). Additionally, both the first and third measures are heavily reliant on surveys, which requires a lot of time, subsequent analysis, and recalculation of the measure when some time has passed.

These factors specific to the first and third measures of psychic distance are impractical in the context of higher education because staff do not have time to be full-time researchers or have adequate resources to conduct such work. Because our goal of helping the UWSP Office of

International Education is more introductory, the feasibility of using the first or third measure seems to be minimal. However, the second, macro-level approach to measuring psychic distance is the most suitable for the OIE's purposes. Not only does it include a lot of components that make it possible to unveil differences between any two countries, but it also does not require heavy research. In fact, the measure is easily calculated based on information that is available publicly. Another benefit of the second measure is that even though information is not static, most recent information can always be accessed online, and the distance levels can be re-calculated with ease. Overall, this makes the second type a good introductory step toward understanding how international students differ from country to country, allowing the OIE staff to have a more in-depth understanding of subtle differences among newly admitted international students.

Limitations and Conclusion

As with any study, there are limitations that must be looked at further. The work of an international educator is a practical one, and there is little research happening in this field compared to other fields. This leaves a big gap to be filled by researchers, who are interested in finding out how to better equip international educators with tools to recruit and retain internationals to the US effectively. The biggest limitation of this study is the novelty of converging psychic distance and international student recruitment/retention. It is a promising method to learn more subtle differences about new students and adapt to their communication needs, but it needs to be checked for validity and reliability by other researchers.

The freshly added indicator, called *Internet Users*, should be the first to be empirically checked. Based on the prevalence of online communication with newly admitted international students, it was the author's guess that internet use patterns differ from one international student

to the next based on their country's political and economic situation and have an effect on how these internationals might be better communicated to. However, this indicator was added without having been checked empirically, which validates the concern of how good the indicator is at affecting psychic distance levels.

Additionally, even though Brewer's index that was chosen for use by the OIE accounts for a multitude of indicators that affect levels of psychic distance from country to country, his research was done and checked in terms of export behavior in the field of business. Thus, the index should be further checked specifically in the field of international student retention. Some of Brewer's indicators demonstrate their focus on business organizations' behaviors, so the significance of said indicators and their applicability in the field of international education should be further investigated. It is suspected that some indicators might have a bigger effect than others on international students. Lastly, we have no guarantee that Brewer's index captures every existing phenomenon that influences psychic distance. Exploration of other elements that might possibly have an effect on psychic distance levels is needed.

Notwithstanding the existing limitations to this study, practical significance of the index that the staff of the OIE can use with little training is abundant. Brewer's index offers a variety of factors that play into differences in psychic distance while being extremely easy to use, adjust, and re-calculate. Not only can the office use this index to answer their biggest questions of frequency and means of communication, but also integrate it in the overall process of recruiting and retaining international students as they see fit.

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Appendix A

Brewer's Psychic Distance Index

Table 1.
National Psychic Distance
Indicators

Primary Elements		Formative Indicators	Calculations
Commercial ties	1	Two-way trade	The proportion of total Australian exports going to each country in 2002–2003 (expressed as a decimal fraction) plus the proportion of total Australian imports sourced from each country (expressed as a decimal), normalized.
	2	Stock of foreign investment	The total Australian outward FDI stock invested in each country in 2001–2002 (expressed as a decimal fraction of the total outward FDI stock) plus the proportion of total inward FDI stock into Australia in 2001–2002 from each country (expressed as a decimal), normalized.
Political ties	3	Trade agreements	The number of formal bilateral or regional free-trade treaties in operation between Australia and each country in 2002–2003, normalized.
	4	Value of aid programs	The dollar value of official Australian aid programs to each country in 2004–2005, normalized.
	5	Trade representation offices	The number of Austrade offices in each country in 2003 plus the number of trade offices from each country in Australia, normalized.
Historic ties	6	Colonial relationship	Direct colonial relationship = 1, membership of the same empire = .5, and no colonial relationship = 0. Values are added for each country and normalized.
	7	Shared wars	World War I: ally = 2, neutral = 1, and enemy = 0; World War II: ally = 2, neutral = 1, and enemy = 0. Values for each war are added for each country and normalized.
Geographic ties	8	Geographic proximity	The direct distance between the closest two major port cities in Home and Away in kilometers, normalized.
Social ties	9	Cultural similarities	The cultural distance index that Fletcher and Bohn (1998) developed, normalized.
	10	Sport preferences	A country that regularly plays against Australia in cricket, rugby union, rugby league, and tennis is allocated 1 for each sport. These values are added and normalized.
	11	Language similarities	English is widely spoken = 0, English is widely spoken in business = .25, other languages that use the Roman alphabet are spoken = .5, and other languages that use other alphabets are spoken = 1.
Information ties	12	Secondary information availability	Value equals the number of catalog entries for each country in the University of Queensland library, normalized.

Appendix A (continued)

Primary Elements	Formative Indicators	Calculations
	13 Immigration numbers	The number of Australians living in each country plus the number of Australians visiting each country in 2001 plus the number of residents of Australia originating from each country plus the number of visitors to Australia from each country in 2001, normalized.
Development	14 Level of development of the foreign country	The United Nations human development index (normalized)
	15 Level of corruption of the foreign country	Transparency International corruption index (normalized)

Table 1.
Continued

Note. Reprinted from *Operationalizing psychic distance: A revised approach*, by Brewer, A. P.

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Appendix B

Brewer's Psychic Distance Index Between Australia and 25 Other Countries

(Normalized Values and Rankings)

Table 2.
The Psychic Distance Index
Between Australia and 25
Other Countries (Normalized
Values and Rankings)

	Canada	Chile	China	Fiji	Germany	Hong Kong	India	Indonesia	Italy	Japan	Kenya	Kuwait
1. Trade flows	.90557	.99395	.54647	.97680	.77434	.80471	.92519	.80307	.86302	.03089	1.00000	.98569
2. FDI	.95049	.99860	.98735	.99848	.95681	.85637	.99533	.98586	.99421	.77461	1.00000	1.00000
3. Trade agreements	.50000	.50000	.50000	1.00000	1.00000	.50000	1.00000	.50000	1.00000	.50000	1.00000	1.00000
4. Aid programs	1.00000	1.00000	.86983	.94238	1.00000	1.00000	.96051	.63039	1.00000	1.00000	1.00000	1.00000
5. Trade offices	.66667	.60000	.06667	.73333	.46667	1.00000	.33333	.40000	.40000	.13333	.93333	1.00000
6. Colonial ties	.66667	1.00000	1.00000	.66667	1.00000	.66667	.66667	1.00000	1.00000	1.00000	.66667	.66667
7. Shared wars	.00000	.50000	.25000	.00000	1.00000	.00000	.00000	.25000	.50000	.50000	.00000	.50000
8. Geography	.78944	.74619	.17892	.05673	.94698	.17892	.41893	.05399	.51804	.40868	.51457	.62925
9. Culture	.01718	.70790	1.00000	.51203	.05498	.70103	.32990	.62543	.07216	.51890	.41581	.46392
10. Sports	1.00000	.75000	1.00000	.75000	.75000	.25000	.75000	.75000	.75000	.50000	.75000	1.00000
11. Language	.00000	.50000	1.00000	.00000	.50000	.00000	.00000	.50000	.50000	1.00000	.25000	.25000
12. Information	.98327	.98752	.97529	.98258	.71321	.97116	.75772	.88432	.84153	.65908	.98580	.99728
13. Immigration	.87927	.98527	.82029	.92923	.86545	.76946	.92288	.81367	.83545	.66351	.99830	1.00000
14. Development	.03487	.27972	.70629	.54545	.10490	.16084	.86713	.76224	.12587	.04196	1.00000	.30070
15. Corruption	.10526	.27632	.80263	.56579	.23684	.19737	.88158	1.00000	.55263	.32895	1.00000	.55263
Psychic distance index	8.49878	10.82547	10.70375	9.65947	10.37018	8.05652	9.80917	9.95897	9.94291	8.05991	11.51448	11.34613
Psychic distance rank	7	19	18	9	17	4	12	15	13	5	25	22

Appendix B (continued)

	Malaysia	New Zealand	Papua New Guinea	Philippines	Singapore	South Africa	South Korea	Sweden	Taiwan	Thailand	United Arab Emirates	United Kingdom	United States
1. Trade flows	.82287	.63991	.94551	.95337	.70289	.94296	.64788	.95296	.81181	.86776	.96420	.60841	.00000
2. FDI	.98147	.76290	.99222	.99162	.88272	.99168	.98520	.99280	.99479	.99717	.99967	.27569	.00000
3. Trade agreements	.50000	.00000	.50000	.50000	.50000	1.00000	.50000	1.00000	.50000	.50000	1.00000	1.00000	.50000
4. Aid programs	1.00000	1.00000	.00000	.85721	1.00000	1.00000	1.00000	1.00000	1.00000	.97567	1.00000	1.00000	1.00000
5. Trade offices	.73333	.80000	.86667	.46667	.93333	.86667	.86667	.46667	.93333	.60000	.93333	.40000	.00000
6. Colonial ties	.66667	.66667	.00000	1.00000	.66667	.66667	1.00000	1.00000	1.00000	1.00000	.66667	.33333	.66667
7. Shared wars	.00000	.00000	.25000	.00000	.00000	.00000	.50000	.50000	.25000	.50000	.50000	.00000	.00000
8. Geography	.16835	.00492	.00000	.30054	.14615	.46623	.43669	.91679	.37592	.26180	.56073	1.00000	.76491
9. Culture	.80756	.02062	.51203	.53608	.65979	.06529	.69416	.29897	1.00000	.56357	.31615	.01718	.00000
10. Sports	1.00000	.25000	.75000	1.00000	.75000	.50000	1.00000	.75000	1.00000	1.00000	1.00000	.00000	.75000
11. Language	.25000	.00000	.00000	.00000	.00000	.00000	1.00000	.50000	.25000	1.00000	.25000	.00000	.00000
12. Information	.94865	.77482	.91528	.95506	.96704	.92891	.95077	.95975	.97198	.96013	1.00000	.00000	.68125
13. Immigration	.85303	.27834	.95531	.90179	.68474	.91497	.94315	.97437	.91372	.84146	.98671	.00000	.61989
14. Development	.39462	.11888	.90210	.57343	.17483	.75524	.18881	.00000	.38462	.49650	.31469	.06993	.02797
15. Corruption	.56579	.00000	.97368	.92105	.01316	.67105	.68421	.02632	.50000	.81579	.56579	.10526	.26316
Psychic distance index	9.68233	5.31705	8.56280	9.95681	8.08132	9.76967	11.39754	10.33863	10.88618	11.37985	11.05793	4.80980	5.27384
Psychic distance rank	10	3	8	14	6	11	24	16	20	23	21	1	2

Table 2.
Continued

Note. Reprinted from *Operationalizing psychic distance: A revised approach*, by Brewer, A. P.

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Appendix C

Adapted Psychic Distance Indicators

Primary Elements	Formative Indicators	Calculations	Useful Databases
Commercial ties	Two-way trade	The proportion of total US exports going to the foreign country last year (expressed as a decimal fraction) plus the proportion of total US imports sourced from the foreign country (expressed as a decimal), normalized.	KOF Globalisation Index: https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html
	Stock of foreign investment	The total US outward FDI stock invested in the foreign country last year (expressed as a decimal fraction of the total outward FDI stock) plus the proportion of total inward FDI stock into the US that year (expressed as a decimal), normalized.	KOF Globalisation Index: https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html
Political ties	Trade agreements	The number of formal bilateral or regional free-trade treaties in operation between the US and the foreign country last year, normalized.	KOF Globalisation Index: https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html
	Value of aid programs	The dollar value of official US aid programs to the foreign country last year, normalized.	US Foreign Aid Programs: https://www.foreignassistance.gov
	Trade representation offices	The number of US trade offices in the foreign country last year plus the number of trade offices from that country in the US, normalized.	US Trade Representative: https://ustr.gov
Historic ties	Colonial relationship	Direct colonial relationship =0, membership of the same empire =.5, and no colonial	Online Search

		relationship = 1. Values are added for each country and normalized.	
	Shared wars	World War I: ally = 0, neutral = 1, and enemy = 2. World War II: ally = 0, neutral = 1, and enemy = 2. Values for each war are added and normalized.	Online search
Geographic ties	Geographic proximity	The direct distance between the closest two major cities in the US and the foreign country in miles, normalized.	Distance calculator: http://www.distance.to
Social ties	Cultural similarities	Hofstede Insights' Country Comparison Tool, normalized	Hofstede Insights: https://www.hofstede-insights.com/product/compare-countries/
	Sport preferences	A country that regularly plays against the US in American football, basketball, baseball, and ice hockey is allocated 1 for each sport. These values are added and normalized.	Online search
	Language similarities	English is widely spoken = 0, English is widely spoken in business = .25, other languages that use the Roman alphabet are spoken = .5, and other languages that use other alphabets are spoken = 1.	Use Brewer's index for available countries and/or CIA World Factbook: https://www.cia.gov/library/publications/the-world-factbook/rankorder/rankorderguide.html
Information ties	Internet users	The percentage of the population of the foreign country who are internet users, normalized.	CIA World Factbook: https://www.cia.gov/library/publications/the-world-factbook/rankorder/rankorderguide.html
	Immigration numbers	The number of US citizens living in the foreign country plus the number of US citizens visiting the foreign	US Department of Homeland Security Yearbook of Immigration: https://www.dhs.gov/immigration-statistics/yearbook

		country last year plus the number of residents of the US originating from the foreign country plus the number of visitors to the US from the foreign country in last year, normalized.	
Development	Level of development of the foreign country	The United Nations Human Development Index, normalized.	http://hdr.undp.org/en/content/human-development-index-hdi
	Level of corruption of the foreign country	The Transparency International Corruption Perceptions Index, normalized.	https://www.transparency.org/research/cpi/overview