

Conflict around Work and Organisations

NWO - Conflict programme line

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Introduction

The domain of work and organisation constitutes an arena in which diverging aims and interests provide an inexhaustible source of conflict at local, national and international levels. Conflict may emerge between different organisations or within organisations, or between organisations and their social and political environments. Organisations and their constituent individuals face turmoil and turbulence induced by events external and internal to them. Examples are failing management, aggressive market strategies, worker exploitation and discrimination (for reasons of gender, age, ethnic affiliation or physical disability), but also accidents and disasters, to name but a few. Although theoretical and empirical research has largely increased our knowledge of intra- and inter-organisational conflict, there are three main areas where sufficient knowledge is sorely missing. These are: 1) more theoretically driven empirical research that captures the increasingly dynamic and complex character of intra- and inter-organisational conflict, especially in an international context; 2) theoretical and empirical research examining organisational and work-related practices of governance and policy making and 3) empirical research based on theory covering work-related differences resulting from organisational conflict across national boundaries and in multinational entities within national boundaries. In order to enhance our understanding of current patterns of organisational conflict, an interdisciplinary approach is needed based on comparison in time and space, as well as between different actors and at different levels. This should be done against the background of both empirical practices and their underlying philosophical, political and theological ideologies.

This proposal (I) provides an outline of current theoretical approaches in a number of academic disciplines relevant to organisational conflict, (II) identifies gaps in current research pertaining to conflict and (III) distinguishes four domains in which innovative research on organisational conflict should be initiated.

Theoretical approaches

Theorists in disciplines relevant to an understanding of organisations have paid insufficient attention to the role of organisations in a dynamic and increasingly complex environment. Transaction cost economics, addressing the role of organisations in an environment dominated by competitive markets, focuses on the advantages that organisations offer over the market and often ignore the tension that may arise when different organisational forms coexist. This challenge is partially taken up by agency theory and by business history. Agency theory examines organisational conflict emanating from disparate views of principals (e.g. shareholders) and agents (e.g. management and stakeholders) on how an organisation should be governed. Business history examines different styles of conflict management through historical comparison (see the discussions in two major journals, viz. *Business History* and *Business History Review*).

Economic theory has powerful formal tools to analyse the conflict arising from opposing interests between principals and agents. Principal-agent and contract theory provide important insights into how contracts should be written such that the most efficient outcomes are generated in a world of incomplete enforcement and monitoring. Most if not all of the research focuses on intra-organisational conflicts, however. The same research tools can and should be applied to conflict arising between organisations. Some organisations have a hierarchical relationship with one another, which might allow for an extension of principal-agent theory from individuals to organisations. Other organisations are equal players, and

should be analysed using non-cooperative and cooperative game theory. A synthesis of agency theory and game theory will prove useful for the joint analysis of inter- and intra-organisational conflict.

Sociological theory has paid little attention to organisations that cause or face disorder and decay. This is a reflection of managerial interest in factors promoting social cohesion, commitment and success. Classical concepts such as organisational legitimacy, charismatic leadership, normative dignity, and moral community need to be supplemented by a conceptual framework that does justice to the partly conflicting and partly converging interests and objectives that characterise intra- and inter-organisational relations. This need for new concepts coincides with a paradigm shift in organisational studies and labour history. In organisational studies the shift is from functionalist theory (which conceptualises organisations as integrated wholes in which conflict constitutes a threat to organisational existence) to institutional and constructivist theories (defining organisations in terms of battlegrounds instead of communities where conflict is an indispensable ingredient of organisational practice). Whereas institutional theory (inspired by political sciences and new institutional economics) locates the root of intra-organisational conflict in the institutional regimes under which organisations operate, constructivist theory (including an anthropological perspective) positions conflict at the heart of processes of meaning-making and sense-making that occur at different levels of organisational practice. In labour history the shift is from national to international and global comparisons of the path dependency of labour conflicts (viz. *International Review of Social History*, and *International and Working Class History*).

Psychological theory – one of the founding disciplines of organisation sciences, focusing on personality, motivation, attitudes and learning - has come to lean increasingly towards social sciences, generating criticism from within the discipline because of its lack of a conceptual framework that does justice to the fact that organisations are built up of individuals with partly conflicting interests (see Jehn & Bendersky, 2003). One area in which the individual has been the focus throughout is the study of emotions in the workplace. While research has traditionally focused on job satisfaction and how this affects performance and productivity – in a negative equation implying conflicting needs between the employee and the manager – the health and well-being of individual members of an organisation are increasingly viewed in their own right.

Gaps in current research on organisational conflict

Intra- and inter-organisational conflict

The effects of conflict on processes, structures and people within and between organisations are in need of more thorough and integrative research and theorising. To be able to satisfactorily analyse the organisational arena, recent approaches from several fields of research need to be extended and integrated. Research into conflict around work and organisations is particularly important as it touches the lives of practically every individual. Therefore, extensive research is required to enhance scholars' and practitioners' understanding of how organisations change existing social arrangements and people's working lives. An important though under-researched issue is the potential to learn from failures and conflict-ridden events. For instance, conflicts can lead to increased corporate control but also to increased creativity and innovation. In addition to paying attention to the destructive potential of conflict, attention should therefore also be given to the opportunities

that emerge from intra- and inter-organisational conflict. Another example is the strong path dependency of labour legislation and informal arrangements, national management styles, types of labour organisation and the character of social movements.

Organisational and work-related practices of governance and policy making

Existing scientific knowledge about conflict around work and organisations is not well aligned with the practice of work and management. Many organisations, for example, do not know how to deal with discrimination, diversity or conflicts within various groups. In addition, little is known about how a culture of conflict avoidance can be changed. For example, there has been little research into the influence on conflict behaviour of legislation concerning labour contracts, collective labour agreements and the right of dismissal. Also, few organisations know how to deal with conflicting interests pertaining to employability. We often see that employers want to get rid of those who do not want to go and hold onto those who do. A key issue is how scientific conflict knowledge can be applied in a 'controlled' way, i.e. in an experimental or quasi-experimental way, so that it results in cumulative scientific insight whilst at the same time improving organisations and work.

Work-related differences resulting from organisational conflict across national boundaries and in multinational entities within national boundaries

A powerful force impacting organisations worldwide is the process of globalisation, which refers to the intensification of worldwide economic and social interdependencies (Giddens 1990) and the multiplicity of linkages and interconnections between states, societies and organisations. Globalisation describes the process by which events, decisions and activities in one part of the world come to have significant consequences for individuals and collectivities in distant parts of the globe. Processes of globalisation accelerate change, lead to turmoil in the markets in which organisations operate and set the stage for intra- and inter-organisational change as a reflection of the turbulent environment. As many organisations are expanding into markets outside their national bases, research into conflict around work and organisations needs to address both cross-border ventures and cooperation in multinational teams within domestic organisations. By entering into cross-border Greenfield investments, joint ventures, cross-border alliances, mergers and acquisitions, organisations seem to be severing their geographical ties with one national economy and are transforming into multinational or even transnational corporations. While advantages of such moves are an increase in scale, organisational growth and innovation, increased risks of conflict and failure have a countervailing effect. Market failure arising from asymmetric information in different environments, clashing legal systems and cumbersome bureaucracies, as well as miscalculations caused by unfamiliar business practices and cultural differences, are more likely in the case of cross-border transactions than in purely domestic transactions. Much depends on the ways in which members of the organisations in question respond to the fact that such challenges upset intra-organisational management practices, work routines, group cohesion and identification. In sum, multinational cooperation in cross-border ventures and multinational teams implies intra- and inter-organisational change with a potential for conflict at different levels. At the contextual level, it manifests itself in complex relationships between multinational organisations and their socio-economic and political environments. At the institutional and professional level, it manifests itself through the rearrangement of work units and the formation of new teams, comprising staff from different professional backgrounds, levels of training and experience, and organisational cultures and sub cultures. At the social and cultural level, it manifests itself in terms of increasing diversity within organisations with

teams including individuals who represent different ages, gender and ethnic, religious and cultural groups.

Domains for innovative research

In the study of conflict related to work and organisations, four core themes can be singled out. Issues of both scientific and social urgency are at play in each of these themes: diversity, conflict management and solutions, behaviour and contracts. These four themes show strong regional and local differences, which have been historically determined and which have to be addressed in particular in the case of cross-border enterprises. Research on these themes is of great practical and societal relevance, for several reasons. Firstly, many organisations struggle with diversity issues, either because their workforce is not as diverse as it should be to be able to serve their diverse customers well, or because employees with different cultural backgrounds do not communicate well, which may impede organisational performance. Additionally, the potential benefits of diversity may not be exploited to the full. Therefore, society needs research-based solutions to solve diversity issues, including the analysis of conflicts and potential benefits that may arise from increased diversity. Secondly, organisations and society may also benefit from increased knowledge of how to manage conflicts in more systematic, integrated and effective ways rather than using the ad hoc procedures that abound in many organisations. Thirdly, organisations often suffer from counter-productive, anti-social, unethical and/or discriminatory behaviour and need proven intervention methods to effectively reduce these behaviours. And finally, employment contracts are under permanent pressure. Both organisations and employees are demanding greater flexibility, yet often in opposing or partially opposing directions. Whereas organisations need employees to work overtime, employees in their turn need flexible arrangements to balance work and their private lives. Moreover, increased flexibility requires changes in the way people perceive or have to perceive their employment contracts with the organisation (incomplete and ‘psychological’ contracts). These days, many organisations stress the importance of employability rather than providing a life-long employment contract. For most employees, however, job security is still of great importance. These opposing flexibility needs increase the likelihood of conflict.

Diversity: intra- and inter-organisational diversity

a. Intra-organisational diversity:

Heterogeneity in beliefs and behaviours is a profound reality that any organisation, and society as a whole, has to deal with. The multi-faceted increase in diversity witnessed in recent years underlines the importance of a sound scientific understanding of how heterogeneity increases or decreases the risk of conflict (as well as opportunities arising from conflict). Such an understanding is all the more important given that individual actors in organisations tend to be tied together by informal arrangements, and to a much lesser extent by formal agreements. Such informal arrangements rely primarily on a common understanding of ‘correct’ or ‘good’ behaviour. In order to understand the determinants of sustained stability and creative change, increased diversity requires the simultaneous examination of global regularities (such as reciprocal behaviour) and local (social as well as cultural) specifics of behaviour in organisations and entities that rely strongly on informal arrangements. Equally important is the investigation of the dynamic interplay between heterogeneous behavioural traits and the emergence, evolution and dynamics of conflicts. Only a better scientific understanding of the above-mentioned determinants and elements of

conflicts in organisations with heterogeneous actors can lead to a good policy which is able to deal with the challenges organisations face in an era of increasing diversity. For example, past research has shown that while conflict can, under certain specific circumstances, increase productivity, creativity and innovation, the individuals involved still tend to be dissatisfied, leave the organisation or have higher absenteeism rates. These facts create a challenge for organisations, and specifically for the executives, managers and employees who attempt to find a balance between increased diversity and competition and the well-being of those exposed to this balance.

As a result of macro societal trends such as globalisation, migration, individualisation and population decline, relationships within and between organisations are becoming increasingly diverse, particularly in terms of ethnic/cultural origin. These trends towards greater diversity present both an opportunity (to bridge social/cultural discrepancies) and a threat (increased likelihood of tension and conflicts). It is therefore of the utmost importance to practice that new scientific insights are founded on solid empirical historical research and are generated by innovative theoretical and empirical research, such as laboratory, field and quasi-experiments.

b. Inter-organisational diversity:

Progressing globalisation leads to a dramatic increase in the need for cooperation between organisations with strongly contrasting cultural and social backgrounds. In many organisations - commercial, governmental, semi-governmental and international - this has raised concerns about divergent management and leadership styles, organisation cultures and corporate identities as sources of conflict. It has become clear in recent years that it is difficult to accumulate social capital and cultural competencies, which smooth the interaction with other economies and societies, if they are not rooted in informal arrangements, such as trust. Without denying the importance of formal contracts and their enforcement, we have learnt that trust cannot be fully substituted by formal contractual arrangements and that affection-based principles have to be taken into account. In transnational cooperative ventures the importance of networks formed on the basis of ethnic and cultural affinity and understanding seems to be growing. The gap that emerges between established knowledge and business practices (as in the West) and the required adaptation to new business environments across borders trigger conflicts that affect cooperation and market behaviour. However, it has also been pointed out that ethnic and cultural diversity, generating both rivalry and co-operation, may produce synergy and strength in society at large and in organisations in particular.

Conflict handling and solutions

Emerging conflicts can have many causes, and many different factors may foster or impede solutions to conflicts. While there is general agreement that conflict handling should strive for efficient solutions without losers (a win-win solution), the fact is that such outcomes are often not feasible. While such infeasibility may be due to objective shortcomings such as reduced opportunity sets, lack of information or information asymmetries, efficient solutions are often impeded by more subjective and psychological elements such as a lack of knowledge, the perceived unfairness of procedures and solutions, self-serving biases or, more generally, bounded rationality. And although it is widely accepted that behavioural and psychological factors are important determinants of outcomes in social interactions, their real economic effects are still largely unknown. Therefore, questions still remain concerning the most successful conflict-handling methods and which solutions (including procedures and outcomes) can fruitfully be implemented.

Research into conflict-handling competencies is both important and urgent because organisations increasingly depend on such competencies in order to achieve their goals. In particular, Western service economies are in need of interdisciplinary innovative solutions for tasks involving conflicting interests and require competency to handle them. The improvement and – theoretically and empirically – scientific foundation of such competencies are therefore of utmost importance.

Workplace behaviour: cause of conflict and tool for conflict management

According to the Dutch National Survey on Working Conditions 2006, 15% of employees have felt intimidated at some time by a boss or colleague, and as many as 25% say they have been intimidated by a client. Inappropriate behaviour can be partly explained by increasing diversity, assertiveness and insufficient competencies in dealing with conflicting interests and needs. The fact remains that current insights regarding conflicts mean that people in the workplace are still ‘conflict incompetent’. The establishment of complaints procedures or whistleblower policies could open conflict up to discussion. Conflicts develop not only around individual behaviour, but also around ‘the collective’, which can lead to collective action. The importance of behaviour was underlined in the Dutch National Survey on Working Conditions referred to above: inappropriate behaviour is a big problem in the workplace, both nationally and internationally. It therefore requires a structured, scientifically supported, workable solution.

Contracts

In organisations and work relations, formal contracts cover only a small part of the activities necessary to keep them working properly and efficiently. The quality of the fulfilment of many tasks that have to be accomplished is not verifiable - or only at very high costs - by third parties. However, such third-party verification is a necessary condition for the writing of effective and incentive-compatible formal contracts. The incomplete nature of such contracts suggests the necessity of informal agreements, based on psychological factors such as trust and trustworthiness, and gift-exchange relationships between employers and employees. However, it is not only these kinds of hierarchical work relations that are largely based on informal contracts. This also holds true, and probably to a much larger extent, for the relationships between employees and, more generally, between any interacting actors in organisations and leads to an extremely complex multiple principle-agent problem where principals and agents are embedded in a network of informal contracts. The complexity and informal nature of such relationships also prepares the ground for conflicts and, paradoxically, for possible solutions because informal contracts are often much more flexible than formal contracts. As there is still considerable uncertainty as to how formal contracts, economic and psychological incentives and informal contracts interact and how they contribute to the emergence of conflicts and their resolution, we need innovative theoretical models as well as controlled and exact empirical investigations.

A contract can be described as an agreement between one or more parties regarding a future partnership or the provision of goods or services. A contract forms both the final stage of negotiations and the beginning of a partnership. In both cases, the contract is often founded on a ‘mixed motive situation’ where, for example, both parties want to extract as much as possible from the contract for themselves. Contracts are of a legal (establishing rights and

duties), economic (exchange of goods/services) and psychological (compliments and gifts in return for effort) nature. A potential problem with contracts of any kind is that people, often as a result of distrust, demand too many conditions, which increases transaction costs and makes the working of the partnership bureaucratic and inefficient. From a collective point of view, it would be preferable to have contracts with only a few explicit conditions, raising the question as to how organisations can induce and manage such contracts legally, economically and psychologically.