

# External and Internal Organizational Distance: Distinction and Relationship

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*The present theoretical study introduces the concepts of external and internal distance. External distance involves physical distance and the amount and depth of communication between counterparts, while internal distance relates to the disparity in their values, norms, goals, etc. Misfit between external and internal distance triggers conflict and lowers longevity of relationship. Since these dimensions transcend different levels of analysis, they are more general in nature than concepts applied on a specific level such as cultural, psychic, and social distance. When multiple disparate terms are used on different levels, potential common patterns are overlooked. Distance between parties should not be equated with their differences. The latter contain elements that do not increase distance such as complementary and irrelevant differences. Distance reflects the incongruence between “should be” norms rather than between “as is” norms.*

## **INTRODUCTION**

The constellation of the processes of globalization, diversification of workplace, technological advances, and companies' downsizing has put the problem of organizational distance in the forefront of management research. Due to rapid progress in the means of communication, the spatial distance between people, organizations and countries has progressively become less relevant. Online technology has brought about close interaction between geographically and culturally distant teammates working on the same project. The same technology, however, can create distance of another kind between people sitting next to each other yet communicating only occasionally, or even never. Telecommuting and other forms of remote communication allow management of physically distant employees, but might also weaken interpersonal relationships and significantly diminish a manager's sway over employees as compared to more traditional face-to-face communication. The flattening of organizational hierarchies, accompanied by the broadening span of control, reduce the distance between rank-and-file employees and senior officers. At the same time, an increased span of control tends to create more distance between a manager and immediate subordinates by reducing the frequency and depth of their interactions.

Despite the growing interest in the role of distance in management, the concept itself remains an elusive one (Lewandowski and Lisk, 2013), and the findings regarding its impact on organizational performance are inconsistent. One of the issues in the study of distance is a certain separation between different levels of analysis. The role of distance is predominantly discussed in the management literature on two levels – micro, or the intraorganizational level and macro, or interorganizational level. The main attention in intraorganizational studies is drawn to the analysis of distance between leaders and followers and its relationship to leader-member exchange (LMX), a leader's charisma, followers' autonomy, the leader's power, etc. (Antonakis & Atwater, 2002; Bligh & Riggio, 2013; Napier & Ferris, 1993; Shamir,

1995). On the macro level, the majority of studies have been devoted to the issue of the impact of organizational and especially national cultural distance on various aspects of performance of mergers and acquisitions (M&A), international joint ventures (IJV), foreign direct investments (FDI) and other forms of interrelationships (Morosini, Shane & Singh, 1998; Ramasamy & Yeung, 2012; Shenkar, 2001; Stahl & Voigt, 2008; Teerikangas & Very, 2006; Veiga, Lubatkin, Calori & Very, 2000; Weber, Shenkar & Raveh, 1996). Notwithstanding ostensible differences in types of distance and outcome variables there are significant common threads in the role of distance and its impact on outcomes on different levels of analysis. The goal of the present study is to refine the concept of distance so as to examine these common patterns that are overlooked in the literature.

### **Commonalities in Analysis of Distance on Different Levels**

One apparent reason for the aforementioned separation is that research on micro and macro levels is conducted by researchers representing different disciplines – Organizational Behavior for the former and International Business for the latter. Still substantive argument for separation of studies on different levels can be based on the need to avoid ecological fallacy (Hofstede, 1980; House, Hanges, Javidan, Dorfman & Gupta, 2004; Sousa & Bradley, 2008), which involves the assumption that results on one level of analysis can be uncritically applied to another. This is a valid concern, but it should not be taken to the point of creating research silos and unwarranted barriers between micro and macro levels. Several arguments can be presented in favor of a more connected pattern of investigation of organizational distance.

Firstly, the sheer number of possible links and consequently of units of analysis makes separate study on different levels less tenable. Modifying Bogardus's framework of horizontal and vertical distance (1927), we can divide units of analysis of distance into two main categories – a) homogeneous, or horizontal, and b) mixed, or diagonal. Horizontal units involve distance between entities on the same level of analysis. This category contains distance between individuals, groups, organizations and nations accordingly. Mixed units involve distance between counterparts on different levels, such as individual-group, individual-organization, group-organization, organization-nation, etc. Mixed units transcend different levels of analysis and cannot be ascribed to a particular level.

Secondly, there are complex and multifaceted connections between distances on different levels. Following the logic of research by Hofstede (1980) which suggests that organizational culture is fed by national culture, and of the GLOBE project (House et al., 2004) that demonstrated that a big portion of variance in organizational cultures is explained by national culture, it can be maintained that organizational cultural distance largely reflects national cultural distance. Interconnectedness exists also between categories of distance on other levels of analysis. For example, Sousa and Bradley (2006) examined the connection between psychic and cultural distance. Although the authors argued that psychic distance belonged to an individual level, while cultural distance belonged to a national level of analysis, their research found a significant correlation between psychic and cultural distances, indicating the connection between two levels of analysis. Weber et al. (1996), analyzing the impact of national and organizational cultures on M&A, maintained that too much pressure to conform to a strong organizational culture caused seeking for cultural identity in different national divisions and branches, making differences in national cultures more salient. This study demonstrated conflicting interaction between distances on different levels. An attempt to diminish distance on the organizational level resulted in a reinforced realization of high distance on the national level.

Thirdly and most importantly, there are common threads, or isomorphism, in relationships between types of distances on different levels. As an illustration, it might be edifying to juxtapose the previously mentioned study of Weber et al. (ibid) that addressed national and organizational levels of cultural distance with the case analyzed by Collinson (2005), which presented the interaction between organizational and group levels of culture. In this case the company's leaders intensified contacts with rank-and-file employees in order to transmit overarching organizational cultural values. These efforts resulted in an unexpected outcome, i.e. in resistance from employees and the creation of an adversarial counterculture. Despite the ostensible differences between the two studies, one common theme can be

clearly observed: managerial actions in both cases reinforced the realization of the depth of a distance between entities (diagonal in both cases – organizational/national in the former and group/organizational in the latter) and therefore produced the undesired outcome of cultural friction and conflict. In both situations the tangible aspect of distance (amount and intensity of communication) became too close, so that increased interaction did not fit high cultural /intangible distance between parties involved. Conflict and other repercussions triggered by such misfit can be observed on different levels of analysis which will be demonstrated later.

Important aspect of similarity of research in different units of analysis is observed in studies of Rast, Gaffney, and Hogg (2013) and Veiga et al. (2000). Rast et al. maintain that a leader's distance from followers in a group reflects this leader's perceived distance from prototypical, or normative behavior. Leaders who represent normative attributes are perceived as close; those who deviate from prototype are seen as more distant. Veiga et al. suggest that cultural fit between companies is highest when their ought-to-be (OTB) norms are close; in contrast, difference between these norms creates cultural clash. The former research is devoted to the intraorganizational level, and the latter to the interorganizational, level of analysis. However, despite these dissimilarities and different terminology, a common pattern can be clearly seen: distance between entities on any level is positively related to their distance from normative behavior, or, using the construct of a study on a national cultural level, "should be" norms (House et al., 2004).

If there is similarity of phenomena on different levels, there should be adequate common terminology capturing this common content. The current state of terminology in the field can be characterized by the lack of parsimony and clarity: use of multiple terms that reflect similar phenomena and at the same time, use of the same terms, but operationalized differently by different authors. (Lewandowski & Lisk, 2013, p. 21). Constructs related to types of distance include but are not limited to the following types: social (Antonakis & Atwater, 2002; Bogardus, 1925, Matthews & Matlock, 2011; Park, 1924, Torres & Bligh, 2012), psychological (Katz & Kann, 1978; Napier & Ferris, 1993, Popper, 2013; Wonga & Bagozzi, 2005), personal (Poole, 1927), psychic (Evans & Mavondo, 2002; Sousa & Bradley, 2008), cultural (Collinson, 2005; Rummel, 1976; Sousa & Bradley, 2008), ethical (Ramasamy & Yeung, 2012), emotional (Rast et al., 2013), physical (Antonakis & Atwater, 2002; Shamir, 2013; Torres & Bligh, 2012), institutional (Kostova & Zaheer, 1999); spatial (Matthews & Matlock, 2011), geographic (Zaheer, Schomaker & Nachum, 2012), functional (Napier & Ferris, 1993), etc. Multiple constructs impede recognition of commonalities in the role played by distance regardless of level of analysis. Separation of units of analysis contributes to duplication in terminology and exacerbates the problem of multiplicity of concepts.

Due to common patterns in mechanisms via which distance functions on different levels it would be fruitful to develop general concepts of distance that transcend different levels and reflect essential characteristics rather than specific forms pertaining to a certain level. This would make it possible to find a golden mean between two extremes - on the one hand, committing the ecological fallacy and, on the other, creating research silos by completely separating between different levels of analysis.

### **The Concepts of External and Internal Distances and Their Relationship**

In the examples provided in the previous part it is possible to distinguish between two different categories - tangible and intangible aspects of distance. These two types can be labeled *external* and *internal* distances. External distance relates to such tangible facets as spatial (physical) distance and the quantity and quality of communications between counterparts. Unlike Antonakis and Atwater (2002), who conceive of physical distance and the frequency of interactions as different and independent dimensions, I argue that these two forms of tangible distance are closely related in that physical closeness enables more frequent and richer communication and that they therefore can be united in one dimension. Previous research provides evidence for this conclusion. The study of Torres and Bligh (2012) demonstrated a connection between these two dimensions in that smaller physical distance was associated with more frequent contacts. Napier and Ferris (1993), analyzing dyadic supervisor-subordinate relationship proposed the construct of structural distance, which includes components such as physical

design, spatial distance, visibility, opportunity to interact, and span of control. The authors point out that “the conceptual link which binds these variables is that they all are associated with the amount of interaction in the dyad which is allowed and encouraged.” (p. 333). The proposed construct of external distance also combines tangible factors but has a more general character and pertains not only to interpersonal but also to other levels of analysis.

External distance takes different shapes on different levels. In dyadic and intragroup interactions it is inversely related to quality and quantity of communication between individuals. Therefore such characteristics as high people orientation and consideration on the part of leaders, their socio-emotional support of followers, contribute to the quality of exchanges and reduce external distance. The quality of communication on a micro level also involves the richness of channels – a less rich channel constitutes a longer external distance than richer one. Even with the advancement of means of communication such as the Internet, there is fundamental agreement among researchers that face-to-face interaction represents the richest channel of communication and, arguably, the lowest external distance.

On the macro level external distance varies with the different types of interaction between organizational and national entities. For example, M&A involves closer interaction than IJV and therefore represents a smaller external distance between companies than the latter. In turn IJV represents smaller external distance than strategic alliance because it involves the creation of a common entity where communication is more frequent and intense. Within the category of M&A, a related merger entails a high degree of strategic and operational integration that brings about frequent interaction between companies. As a result, it constitutes the state of a lower external distance than an unrelated merger. On the international level both foreign direct investment (FDI) and bilateral trade can be regarded as metrics of external distance. Higher levels of FDI and trade imply more extensive contacts between countries, and therefore closer external distance.

The second concept in suggested framework – that of internal distance – generalizes the intangible aspects of distance. This type relates inversely to the mutual attraction of parties involved. On the interpersonal and group level the intangible facet of distance is labeled differently by different authors, for example, as psychic (Sousa & Bradley, 2008), social (Antonakis & Atwater, 2002; Bogardus, 1959), and psychological distance (Katz & Kahn, 1978; Napier & Ferris, 1993). This category relates to (but does not equal, as will be shown later) differences in demographics, values, attitudes, goals, social status, knowledge, etc. Internal distance on the micro level in addition to personal characteristics involves social roles; thus, change in roles can alter internal distance. For instance, when someone is promoted from within and becomes a manager of her former peers, a difference in status and power emerges, which leads to a growth in the internal distance between the new manager and her subordinates. In contrast when associates are engaged in a team project, their internal distance tends to lower due to common goals, joint experiences and an emerging team subculture. In general, creating complementary roles and mutual interdependence reduces the internal distance between associates.

Internal Distance on the interorganizational level relates to (but again, does not equal) differences in organizational cultures, and, if companies belong to different countries, national cultures. It can change due to the process of acculturation, which can take forms of assimilation, integration, and separation of organizational cultures (Nahavandi & Malekzadeh, 1988). For instance, when the chosen mode of acculturation in M&A is assimilation, the resulting internal distance between these entities ends up lower than in the mode of integration because in the latter case, the acquired company keeps a certain cultural autonomy; in turn the integration would create a still lower distance than separation in which cultural autonomy is more salient.

External and internal distance are conceptually distinct. The metaphor of a stranger (Simmel, 1908) demonstrates vividly this distinction and potential tension between the two dimensions. A stranger is an individual who is physically (externally) close to group members, interacts frequently with them and yet socially (internally) is too far away to become a member of the group. Shamir (2013) provides another illustration, depicting two opposite situations involving a subordinate and a leader. In the first one “a person may work in the same room with his or her leader..., interacts with him or her frequently, and yet

feel very distant from the leader.” (p.57). In the opposite scenario, a person can feel very close to a leader whom he has never seen, or whose voice he has never heard (idem).

Does the distinction between these dimensions mean that they are independent? That is the position of Antonakis and Atwater (2002), reiterated by Rast et al. (2013) who argued that different dimensions of distance on the micro level such as social distance, physical distance and frequency of interactions, are independent variables. The authors operate with the concept of total distance, which contains both intangible and tangible facets of distance. Although a summation of the discussed variables in the aggregate construct may be useful, it can also conceal important interactions between different types of distance. In a vein similar to Shamir’s scenarios, consider two coworkers who feel strong mutual animosity due to incongruent values and goals but find themselves in adjacent cubicles. Clearly, their internal distance is high, while external distance is low. The opposite scenario of a high external distance and a low internal one would involve people who feel deep mutual attraction but are physically remote from one another. In both examples one dimension of distance is low while another is high; thus, summarizing these two variables would result in identical compound distance. The third situation with similar total distance involves a middle of the road scenario with two individuals who are moderately remote and possess neutral/moderately positive attitudes towards each other. The three scenarios presented are very different in that two of them contain conflicting conditions while the last one is more balanced. There is an obvious tension as a result of misfit between the two types of distance in unbalanced situations - in the first case, high internal distance does not fit a small external one; the reverse situation takes place in the second case. Placing two people who resent each other in more remote locations and bringing individuals who are attracted closer to each other would put external distance in balance with internal distance and relieve the tension.

The evidence of the connection between tangible and intangible dimensions of distance was demonstrated by empirical research in different units of analysis. Torres and Bligh’s aforementioned study (2012) indicated a positive correlation between social (internal) and physical (external) distance on interpersonal level. The connection between two types on the same level is evident from research on route planning exercises by Matthews and Matlock (2011). When participants were asked to draw routes on a map, they were inclined to position them farther away from strangers and closer to their friends. The study demonstrated that close internal distance (friendship) affected desired external distance – the lower the former, the lower the latter. Similar results were obtained by Burgess (1983), who investigated the effects of density on distances between people walking in shopping malls. The findings showed that companions in groups maintained closer spatial distances toward each other than toward strangers, demonstrating that closer internal distance brings about a closer external one.

The same conceptual link between external and internal distance on an intragroup level can be illustrated by applying seminal study by Lauderdale (1976) on deviant behavior in groups. When a social group faces the deviant behavior of one of the group members (perceived high internal distance due to nonconformity to group’s norms), other group members respond initially with increase of interaction, thus reducing external distance from a deviant person. If these attempts to eliminate deviation fail, the number of contacts would decline sharply and the divergent person would be ostracized or expelled; that is, external distance between him and the group increases dramatically and becomes in line with high internal distance. In other words, the misfit between internal and external distances creates dynamic that will bring the system closer to the state of equilibrium.

On an interorganizational level, several studies point to a similar pattern. The research of Weber et al. (1996) indicated that tension that results due to the mismatch between the intensity of contacts between a company’s management and national branches (low external distance) and differences between national cultures (high internal distance). Researchers also found a connection of differential between organizational cultures and autonomy removal of acquired company – the higher the former, the lower the latter. Cultural differential represents internal distance, while autonomy removal reflects amount of communication between companies, and is inversely related to external distance. These findings clearly demonstrate that higher internal distance brings about higher external distance. In a similar vein, Shenkar (2001) maintained that there is less cultural friction in IJV than in M&A because interaction in the former

is compartmentalized in the common entity while M&A brings together the entire set of activities. As noted earlier, M&A constitutes lower external distance than IJV. Internal distance being given, the reduction in external distance beyond a certain point can create misfit between the two dimensions and ensuing tension. Likewise, Weber, Tarba, and Reichel (2011), depicting the trade-off between high and low levels of integration in international M&A, maintain that the contact between management teams “exposes the diverse national and corporate cultures...and makes the differences salient. To the extent that cultural distance produces a “culture clash,” such a clash may be strongest where the contact between the adherents of the opposing culture is the greatest (in high levels of integration)” (p. 15), i.e. when external distance is low and the internal distance is high.

On a national level, Ramasamy and Yeung (2012) showed that the smaller the ethical distance between countries, the greater the trade between them. Ethical distance pertains to an intangible, i.e. internal, dimension; bilateral trade expresses the level of interaction between countries, representing external distance. In another study Siegel, Licht, and Schwartz (2013) found that egalitarianism distance had a negative impact on foreign direct investment flows. Here again we can observe the same pattern – a greater internal distance tends to bring about greater external one.

The connection between internal and external dimensions of distance necessitates their investigation in conjunction. It is noteworthy that previous studies that endeavored to establish relationships between certain separately taken variables of tangible/external distance and organizational outcomes did not achieve conclusive results. Taken individually, many of these components showed a smaller impact on performance than was expected (Napier & Ferris, 1993; Sundstrom, Burt, & Kamp, 1980). I concur with Napier and Ferris that a “possible reason for these findings is that researchers failed to examine these variables within a larger theoretical framework” (ibid, p. 334). The same conclusion of necessity to investigate dimensions of distance in connected fashion can be drawn from studies on a macro level. Analyzing the impact of national cultural distance on FDI Shenkar noted that “how different one culture is from another has little meaning until those cultures are brought into contact with one another” (2001, pp. 527-528). Indeed a certain dimension of distance, either internal or external, in itself does not necessarily constitute a problem; yet the interaction between these dimensions can generate a clash, or a friction. Consequently Shenkar (ibid) recommended replacing the term “cultural distance” with “cultural friction”. However, an interaction between cultures does not invariably produce friction. They would appear only when cultural (internal) and external dimensions of distance do not fit, more specifically – when *actual* external distance is lower than internal distance and as a result is lower than the *desired* external distance.

Incongruence between the desired and actual external distance takes place for at least two reasons. First, the situation may not be fully under control by the focal party and thus certain constraints exist that prevent desired external distance from materializing. Second, there can be an inaccurate initial perception of internal distance, resulting in the establishment of suboptimal external distance. The friction caused by misfit between internal and external distance will express itself in a high level of conflict, as well as lower satisfaction from the relationship, and its shorter duration. In the case of a match between internal and external dimensions (and between desired and actual external distance), the system finds itself in the state of equilibrium, where level of conflict is low, while satisfaction with the relationship, and its longevity, are higher. These arguments lead to the following propositions:

*Proposition 1. Desired external distance is positively related to internal distance.*

*Proposition 2a. Under high internal distance, low external distance will be negatively related to satisfaction from the relationship.*

*Proposition 2b. Under high internal distance, low external distance will be positively related to conflict.*

*Proposition 2c. Under high internal distance, low external distance will be negatively related to longevity of the relationship.*

*Proposition 3a. Under low internal distance, low external distance will be positively related to satisfaction from the relationship.*

*Proposition 3b. Under low internal distance, low external distance will be negatively related to conflict.*

*Proposition 3c. Under low internal distance, low external distance will be positively related to longevity of the relationship.*

Does the notion of fit call for staying closer to internally (culturally, psychologically, etc.) similar entities and away from parties that are internally different? In other words, are distance and differences the same phenomena? In the next section I address the subject of the distinction between these concepts.

## **DISTINCTION BETWEEN CONCEPTS OF DISTANCE AND DIFFERENCES**

One of the aforementioned common threads in the investigation of distance on the micro and macro levels is that variables which reflect internal distance are equated with differences/dissimilarity among counterparts, while similarity is considered as closeness. For instance, Napier and Ferris (1993) maintain that “psychological distance refers to the psychological effects of actual and perceived demographic, cultural, and value differences between the superior and subordinate” (pp. 328-329). Antonakis and Atwater (2002) define “social distance in the leadership domain as perceived differences in status, rank, authority, social standing, and power” (p. 682). On the macro level the concepts of cultural difference and cultural distance are used interchangeably and are treated by and large as synonymous concepts (Morosini et al., 1998; Shenkar, Luo & Yehekel, 2008; Stahl & Voigt, 2008; Tang, 2012; Weber et al., 2011). The most commonly used instrument in the measurement of cultural distance is the compound index developed by Kogut and Singh (1988). This instrument measures the degree to which the cultural norms in one country differ from those in another country based on Hofstede’s four cultural dimensions (1980) that essentially equate cultural differences and distance.

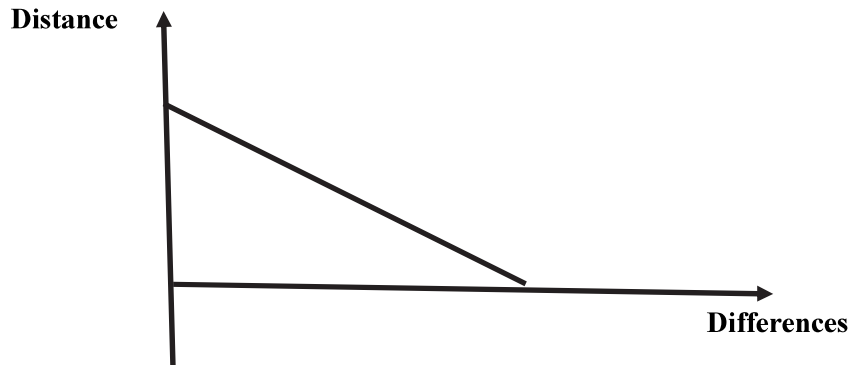
Undoubtedly, distance is closely related to and even based on differences, but do all differences create distance? If these concepts are equivalent, then any change in the former would cause change in the same direction of the latter. However, this thesis is not supported by empirical evidence and is logically untenable. A few conditions can be delineated that distinguish between differences and distance.

### **Distance and Complementary Differences**

One of the factors contributing to the distinction between these two concepts is the impact of complementary differences. Analyzing strategic partnerships, Parkhe (1991) pointed out that when one partner learns from another and acquires certain attributes that were lacking at the outset, he has fewer incentives to stay in the relationship and the alliance can be easily dissolved. When the learning party learns what it needs, the difference in knowledge and skills disappears, and the *raison d'être* of connection no longer exists. Growing similarity in this case disrupts the partnership and causes distance to increase. The relationship here is built on a supply-demand basis and is of a complementary nature. The same outcome may occur also on an interpersonal level: the complementarity of teacher-student or mentor-mentee roles is stipulated by the difference in knowledge. When an apt student/mentee acquires sufficient knowledge and skills, his need for such connection diminishes.

The positive role of complementary differences in enhancing the performance of collaborating entities is well established in literature on the macro-level of analysis (Björkman, Sarkar, Echambadi, Cavusgil & Aulakh, 2001; Parkhe 1991; Pothukuchi, Damanpour, Choi, Chen & Park, 2002; Stahl & Voigt, 2008; Stahl, Tung, Kostova & Zellmer-Bruhn, 2016; Teerikangas & Very, 2006; Yehekel, Zeira, Shenkar & Newburry, 2001). It is logical to suggest that complementary differences between organizations in fact *reduce* both internal and external distance by creating mutual dependence. In contrast, the emergent similarity between companies may increase distance due to the elimination of complementarity. It can enlarge distance even further by creating competition between previous partners. The same phenomenon can take place on an intraorganizational level as well. Similarity can trigger competition for the same limited resources between departments, groups or individuals. Therefore similarity should not be confused with closeness. Graphically, the inverse relationship between complementary differences and distance (both internal and external) can be shown as follows:

**FIGURE 1**  
**DISTANCE AND COMPLEMENTARY DIFFERENCES**



### **Distance and Two Types of Norms**

Making one logical step further, complementary differences enhance *variety* of skills and perspectives. Morosini et al. (1998) argued that “a multinational corporation may increase the probability of possessing a greater variety of potentially valuable routines and repertoires by acquiring a firm in a culturally distant country” (p. 135). The same phenomenon takes place on a group level – heterogeneity and variety in teams can boost creativity and innovation and improve performance (Bunderson & Sutcliffe, 2002; van Knippenberg & Schippers, 2007; Watson, Kumar & Michaelson, 1993). In general when differences are perceived as variety and not as deviation from some norm or standard, they do not increase internal distance. Variety implies lack of such a standard: features of counterparts are not judged as better or worse but just different. In contrast when the evaluation based on norms is involved, differences turn into distance: the more the other party deviates from the standard, the larger the internal distance grows. Thus the distinction between differences and internal distance can be made along the lines of descriptive and normative perspectives: difference is a neutral, descriptive term while distance is a more “loaded”, evaluative and thus normative, concept. When differences are emphasized and reinforced, differences become distance.

The connection between norms and internal distance depends on the type of norms. There are two categories of cultural norms recognized in the literature. One type is the above-mentioned “should be” (House et al., 2004) or ought-to-be (OTB) norms (Veiga et al., 2000). These norms denote desired behavior that should take place according to normative expectations. Another category refers to “as is” (House et al., *ibid.*) or “is” norms (Veiga et al., *ibid.*), behavior that typically occurs in reality according to predictive expectations. Previous arguments point to the significance of normative expectations and “should be” norms in generating internal distance. As mentioned earlier, Rast et al. (2013) suggested that a leader-follower distance is consistent with the degree to which a leader represents normative prototypical traits: a leader who is farther away from the prototype is seen as more distant. Veiga et al. (2000) posited that organizational cultures fit each other when their OTB norms are similar. Other studies support this conclusion. As demonstrated by Ramasamy and Yeung (2012) bilateral trade between countries is negatively associated with ethical distance. Since ethical norms relate to right/good vs. wrong/bad behavior, they constitute “should be” rather than “as is” norms. Among countries, dissimilarity in these norms indeed creates internal and consequently external distance; the latter is expressed in a lower level of bilateral trade.

Insofar as descriptive “as is” norms are concerned, their congruence does not necessarily represent low internal distance. Cadden et al. (2013) demonstrated that partners in unsuccessful supply chains characterized by cultural clash were culturally similar, but their cultures were adversarial. That means that their “as is” norms were alike but they were dysfunctional and far away from “should be” norms. Pothukuchi et al. (2002), in their analysis of IJVs of Indian companies with foreign partners found that a difference in masculinity showed a consistently positive effect on organizational performance. The



authors concluded that “there might be an admiration effect on the part of Indian managers who attributed higher IJV performance to their foreign partners’ “aggressive pursuit of economic success” (Pothukuchi et al. 2002, p. 244) – the characteristic that was lacking in their own culture. Admiration effect implies that the “should be” level of masculinity of Indian partners was far from their “as is” level and closer to “as is” level demonstrated by foreign partners. Thus, a difference in “as is” norms did not weaken connection and did not make affiliates more distant. Along the same lines, Nahavandi and Malekzadeh (1988) maintained that when members of an acquired company perceive their own culture as dysfunctional and highly appreciate the culture of acquiring company, the preferred pattern of acculturation should be assimilation, and the mode of acquisition would be a related one, implying low internal and external distance accordingly. Here again focal “as is” norms are different from focal “should be” norms; the latter are close to “as is” norms of a larger partner. In contrast, when an acquired firm is culturally ethnocentric and does not find the acquiring firm’s culture attractive (“as is” behavior of acquiring company does not fit “our” normative expectations and “should be” norms), the preferred mode of acculturation would be separation (high internal distance) and consequently their merger should be unrelated (high external distance).

Evoking two types of norms allows the proper addressing of the issue of asymmetry in internal, e.g. cultural distance. Shenkar (2001) and Shenkar et al. (2008) argue that the assumption of cultural-distance symmetry is questionable and not supported by empirical studies. The notion of cultural-distance asymmetry provides another perspective in distinguishing distance from differences. As far as differences in “as is” behavior are concerned, they are indeed equal from either end, i.e. symmetrical. For instance if one country scores high on the actual level of Masculinity while another country scores low on it, the gap between cultures would be the same in both directions. Still, it can be argued that when two sides have different “should be” normative standards, i.e. incongruent points of reference by which they judge each other, the same difference from both ends would turn out to be uneven distance.

The incongruence between cultural distance and cultural difference depends on the level of cultural ethnocentricity of both entities. If two cultures are highly ethnocentric, the difference and distance would be one and the same because any difference is regarded as a deviation from the proper state and ultimately turns into distance. However the previous examples of attractiveness of another culture demonstrate that situation would change if one side A considers “as is” norms of another party B closer to the “should be” level than its own “as is” norms. In this case: a) distance and differences will not be the same; and b) distance from A to B can be smaller than from B to A. Since members of culture B in their interaction with members of culture A observe actual behavior characterized by suboptimal “as is” norms, they will experience a higher level of cultural tension than members of culture A, who encounter more appropriate behavior by their own “should be” standards. Therefore, the distance from A to B will be smaller than the distance from B to A. These arguments can be generalized with regards to internal distance on any level of analysis – individual, group, organizational, and national. Internal distance between entities A and B is not necessarily equal to internal distance from B to A due to disparity in “should be” standards.

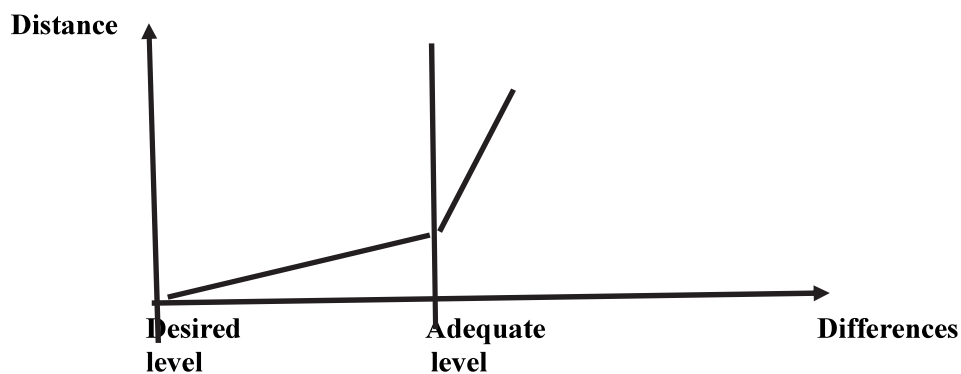
### **Distance and Tolerance**

Even if two parties have incongruent values and normative expectations, the internal distance can vary depending on the degree of personal or cultural sensitivity, or tolerance (Bellinger & Hillman, 2000; Chatterjee, Lubatkin, Schweiger & Weber, 1992; Voss, Johnson, Cullen, Sakano & Takenouchi, 2004). Nahavandi and Malekzadeh (1988) maintain that when an acquiring firm is characterized by “multiculturalism,” or the tolerance of other cultures, it can allow the acquired company to maintain its cultural autonomy while being integrated. Cultural integration constitutes a middle ground in the mode of acculturation and in cultural distance between complete assimilation and separation. The implication of this is that tolerance impacts internal distance, and via the latter – external distance.

The concept of a “tolerance zone” (Zeithaml & Bitner, 2003) can be adopted here. This marketing construct constitutes a range between the desired and an adequate level of customer expectations. A desired level of expectations stands for the maximum level of expectations while the adequate level reflects the minimum level of service quality that is acceptable to customers. If we substitute a

counterpart for a customer, and norms and values for service quality, then the desired level of expectations would reflect the optimal level of “should be” behavior while the adequate level would reflect the minimum of acceptable behavior of a counterpart. More tolerant and sensitive entities have larger tolerance zones. When deviation from the desired level of behavior of another party finds itself within the tolerance zone it can still be acceptable and does not create serious friction. If the tolerance zone is large enough, the same difference will be perceived as less significant. Conversely, the smaller the tolerance zone, the more significant the same differences will look. Thus internal distance is a function of the size of difference and the size of the tolerance zone. Internal distance grows incrementally as the other side approaches the limit of the tolerance zone, or adequate level. After crossing this limit, internal distance grows sharply because differences become intolerable, creating misfit and incompatibility. Graphically this can be shown as follows:

**FIGURE 2  
DISTANCE AND TOLERANCE ZONE**

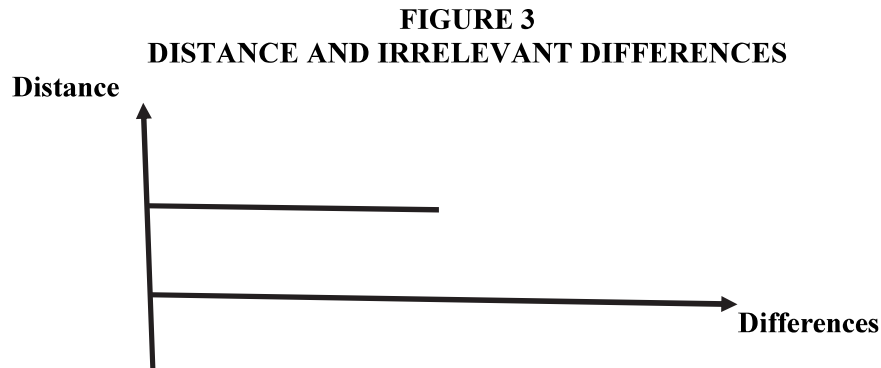


There is a historical dimension to the distinction between internal distance and differences. Due to cultural changes, norms and values evolve over time – new norms appear or existing norms become stronger (smaller tolerance zone) while others become weaker (larger tolerance zone) or disappear. For instance, the value of environmental sustainability and protection has become increasingly important and widespread in recent decades. Another instance of a strengthened norm would be higher intolerance towards sexual harassment in the workplace. Conversely, growing tolerance and acceptance of the LGBTQ community is the salient feature of recent socio-cultural developments. The appearance of a new norm as well as the reduction of the tolerance zone of existing “should be” norms enlarges internal distance. Since the tolerance zone regarding pollution has significantly narrowed, the cultural distance between the environmentally-conscious public and a company that negatively impacts the ecosystem is larger nowadays than it was in the past. In contrast when old norms become weaker or disappear, it decreases distance, though difference per se might not change. Due to socio-cultural changes the internal distance between people with different sexual orientations is much lower now than it was even a few decades ago.

**Distance and Irrelevant Differences**

When an old norm disappears altogether, the difference between entities does not constitute distance anymore. This brings us to one more condition where distance is not equal to differences – when differences are irrelevant. Shenkar (2001) and Veiga et al. (2000) noted that not all cultural gaps and differences are critical to performance. Empirical studies showed examples when cultural dissimilarities between partners did not impact outcomes of relationships. Sirmon and Lane (2004) argued that differences between partners that are not close to value-added activities and to alliance purposes do not affect outcomes of the alliance. Bianchi (2006) showed that cultural differences did not affect the level of trust and commitment of exchange relationships between foreign suppliers and Chilean distributors. On

the interpersonal level, when two colleagues communicate in fluent English, and one of them in addition knows Portuguese or French, such difference creates hardly any distance between them. If certain differences do not matter, i.e. if they do not cause any friction, they do not increase internal or external distance between affiliates. Graphically this can be shown as follows:



Disregarding irrelevant differences as well as the other factors discussed earlier leads to confusion between distance and differences. There is a basis to postulate that equating distance and differences contributes to inconsistent results of research devoted to the impact of cultural distance on the performance of collaborative settings such as partnerships, IJV, and M&A. Such inconsistency is widely recognized in the literature (Lu, 2006; Pothukuchi et al., 2002; Shenkar et al., 2008; Stahl & Voigt, 2008; Teerikangas & Very, 2006; Yeheskel et al., 2001). The lack of theoretical clarity results in imprecise operationalization of cultural distance. The most used instrument for measurement of cultural distance is the composite index of Kogut and Singh (1988), which measures the differences in cultural dimensions developed by Hofstede (1980). Several studies criticized this instrument and recommended it not be used because it does not correctly predict cultural influence and may produce misleading results (Shenkar, 2001; Shwartz, 2012; Tang, 2012; Tihanyi, Griffith & Russell, 2005). I posit that the important reason for contradictory findings is that the method of Kogut and Singh in fact measures cultural differences rather than cultural distance. The latter, gauged by this approach, appears as symmetrical, which is theoretically unfounded. This index does not capture the distinction between “should be” and “as is” norms which can be considered the major disadvantage of Hofstede’s model. It also fails to identify complementary and irrelevant differences.

## **CONCLUSION AND FUTURE RESEARCH**

The current theoretical study introduces the concepts of internal and external distance. These concepts transcend different levels of analysis in that they grasp essential elements of intangible and tangible distance both on micro and macro levels. Thus they are more general in nature than concepts applied on a specific level such as cultural, psychic, social and other types of distance. When multiple disparate terms are used by different authors and on different levels, potential common patterns can be overlooked. The central theme of this paper is the connection between external and internal distance, i.e. between physical distance and the amount and depth of communication on the one hand, and the disparity in values, norms, goals, etc. on the other. Internal distance impacts desired external distance between counterparts regardless of level of analysis. The mismatch between these two dimensions generates conflict, dissatisfaction with working relationships, and the potential break-up of those relationships. Conversely, a fit reduces the probability of such negative outcomes. One important question that should be investigated in future research is whether such fit is of a normative or descriptive nature. The former would imply a straightforward practical recommendation to managers to take steps which prevent misfit between internal values of counterparts and tangible dimensions of distance. The implication of the latter would be more nuanced – that systems have a certain “natural” tendency towards establishing a balance between two

types. When external distance is too close, i.e. external distance is lower than internal one, the system will tend to recover equilibrium by increasing external distance. If in contrast external distance is higher than internal one, the most prevalent result will be a decrease in external distance in order to return to equilibrium. In this case practical recommendation would be less stringent – to be cognizant of potential misfit and consider this factor in choosing possible course of actions. The goal would not be to avoid misfit between dimensions of distance at all costs. In cases where there are alternatives involving other potentially positive results that outweigh negative outcomes of stress and conflict due to discussed misfit, such alternatives might be preferred.

Another venue for future research is the operationalization of the presented constructs and the empirical validation of their theoretical propositions. One possibility for this would be a construction of a new instrument which directly measures internal and external distance. Yet another possibility is to use existing constructs already operationalized on different levels of analysis such as cultural, psychic, and ethical distance, with an eye to the connection of these specific subtypes with general categories presented here. However, regardless of the chosen method of operationalization, measurements should avoid confusing internal distance with differences, and take into account complementary and irrelevant differences and the distinction between “should be” and “as is” norms.

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