A New Perspective of Distance & Costs in Emerging Economies. The Reconciliation of Spatial with Liability of Foreignness Costs

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Abstract

Few studies have investigated costs borne by economic and geographic distance. The exploratory research's aim is threefold: first, to examine the costs geographic and economic distance produce. Second, to reconcile such costs with those borne by cultural and institutional distance. Third, to present the reconciliation of the above in a holistic conceptual distance framework, CAGE, suggesting a new itemization of CAGE distance framework. The paper is grounded on the argument that institutional and cultural distance produce liability of foreignness costs and argues that geographic and economic distance produce spatial communication and coordination costs. The conceptual pillar of the research is based on the reconciliation of Institutional theory with Transaction Cost Analysis. Joint Ventures are employed to emphasize the relationship between distance and costs. The core proposition of the paper is developed on the following: the higher the cultural, institutional, geographic and economic distance, the higher the likelihood for MNEs to succumb to JVs. Conclusions analytically elaborate on analysis, while conceptual and managerial implications are developed, suggesting avenues for future research.

Keywords*:* geographic and economic distance, spatial communication and coordination costs, CAGE, emerging economies.

JEL Classification Codes: L22, L220, L24, L240

Introduction

International Business (IB) literature has been devoted much attention on the reconciliation between distance, which typically refers to the extent of differences between country pairs(Hutzschenreuter et al. 2015, p. 1) and the costs of doing business abroad (CDBA) (Hymer, 1976; Zaheer, 1995; Eden & Miller, 2004), which typically refers to the disadvantages or additional costs borne by multinational enterprises (MNEs) that are not borne by local firms in a host country (Eden & Miller, 2004, p. 1). Scholars (Calhoun, 2002; Zaheer, 2002; Eden & Miller, 2004) have acknowledged that costs of doing business abroad involve both social, that is liability of foreignness, and economic-based costs (Eden & Miller, 2004), i.e., geographic and economic.

However, the main part of research has directed to the reconciliation of the social aspects -Liability of Foreignness- of costs of doing business abroad with cultural and institutional distance (Beugelsdijk et al. 2018; Kostova et al. 2019), putting aside, with few exemptions (Buckley & Casson, 1998), the examination of costs borne by economic-based activities. Furthermore, literature (Zhao et al. 2004; Tihanyi et al. 2005; Kirkman et al. 2006; Lu, 2006) has started to point to a number of conceptual and methodological issues in the way psychic and cultural distances have been conceptualized, attributing partly, such problems to the indistinguishability of cultural from geographic and economic distance. So, such realizations exacerbated the need for this research to focus on the reconciliation of geographic and economic distance with the costs they produce.

The aim of the paper is threefold: i) to examine the costs borne by geographic and economic distance, ii) to reconcile such costs with those borne by cultural and institutional distance iii) to integrate all the above in a holistic conceptual distance framework, CAGE(cultural, administrative, geographic and economic), as presented by Adamoglou & Kyrkilis (2016), that is, Cultural, Institutional, Geographic and Economic, suggesting a new itemization of CAGE distance framework. Grounded on the IB perception that cultural and institutional distance produce liability of foreignness costs (Kostova et al. 2019), the paper also influenced by economic geography theory proceeds by arguing that geographic and economic distance produce spatial costs related to communication and coordination costs. The proposed conceptual model is depicted in Figure 1.

In order to be able to present the integrative framework on a topic as broad and complex (Cantwell et al. 2010) as the reconciliation between distance and costs, the research emphasizes on Joint Ventures (JVs) and reconciles two conceptual pillars of IB literature: Institutional theory, and more particularly, New Organizational Institutionalism with Transaction Cost Approach (TCA). The core proposition of the paper is developed on the following argument: the higher the cultural, institutional, geographic and economic distance, the higher the likelihood for MNEs to succumb to JVs.

C*I*GE (Cultural, Institutional, Geographic and Economic) (Adamoglou & Kyrkilis, 2016), as derivative of CAGE (Cultural, Administrative, Geographic and Economic), is selected herein because CAGE has been widely recognized as the preeminent conceptual distance backbone within IB domain; it "offers a unique opportunity for researchers to bridge the general conceptualization of cost-risk" (Ghemawat, 2001, p. 3) with distance research. Furthermore, CAGE works as a valuable conceptual basis, bridging traditional comparative institutionalism with distance research (Kostova et al.2019). Consistently, CAGE emerges as a builtin rationale for approaching how relatively insufficient institutional and transactional considerations lead to a specific entry mode choice, JVs.

The context of the present analysis is emerging markets, such as Turkey, Argentina, Bangladesh, etc. "An emerging economy can be defined as an economy that satisfies two criteria: a rapid pace of economic development, and government policies favoring economic liberalization and the adoption of a free-market system" (Hoskisson et al.2000, p. 249). Such economies are considered to be "less sophisticated market supporting institutions that have fewer locational advantages based on created assets, such as infrastructure and human capital" (Meyer, 2004, p. 269). Furthermore, emerging economies share many common features related to their institutional, social, economic and political void configurations. Therefore, the institutional context of such economies provides an excellent research arena to explore how distance and costs are connected.

Synthesizing all the above, the paper contributes to the international business literature in five distinct ways: First, it reconciles the notions of distance with the different forms of costs, acknowledging that the conceptualization of cost is not unique and uniform, instead, the nature of costs depends on the nature of distance they come from. Second, it illustrates the under-examined aspects of distance, i.e., geographic and economic, as direct determinants of firms' international expansion, untangling them and stressing that such forms of distance should not be used as alternative or synonymous. Instead, they deserve their own conceptual and empirical room in the domain of IB. Third, it integrates all the above into a unified distance framework, proposing an innovative conceptual distance-risk basis. Fourth, using the JV mode case, the paper underlines the various aspects of JVs analysis and initiates the foundations for other entry mode specific analyses in IB domain. Last, it reconciles the notion of spatial costs that belong to economic geography domain with the IB literature, liability of foreignness costs, providing insights in the complex interplay between place and organizations.

The rest of the paper is structured as follows: The next section integrates the spatial perspective at both distance and costs conceptualization. A transactional and institutional reconciliation of communication and coordination costs follows. C*I*GE (Cultural, Institutional, Geographic, Economic) distance framework integrates spatial coordination and communication costs with liability of foreignness ones and defines the items which constitute the C*I*GE distance framework. Propositions development is based on analysis. Discussion elaborates on analysis, while conclusions focus on conceptual and managerial implications, suggesting avenues for future research.

A Spatial Perspective of Distance and Costs

Initially "psychic distance was introduced as a subjective influence moderating the role of objective economic distance" (Håkanson & Ambos, 2010, p. 5), thereby demonstrating that a "natural first candidate for economic distance is geographic one" (Le, 2017, p. 4). However, it is argued that in the increasingly globalized world geographic distance among countries might not capture all the aspects of economic distance, as it did in the past (Ghemawat, 2001; Le, 2017; Batsakis & Singh, 2018). This takes place because geographic and economic distance are framed as two different forms of distance, that subsequently, involve different aspects of it.

In particular, according to literature (Ghemawat, 2001; Berry et al. 2010; Baaij & Slangen, 2013; Beugelsdijk & Mudambi, 2013) the notion of geographic distance involves physical remoteness under the lens of different terms: kilometer, access to waterways, etc., (Ghemawat, 2001). Whereas, the notion of economic distance captures differences that refer either to "the economic development of the host country relative to that of the home country" (Tsang & Yip, 2007, p. 1156) or GDP differences between the home and host country (Beugelsdijk & Mudambi, 2010). So, the paper, following prior literature, circumvents the argumentation that economic-based activities are solely related to geographic distance (Eden & Miller, 2004) and classifies them into two different forms of distance: geographic and economic.

In this framework, relatively recent research (Berry et al. 2010; Zaheer et al. 2012) approaches geographic and economic distance through the spatial consideration (Beugelsdijk & Mudambi, 2013). There are many reasons for this approach, including that "space is a broad conceptualization which takes place at both the macro (e.g., trade flows) and micro level" (Beugelsdijk & Mudambi, 2013, p. 47); space refers to any characteristic- cultural, institutional, level of economic development and availability of resources- that generates variation and heterogeneity among places. Last, space coincides conceptually with the notion of distance, which is also regarded as broad, continuous and qualitative variable (Beugelsdijk & Mudambi, 2013).

Such spatial reasoning, however, did not remain still, it expanded to include the conceptualization of costs, as well. Scholars have defined/perceived such costs as spatial ones attributing to them a deeper conceptualization than that of liability of foreignness, which simply assume that costs are higher for foreign firms as compared to domestic ones (Zaheer, 1995). In this direction, they related spatial costs with the knowledge transfer, and subsequently, with communication and coordination costs (Dunning, 1998; Beugelsdijk et al. 2010).

This approach was grounded on the argument that "MNEs as border-crossing multi-location enterprises" (Beugelsdijk & Mudambi, 2013, p. 413) perceive geographic and economic distance as determinants that increase the costs MNEs face when expand abroad, since communication intensity decreases, making hard for MNEs departments to collaborate effectively and build a close relationship (Slangen & Hennart, 2008; Baaij & Slangen, 2013; Choi & Yeniyurt, 2015). In particular and borrowing from the subsidiary -level analysis, scholars have asserted that 'subsidiary' geographic distance increases the communication costs that corporate headquarters (CHQ) incur in exchanging knowledge with subsidiaries, achieving coordination between them, and monitoring their activities and performance (Harzing & Noorderhaven, 2006; Slangen, 2011; Dellestrand & Kappen, 2012).

In economic distance terms, the above reasoning was substantiated on the argument that low economic distance between two firms facilitates the flow of information and increases the probability that it be correctly interpreted (Johanson & Wiedersheim-Paul, 1975). As Dow & Karunaratna (2006, p. 582) have pointed out this tendency is attributed to the fact that "… the norms of business-to-business communication and interaction are… likely to be heavily influenced by the nature of similar economies, and thus by the similar level of economic development". So, following the above, the paper approaches the costs borne by geographic and economic distance as spatial communication and coordination transaction costs.

A Transactional and Institutional Perspective of Costs

In order to approach communication and coordination in conjunction with liability of foreignness costs via a unified distance framework, the paper develops a theoretical basis capable of accommodating such costs. It approaches spatial communication and coordination costs via TCA-efficiency perspective- whereas liability of foreignness costs-institutional perspective- via Institutional theory, accounting for micro theoretical rationales in understanding the detailed process of institutional management (Chung & Beamish, 2005).

Generally speaking, TCA's general argument suggests the types of exchanges that are more appropriately conducted within firm boundaries than within the market boundaries (Williamson, 1985). In particular, it frames a microanalytical framework that rests on the interplay between two main assumptions of human behavior: bounded rationality and opportunism, and two key dimensions of transactions: asset specificity and uncertainty, suggesting that transaction costs include both the direct costs of managing relationships and the opportunity costs of making inferior governance decisions. In this context, the most common forms of transaction costs related to direct costs, which include safeguarding, communicating of new information, renegotiating agreements, or coordinating activities to reflect new circumstances (Rindfleisch & Heide, 1997).

The fundamental idea of such costs is that they have the capability of developing any issue as a "contracting problem, which can be usefully examined through the lens of a transaction cost economizing perspective" (Williamson, 1998, p. 1089). This approach draws its conceptual logic from the argument that TCA reasoning is derivative of Institutional theory (Williamson, 1985; Chung & Beamish, 2005), "because institutions provide the structure in which transactions occur" (Brouthers & Brouthers, 2003, p. 205). Subsequently, communication and coordination costs may be combined with institutional-based costs perspective.

Nevertheless, Institutional theory is not a mono-dimensional conceptual logic. Instead, it involves three strands of institutional reasoning, i.e., New Institutional Economics, New Organizational Institutionalism and New Comparative Institutionalism (Hotho & Pedersen, 2012). The paper, despite it acknowledges the importance of New Institutional Economics and Comparative Institutionalism as country-centered analyses (Hotho & Pedersen, 2012; Kostova et al. 2019), it still recognizes that such institutional perspectives tend to constrain researchers' knowledge on the institutional context that characterizes a particular country. So, grounded on this argument in conjunction with the fact that scholars (Ghemawat, 2001; Fujita & Krugman, 2004) perceive entry mode decisions as cross-border activities that occur at both country and industry/firm level (Phillips et al. 2009), the paper employs New Organizational Institutionalism.

New Organizational Institutionalism, in contrast to New Institutional Economics that develops on formal and informal institutions of a country (North, 1990), perceives the institutional environment, as consisting of three distinct institutional pillars- regulatory, normative and cognitive (Scott, 1995). The regulatory pillar refers to the rules, laws and regulations that direct individual and firm behavior. "The normative pillar refers to the standards of behavior by a group of people that shape the way firms and individuals pursue their goals. And the cognitive pillar refers to the taken for granted beliefs and values within a society" (Scott, 1995) (Kedia & Bilgili, 2015, p.

923). So, New Organizational perspective delineates a broader conceptualization than New Institutional Economics that may involve both North's formal and informal institutions, and additionally, distinguish the conceptualization of informal institutions into two sub-categories, i.e., normative and cognitive (Gaur & Lu, 2007). Therefore, New Organizational Institutionalism responds in a more appropriate manner than New Institutional Economics to the examination of country and firm/industry characteristics that multilevel entry mode research domain necessitates.

In this framework and reconciling TCA and New Organizational Institutionalism into mode domain, the paper's core argument is developed on the reasoning that entry mode choices in emerging markets are affected by both TCA and institutional costs considerations, or else, each form of distance produces uncertainties, which result in communication & coordination and liability of foreignness costs, for the investing firm. So, in order to minimize the said costs, or else achieve a risk-adjusted return, and gain legitimacy in the host institutional environment, MNEs choose an institutional arrangement, JV, that lowers the costs derived from different forms of distance (cultural, institutional, geographic and economic), circumventing the market through internalizing its activities.

Dimensions of Cultural, Institutional, Geographic and Economic Distance

In order to present a holistic presentation of the proposed costs, the paper employs C*I*GE distance framework, that is Cultural, Institutional, Geographic and Economic, as proposed by Adamoglou & Kyrkilis (2016), suggesting specific dimensions that compose cultural, institutional, geographic and economic distance that produce the costs above.

The choice of C*I*GE (Cultural, Institutional, Geographic, Economic) is substantiated on the reasoning that CAGE (Cultural, Administrative, Geographic, Economic), as the basis of C*I*GE, has been widely recognized as the preeminent conceptual distance backbone within IB which offers a unique opportunity for researchers to bridge the general conceptualization of cost-risk (Ghemawat, 2001) with distance research. Besides, C*I*GE presents a holistic and 'panoramic' view of the different and various forms of distance, and it creates room to researchers, through its general nature, to capture different forms of distance under different conceptual settings.

Furthermore, C*I*GE conceptualizes the notions of cultural, institutional, geographic and economic distances "as systems of institutional arrangements of a country's socio-economic life that logically hang together" (Kostova et al. 2019, p. 471), since institutions play a decisive role in the formulation, implementation, and creation of competitive advantages (Ingram & Silverman 2002), and it is the dynamic interaction that exists between institutions and organizations that drives strategic choices (Hernàndez & Nieto 2012, p. 236).

In this sense, and acknowledging that many attempts have been recently made by researchers to decipher the role of institutions via institutional distance in entry mode choice literature (Gaur & Lu, 2007; Yiu & Makino, 2002), the paper proceeds and employs C*I*GE that is, cultural institutional instead of administrative, geographic and economic distance, arguing that institutional distance is broader conceptualization than administrative one, and subsequently, capable of engulfing the notion of administrative distance within it (Adamoglou

& Kyrkilis, 2016).

In this context and addressing first the dimension of institutional distance, Kostova (1999) argues that the cognitive and normative aspects of a country's institutional context are conceptually close to its culture, whereas the regulatory aspect is unique to a country's institutional context and not captured by culture. Thus, this research asserts that institutional distance is composed of a regulatory and a normative pillar, whereas the cognitive pillar is incorporated in the cultural dimension of the C*I*GE construct.

Considering geographic distance, it is suggested that the conceptualization of spatial consideration, as presented above, should be improved by incorporating new dimensions/items within it (Beugelsdijk & Mudambi, 2013). However, it is argued that this approach is not going to work, because it has been shown that many of the commonly used distance dimensions are highly correlated (Berry et al. 2010), making it difficult for researchers to untangle their individual effects (Zaheer et al. 2012). So, one possible solution to this is researchers to emphasize on the existing ones, and more particularly, border-effect dimensions (Beugelsdijk & Mudambi, 2013).

According to economic geography perception, one reason for this emphasis is that borders reflect an important and ignored dimension that should be incorporated into IB analysis, and specifically, the conceptualization of distance, in order to facilitate and enrich the conceptualization of distance, which is perceived as a broader and continuous measure. Another reason is attributed to the argument that, despite in Economic geography domain the conceptualization of liability of foreignness costs does not exist, borders that are conceptualized as the subnational differences within a country that interrupt the continuity of distance at the international level (Topaloglou, 2008; Beugelsdijk & Mudambi, 2013), are used to capture the socioeconomic perspective of spatial heterogeneity, or else the conceptualization of liability of foreignness costs. This implies that there is a conceptual matching between borders and liability of foreignness costs, something which is further reinforced by Hymer’s (1976) approach that has labelled liability of foreignness costs as border dimensions/effects. So, considering the above, the paper perceives geographic distance as a continuous measure which includes the dimension of border effects, that is, the subnational heterogeneities that exist in the same country.

Last, considering economic distance, scholars tend to approach the conceptualization of economic distance in terms of GDP differences, rates, etc., (Zejan, 1990; Padmanabhan & Cho, 1995), that is, in terms of economic growth. However, the paper, following the institutional perspective of C*I*GE distance framework, circumvents such argument and proceeds by applying the institutional perspective of economic distance that refers to New Development Path (Dunning & Fortanier, 2007). In this sense, economic development is conceived as the extent and quality of a country’s institutional infrastructure and social capital as main determinants of successfully creating and effectively deploying resources (R), capabilities (C), and markets (M) (Dunning & Fortanier, 2007; Håkansson & Ambos, 2010; Kostova et al. 2019).

This multidimensional perspective is linked with the approach that entry mode choices take place at both country and industry/firm level (Phillips et al. 2009). So, taking into consideration all the above, the paper approaches the notion of economic distance as the differences in the extent and quality of two countries’ institutional infrastructure and social capital.

Therefore, having categorized the costs borne by geographic and economic distance as communication and coordination transaction costs and defined the items that constitute the dimensions of cultural, institutional, geographic and economic distance, then it is argued that cultural, institutional, geographic and economic distance, which is perceived as the differences/dissimilarities between two countries (country A and country B) (Xu & Shenkar, 2002) produce the following:

- Cultural Distance involves cognitive differences which result in liability of foreignness costs.
- Institutional Distance involves regulative and normative differences, which result in liability of foreignness costs.
- Geographic Distance involves border differences, which result in spatial communication and coordination costs
- Economic Distance involves differences in the extent and quality of two countries' institutional infrastructure and social capital, which result in spatial communication and coordination costs.

Development of Propositions

Considering that cultural distance is part of institutional distance, and more specifically, is approached through the cognitive aspect of institutional distance, the paper develops the propositions of cultural and institutional distances simultaneously. In this context, when MNEs enter a foreign emerging market have two main options at their disposal, WOS vs JVs (Brouthers, 2002; Yiu & Makino, 2002). However, JVs in comparison to WOS, emerge as the dominant entry mode choice made by MNEs (Lu, 2002; Yiu & Makino, 2002; Beugelsdijk et al. 2018), according to the seven recent meta-analytic (Zhao, Tihanyi et al. 2005; Magnusson et al. 2008; Morschett et al. 2010; Reus & Rottig, 2009) works on cultural and one on institutional distance (Kostova et al. 2019).

More specifically, in emerging economies, JVs offer the advantage of external legitimacy—by allying with established firms when interactions with government officials generate uncertainty (Tolbert & Zucker, 1983; Yiu & Makino, 2002). This means that when MNEs face high cultural and institutional distance within a host emerging environment, then an adequate degree of legitimacy may act as abrasive board for them, since legitimacy may "yield government support, create access to political processes, and reduce institutional uncertainty (Uhlebruck et al. 2006, p. 406). According to Suchman (1995) and Ahlstrom & Bruton (2001), legitimacy is regarded as a protective shield against possible LoF costs MNEs face, because it evokes the support of other organizations for the protection of new incoming MNEs, and subsequently, reduce "xenophobic reactions in host country" (Hennart, 1988, p. 964).

Beyond, JVs offer another important advantage that may counterbalance the liability of foreignness costs: access to local networks (Rose-Ackerman, 2001; Uhlenbruck et al. 2006). This kind of access is especially important when is examined under the lens of emerging economies, which lack tight regulative agents able to balance the presence of such networks. So, when MNEs realize that the only way to overcome LoF costs is to participate in local networks, then JVs emerge as the appropriate solution for them (Uhlebruck et al. 2006). Following the above, it is proposed that

Proposition 1: *The higher the cultural and institutional distance, the higher the* liability of foreignness *costs MNEs face, and subsequently, the higher the likelihood for MNEs to subject to JVs in comparison to WOS.*

Despite scholars (Clark & Pugh, 2001; Choi & Yeniyurt, 2015) have acknowledged that geographic distance facilitates MNEs abilities to broaden their scope in geographically distant markets. However, it is still recognized (Malhotra et al. 2009; Choi & Yeniyurt, 2015) that the main argumentation, considering geographic distance and firms' internationalization process, develops on the negative relationship between them, that is, high geographic distance contributes to management and coordination costs (Fladmoe-Lindquist & Jacque, 1995; Slangen, 2011 Asmussen & Goerzen, 2013).

In this sense, WOS, despite they "provide control and profit potential" (Uhlebruck et al. 2006, p. 405), JVs contribute to the reduction of such costs (Anderson & Gatignon, 1986; Wilkinson et al. 2008; Malhotra et al. 2011). According to Choi & Yeniyurt (2015), one reason for this is that MNEs in many industries in emerging economies need to produce knowledge-intensive product/services. This form of knowledge needs advanced information communication technologies (ICT) (Nippa & Reuer, 2019), the effective coordination of which is achieved through collaboration and face-to face communication for a better exchange of technological knowledge (Choi & Yeniyurt, 2015). However, as geographic distance increases, communication density decreases (Johanson & Wiedersheim-Paul, 1975; Ghemawat, 2001). So, solution may be the creation of JVs for two reasons: first, JVs contribute to the reduction of geographic distance between firms (Choi & Yeniyurt, 2015). And second, JVs corroborate MNEs' face-to face contact and communication, thereby increasing the possibility to create more cooperative and productive business environments (Ganesan et al. 2005). In this perspective, it is proposed that

Proposition 2: The higher the geographic distance, the higher the spatial communication costs MNEs face, and subsequently, the higher the likelihood for MNEs to subject to JVs in comparison to WOS.

Considering the distinction between economic growth and development presented in C*I*GE distance framework, it is mainly argued that similarity in economic development and associated structural characteristics facilitates the flow of communication between firms, because communication increases the probability that knowledge be correctly interpreted" (Håkanson & Ambos, 2010).

In this direction, JVs play significant role, since they facilitate a collaboration spirit under a new and uniform governance structure (Fang & Zhou, 2010). The importance of this argument has been well documented especially in emerging economies (Tsang, 2002 a, b). In such economies the local partner's knowledge and the foreign partner's knowledge separately are insufficient to produce the willing outcome of economic development (Fang & Zhou, 2010). So, a 'business marriage', through JV, in which the local partner may be the feeder of the local knowhow for the foreign partner and the foreign partner the "door-opener" (Morschett et al. 2010; Harzing & Pudelko, 2016) to positive spillovers for the host country (Tsang, 2002), create the appropriate conditions to overcome such problems.

However, such spillovers, in order to be viable and create the intended results in the host country, need to find a fertile host institutional environment capable of supporting them. So, this condition pushes the host institutional environment to restore its economic institutions in order to accommodate such spillovers. In this sense, the outcome from the use of JVs is twofold: i) the diffusion of positive spillovers in the host institutional setting and ii) the creation of an appropriate institutional setting that can support the positive spillovers. In this framework, it is proposed that

Proposition 3: The higher the economic distance, the higher the spatial communication costs MNEs face in the host country, and subsequently, the higher the likelihood for MNEs to subject to JVs in comparison to WOS.

Conclusions

Despite the fact that distance literature has made progress and shifted its focus towards reconciling cultural and institutional distance with liability of foreignness costs, little is known about what economic-based activities involve and what kind of costs produce. Taking into consideration the above, the paper' goal is threefold. First, to illustrate that costs borne by geographic and economic distance are spatial communication and coordination costs. Second, to reconcile, such costs with liability of foreignness costs in a unified distance framework. And third, to present a new conceptualization of C*I*GE capable of involving the new aspects of literature considering the four main dimensions of C*I*GE. To do so, the paper employed the JV setting in the context of emerging economies.

Synthesizing all the above, the paper contributes to existing research by reconciling the notion of distance with different forms of costs, liability of foreignness and spatial communication costs, something that it takes place for the first time in IB domain, to the best of our knowledge. In this manner, the paper acknowledges that the notion of costs is not unique and uniform. Instead, the nature of them is related to the nature of distance they come from. Furthermore, the paper brings to the fore the under-examined aspects of distance, i.e., geographic and economic, as direct determinants of firms' international expansion, untangling them and stressing that such forms of distance should not be used as alternative or synonymous forms of distance. Last, the paper, employing the JV mode case, illustrates the various aspects of JVs analysis and initiates the foundations for other entry mode specific analyses in IB literature.

On the basis of the above some conceptual and managerial implications may be drawn. In conceptual terms, the paper opens up a wide range of unexplored aspects in IB terrain, regarding the complexity of firm's entry mode choices, distance and costs. Even within the simplicity of Figure 1, it is illustrated that the contingency between different forms of distance in accordance with different forms of costs is obvious. In particular, the paper offers a valuable a basis of costs' classification, circumventing the dominant perspective of IB literature that economic-based activities produce solely costs of doing business abroad. Furthermore, it addresses the argument that "the social interaction of costs within locations are not uniform, but differ depending on the nature of the transacting entity" (Beugelsdijk & Mudambi, 2013, p.419).

In this framework, the paper clearly put emphasis on the argument that "there is much more to these social interaction costs than liability of foreignness (Zaheer, 1995), which simply assume that they are higher for foreign firms as compared to domestic ones. Moreover, it brings to the conceptual arena a realistic, spatial, and simultaneously specific-based view, including border and economic development considerations, which are clearly contingent to the institutional perspective of C*I*GE distance framework.

Besides, the paper 'untangles' and frames in a concise manner two under-examined forms of distance-geographic and economic- that thus far were used interchangeably. In this sense, it is suggested that studies that approach geographic and economic distance as synonymous run the risk of offering mono-dimensional conceptual, and subsequently, empirical results. Furthermore, it underlines that geographic and economic distance through specific considerations, i.e., border and economic development, may move IB domain beyond general and conventional distance conceptualizations and help it to discern and engulf more specific differences, thereby generating more precise estimates of the impact of geographic and economic distance on FDI (Iammarino & McCann, 2013) reasoning.

Last but not least, the present analysis through the JV-oriented analysis, address clearly the callings of Nippa & Reuer (2019) for more consolidated research in the domain of JVs. In particular, it addresses the twofold recommendations of Beugelsdijk & Mudambi (2013) for future research that directs first to the exploration of the spatial variation MNEs confront when internationalize their activities abroad. And second, it addresses the distinction between border and distance effects.

In managerial terms, the research demonstrates that MNEs should account for the hazards of geographic and economic distance and calibrate their international mode strategies, accordingly. Thus, although geographic and economic distance are but two of the many challenges faced by MNEs, and while the pursuit of strategic objectives remains the underlying driver of cross-border investments, MNEs managers should also pay attention to the manner such goals are sought. Moreover, the paper emphasizes that different forms of distance bring about both challenges and opportunities for MNEs, when expand abroad. So, managers should consider not only the ways MNEs may address potential challenges but also to address the opportunities inherent in cultural, institutional, geographic and economic distance. In this context, managers are able to widen their perspectives and embrace their agentic view or else to manage effectively the different forms of distance and the costs produced by them. This attitude will help them to tackle both the conundrum of embedded agency and realize their impact in changing the institutional environment in which take place.

Further Research

Further research would expand investigation into several directions. First, empirical research would enhance the credibility of the paper. Second, the analysis of other specific ownership patterns, such WOS, over time would enhance our understanding of the impact of institutional- and economic-based changes on equity compositions of subsidiaries. Last but not least, the classification of investing economies into developed and emerging would also provide new and in-depth understanding of the way MNEs invest either in a country of the same development level or in a more developed country.

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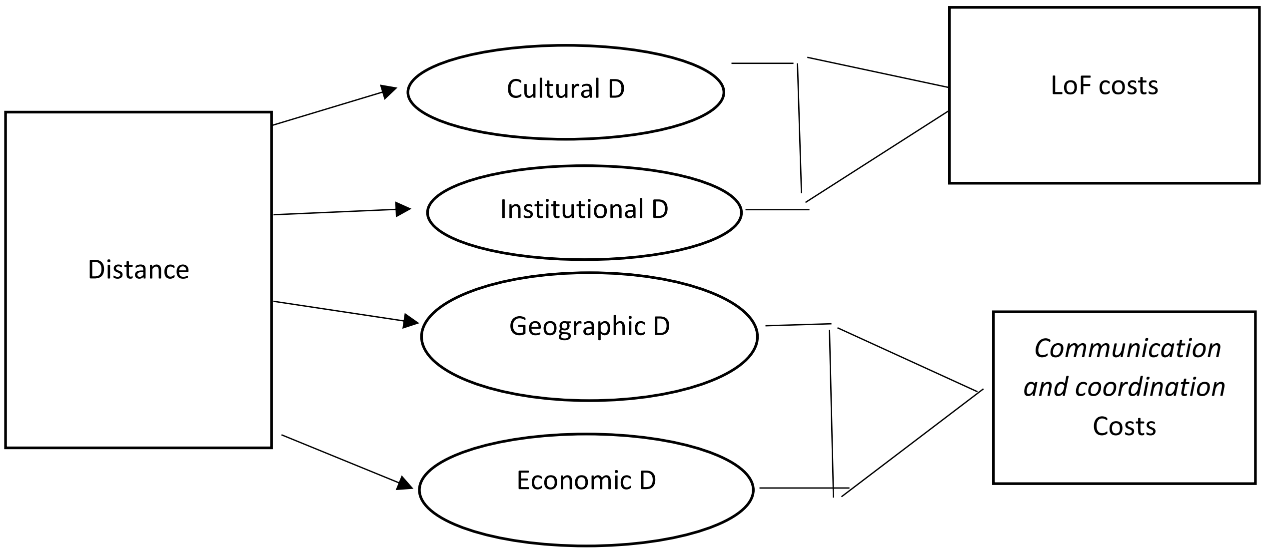
Figure. 1



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