

CONFLICT COSTS IN NATIONAL AND INTERNATIONAL BUSINESS: A COMPARATIVE ANALYSIS

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Abstract: Studies presented the importance of conflict costs. Cultural diversity adds more complexity to working groups, fostering conflict. The aim of this research is to investigate how cultural diversity affects conflict costs, measured in terms of lost time & cost amplifiers. Data was collected through an online survey with 490 respondents for national conflicts and 185 respondents for culturally diverse conflict situations. The differences between the two groups are explored by examining their impact on conflict cost amplifiers and the costs themselves. We found that intercultural diversity increases the number of conflicts per year. However, cultural heterogeneity did not affect conflict intensity, duration or the time spent on cost variables. This research is the first one to investigate the effects of cultural diversity on different facets of conflict costs. The results demonstrate the potential, as well as the need for further research.

Keywords: cultural diversity, conflict costs, conflict, international teams, cost measurement.

JEL Classification: M12, M14, M16, M54.

1 Introduction

The world economy has been growing steadily over the past decades, such that geographic borders have been overcome and new markets have emerged. The overall workforce has become more ethnically diverse (Ascalon, et al., 2008; Martin 2014), which has put diversity at the heart of organizational life (Williams and O'Reilly, 1998). These culturally diverse teams and organizations trigger the need for a management across various countries and add overall complexity, one being conflict (Vodosek, 2005). Even though academia does not yet agree on a commonly accepted definition of conflict, main attributes are frequently represented. These are, among others, incompatible goals (Lewicki, et al., 1997), differences (De Dreu, et al., 1999) or interests (Rubin, et al., 1994), as well as the interdependence and interaction between two or more individuals (Brockman, 2013; Deutsch, 1969). In this paper, the definition of a conflict as “perceived incompatibilities or discrepant views among the parties involved” (Jehn and Bendersky, 2003) is used. Jehn (1997) clustered conflict into relationship, task, and process conflict, which is a concept

widely used by scholars today (Vodosek, 2005; Greer, et al., 2011). Although scientists do not unanimously agree on the outcome of conflict, most research suggests that relationships and process conflicts have negative outcomes. Examples are weakened performance levels (De Dreu and Weingart, 2003; Jehn and Bendersky, 2003; Vodosek, 2005; Shaukat, et al., 2017; Hjerto and Kuvaas, 2017), lower satisfaction, well-being (Jehn and Bendersky, 2003; Jehn, 1997; Kuria-kose, et al., 2019), advise seeking (Marineau, et al., 2018), trust (Ismail, et al., 2012), increased desire to quit (Ismail, et al., 2012), and emotional exhaustion (Benitez, et al., 2018). Debates about task conflict are more diverse. While some scholars point out the negative effects on performance (Vodosek, 2005; Puck and Pregernig, 2014), others indicate positive consequences on performance outcomes (Jehn and Bendersky, 2003; O'Neill, et al., 2013). Despite the positive effects, task conflict is expected to negatively affect group characteristics such as trust and group commitment by increasing anxiety and tension (Jehn and Bendersky, 2003). A distinct approach to determine conflict outcomes is the measurement of conflict costs (Buss, 2011; Freres, 2013; Dirrler

and Podrutzsik, 2022). In this research, conflict costs are defined as costs that are triggered by conflict and have a negative effect on the overall financial performance of an organization. A company can either achieve its desired results, but with lower revenues, or the outputs themselves are lower (Insam, et al., 2009; Dirrler and Podrutzsik, 2022). There is no one method for measuring conflict costs holistically, which leads scholars to cluster conflict costs (see figure 1) and focus on the measurement of only individual cost variables (Dirrler and Podrutzsik, 2022). The focus of this study is on internal indirect conflict costs, measured in terms of lost time, because a profound measurement approach has already been established. By adding cultural diversity as an additional variable to conflict research, the results stay complex and divergent (Guillaume, et al., 2015). Scientific findings present a positive correlation between cultural diversity and the three conflict types, for example, in the form of increased dissatisfaction (Vodosek, 2005; Wickramasinghe and Nandula, 2015), increased difficulties in teamwork (Akhtar, et al., 2016), and lower cohesion (Opote, 2012). Others strengthen the complexity of cultural diversity and that it holds two important roles within conflict, which are the distinguishment between in-group and out-group members, as well as differences on how individuals perceive and react to conflict (VanderPal and Ko, 2014; Worchel, 2005). Despite the confirmed impact of intercultural diversity on conflict (Vodosek, 2005; Wickramasinghe and Nandula, 2015), there have been no studies on the implications for conflict costs. The identified research gap, therefore, is in the relation between conflict costs and intercultural diversity, leading to the overall research question if cultural diversity causes higher conflict costs, measured in terms of lost time on internal indirect conflict costs. To contribute to the overall research question, a culturally homogeneous group and a culturally diverse group were compared. Different variables were chosen to analyze the effect of cultural diversity on internal indirect conflict costs (see figure 2). First, the average amount of time lost on a conflict was determined for each group and then analyzed for potential differences. In addition, previous research has identified different cost amplifiers, which are the number of conflicts per year, the conflict strength, and conflict duration

(Dirrler and Podrutzsik, 2022). Second, it was, therefore, compared if culturally diverse groups scored higher on the individual cost amplifiers, which would in return also contribute to higher costs. Companies face increasing competitiveness, which forces them to consider factors going beyond economic and academic indicators to reach sustainable and long-lasting success (Canen and Canen, 2008). To address this prevailing problem in today's business world, the research of conflict costs can be of importance for business owners and scholars. On the one hand, conflict costs are claimed to be the largest reducible costs (Buss, 2011; Freres, 2013) and on the other hand, the research of international cooperation can provide new approaches on how to face problems in a more globally interconnected world. This research contributes to a better understanding of whether additional opportunity costs arise in a culturally diverse team. The motivation of this work is to draw the attention on a potential link between intercultural teams and increased conflict costs, which can be a risk for a more globalized world.

2 Theoretical foundation

2.1 Conflict costs

There is only a small number of scientific papers dealing with the topic of conflict costs, where two main themes can be distinguished. First, it is the identification of conflict cost variables and the assignment to categories. Scholars differentiate various conflict cost clusters, which are, among others, the costs of conflict to organizations, employees, and customers (Buss, 2011). Another separation approach involves the eight conflict cost categories, which are medical costs, individual psyche costs, wasted time costs, counterproductive work costs, team behavior costs, customer relationship costs, human resource costs, and, finally, legal and dispute costs (Freres, 2013). Four conflict cost clusters were introduced by Dirrler and Podrutzsik (2022). These are internal direct conflict costs, which represent costs with a direct effect on the revenues or business outcomes of a company and which are caused by internal stakeholders. These costs are more visible, and companies are expected to measure them via monitoring their key performance indicators such as revenue, performance, and quality parameters.

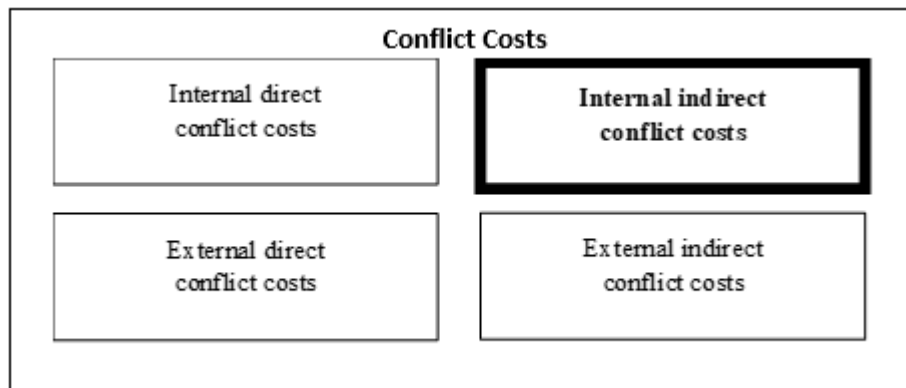


Figure 1. The time horizon for studying the event.
(Source: Authors' own research)

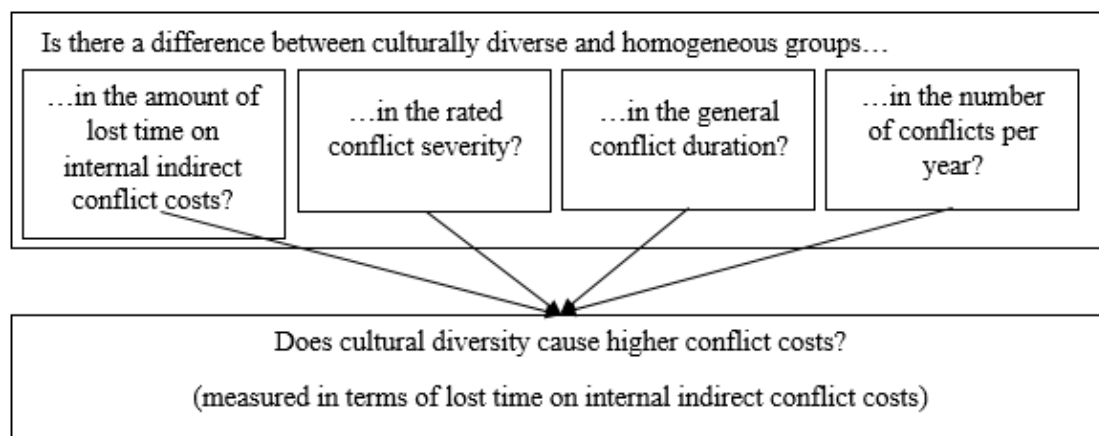


Figure 2. Research questions.
(Source: Authors' own research)

Internal indirect costs are also caused by internal stakeholders; however, they are less visible and only indirectly affect the outcomes and revenues of a company.

In line with a lower visibility, they are more difficult to measure, and companies need to conduct in-depth analysis, observations, or interviews. This results in less organizations measuring or knowing these costs. External direct and indirect costs are caused by external stakeholders (Dirrler and Podruzsik, 2022). Despite different clustering approaches, the conflict costs comprise mostly the same variables that are also predominantly included in Table 1 (Dirrler and Podruzsik, 2022). Second, scholars have introduced methodologies to determine the financial burden of conflict. Considering the direct financial results, Murtha (2005) claims legal and dispute costs to reach

>\$100.000 per case, whereas CIPD (2011) states costs of £750 for legal fees and £1000 resulting from the time managers spend on a case. Turnover costs are expected to reach 25%–240% of annual salary costs (Conbere, 2000; Kreisman, 2002). From a temporal aspect, researchers highlight that conflicts demand time that is spent on a conflict instead of other activities, which can in return trigger costs (Freres, 2013; Dirrler and Podruzsik, 2022). The CPP (2008) findings demonstrate that employees spend approximately 2.8 h per week on conflicts, compared to HR personnel who are expected to deal for 1–5 h with conflicts (OPP and CIPD, 2008). Studies present managers to lose 20%–40% of their time due to the management of conflicts (Murtha, 2005; Katz and Flynn, 2013; Thomas and Schmidt, 1976). Dirrler and Podruzsik

(2022) focused their time measurement on specific internal indirect conflict cost variables and found that people spend 6 h on these conflict cost variables for conflicts lasting 1 week and 40 h on conflicts of 6–12 months. When multiplying these numbers with an average German salary, costs of 137€ for short conflicts and 911€ for long conflicts could arise for each person involved in the conflict.

In our research, the clusters of Dirrler and Podrutzik (2022) are utilized, and the focus of our work is on internal indirect conflict costs that can be measured in terms of wasted time (see Table 1). This allows us to use the approved methodology of Dirrler and Podrutzik (2022) and concentrate on the cultural comparison. Narrowing the scope of our research does not affect the validity of our research question and hypotheses, as they are based on pure comparison. One cost variable was neglected in our study because we considered the calculation to be distinct from other variables. Two new variables were added because, in our assumption, they were missing in the variable overview of Dirrler and Podrutzik (2022).

2.2 Cultural diversity

Trends like the internationalization of business activities, outsourcing of jobs to foreign countries, and cross-border cooperation increased tremendously over the last years and brought cultural diversity to the center of organizations and increased the scientific work on the topic. Although it is daily business for companies to break down geographic borders and hire people from different cultural backgrounds (Ascalon, et al., 2008), scientific definitions, measurements, and conclusions are diverse. There is no uniform understanding of culture yet (Hofstede, 2006; Tsui, et al., 2007), which leads to a continuous debate about the theory of culture, related methodologies, and effects (Gonzalez, 2008). Tylor (1977) entitled culture as “that complex whole which includes knowledge, belief, art, law, morals, customs and any capabilities and habits acquired by a man as a member of society.” Hofstede (1980) refers to culture as a “collective programming of the mind which distinguishes the members of one human group from another.” Based on the work of Hofstede (1980) and Lane, et al. (2009), culture also comprises beliefs and values

that people expect a certain group of society to have in common (Suwannarat and Mumi, 2012). In spite of the fact that some researchers claim culture to not only exist between nationalities, but also within organizations in the form of organizational cultures, for example, research still mostly differentiates culture based on different countries (Suwannarat and Mumi, 2012). Dressler and Carns (1969) define different functions of culture, which entails the communication with others using a common language and the expectation of members of our society on how they behave in certain situations. Culture also helps to define a standard for judgment of right and wrong, and safe and dangerous, and it enables people to identify similar others.

Diversity can be anything that enables people to identify differences between themselves and others (Williams and O'Reilly, 1998). The most widely used distinction of diversity is the split into visible and invisible diversity; whereas cultural diversity along with diversity based on gender, traits, or age belongs to the visible categorization, functional or value diversity forms the invisible diversity cluster (Harrison, et al., 2002). Diversity research is mostly based on three underlying theories. Social identity theory and social categorization theory are based on the concept that individuals use observable characteristics such as cultural features to compare themselves with others, and within that process, they automatically form in-group and out-groups. People tend to favor in-group members, and often over evaluate the positive attitudes within their own group and make more negative judgments about the out-group members (Tajfel and Turner, 1979, 1986). Similarity theory strengthens these findings by stating that individuals are more attracted to and favor more similar people (Byrne, 1971) and consequently cooperate more with people sharing similar values and beliefs (Williams and O'Reilly, 1998).

When referring to cultural diversity or international cooperation within that study, we refer to a business activity that takes place between people of at least two or more different countries. In contrast, national cooperation is based on a team set up with people from the same country. Former migrations or cross-cultural experiences are not considered, as the basic goal is to understand the overall impacts of cultural diversity on conflict and cooperation.

Table 1. Conflict cost clusters including cost variables
(Source: Authors' own research)

-	Direct	Indirect
Internal	<p>Internal direct:</p> <p>Legal and dispute costs, discrimination claims, grievance, compensation settlements, litigation, theft and damage, fees to lawyers and professionals, vandalism, sabotage, performance declines, decreased quality, inability to meet deadlines, loss in productivity, increased supervision costs, accidents</p>	<p>Internal indirect:</p> <p>Wasted time worrying about conflict, dealing with conflict, and resolving conflict, pretending to work, absenteeism, presenteeism*, decreased time at work, decreased work effort, less diligence, avoiding behavior/shun contact, sick leave, psychological and physical disease, voluntary departures from team or organization, attacking behaviors, change resistance, extra time gathering information, counterproductive work behavior, lost time due to not listening**, lost time pointing out mistakes**, bad-quality decision-making, no decision-making</p>
External	<p>External direct:</p> <p>Legal suits, compensation claims, customer complaint handling, loss of ongoing relationship</p>	<p>External indirect:</p> <p>Employer reputation, difficulty to attract talent, damage to brand image</p>

*Variable not considered in our study for lost time measurement

**Variables added in our study to be measured in terms of lost time

Note: Internal indirect conflict costs written in bold print are measured in terms of lost time and included in this study

2.3 Cultural diversity and conflicts

Different studies indicate that cultural diversity is related to conflict (Vodosek, 2005, 2007; Wickramasinghe and Nandula, 2015; Doucet, et al., 2009; Obsuwan, et al., 2021). Vodosek (2005, 2007) found positive correlations between cultural diversity and all three conflict types and further concluded that it lowered satisfaction, commitment, and performance, but increased the intention to quit. These findings are in line with another study that mentions a link to relationship conflict, which, in turn, lowers the performance (Wickramasinghe and Nandula, 2015) and cultural diversity was found to be an antecedent of conflict (Kankanhalli, et al., 2006; Opute, 2012). Culture is entitled to serve the distinguishing between in-group and out-group members, which can support the identification of conflict parties (Worchel, 2005). In addition, conflict resolution and conflicts themselves are expected to be experienced in different ways depending on one's culture, and these differences can quickly cause further misunderstandings (VanderPal and Ko, 2014). Another study presents the positive consequences of cultural diversity, mainly due to diverse perspectives and background (Liu, et al., 2008), which is also reflected in task conflict (Paul and Ray, 2013).

Despite numerous findings on the link between cultural diversity and conflict, there were no studies identified that analyzed the effects of cultural diversity on conflict costs.

3 Hypotheses

Diverse research findings exist on the effects of cultural diversity on conflict and its outcomes. A group of researchers presented findings that cultural diversity negatively affects group functioning and leads to or is a precursor to conflict (Vodosek, 2005; Kankanhalli, et al., 2006; Wickramasinghe and Nandula, 2015). In addition, it is stated that cultural diversity lowers team satisfaction and commitment (Vodosek, 2005) and increases stereotyping, prejudices, generalizations (Kankanhalli, et al., 2006), as well as the intention to quit (Vodosek, 2005). Velten and Lashley (2018) found that cultural diversity can foster conflict if the dissimilarities are too big, for example, in the form of attitudes, mentalities, or values. Contrasting research findings support the general statement that cultural diversity increases conflict, but in regards to task conflict, this is claimed to have a positive effect due to the rise in experiences and discussions (Paul and Ray, 2013). Based on previous

research, we expect international diversity to provoke more conflict.

H1: The more a person is internationally involved at work, the more conflict the person faces.

According to Pondy's (1967) conflict stages, conflict increases over time, starting with a very light form of conflict, which intensifies if the conflict is not resolved. In the beginning phase, also called latent conflict, divergent interests or scarce resources exist that can be considered as an antecedent of conflict. If this specific situation is not resolved, the next stage, called perceived conflict, arises and the group members start realizing a disagreement, even though it does not yet generate any emotional effects such as anxiety for the individual. Next, the phase of felt conflict is reached and at that stage, personal and emotional components of the conflict become visible and are felt. In the fourth stage, called manifest conflict, the behavior of the conflict party changes toward a more confrontive, aggressive, or violent attitude. Within the last phase, the manifest stage, the conflict intensifies. If conflicts are not resolved, they strengthen and escalate and often do not imply the initial conflict cause anymore but become independent of the primary source. At an escalation stage, the conflict parties develop more negative attitudes, involve an increased number of motives or people, and are willing to accept higher costs. In general, this encourages a confrontive and competitive behavior rather than conflict resolution (Deutsch, 1969). It is assumed that conflict resolution is more difficult in culturally heterogeneous teams, because cultural diversity often serves as a building block for boundaries between the group members (Worchel, 2005), which are also based on social identity and social categorization, stressing the assumption of more difficult conflict management. This is followed by the second argument that individuals demonstrate different reactions toward conflicts and also feel differently about it (VanderPal and Ko, 2014). Lastly, communication and linguistic differences can further add complexity (Kankanhalli, et al., 2006; Martin, 2014; Bouncken, et al., 2016). Resting on the presumption that conflict resolution is more difficult in international cooperation, we hypothesize two consequences: first, conflict durations transcend the ones of homogeneous teams and second, conflict

strength automatically intensifies similar to the concept of Pondy (1967).

H2: In case of international cooperation, the conflict duration on average exceeds the duration of conflict in national cooperation.

H3: In case of international cooperation, the conflict strength on average exceeds the conflict strength in national cooperation.

In previous research (Dirrler and Podrutzsik, 2022), support was found that the duration and strength of a conflict influence conflict costs, meaning that the longer a conflict lasted and the more severe it was rated, the higher the conflict costs were. Based on hypotheses 2 and 3, we assume that conflict in cultural diverse teams lasts longer and enters a more developed conflict strength stage. Consequently, we expect international teams to spend more time on conflicts in general and more precisely on internal indirect conflict cost variables compared to national teams.

H4: There is a relation between international cooperation and the time spent on internal indirect conflict costs, thus international cooperation leads to more time lost.

4 Method

4.1 Sample/participants/procedure

To test the introduced hypotheses, we developed a questionnaire that was distributed via an online panel provider. To participate in the survey, respondents had to be employed and able to think of a conflict situation. No further restrictions were made in terms of employment types or industries because we did not assume any influence on our hypotheses. The panel provider is located in Germany, and the questions were raised in German language only, since most of the survey participants were Germans. However, as each respondent had to indicate whether his/her conflict situation took place in a national or an international work environment, the individual nationalities could be neglected. The panel members receive a limited amount of survey invitations per month and are paid for their participation. To ensure a high quality of the results, a question was included that requested all participants to enter a certain number. In this way, it was possible to test the alertness of all attendees and exclude nonserious mem-

bers. Out of 873 survey respondents, 198 were excluded because of early drop-outs or answering the control question wrong. Due to the unknown work environment of individual participants, it was not possible to determine the two groups of national and international cooperation in advance. Within the survey, respondents could individually choose in which set-up the conflict took place and answer the questions accordingly. In total, we received 490 answers for national group conflicts and 185 for conflicts with international group members. Striving for a confidence level of 95% and a margin error of 5%, the sample size was $N = 385$, considering the German working population of approximately 45.3 million. The overall sample size therefore exceeds the required number of participants for a representative study by far. Assuming that more people work in a national environment, both sample groups are considered to be representative. Germany is considered to be justifiable for the total population because it is the place where the survey was carried out and most members came from. Within the national cooperation cluster, 260 were female and 230 were male. In the international group, the number of male participants (109) slightly exceeded the number of female respondents (76). In both set-ups, the majority of people were operational employees (international: 118, national: 341), followed by managers on different hierarchies. Only a minority was self-employed – 17 people in the national set-up compared to four in the international environment.

Before distributing the survey, a pretest with 20 participants was performed, in which they were asked to answer the questionnaire and report any difficulties they had in understanding or answering the questions. No major problems were reported, and we only had to sharpen some German terms such as nationality and citizenship. As only minor adaptations were made, we did not conduct a second pretest round.

4.2 Measures and pretest

The first hypothesis is linked to general questions each survey respondent had to answer, before referring to a concrete conflict situation. Everyone had to indicate the degree of international involvement he or she faced

at work, ranked from 0% to 100%, followed by the total number of conflicts that they had been personally involved per year. To gather data for hypotheses 2–4, all respondents were asked to think of a concrete conflict situation they currently or previously faced. All subsequent questions had to be answered for that specific conflict situation chosen by the individual. To measure the international involvement, participants had to indicate whether their chosen conflict took place in a national or international set-up. This enabled us to form two groups – one being a culturally diverse group and the other one a homogeneous group, at least based on nationality. Cultural diversity was shortly described in the questionnaire as working with people of other nationalities.

The detection of time spent on internal indirect conflict costs was also based on the selected conflict of each individual. We presented all applicable internal indirect conflict costs shown above and asked the participants to indicate how much time they spent on the individual cost variable. The survey respondents had to enter the amount of time lost in a drop-down field, ranging from 0 to 50. The values of 0–4 could all be chosen, followed by every second number, starting with 6. The Cronbach alpha reported a high reliability of 0.9.

Respondents had to state the conflict duration for their own conflict situation. For this rating, a 5-point Likert scale was chosen, on which participants had to specify their conflict duration, ranging from short to very long. In line with the study of Dirrler and Podrutzik (2022), the terms were shortly described in the questionnaire.

Based on the five conflict stages (Pondy, 1967) and the research of Dirrler and Podrutzik (2022), conflict strength was measured, for the specifically chosen conflict, on a five-level Likert scale ranging from a very weak to a very strong conflict. To avoid any interpretations, the terms were specified in the survey according to previous research (Pondy, 1967; Dirrler and Podrutzik, 2022).

4.3 Results

For the first hypothesis, we tested for possible correlations between the degree of internationalization and the number of conflicts. The number of conflicts being the dependent variable. In addition, we conducted

a Kruskal–Wallis test to compare the different value ranks of internationalization and detect whether higher percentage ranks and more conflicts appeared concurrently. For the remaining hypotheses, the differentiation of the two conflict groups into national and international cooperation was necessary. When referring to group 1 or the national group, we refer to the 490 participants who assessed a conflict situation with people of the same nationality. Group 2, also called the international group, describes the respondents who answered the questionnaire based on a conflict situation with people of different nationalities. To test hypotheses 2 and 3, we compared the two groups to assess whether they significantly differed in regard to conflict duration or conflict strength. We conducted Wilcoxon rank-sum tests to test whether the two independent samples (national and international groups) indicated different central tendencies for the variables' duration and strength. As the results were not significant, no post hoc tests were conducted. To test hypothesis 4, we conducted a Wilcoxon rank-sum test to evaluate whether the median of lost time, triggered by internal indirect conflict costs, differed in international and national cooperation. Due to the nonsignificant Wilcoxon result, no subsequent tests were performed.

For the quantitative measurement of conflict costs, all internal indirect costs were used, which could be measured in terms of lost time. Previous studies have shown that the costs are highly correlated, but the variables are not redundant. Comparing the correlation of the conflict cost variables, this picture is confirmed for both the national and international groups. In both cases, the individual costs correlated, but the majority of the values did not exceed 0.7, so redundancy can be ruled out (see Figures 3 and 4).

When comparing the mean values of lost time of the two set-ups, no clear difference is visible. The mean values are generally very close to each other. The standard deviations also differ slightly. Regarding the min. and max. values, there were participants in both groups who did not face certain costs at all, whereas others reached the maximum of lost time (see Table 2).

4.3.1 SD: standard deviation

Considering the international involvement of the participants for hypothesis 1, the results were mixed. Some did not have any international contacts, whereas others spent all of their time with people of other nationalities. The median was 32 and the mean was 39. In regard to conflicts, most participants were involved in up to five or 10 conflicts per year, whereas the median and the mean indicated a scope of up to five conflicts per year (see Table 3). We found support for the first hypothesis that there is a correlation between international cooperation and the total amount of conflicts per year, meaning that the more a person was internationally involved, the more conflicts they faced. To evaluate the relationship between the two variables, we applied Spearman's rho correlation coefficient test. The results of $r_s = 0.159$, $p = 3.169e-05$ present a significant, but weak positive correlation. To detect differences concerning the frequency of conflict among the value ranks of international involvement, we carried out a Kruskal–Wallis test. The results indicated significant differences between the ranks, with $H(87) = 109.07$, $p = 0.054$. As the variable conflicts per year consisted of five items, compared to international involvement, with 88 values, we considered the mean and median values, too (Table 3). Both indicate that people with none or a limited number of conflicts per year were less internationally involved than people with a high number of conflicts, who, on average, spent half of their time in culturally diverse cooperation (Table 3). To compare the groups more precisely, we divided all participants into five quartiles according to their indication of international involvement. The first quartile consisted of people who indicated that they spent up to 20% of their time with people of other nationalities. Quartiles two to four had worked between 21% and 80% internationally, and quartile 5 included people who worked fully internationally. The results of the Kruskal–Wallis test of $H(4) = 17.063$, $p = 0.00188$ that compared the five quartiles with the total amount of conflicts per year showed that the results were significant.

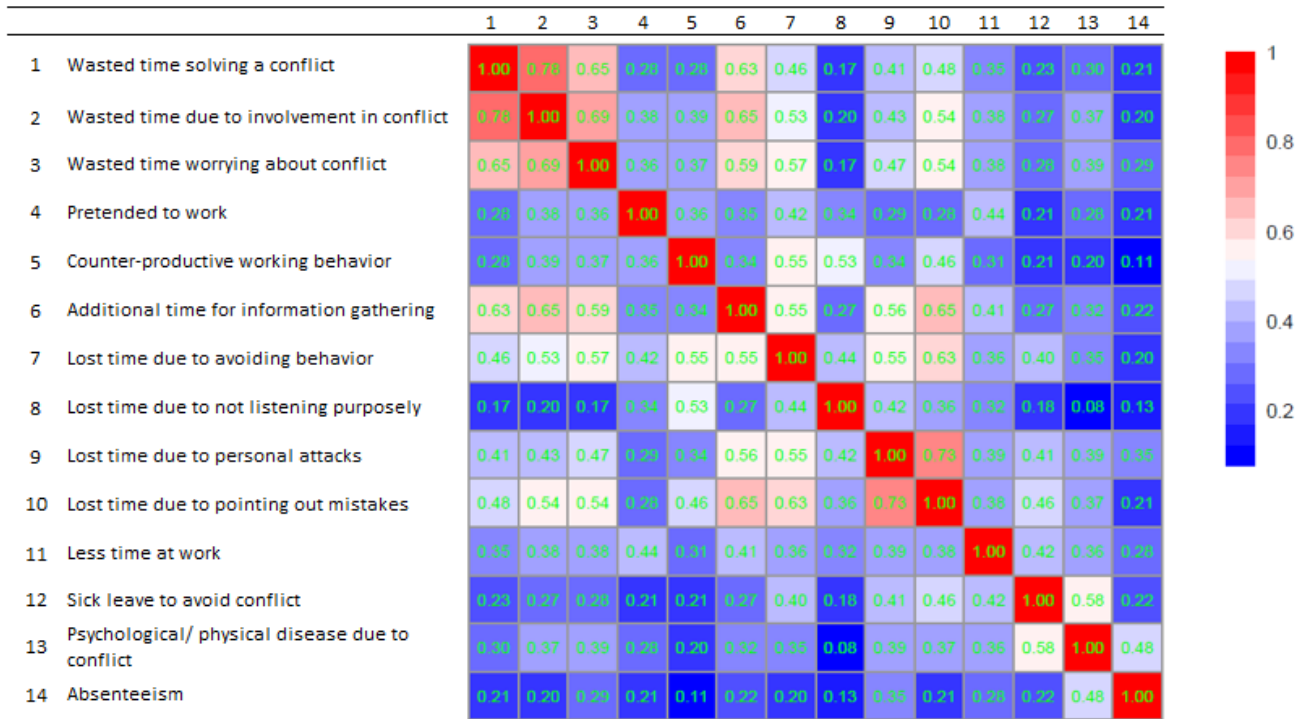


Figure 3. Correlations of national conflict situation.
(Source: Authors' own research)

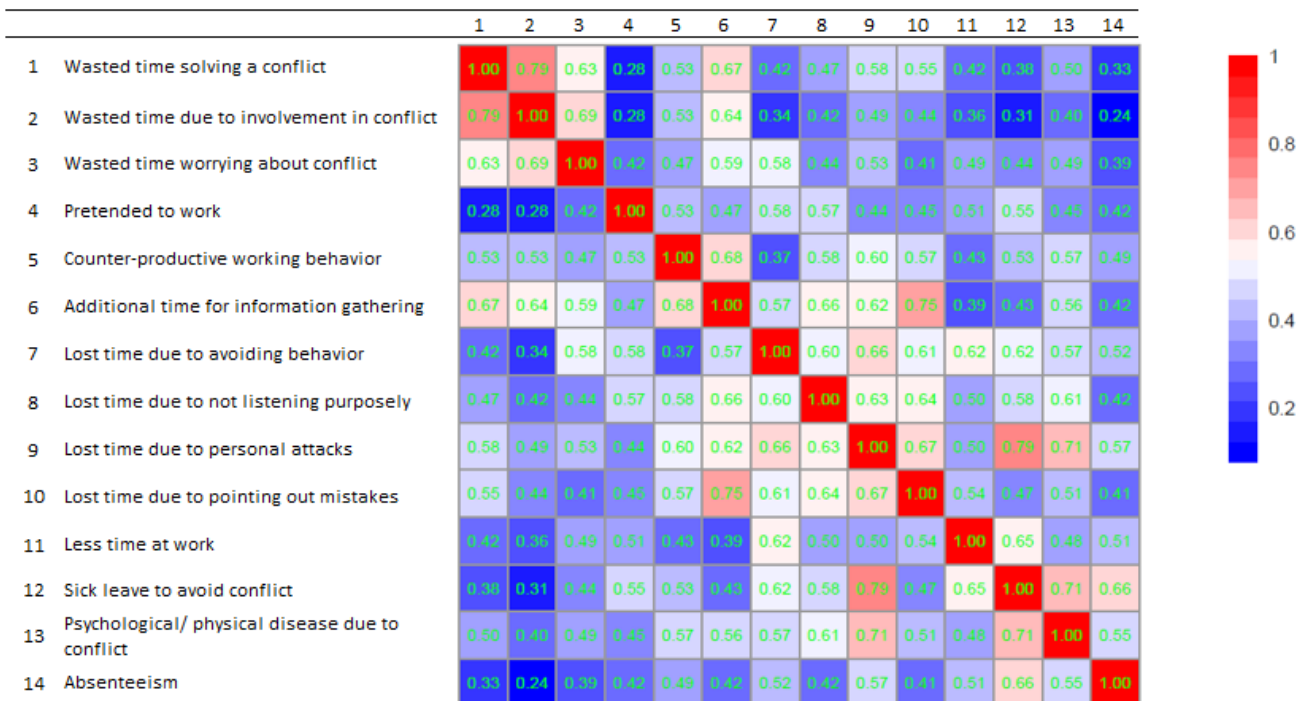


Figure 4. Correlations of international conflict situation.
(Source: Authors' own research)

Table 2. Descriptive statistics: mean, SD, min. and max.
(Source: Authors' own research)

-	National				International			
	M	SD	Min.	Max.	M	SD	Min.	Max.
Wasted time due to involvement in conflict	4.28	8.76	0	50	4.59	9.38	0	50
Wasted time worrying about conflict	4.79	9.35	0	50	3.73	6.80	0	50
Pretended to work	1.31	4.53	0	50	1.42	5.83	0	50
Counterproductive working behavior	0.94	3.73	0	50	1.68	6.75	0	50
Additional time for information gathering	2.45	6.16	0	50	2.99	7.27	0	50
Lost time due to avoiding behavior	1.90	5.82	0	50	2.01	5.91	0	50
Lost time due to not listening purposely	0.74	3.32	0	50	1.2	4.66	0	50
Lost time due to personal attacks	1.75	6.32	0	50	1.65	5.37	0	50
Lost time due to pointing out mistakes	1.65	5.49	0	50	2.34	6.77	0	50
Less time at work	1.64	5.72	0	50	1.52	5.05	0	50
Wasted time solving a conflict	5.17	10.3	0	50	4.71	8.98	0	50
Sick leave to avoid conflict	28.7	125.	0	1200	34.4	142.	0	1200
Psychological/physical disease due to conflict	64.4	214.	0	1200	57.6	193.	0	1200
Absenteeism	63.5	213.	0	1200	52.4	162	0	1200

Table 3. Relation – conflicts per year and international involvement
(Source: Authors' own research)

Conflicts per Year			International Involvement	
Group Ranks	Description	Participant Count	Mean	Median
1	No conflicts per year	75	29.4	20
2	Up to 5 conflicts per year	364	38.1	30
3	Up to 10 conflicts per year	129	45.2	45
4	Up to 30 conflicts per year	72	39.6	35
5	Up to 50 conflicts per year	35	49.4	50
Conflicts per Year:			Mean 2.449	Median 2

The Bonferroni post hoc test indicated that significant differences were found between group 1 and groups 3, 4, and 5. The other groups did not differ significantly.

On performing a Wilcoxon rank-sum test to indicate whether the national and international groups differed in terms of conflict duration, we did not find support for hypothesis 2. The duration median for both groups was 2, indicating that in both set-ups, conflicts, on average, lasted up to 1 month. For both samples, few respondents faced conflicts longer than 6 months or very short conflicts of up to 1 week (see Table 4). The test results of $W = 47013$, $p = 0.4251$ are not significant and consequently do not support our hypothesis that conflict duration in international work groups exceeds the one of national cooperation.

The findings for hypothesis 3 are similar, which also do not confirm our hypothesis that international cooperation's conflict strength exceeds the strength of national cooperation. The hypothesis was tested with a Wilcoxon rank-sum test with $W = 46170$, $p = 0.6906$. For both samples, the median was 3, meaning that both groups faced medium conflict strength on average. Participants seldom reported severe conflict strength or very low strength (see Table 5).

To gather insights for hypothesis 4, we used again the differentiation of national and international cooperation in relation to the median rank of the time lost, due to internal indirect conflict costs. For both set-ups, the median rank was the same and the Wilcoxon rank-sum test results were nonsignificant, with $W = 44450$, $p = 0.4252$.

Table 4. Conflict duration in national and international cooperation
(Source: Authors' own research)

Conflict Duration		Samples	
Group Rank	Description	National	International
1	Up to 1 week	229	88
2	Up to 1 month	115	52
3	1 - 6 months	84	26
4	6 to 12 months	26	11
5	Longer than 12 months	36	8
Median		2	2

Table 5. Conflict strength in national and international cooperation
(Source: Authors' own research)

Conflict Strength		Samples	
Group Rank	Description	National	International
1	Latent	57	26
2	Weak	146	53
3	Medium	222	81
4	Manifest	45	18
5	Aftermath	20	7
Median		3	3

We could not find support that international cooperation fosters higher internal indirect conflict costs within a specific conflict situation and cannot approve the hypothesis.

Considering the mean values of the different cost variables (Table 2), this finding is supported. In both setups, absences to avoid a conflict or due to health problems, as well as absenteeism accounted for most time lost. This was followed by time directly spent on conflicts by dealing with it, worrying, or solving it. The other cost variables accounted for less time wasted.

5 Discussion

The research aim was to evaluate the effect of international cooperation on conflict costs, analyzed in terms of lost time on internal indirect conflict costs (see figure 5). However, the link could not be clearly identified as anticipated in our hypotheses, which mostly had to be rejected. To research the cost amplifiers conflict duration (H2) and strength (H3), we considered one specific conflict situation of the respondent and gathered the data for both sample groups. Contrary to our

expectations, there was no difference between national and international conflict situations and their average conflict duration or strength. In both cases, most survey participants reported short conflicts of up to 1 week or month. Regarding conflict strength, the majority in both groups ranked their conflicts to be of medium strength, meaning that the individual is involved on a personal and emotional level and feelings like anxiety can be triggered. We assumed conflict resolution to be more difficult in culturally diverse teams due to linguistic differences divergent reactions toward a conflict, and the feeling of in- and out-groups, and that this would cause longer-lasting and more severe conflicts. As we did not find support for our hypotheses, conflict resolution is either the same in both setups or needs to be researched separately.

To study the implications of culturally homogeneous and heterogeneous teams on conflict costs, each study participant was asked to determine his or her internal indirect conflict costs for a personal conflict situation. We assumed the lost time to be higher in international conflicts compared to national ones but did not find support for this hypothesis.

Figure 4. Correlations of international conflict situation.
(Source: Authors' own research)

Is there a difference between culturally diverse and homogeneous groups...			
...in the amount of lost time on internal indirect conflict costs?	...in the rated conflict severity?	...in the general conflict duration?	...in the number of conflicts per year?
Average time lost on internal indirect conflict costs did not vary	Average conflict strength was rated as medium for both groups	Average conflict duration up to 1 month for both groups	More conflicts for people who work more than 20% internationally
Nonsignificant Wilcoxon rank-sum test	Nonsignificant Wilcoxon rank-sum test	Nonsignificant Wilcoxon rank-sum test	Significant correlation, Kruskal–Wallis test
×	×	×	☑

Does cultural diversity cause higher conflict costs? (measured in terms of lost time on internal indirect conflict costs)
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The mean values of lost time were also very similar for all cost variables and in line with previous research (Dirrler and Podrutzsik, 2022). Most time was lost on absences, as well as time directly spent on conflicts.

Irrespective of the sample group, 70% of the study participants reported to have up to five or 10 conflicts per year. Most of the respondents rated their conflicts to be of short to medium duration. Previous research has used the same conflict duration categories and indicated short conflicts to cost 137€ due to lost time (Dirrler and Podrutzsik, 2022). Medium conflicts of up to 1 month were claimed to cost 251€. These costs refer to the same internal indirect conflict cost variables as those of our study and are derived from the amount of lost time. Consequently, they refer to one specific conflict and one person only. If we consider an individual to have 10 conflicts per year, it would result in considerable costs. Therefore, costs can potentially

increase in culturally diverse environments, with a general increase of conflicts per year.

5.1 Research and managerial implications

We compared international and national conflicts in terms of time spent on certain cost variables, as well as cost amplifiers. The findings of our study are against our hypotheses and expectations. Former research results indicated that specific conflicts were affected by international diversity, for example, in the form of difficulties in teamwork, dissatisfaction, or lower cohesion (Wickramasinghe and Nandula, 2015; Vodosek, 2005; Opute, 2012). We expected a close relation between the mentioned conflict consequences and our cost variables. For example, we thought increased dissatisfaction or difficulties in teamwork among others to be visible in the form of decreased work efforts,

wasted time, absences, extra time gathering information, or attacking behavior. The mixed results can mean that the link between conflict consequences and conflict costs cannot be easily made, potentially because consequences might not always directly result in costs. Otherwise, the divergent findings can also be traced back to different definitions of cultural diversity, ranging from the comparison of specific countries (Wickramasinghe and Nandula, 2015) to the differentiation of individualism, collectivism, and horizontal and vertical orientation (Vodosek, 2005). In addition, our research was based on a survey in which individuals had to report on a concrete conflict situation. Vodosek's (2005) studies were conducted with research groups in different universities, and Wickramasinghe and Nandula (2015) distributed surveys to virtual software development teams. Despite rejecting the hypotheses involving a specific conflict situation, we found support that cultural diversity leads to more conflicts. This adds new insights to the debate whether cultural diversity has an impact on group functioning and conflicts, because overall, it can be stated that there is a positive correlation, which, however, needs to be researched thoroughly. The managerial implications are high when considering the costs of additional conflicts. On average, people highly internationally involved face more conflicts than people in national work environments, which automatically triggers higher costs. Companies that carry out cross-border activities should include these costs when calculating foreign direct investments or planning international projects. Cultural management has received acceptance over the last years (Hjerto and Kuvaas, 2017) and has proven its effectiveness (Inegbedion, et al., 2020). These cost positions can justify cultural trainings and motivate researchers and organizations to get involved in cultural diversity research.

5.2 Limitations and future research suggestions

Considering the divergent research findings on cultural diversity and conflict, future research is needed. Prerequisites will be a clear definition of cultural diversity, potentially even stating countries or other criteria. In addition, different variables, ranging from conflict consequences to conflict costs, should be included to analyze any discrepancies between the variables.

Lastly, the research set-up can also influence the research outcomes, emphasizing the need to carefully choose set-ups or vary between target groups and analyze discrepancies here as well. Our research was based on individuals reporting on a personal conflict, with the advantage of involving real situations. However, this also prevented us from participating in data collection and assessing how reliable the data is. Due to the large sample size, the findings are considered to be reliable. A limitation is the imbalance of the two sample groups, whereas the national group accounted for two-thirds of all survey respondents. Future research should increase the culturally diverse respondents and achieve balanced participation. Due to the consistent statistical results, this does not limit the deductions from our study. We did not cluster cultural diversity or consider cultural models differentiating cultural distances. This can also be a factor to be considered in the future. Future research could assess whether greater cultural distances lead to cost differences, compared to smaller distances which have no effect.

We only focused on internal indirect conflict costs, measured in terms of lost time. This does not represent a holistic cost measurement, as many costs are not considered. In addition, this approach measures the lost time of one specific conflict. To gather a holistic overview of conflict costs in national and international set-ups, all conflict costs should be considered in future research. New models would need to be implemented that enable a broader measuring approach. If participants were asked to report on all conflicts of a year, the quantitative results of the overall costs would also become more precise.

6 Conclusion

The research aim of this study was to investigate whether culturally diverse groups face higher conflict costs, measured in terms of lost time, than culturally homogenous groups. The novelty of this study is specifically shaped by the fact that companies are facing constant cost pressure while operating in increasingly global and complex environments. Here, it is even more important to understand the impact of cultural diversity on potential costs triggered by conflict. Against

the initial hypotheses, the link between cultural diversity and lost time was not as strong as expected. The actual time lost per conflict did not change in intercultural groups, and also, cost amplifiers like conflict duration or strength did not indicate any differences between culturally diverse and homogeneous groups. However, people operating in a more international environment were involved in more conflicts per year, which, in turn, can also cause an increase in lost time on conflicts, finally resulting in higher conflict costs. These are new scientific findings that should be considered as a baseline for future research.

7 References

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