CULTURAL DISTANCES AND ITS ASSOCIATION TO TIME SPENT ON CONFLICTS

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Abstract: Conflict costs can be used to determine conflict outcomes and can be measured among others in terms of lost time. So far, no study has investigated the effects of cultural distances on conflict costs. Our study tries to add new findings by investigating the influence of cultural distances on internal indirect conflict costs. A survey with 226 participants was conducted to measure the time spent on conflicts. Each participant reported on a conflict situation he or she was personally involved in. We used linear regression analysis to test our hypotheses. We did not find support for our hypotheses that the larger a cultural distance was, the more time was spent on a conflict. According to our study, cultural distances do not explain conflict costs and it cannot be proven that the greater a distance, the higher the conflict costs. In a more globalized world, it is positive that despite great cultural distances, time spent on conflicts does not increase. This can encourage leaders to capture the benefits of diversity, whereas the consequences on at least some conflict costs are low.

Keywords: cultural distances, Hofstede, internal indirect conflict costs, lost time, conflicts.

JEL Classification: M12, M14, M16, M45.

1 Introduction

Internationalization and cross-border business activities shape the world's economy. Disruptions of international trade, such as the ones caused by the Covid-19 crisis, demonstrate the great extent to which businesses and countries rely on global interactions. In line with the trend of globalization and also driven by the endeavor for competitiveness and success that cannot be reached by focusing on economic indicators only (Canen and Canen, 2008), the necessity arises to better understand cross-cultural differences (Chen, et al., 2003; Friedman, et al., 2006; Doucet, et al., 2009) regarding social parameters, such as employee requirements (Ascalon, et al., 2008) or conflict management (Friedman, et al., 2006; Chen, et al., 2003; Doucet, et al., 2009). Conflict is defined as "perceived incompatibilities or discrepant views among the parties involved" (Jehn and Bendersky, 2003). Research studies present convincing findings on the consequences of conflict, reaching from positive performance outcomes (Jehn and Bendersky, 2003; Pelled, et al., 1999b) to negative effects on advice seeking, trust, group performance, well-being, or satisfaction (Jehn and Bendersky, 2003; De Dreu and Weingart, 2003; Wit, et al., 2012; Kuriakose, et al., 2019; Marineau, et al., 2018). To determine the financial effects of conflict, the concept of conflict costs was introduced (Buss, 2011; Freres, 2013; Dirrler and Podruzsik, 2022) and is now used to measure conflict consequences more quantitively (Dirrler and Podruzsik, 2022). Prior studies presented that companies spend €251 for a conflict of up to 1 month and €911 for conflicts of 6–12 months for each person involved. These figures do not include all possible conflict costs but only represent the financial burden caused by lost time on some internal indirect conflict costs. This can, for example, be people thinking about a conflict or resolving it, instead of carrying out their actual work. Potentially, additional costs would need to be added for a holistic overview that can be, for example, in more severe cases legal or turnover costs (Dirrler and Podruzsik, 2022). Researchers suggest turnover costs to reach 25–240% of annual salary costs (Conbere, 2000; Kreisman, 2002) and legal costs £750 (CIPD, 2011). Considering cultural diversity as an additional variable in the research of conflict costs, there are several limitations. First, cultural diversity is often considered as one variable; however,

this is often too short-sighted, as it is difficult to express or measure cultural differences using one universal parameter. Inter alia, this can be traced back to the differences between the nationalities, as a group of Indians, Russians, Egyptians, and Chinese people differs to a group of Japanese, Chinese, American, and French members (Ayub and Jehn, 2014). To overcome this problem by addressing the divergent differences, the model of social distances was introduced (Ayub and Jehn, 2014; Hutzschenreuter and Voll, 2008). Second, there is no study yet investigating the relation or effect between diversity and conflict costs. So far there are only studies indicating the correlation between cultural diversity and conflicts (Vodosek, 2005, 2007; Ayub and Jehn, 2014). The focus lies on general conflict outcomes, instead of conflict costs. The overall research objective is to evaluate the effects of cultural distance on lost time due to internal indirect conflict costs. We test whether there is an association between the amount of lost time due to a conflict and the extent of a cultural distance. Our research addresses a current research gap and presents new findings on the link between diversity and conflict. Going beyond the scientific contribution, our study provides important insights for companies on how to ideally staff teams and manage intercultural workforces.

2 Theoretical foundation

2.1 Conflict costs

Conflict costs can be defined as "the financial costs caused by conflicts that negatively affect an organization's overall financial performance. A company can either achieve its desired outcomes, but with reduced revenue due to the additional financial costs of conflict, or achieve lower outcomes due to the extra costs" (Dirrler and Podruzsik, 2022). The research in the area of conflict costs is limited, whereas Slaikeu and Hasson (1998) were one of the first researchers investigating and pointing out the importance of the topic. Buss (2011) followed and suggested three conflict cost clusters with different cost variables. He distinguishes costs to an organization, to employees, and to customers (Table 1). Freres (2013) defined eight conflict cost themes, each comprising specific cost variables (Table 1). Conflict cost variables are similar in conflict cost research (Dirrler and Podruzsik, 2022); however, previous research studies missed to provide precise definitions for conflict costs in general and in the different clusters (Buss, 2011; Freres, 2013). Dirrler and Podruzsik (2022) introduced four conflict cost clusters (Table 1) based on the conflict cost definition above, differentiating internal and external costs, as well as direct and indirect costs. In addition to the clustering, they also provide first definitions and list the cost variables accordingly. The cost variables are based on the previous research studies and in line with most of the cost variables stated by other researchers like Buss (2011) and Freres (2013). Internal direct conflict costs are defined to have direct effects on business revenues or outcomes and are claimed to be rather visible in its form. They are caused by the company itself or internal stakeholders. By tracking key performance indicators such as performance or productivity levels, as well as deadlines, these costs become visible. One major part of this category comprises legal costs, followed by harmful intentions. Internal direct costs also refer to lower performance, productivity and quality levels, inabilities to meet deadlines, or bad decision-making. Internal indirect costs are evoked internally and comprise costs with an indirect effect on outcomes and revenues. They are less visible, and to investigate these costs, it is essential to carry out in-depth interviews, questionnaires, or analysis. Businesses are expected to be less aware of these costs. People involved in conflict are among others expected to spend less time at work and have an increased number of sick leaves or even physically or psychologically ill, all leading to internal indirect costs. External costs refer to the customer perspective and summarize costs that are caused by the company or its external stakeholders. External direct costs are again visible to companies and have direct effects on outcomes and revenues. Indirect costs are more difficult to detect and summarize a damage to the reputation of an employer, leading to an increased difficulty to attract talents, as well as a damaged brand image.

Table 1. Conflict cost clusters, variables and definitions
(*Source:* Authors' own research)

Buss (2011)	
Cost cluster	**Variables/definition**
Costs to an organization	Productivity, absenteeism, presenteeism, turnover, reputation, theft, damage
Costs to employees	Attacking behavior, increased stress levels, burnout, illness, lower motivation, avoiding or attacking behavior, interruptions, not listening, finding unnecessary fault
Costs to clients	Damages on a company's reputation or on customer satisfaction
Note: Precise definitions of the term conflict costs or the clusters are not provided.	
Freres (2013)	
Cost cluster	**Variables/definition**
Medical health	Sick leave, accidents, physical disability, health insurance premium
Individual psyche	Job motivation, satisfaction or commitment, and diligence
Wasted time	Absenteeism, presenteeism, time spent on conflict, pretending to work
Counterproductive work	Theft, violence, sabotage, vandalism, incivility
Team behavior	Decision-making, individual's morale, organizational citizenship behavior
Customer	Complaint handling or customer service
Human resource and organizational development	Turnover, employer reputation, relationship instead of task-driven assignment of people, distrust, and change resistance
Legal and dispute fees	Grievance, litigation, discrimination claims, compensation
Note: Precise definitions of the term conflict costs or the clusters are not provided.	
Dirrler and Podruzsik (2022)	
Cost cluster	**Variables/definition**
Internal direct conflict costs	Legal and dispute costs, discrimination claims, grievance, compensation settlements, litigation, theft and damage, fees of lawyers and professionals, accidents, vandalism, sabotage, performance declines, decreased quality, inability to meet deadlines, loss in productivity, increased supervision costs
	Definition: Direct effect on companies' business revenue or desired outcome and correlated to internal stakeholders
Internal indirect conflict costs	Wasted time worry about a conflict – dealing with it and resolving it – pretending to work, absenteeism, presenteeism, decreased time at work, avoiding behavior/shun conflict, extra time gathering information, counterproductive work behavior, attacking behavior, psychological and physical disease, sick leave, less diligence, voluntary departure from team and from organization, decreased work effort, change resistance, bad-quality decision-making, no decision-making
	Definition: Solely indirect effect on companies' business revenue or desired outcome and correlated to internal stakeholders
External direct conflict costs	Legal suits, compensation claims, customer complaint handling, loss of ongoing relationship
	Direct effect on companies' business revenue or desired outcomes and correlated to external stakeholders
External indirect conflict costs	Employer reputation, difficulty to attract talent, damage to brand image
	Solely indirect effect on companies' business revenue or desired outcomes and correlated to external stakeholders

Quantitative data are rare for all of the abovementioned conflict cost categorizations. Buss (2011) and Freres (2013) did not focus their research on measuring conflict costs. Freres (2013) identified 12 papers that present quantitative data on individual elements. Examples are turnover costs (Conbere, 2000; Kreisman, 2002), lawyer fees (CIPD, 2011; Murtha, 2005), lost time (Murtha, 2005; Thomas and Schmidt, 1976; Katz and Flynn, 2013; OPP and CIPD, 2008), or performance and productivity declines (Porath and Pearson, 2009; Harris, 2008). Dirrler and Podruzsik (2022) focused their measurement on internal indirect conflict costs only, which can be measured in terms of lost time.

To further investigate conflict costs, the clusters of Dirrler and Podruzsik (2022) were chosen, as they provide most accurate definitions, as well as a methodology to measure conflict costs and quantitative

data. As the perspectives of measurement vary, it is not possible to measure all costs simultaneously with only one approach. Internal direct costs are mostly visible to upper management or HR departments. In comparison, internal indirect costs need to be gathered by interviewing employees and analyzing their work behaviors on an individual level. Due to the different stakeholders, external costs demand different measurement approaches too. Based on the foundation already laid by previous studies (Dirrler and Podruzsik, 2022), the focus of this paper is on internal indirect conflict costs, measured in terms of lost time.

2.2 Cultural diversity

Hofstede (2001) defined culture as the "collective programming of the mind that distinguishes the members of one group or category of people from another" (p. 9). "The 'mind' stands for the head, heart, and hands – that is, for thinking, feeling, and acting, with consequences for beliefs, attitudes, and skills" (Hofstede, 2001) In line with other research studies (Kluckhohn, 1951; Schwartz, 1994), Hofstede (2001) argues that values are embedded in culture and are invisible, but they can be demonstrated in the form of behavior. In addition, culture becomes visible via symbols, heroes, and rituals that are used and shared by members of the same culture. While individuals have a personality that describes their uniqueness, a group has its culture generating the purpose of uniqueness. Most often, culture refers to a society, but theoretically organizations, gender groups, or families can also possess their own cultures. Despite many countries consisting of different ethnical groups, they are still expected to share common values and traits that make them part of the country's cultural society (Hofstede, 2001). Hofstede's (2001) definition is only one, among many definitions of culture, as the difficulty remains in academia to find a collective and unique definition. However, it possesses the most widely used aspects of culture, which are values, rituals, heroes, and symbols (Jones, et al., 2007). The differences of values across geographical areas are also the focus of the research of culture in the field of international management, as well as the understanding on how these divergent values influence cultural dissimilar individuals (Sackmann and Phillips, 2004). Within social science, the work on culture involves norms and values that are collectively shaped and how they influence individuals in social groups (Anderson-Levitt, 2003).

Diversity refers to any attribute people can use to conclude that someone else is different to them (Williams and O'Reilly, III 1998; Mannix and Neale, 2005; Harrison and Klein, 2007). Many forms of diversity are known, reaching from diversity based on age, nationality, gender, knowledge, or values to tenure or title diversity (Mannix and Neale, 2005). Some of these parameters such as nationality or age are visible in its form and can be recognized when meeting someone the first time, while other attributes such as tenure are invisible and demand further information for recognition (Harrison, et al., 2002; Pelled, et al., 1999a). Diversity can be described with three theories that are social identity and social categorization theory, as well as similarity theory (Tajfel and Turner, 1986; Williams and O'Reilly, III 1998). All three principles have in common that people tend to favor similar others. Social identity and social categorization theory describe individuals using visible differences, for example, based on nationality, to form in-groups and out-groups and indicate more positive attitudes toward in-group members (Tajfel and Turner, 1986). Similarity theory highlights the already indicated findings that a person's feelings and willingness of cooperation are always more positive toward similar others (Williams and O'Reilly, III 1998; Byrne, 1971).

2.3 Cultural distance

Based on different values, rituals or symbols cultures differ from each other. This phenomenon of differences is called cultural distance and describes the magnitude of differences between one country to another in regard to its norms and values (Drogendijk and Slangen, 2006; Hofstede, 2001; Kogut and Singh, 1988). Despite the difficulty to conceptualize culture (Werner, 2002; Tsui, et al., 2007; Gelfand et al., 2007; Hofstede, 2006) and to agree on a jointly accepted theory or methodology (Aycan, 2000; Smith, 2003), cultural distance is a widely used construct in the field of international business (Shenkar, 2001; Drogendijk and Slangen, 2006). Even though the measurement of differences is essential for

scientific research, there is not yet a commonly accepted method for it. Hofstede's (1980) work was one of the first ones considering cultural distance (Xiumei and Jinying, 2011). It has been developed further over the last decades (Hofstede, 2001; Hofstede and Hofstede, 2005) and has a significant influence on the measurement of cultural distance until today (Xiumei and Jinying, 2011; Tung and Verbeke, 2010; Drogendijk and Slangen, 2006). Hofstede conducted a survey at IBM, from which four clusters derived to differentiate culture, being power distance, uncertainty avoidance, individualism, and masculinity, which were later on complemented by long-term orientation (Hofstede, 1980; Hofstede, 2001) (Table 2). Inequality is present everywhere and can reach from wealth to power and prestige at the same time. Power distance refers to the way societies handle inequality and how it is accepted and expected. Uncertainty is present in every society; however, the way people deal with it can differ, which is described by uncertainty avoidance referring to whether individuals feel comfortable with uncertainty or unstructured situations. Individualism describes the relationship between individuals and a group and refers to the degree of integration. Masculinity attributes are goal or money orientation, whereas female characteristics are related stronger to social norms such as relationship building or supporting each other. The masculinity dimension explains which attributes are stronger valued within a certain culture. The fifth dimension of long-term orientation is based on Confucius teachings and outlines a focus on persistence and thrift, compared to short-term orientation with a stronger focus on respecting traditions and saving face. Another widely used model to measure cultural distance (Xiumei and Jinying, 2011) is the GLOBE model of House et al (2004), which introduced nine cultural dimensions (see Table 2 for an overview). They reach from uncertainty avoidance, representing the desire of a society for structure and consistency, power distance, similar to the model of Hofstede to institutional collectivism, which defines the extent to which individuals are motivated by institutions to be part of broader entities, instead of pursuing autonomy or individual freedom. In-group collectivism is another dimension that also contains parallels to Hofstede's model (1980), defining the relationship toward families or organizations and the extent and expectation of pride and loyalty of individuals. Gender egalitarianism encourages gender equality, whereas the dimension of assertiveness defines the degree to which individuals of a society show aggressive or confrontational behavior. Future orientation represents the degree to which people prefer immediate benefits compared to future ones, followed by performance orientation, describing a society with a reward system and strong focus on performances. Lastly humane orientation demonstrates attributes such as fairness, generosity, or kindness of a society. Schwartz (1994) criticizes Hofstede's model (1980) that the defined dimensions might not be complete, as only 53 nations or regions were considered within his first study. He suggests that the focus on other countries might have evoked other clusters. To overcome this bottleneck, Schwartz (1994, 1999) based his study on individual values. In previous studies, Schwartz (1992) had already defined individuals' values, which were tested in 20 countries and 13 languages. From this list, he extracted those values that were understood in the same way across countries and based his cultural dimension development on these and derived with seven cultural dimensions (Schwartz, 1994, 1999). Embeddedness is the first dimension and describes the attempt of a society to maintain a certain status-quo or traditional order. Intellectual and affective autonomy represent the degree to which an individual can pursue his or her ideas or affective desires freely. The fourth dimension, called hierarchy, refers to inequality again and refers to the degree to which unequal power or roles are accepted. Egalitarian commitment describes the extent to which individuals are willing to put their own interests aside in order to foster the welfare of others. Harmony refers to the interest of being part of an environment harmoniously, whereas mastery concerns the interest of developing by being self-assertive (also see Table 2). So far, no model meets all requirements and criticism is diverse. Schwartz's (1992, 1994, 1999) model is praised for its deep theoretical foundation, but criticized for its little practical application (Steenkamp, 2001). Hofstede's cultural clusters (2001) are among others

Table 2. Overview – cultural dimensions
(*Source:* Authors' own research)

Hofstede (1980; 2001)*	
Cultural dimension	**Variables/definition**
Power distance	How inequality is handled
Uncertainty avoidance	How people deal with uncertainty
Individualism	Degree of integration between individuals and groups
Masculinity	Degree of masculine attributes within a society
Long-term orientation	Degree of valuing persistence and thrift
*Model used in the present study.	
House et al (2004) – GLOBE model	
Cultural dimension	**Variables/definition**
Uncertainty avoidance	Desire for structure and consistency and reliance on norms, rules, and procedures
Power distance	How inequality is handled
Institutional collectivism	Degree of collective actions encouraged by social institutions
In-group collectivism	Importance of pride, loyalty, and cohesiveness
Gender egalitarianism	Degree of minimizing gender inequality
Assertiveness	Degree of aggressive or confrontational behavior
Future orientation	Importance of planning or long-term success compared to immediate benefits
Performance orientation	Extent to which performance, innovation, high standards, or excellence is encouraged
Humane orientation	Value representation such as fairness, friendliness, or generosity
Schwartz (1994; 1999)	
Cultural dimension	**Variables/definition**
Embeddedness	Avoidance of disturbances of traditional order
Intellectual autonomy	Autonomy or freedom in regard to the pursuit of ideas, thought, and creativity
Affective autonomy	Autonomy or freedom in regard to the pursuit of pleasure, stimulation, and excitement
Hierarchy	Degree of clear social order
Egalitarianism	Everyone is considered as equal
Harmony	Protection of environment, desire of harmony, and emphasis on the group
Mastery	Success through personal action and efforts to get ahead of others

criticized, because the data were gathered at one company only, that the data are rather old and cultural change has taken place by now, and that other questions might have derived other values (Schwartz, 1992; Schwartz, 1994; Steenkamp, 2001; Oyserman, et al., 2002; McSweeney, 2002); however, it is still among the most widely used frameworks with a usefulness for cross-country studies (Kirkman, et al., 2006; Sondergaard ,1994; Tung and Verbeke, 2010). The GLOBE model is criticized for its empirical evidence, which indicates inconsistencies in its statistics, considering the correlations for example (Hofstede, 2006; Minkov and Blagoev, 2012; McCrae, et al., 2008).

To research cultural distance in our study, we use the cultural dimensions of Hofstede (2001; 2005), because these are the most widely used dimensions and the model has proven its usefulness in a variety of studies. Furthermore, the model was further developed, and the data were collected in more countries.

3 Hypotheses

Power distance refers to inequality within a society and how people expect or accept it. Inequality can have many facets reaching from physical or mental features, to social status, prestige, wealth, power, and even up to laws, rights, or rules (Hofstede, 2001). Some people can benefit from several characteristics, such as wealth, power, and prestige, at the same time, whereas others such as athletes might only possess more beneficial physical characteristics. In each society, there are people supporting inequality, whereas others try to avoid or abolish it. Due to hierarchies in organizations, inequality is inevitable, leading to an unequally distributed power across the different levels (Hofstede, 2001). Power means that someone can potentially decide or even direct the behavior of someone else, whereas the other person does not have the same potential. Power distance is understood as inequality of power between someone more and someone less powerful, who are part of one social system, with loose or tight ties. In high power distance

countries, people are more likely to accept and expect inequality in their daily lives and organizations, compared to low power distance countries, where inequality is less tolerated. Translating these differences into organizational rules, in high power distance countries, subordinates expect to be told what to do, demand close supervision and an authoritative leadership style, as well as tall organizational pyramids. Decisions are made centrally, and managers abusing their power are not confronted. They are expected to have significantly higher salaries, privileges, and status symbols. In low power distance countries, hierarchies are flat, the relationships between subordinates and managers are more pragmatic, and information is more openly shared. Subordinates more openly express their anger or opinions, for example, in case of power abuses. The leadership style is more consultative, and authority is widely distributed, whereas the salary range between top management and workers is less severe (Hofstede, 2001). There have been studies that investigated the effects of inequality on civil conflicts or war and found that inequality increases the likelihood of conflict (Bartusevicius, 2014) and that economic inequality is important to explain these civil conflicts (Cramer, 2003). More workplace-related findings indicate that the way people feel about and deal with a conflict will differ significantly in cultural diverse groups (VanderPal and Ko, 2014). Velten and Lashley (2018) state that "very different" cultures and great dissimilarities cause conflict (Martin, 2014). An example provided by their study points out the directness of Germans or Europeans in general, compared to Asians (Velten and Lashley, 2018). Summarizing the results, we expect that power distance can be compared to inequality (Bartusevicius, 2014; Cramer, 2003) also encouraging workplace conflict. We also estimate conflict resolution to be more difficult in case of "very different" (Velten and Lashley, 2014) cultures as the embedded values and expectations on how to deal with a conflict are likely to be dispersed. In total, that would lead to more time spent on a conflict.

H1: The higher the power distance inequality between people of different nationalities, the more time is spent on internal indirect conflict costs.

The dimension of uncertainty avoidance is summarized by Hofstede (2001) as to what extent people of a society are afraid of uncertain or new situations. Every person is faced with uncertainty about the future and needs to deal with it, which also applies to organizations or societies. The stronger the need to avoid uncertainty, the more a society depends on rules. This does not mean that risks need to be kept as low as possible, as uncertainty does not refer to risk avoidance, but to ambiguity avoidance. In high uncertainty avoidance cultures, people are more likely to take known risks, whereas individuals of low uncertainty avoidance societies are willing to take additional unknown risks. High uncertainty countries overall rely on law and order and a need for clarity and structure, whereby rules should not be broken. People feel more comfortable working for larger organizations, to stay with an employer and to be more change resistant. Unknown and different people, things, or situations are regarded as more frightening, which fosters suspicion. Job seniority is of immense importance, as well as higher respect for older people. In low uncertainty countries, individuals are more flexible in changing their employer and the ambition for personal development higher. The openness toward change, foreign or different people, and diversity is larger, with people not having any problems to break rules if necessary. The job seniority is lower, younger people are highly respected, and people feel more comfortable in chaotic or ambiguous situations (Hofstede, 2001). Fundamental needs may differ completely depending on the magnitude of uncertainty avoidance. This is the need for chaos versus structure, change versus stability, or diversity versus homogeneity. As a result, we expect conflict costs to increase in case of a larger uncertainty avoidance distance. The first argument rests on basic diversity theories, which emphasize a preference for in-group members (Tajfel and Turner, 1986; Byrne, 1971; Williams and O'Reilly, III, 1998). Especially in case of high uncertainty countries, we assume a stronger in-group focus. Our second assumption for more lost time is based on more difficult conflict management. Depending on the level of uncertainty, avoidance conflict management styles vary. High uncertainty avoiding cultures are claimed to be more passive (Mangundjaya, 2018) or avoidant, but also to have a more problem-solving-based approach (Caputo, et al., 2018).

H2: The higher the uncertainty avoidance inequality between people of different nationalities, the more time is spent on internal indirect conflict costs.

The category of individualism and collectivism refers to the relationship between individuals and the collective. In countries of high individualism, relationships between people are loose and individuals look after themselves and possibly after their closest family members. These people have been raised I-conscious and make individual decisions. Collectivism presents stronger ties, whereas people are born into groups to which they demonstrate complete loyalty and the group in return proves a life-long integration and protection. People are we-conscious and try to make group decisions. The requirements and expectations toward an employer are diverse. Collectivist societies expect the company to be responsible for themselves and demand order, security, and expertise. Individualists feel themselves responsible and ask for autonomy, pleasure, and individual financial security. Collectivism cultures try to avoid open confrontations or losing one's face, whereas high individualism tolerates or even encourages open confrontation, as the truth should be told. At work, individualism demands the management of individuals, with both managers and employees having a preference to work independently. Groups need to be formed by considering individual criteria and in-groups are rather undesirable. Collectivism believes that in-groups foster performance and should be kept together. Teamwork is seen as essential for success, and employees are managed in groups instead of as individuals. Looking at the different views on teamwork and in-groups, the fundamental diversity theories come into play again. It is expected that in-groups will be forced especially by collectively shaped countries and that this can hinder an effective cooperation. Collectivism cultures stronger emphasize compromise and integration when managing a conflict, compared to individualists (Cai and Fink, 2002). In case of larger cultural differences, we assume that this can either lead to collectivists accepting undesired outcomes, but being personally affected by the conflict longer, as for example by thinking about it. Another scenario can be that a consensus is hard to be reached, as individualists pursue stronger persistence.

H3: The larger the gap between people of different nationalities in regard to their individualism and collectivism index, the more time is spent on internal indirect conflict costs.

Based on the two sexes, masculinity describes a society with clearly defined gender roles. Men are focused on material success, ego goals, money, and careers and demonstrate tough and assertive characters. Women care about the quality of life and relationships and behave modestly and tenderly. Often masculine societies represent more traditional families, in which fathers make many decisions and deal with facts, compared to women handling feelings. Contrarily femininity represents societies with gender overlaps, where men and women share responsibilities to ensure a certain quality of life and both sexes demonstrate tender and modest behaviors. Values of men and women do not differ significantly, leading to flexible gender concepts and a general sympathy for weaker ones. These cultural differences can also be translated to the workplace, where less women take over professional or management jobs, often due to less equal opportunities in masculine cultures. The payment gap between genders is large, and the management styles are more aggressive and competitive. In case of conflicts, masculine countries tend to deny conflicts or fight them, to the point where the best wins. Compared to feminism, where people try to solve conflicts via compromise, negotiations, and problem solving, and management demonstrates higher intentions for consensus. Salary gaps based on gender are small in feminist societies, and women have higher chances for management and professional jobs, as the opportunities are generally more equal (Hofstede, 2001). Due to the opposed conflict behaviors mentioned above, as well as the finding that masculine cultures tend to have a more forceful conflict management style (Caputo, et al., 2018), we expect conflicts to last longer and that people are more affected on a personal level, which is reflected in time lost on a conflict.

H4: The larger the gap between people of different nationalities in regard to their masculinity and femininity index, the more time is spent on internal indirect conflict costs.

The teachings of Confucius are the base for the dimension of long-term orientation, which stands for future orientation, perseverance, and thrift. This is in contrast to short-term orientation with a stronger focus on the past and present, mainly in terms of traditions, social obligations, and the protection of face. In these societies, results are expected quickly and the best things are assumed to happen in the past or present, which encourages a higher immediate spending in society and organizations. When doing business in long-term-oriented societies, the focus lies on building up relationships and a market position over time. Investments and savings are done in businesses and private lives (Hofstede, 2001). Based on former research studies (Martin, 2014; Velten and Lashley, 2018), we consider fundamental values to differ in the case of opposing standpoints in the dimension, thereby intensifying conflicts. In addition, we assume verbal and non-verbal communication to differ, which can result in miscommunication (Velten and Lashley, 2018), followed by conflicts and more difficult conflict resolution. Overall, we hypothesize significant differences in this dimension to cause longer conflicts, resulting in a more lost time.

H5: The larger the gap between people of different nationalities in regard to their long-term versus short-term orientation, the more time is spent on internal indirect conflict costs.

4 Method

4.1 Sample/participants/procedure

We chose to use a survey to test the above hypotheses. Before the actual launch, we piloted our questionnaire with 20 participants. The layout of the questions was fundamentally based on the survey of Dirrler and Podruzsik (2022). Identical to these studies, we asked participants to think of a concrete conflict situation they were involved in. In the current study it was, however, a prerequisite that the conflict situation was in an international context. Despite the survey structure being based on already applied theories, we wanted to make sure that all questions were understandable. The pre-test was conducted by means of a telephone interview in which the participants were asked to answer one question at a time. In case of difficulties or ambiguities, they could discuss them directly with our research team. However, the feedback was positive, and we only had to make minor adjustments to the wording. The questionnaire was then distributed in German language via a panel provider. Before participating in the survey, the panel members were asked whether they could think of a conflict situation they currently are or were in the past personally involved in. If the conflict involved members of different nationalities, they were able to participate in our survey. We received 686 responses but had to dismiss more than half of the survey replies, because they were either incomplete or the respondent did not have any conflict. A total of 226 surveys were eligible for the analysis. Since the survey was only available in German, most of the participants were German. Only 21 people reported other nationalities, with 5 people from Austria, 2 people from Denmark, Italy, Turkey and Ukraine, and 1 person from Bosnia, Luxembourg, Portugal, Russia, Slovakia, Spain, Sweden, and Switzerland. As our study focuses on differences between nationalities, it is not a problem to have national diversity in the respondents, and all answers can be considered. Fifty-nine percent of the participants were male and 41% were female. Most of the people (154) reported to be an operational employee compared to 61 managers of different hierarchies. Only 11 people were self-employed. The age distribution was equal; however, there were fewer people older than 60 (8%). Twenty-two percent of the respondents were younger than 30, 25% were between 30 and 40 years, 25% were between 40 and 50 years, and 20% people indicated to be between 50 and 60 years.

4.2 Measures

At the beginning of the questionnaire, each participant was asked to answer all questions, based on an individual conflict situation they chose to think of. The measures are also based on this concrete conflict situation.

In order to measure cultural distance, the cultural dimensions of Hofstede (2001; 2005; 2006) were used. Hofstede's work comprises a list of countries and their individual scores on each of the cultural dimensions. The scaling reaches from 0 to 100. For example, the United States scores 40 on power distance, 91 on

individualism, 62 on masculinity, 46 on uncertainty avoidance, and 26 on long-term orientation. Corresponding data are available for more than 100 countries (Hofstede 1980; Hofstede 2001). In the survey, each participant had to indicate his or her nationality, followed by the nationalities of the conflict parties. In total, five different nationalities could be indicated for the conflict parties. By gathering this information, the individual score of Hofstede's dimensions could be assigned to each country within the statistical evaluation process. We started to assign Hofstede's cultural distance value to the nationality of the questionnaire participant. If this person was, for example, American, we used the values presented above. In the next step, we assigned the cultural values to all conflict parties. To consider more than one conflict party in our statistical analysis, we used the standardized squared differences for each cultural dimension. This difference then represented the overall distance of a conflict situation.

Based on former research (Dirrler and Podruzsik, 2022), the internal indirect conflict costs are measured in terms of lost time. These are variables like "Wasted time due to worrying or resolving conflict" or "Time absent from work (absenteeism)." The cost items are measured using a drop-down menu ranging from 0 to 50 hours/days. We used the same approach and asked each participant to state for how long he or she was involved in the different conflict costs. In line with prior research studies, our Cronbach alpha reported a liability of 0.94, which approves the consistency of our scale.

The five hypotheses researched in the present study are all very similar and differ only in Hofstede's cultural dimension, which is being tested. Therefore, the procedure is the same for all hypotheses. To test our hypotheses, we used linear regression analysis with 5000 bootstrap samples. For each hypothesis, we applied two different models. First, we only tested for the effect of Hofstede's cultural dimension on internal indirect conflict costs. In a second step, we included the factors of age, gender, and profession as control variables.

5 Results

The nationalities of the conflict parties were diverse with 75 different nationalities in total. Turkey was most often stated with 47 counts. Ten conflict party individuals were from Austria and Great Britain, followed by 11 from Romania, 14 from Italy, 17 from Russia, and 23 from Poland. However, no nationality was represented too often, so that the risk of a result falsification can be negated. All continents were represented, except of Australia and Antarctica. There were people from Africa, such as Ghana or Egypt, and Asia, such as Thailand or China. Conflict parties were American and Canadian, as well as Mexican and Columbian, covering both North and South. European countries were stated frequently.

None of the hypotheses proved to be significant. Power distance did not significantly predict internal indirect conflict costs (H1) in any step. When testing for power distance only, the model was insignificant ($p = 0.2147$) with a very low explanatory power ($R^2 = 0.009547$). There was also no significant effect on internal indirect conflict costs ($B = 0.0524$, $p = 0.14847$). When including the control variables, power distance still did not influence the dependent variable ($B = 0.0585$, $p = 0.1446$). None of the control variables had an effect on internal indirect conflict costs either (Table 1), except of the age group between 50 and 59 years. We could also not detect any effect of uncertainty avoidance on internal indirect conflict costs ($R^2 = 0.01328$, $p = 0.143$), tested in Hypothesis 2 ($B = 0.1971$, $p = 0.1527$). Again, the control variables did not influence the model, nor did the uncertainty avoidance category in the second model; the only exceptions were people between 50 and 59 years (Table 1). We could not prove that individualism predicts internal indirect conflict costs, as stated in Hypothesis 3. The first linear regression model ($R^2 = 0.0001135$, $p = 0.8926$) with individualism as the only independent variable, no significance was found ($B = -00067$, $p = 0.9079$). Table 1 presents the linear regression results for Model 2, including all control variables in addition to individualism, whereas the results were very similar to Hofstede's previous models of cultural dimensions. Continuing with Hypothesis 4, results are in line with the already presented results. There is no prediction power

of masculinity ($R^2 = 0.008434$, $p = 0.2437$) on internal indirect conflict costs ($B = 0.0886$, $p = 0.2566$), irrespective of including control variables (Table 1). Lastly, the long-term orientation dimension was tested. The linear regression model for long-term orientation and its influence on internal indirect conflict costs could not be proven ($B = 0.0318$, $p = 0.5209$) (H5), and the overall model was insignificant ($R^2 = 0.002581$ and $p = 0.5195$). Neither the control variables nor the cultural dimension did show any significance, when applying linear regression testing including control variables (Table 3).

In addition to the individual hypothesis testing and linear regression models, we also conducted a multiple regression analysis with 5000 bootstrap samples, including Hofstede's cultural dimensions, assessing their predictive power on internal indirect conflict costs. In line with our prior analysis, we did not find any explanatory power of the variables on conflict costs, as none of the variables proofed to be significant. Power distance and individualism had the lowest but still insignificant p-values ($B = 0.0754$, $p = 0.1884$) for power distance and ($B = -0.1359$, $p = 0.1391$) for individualism, followed by long-term orientation ($B = 0.0569$, $p = 0.2948$). Masculinity ($B = 0.0531$, $p = 0.5123$) and uncertainty avoidance ($B = 0.1167$, $p = 0.4479$) had the highest p-values.

6 Discussion

We hypothesized that greater cultural distance results in more time spent on conflicts. Our assumptions were based on former research studies that diversity itself and key differing values can trigger conflict. We expected more lost time due to longer lasting conflicts (Dirrler and Podruzsik, 2022), caused by more difficult conflict resolution. Our statistical analysis and hypothesis testing were, however, only conducted for the element of lost time. None of Hofstede's cultural clusters and its corresponding cultural distance indicated any significant correlation. Therefore, none of our hypotheses could be proven, meaning that we cannot demonstrate a link between cultural diversity and internal indirect conflict costs, nor that cultural distance explains the depend variable costs. It is either possible that there is no association between the variables or that other factors have influenced our results, such as group proportions (Kanter, 1977; Jehn, et al., 2008) or national variety (Ayub and Jehn, 2014).

By using the standardized squared mean values of each cultural dimension, we did not consider the group dynamics of each individual conflict situation. There are different theories dealing with the topic of group proportions (Jehn, et al., 2008). Minority theory refers to the proportion of minorities within a diverse group (Choi and Levine, 2004; De Dreu, et al., 1999; Moscovici, 1976), whereas Kanter (1977) introduced four group types, referring to uniform groups that have the identical external status, skewed groups with 1–15% of minority members, titled groups with 15–35% of minorities, and balanced groups, where the minority accounts for approximately half of the group members. Findings suggest that the group setups influence group outcomes and that skewed groups are most difficult for minority members to interact as stereotyping and marginalization takes place (Kanter, 1977). Competition theory states that balanced groups are difficult, as the minority members can be considered as a threat (Blalock, 1967). Ayub and Jehn (2014) investigated national variety, referring to the numerical count of nationalities. They found that high variety was associated with higher performance outcomes and less relationship conflict. These theories partially do not refer to national diversity but can still be considered as potential factors that influenced our results and should be included in future studies.

Even though our findings do not indicate any association between the cultural distance and conflict costs, measured in terms of lost time, we do not want to exclude any general associations between the variables. Our study was based on self-reports about one specific conflict and the amount of time people spend on individual cost variables. It is still possible that the total amount of conflicts per year varies depending on the cultural distance. That would potentially also influence the overall conflict costs (Dirrler and Podruzsik, 2022).

Table 3. Linear regression analysis including control variables
(*Source:* Authors' own research)

Power distance	Variable	B	P-value
	Intercept	1.0331	0.0003
	Power distance	0.0585	0.1446
	Age > 30	-	-
	Age 30–39	-0.1107	0.6390
	Age 40–49	-0.1176	0.5931
	Age 50–59	-0.5813	0.0201
	Age < 60	0.1446	0.7642
	Gender	-0.0072	0.9688
	Employee	-	-
	Project manager	0.7004	0.0720
	Lower management	0.2215	0.5552
	Middle management	0.2372	0.3796
	Upper management	0.0315	0.936
	Self-employed	0.3079	0.4630
	$R^2 = 0.07626$	$p = 0.4227$	

Uncertainty avoidance	Variable	B	P-value
	Intercept	1.0564	0.0003
	Uncertainty avoidance	0.1927	0.1550
	Age > 30	-	-
	Age 30–39	-0.0707	0.7702
	Age 40–49	-0.1109	0.6252
	Age 50–59	-0.5739	0.0294
	Age < 60	0.1415	0.7689
	Gender	-0.0316	0.8652
	Employee	-	-
	Project manager	0.6325	0.1072
	Lower management	0.2339	0.5612
	Middle management	0.2226	0.4071
	Upper management	-0.0161	0.9572
	Self-employed	0.2950	0.4915
	$R^2 = 0.07709$	$p = 0.4119$	

Individualism vs. collectivism	Variable	B	P-value
	Intercept	1.1372	0.0001
	Individualism	-0.0055	0.9289
	Age > 30	-	-
	Age 30–39	-0.0784	0.7423
	Age 40–49	-0.0980	0.6635
	Age 50–59	-0.5778	0.0255
	Age < 60	0.1472	0.7636
	Gender	0.0034	0.9856
	Employee	-	-
	Project manager	0.6540	0.1182
	Lower management	0.1551	0.6973
	Middle management	0.2244	0.4116
	Upper management	0.0088	0.9778
	Self-employed	0.2504	0.5506
	$R^2 = 0.06467$	$p = 0.5845$	

Masculinity vs. feminism	Variable	B	P-value
	Intercept	1.0559	0.0002
	Individualism	0.1248	0.1261
	Age > 30	-	-
	Age 30–39	-0.0593	0.8027
	Age 40–49	-0.1063	0.6306
	Age 50–59	-0.5986	0.0208
	Age < 60	0.1377	0.7669
	Gender	-0.0084	0.9631
	Employee	-	-
	Project manager	0.6750	0.1122
	Lower management	0.2027	0.5939
	Middle management	0.1601	0.5559
	Upper management	-0.1118	0.7226
	Self-employed	0.2185	0.6314
	$R^2 = 0.0781$	$p = 0.3989$	

Long-term vs. short-term orientation	Variable	B	P-value
	Intercept	1.0897	0.0002
	Long-term orientation	0.0436	0.4271
	Age > 30	-	-
	Age 30–39	-0.1051	0.6546
	Age 40–49	-0.1010	0.6473
	Age 50–59	-0.5994	0.0171
	Age < 60	0.1509	0.7566
	Gender	-0.0085	0.96632
	Employee		
	Project manager	0.6473	0.0962
	Lower management	0.1483	0.6880
	Middle management	0.2554	0.3392
	Upper management	-0.0130	0.9670
	Self-employed	0.2659	0.5154
	$R^2 = 0.06969$	$p = 0.5126$	

6.1 Research and managerial implications

Our research findings are the first ones investigating cultural distance, measured in form of Hofstede's dimensions and the amount of lost time on different internal indirect conflict cost variables. Against our assumption, we cannot conclude that greater cultural distance causes higher costs. The model to measure lost time on some internal indirect conflict costs proved to be successful, as well as the usage of Hofstede's cultural dimensions. The research results present positive findings in a more globalized world, that the effects of cultural diversity, even in case of greater distance, do not contribute to increased levels of lost time. This is a positive result for companies that are dealing with a more diverse workforce. Still, we highlight different research gaps and propose further variables to be included in future research. Our findings can be seen as a starting point for research on cultural diversity and its effects on conflict costs.

6.2 Research and managerial implications

We did not focus our research on specific cultures and did not consider cultural awareness, the organizational culture, or international experience. Future research could concentrate a similar study on specific cultures and carefully select participants and conflict parties. This study could be conducted with two groups, one group with culturally aware individuals and one group without cultural experiences. The results could then be analyzed if and how cultural awareness or international experience potentially influence study results, like in the present study. Using standardized squared means could be improved by measuring individual cultures. By identifying concrete cultures and measuring the amount of lost time, it would enable the researchers to compare the values of close and great cultural distances and check whether the results differ. The current study used Hofstede's model to measure cultural distance. When analyzing concrete cultures, the cultural dimensions of Hofstede could be cross-checked with the GLOBE model (House, et al., 2004) and Schwartz's (1994; 1999) work. More precisely we suggest to ensure that, for example, in all of the models, the two chosen cultures indicate large cultural distance. The same study could also be conducted by using other cultural dimensions to ensure that Hofstede's dimensions did not influence the results. In addition, group dynamics should be included, meaning that the amount of minority members should be considered. An additional variable that should be included in future measurements is the amount of conflicts in close and great cultural distances. These results may indicate that cultural distance actually does not affect conflict costs, or if the time spent on conflicts is not the variable affected by diversity. Considering the element of conflict costs, the focus of our study was on one minor cost element, the time spent on some internal indirect conflict costs only. By conducting different surveys or experiments in preselected companies, more cost variables could be included, contributing to a more complete cost overview. New measurement approaches are, however, needed for that.

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