**The Cost of Conflict in Organizations:**

**Review of Research and Recommendations for a Healthy Organizational Environment**

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Conflict is inevitable not only among nations, but also in businesses and nonprofit organizations. Depending upon connotation, severity, length, and extent of conflict, the application of conflict-transformation skills can have a drastically different degree of impact on individual employees and organizations. It is critical to first define conflict and differentiate it from similar concepts such as disagreements or problems. A disagreement means there are opposing opinions that do not directly impact behavior, decisions, and organizational effectiveness (and this is considered healthy), while a problem means there is a difference of opinion that has a functional impact on these areas. When this impact occurs, a conflict arises, and it’s accompanied by a belief that one’s interests or goals would not be able to be accomplished (Cram & MacWilliams). There are “positive conflicts,” which are well managed and involve an augmentation in efficiency and a strengthening of relationships, and there are “negative conflicts,” which are poorly managed and often lead to lower productivity and damaged interpersonal relationships (Buss, 2011). The global audit, tax, and advisory firm KPMG conducted a Conflict Cost Study that details the costs associated with functional conflicts versus those associated with dysfunctional conflicts. Functional conflicts assist an organization by allowing parties to openly express themselves, use active listening, and maintain an open mind, while dysfunctional conflicts are detrimental and often involve personal attacks, pain, and suffering (**Blees, 2009)**. In this paper the authors review the negative impacts of dysfunctional conflict and offer strategies to transform conflict while reducing its associated costs.

Oftentimes businesses and nonprofit organizations do not take low morale or unhealthy conflicts into consideration and do not actively measure and analyze the costs of conflict in the workplace. At the organizational level, these costs can occur in the form of low productivity, absenteeism, rapid turnover, burnout, bad corporate reputation, theft, and damage. Unhealthy conflicts lead to decreased productivity. A study of 5,000 employees conducted by international business psychology consultancy OPP Limited revealed that approximately 2% to 8% of weekly working hours was spent dealing with badly managed conflicts (McHenry, 2008http://www.opp.cu.com/conflict.aspx). Distancing disputing employees from working with one another leads to inefficiency in the pursuit of organizational goals (Buss, 2011). A rise in absenteeism (the number of unscheduled days a person takes off from work) has been correlated with an increase in worker stress and a decrease in morale. Then there is the phenomenon of presenteeism, in which the presence of an employee who is working while sick or is otherwise not suitable for work (and who is maintaining a defeatist attitude) causes an increase in the workload and stress of other employees. It is difficult to quantify, so it’s possible presenteeism may result in greater costs than absenteeism (DeVol & Bedroussian, 2007). Another organizational cost is turnover, and research shows that at least 50% of voluntary departures are because of unresolved conflicts. The associated cost is significant: A Canadian study showed that the cost of replacing an employee is about 150% of the person’s yearly salary (Philips, 1990). However a 2011 global staff survey on recruitment and retention within the United Nations showed that chronic unresolved conflict is not as prevalent a reason for employees who are voluntarily leaving the UN organization. The diminished productivity, motivation, and quality of service that arise from poorly managed conflicts and result in weakened cohesiveness all too often devastate an organization’s reputation. About 80% of employees affected by negative conflict criticize the organization, which can have a negative impact on the organization’s ability to maintain skilled employees or obtain financial support from stakeholders or donors. Finally, theft and damage by employees has been quantified by the UN as relates to the areas of paying for employees who are on sick leave, replacing employees in conflict, and providing counseling during work hours (Buss, 2011).

With regard to the employee, poorly managed conflict can lead to greater stress, anxiety, frustration, physical illness, humiliation, and excessive concern about the self. It can also lead an employee to develop lower confidence and exhibit decreased occupational motivation. Interpersonal connections can be hindered due to behaviors of withdrawal, interruption, not listening, or negative biasing (Buss, 2011). Presenteeism only exacerbates medical conditions, quality of life at work, and job inefficiency. Based on a take-home survey sent to 500 international United Nations High Commissioner for Refugees (UNHCR) employees with a 42% response rate, 7 out of 10 individuals felt they experienced burnout because of unmanaged conflict. More than 50% believed the conflict impacted their mood, which is consistent with research findings that connect workplace conflict with emotional exhaustion and potential absenteeism, burnout, and turnover (Buss, 2009).

The compromised health of employees that results from stress due to workplace conflict can be alleviated by social support. Social support, as provided by empathetic peers or supervisors, can improve one’s cardiovascular health and immune system functionality. It may diminish behaviors like smoking and drinking while accelerating positive behaviors such as exercising and stress management (ref. on pg. 110). Collective esteem is determined by the characteristics, achievements, and evaluations of a person’s in-group. This differs from self-esteem, which is an individual determination about his or her own personal characteristics, achievements, and evaluations. Results from the study by James (1997) showed that when faced with value conflicts, African-American workers maintained a high level of collective esteem and their health improved, while their European-American counterparts were dissimilarly impacted. However, perceived support yielded better health outcomes for European-American subjects than it did for the African-Americans. Thus, social support can mitigate some of the negative health consequences of organizational conflict (James, 1997).

Simons and Peterson (2000) demonstrated the impacts of task conflict (cognitive conflict, which involves perceiving disagreements in views, ideas, or opinions among group members about content of decisions) as compared with relationship conflict (emotional conflict, which pertains to perceiving interpersonal issues, often including tension and aggravation). Task conflict among groups frequently makes group members engage in better decision-making, which may be due to the heightened cognitive understanding needed in order to overcome the task conflict (Putnam, 1994; Fiol, 1994). In a study using CEOs of US-based hotel companies, Simons and Peterson (2000) showed that intragroup trust negatively moderated the relationship between task conflict and relationship conflict. The mechanism of misattribution tries to explain this process. For example, group members infer the intentions of others to be negative toward themselves through personal attacks or hidden agendas. Negatively biased information processing and self-fulfilling prophecy aid in the progression of task conflict into relationship conflict. Simons and Peterson (2000) demonstrated that at low levels of intragroup trust there was a more direct correlation between task conflict and relationship conflict, compared with groups in which levels of intragroup trust were high. In addition, the aggressive conflict-management technique of loudness positively moderated the task conflict, and the relationship conflict was only marginally supported. Therefore, task conflict has a higher likelihood of a transition to relationship conflict when arguments are expressed loudly, as compared with those expressed at average or low volume. This is potentially due to the consequence of loud harsh language, which can hurt people’s feelings and be interpreted as disrespectful and as a personal attack. Thus, trust at the group level is critically important for preventing task conflict from escalating into relationship conflict, and more research is needed to support harsh task-conflict tactics as mechanisms that give rise to relationship conflicts (Simons and Peterson, 2000). With regard to the individual, some costs of unmanaged conflict may include dissatisfaction and a scarred reputation. Furthermore, costs that are not as easy to quantify include lower value products or services leading to potentially life-threatening situations (e.g., humanitarian workers assisting refugees).

Buss (2011) provides a flexible method of analyzing the negative consequences of poorly managed conflict: The Conflict Visibility and Measurability Matrix shows how the visibility of the negative consequences of conflict is not commensurate with costs, and that “hidden” consequences can be more easily computable. Accidents in the workplace may be an example of this (Buss, 2011). Another tool for measuring costs is Dana’s formula, which, takes into account variables such as number of employees, average number of hours worked per week, average annual salary, duration of conflict, and time-management systems (e.g., time sheets), if available. The purpose is to collect and analyze information about the costs of: legal proceedings and judgments of the employee against the organization, temporary staff to cover for absent employees, sick leave records, systematic interviews of employees who want to move horizontally within the organization, recruitment and staff training, the management of theft and sabotage, and occasional surveys on sources of conflict and decision-making (Dana, 2001).

Nowadays conflict in organizations is often dealt with in a hierarchical manner or through organizational structures (i.e., liaisons), which allow a neutral third party to make decisions and resolve disputes (Brett, 1984; Szilagyi & Wallace, 1980). Brett, Goldberg, and Ury (1990) suggested seven principles of a dispute-resolution system to lower the costs of conflict of intra- and interorganizational disputes. The first involves consultation prior to disputation because conflict is often a precursor of a need for change. Also, post-conflict feedback can help prevent future repetition of the conflict. The second principle emphasizes maintaining a focus on interests during negotiation, which can be accomplished through a cooperative approach of sharing information or proposals (Pruitt, 1981; Puitt & Carnevale, 1982). Training in managerial negotiation skills may allow norms to develop around the manner in which conflicts are resolved (Fischer & Ury, 1981; Lax & Sebenius, 1986). The third principle focuses on procedures that loop back to negotiations to avoid power struggles. A cooling-off period and third-party interventions permit parties to resume talks. The fourth principle utilizes low-cost rights to dissolving disputes based on rights or power. The fifth principle arranges procedures from lowest to highest cost, beginning with arbitration and voting. Principle six includes negotiation-skills training focused on joint gains or integrative bargaining. This is accomplished through post-settlement settlements, which try to minimize cognitive biasing when obtaining joint solutions (Raiffa, 1982). Furthermore, providing employees with resources like information that can be useful in loop-back procedures and motivation with incentives can encourage them to utilize the steps to lessen the costs of disputes. The seventh principle provides parties with a voice to dispute the conflicts, to supply their perspectives, and to express their feelings (Brett, Goldberg, & Ury, 1990).

The COPE model (Kalayjian, 2009) offers a communication style for transforming conflicts into lessons learned. COPE has four steps: 1) connect with positivity, compassion, and gratitude; 2) present one’s own observations with objectivity and “I” statements; 3) express one’s feelings; and 4) make a constructive win-win recommendation in which both parties can gain something and learn from each other. The other model is the 7-step Biopsychosocial and Eco-Spiritual Model (Kalayjian & Eugene 2010), which focuses not only on the release of stress, but also on lessons learned, forgiveness, and transformation.

The cost of conflict may be viewed at both the organizational and the individual level. Organizations can take a stronger stand on monitoring and measuring factors to prevent conflict from arising or mitigate those that have already occurred. Utilizing the COPE model or the 7-step model will assist not only in conflict transformation and cost reduction, it will also contribute to intergroup esteem, productivity, cohesion, and lessons learned.

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