

EFFECTIVE COMMUNICATION CAN SAVE MILLIONS

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Abstract

Communication in companies is necessary for everyday operation as well as project and strategy going forward. Every company is a cluster of people of different personalities, genders, ages, religions communication can be issues at times. Some communication problems can be resolved quickly, other need intervention from the internal third party and some need external professionals, even courts. My research in 200 hundred privately owned companies showed that managers spent up to 30% of their work time dealing with various conflicts. When you focus on all the conflicts that are inevitable part of work life you can be spending millions not knowing about it. One of the solution how to prevent this loss is a proper managerial training in conflict solution and mediation. When relevant techniques are used the conflict will not have to start at all, or can be resolved very quickly, effectively, and more importantly result can last long term. Employees then can focus on their job, not waste time and company's money.

Key words: communication, conflict, cost of conflict, mediation

JEL Code: J52, M12, M20

Introduction

Quality communication is one of the key factors for success in general and in company life even more so because companies in this global world employ professionals from different countries, cultures, religions, genders, ages and personalities. Diversity adds significant value to organizations (Canen & Canen, 2008), brings new ideas, originality in problem solving, enhances potential of employees, leads to success or helps to avoid big mistakes, financial or reputational losses. However it can also put strain to communication and result in conflicts which may be negative, and also positive - because they can bring help to problems as well as new perspectives Kurtzberg and Mueller (2005). Being a part of a negative conflict - regardless whether you are a direct or indirect participant - can be physically and emotionally exhausting (Scott, 2010) for a person that directly affects morale and work productivity.

There are losses for both employee and a company. Lawer (2010) describes study in the USA from 2008 that found out employees spent 2.8 hours per week dealing with conflict which amounted to approximately \$359 billion in paid hours (based on average hourly earnings of \$17.95), or the equivalent of 385 million working days. The same study showed 25 percent of employees wanted to avoid conflict so they got sick or were absent from work. Nearly 10 percent admitted workplace conflict led to a project failure. Almost 30 percent respondents said that conflict led to an employee leaving the company, either voluntarily by giving a notice, or was forced to leave by being fired. Costs of course go up because absent employees must be covered either by overtime or by hiring a temporary help. Fired people are in most times replaced – costs again. Lawer (2010) describes: „Employee turnover owing to conflict is also expensive. Consider the costs of filling a vacant position: recruitment costs (including everything from placing ads to hiring head hunters), training the new hire, paying other employees involved in the hiring and training process, paying severance, and the lost investment you made in the previous employee (including their knowledge). Replacing an employee will cost you 150 to 200 percent more than that employee's salary and benefits. This means that losing even a mid-level employee making \$30,000 a year could cost your company \$70,000 or more to replace.“

Scott (2010) divides costs of conflicts into hard – wasted time, when people delay outcomes; lost workdays when people take sick days; reduced productivity- job takes longer and the final product is affected; performance and quality, healthcare costs associated with stress; turnover - cost of hiring, processing, and training every new employee; termination packages; legal costs – lawsuits are expensive; sabotage and theft; and soft costs are - morale, decreased customer service, reputation – angry employee can discourage a future valued employee and/or potential customers, loss of skilled employees – it takes time to train somebody to a level of long-term employee.

Losses can be managed and rapidly decreased if the conflict is managed well. Bendersky (2007, p. 204) points out: “Three types of dispute resolution components are most commonly introduced or expanded when organizational leaders decide to formalize their conflict management practices: rights-based processes, interest-based neutrals, and negotiation or conflict management training.” Having a conflict strategy and systems in place save a lot of money note Slaikeu & Hasson (1998, pp. 14-15), corporations using collaborative conflict management systems report significant litigation cost savings: NCR saw 50% reduction and a drop of pending lawsuits from 263 in 1984 to 28 in 1993, Motorola 75%

reduction over a period of six years and Brown and Root reduced 80% in outside litigation costs.

1 Research

1.1 Hypothesis

1. Czech managers in privately owned companies spend 20% of their time solving conflict.
2. The most used internal conflict solution is conflict settlement between the parties.
3. When mediation is used as a conflict management tool, average cost saving is 50.000 CZK.

1.2 Research methodology

The author used several methods to collect data: online questionnaire, semi-structured interviews, and author's observations. On-line questionnaire was sent individually to 300 respondents (150 men and 150 women) who are managers of privately owned companies (subsidiaries of international companies and Czech owned) in the Czech Republic employing 50+ employees. They were reached by www.linkedin.com. They are from all of the regions in the Czech Republic.

Questionnaire collected data about how much time managers spend on conflict solution. They could choose one from five possible options: 0% - 10%, 11% - 20%, 21% - 30%, 31% - 40%, 41% - 50%. There were also multiple options about internal conflict solution - parties solve conflict themselves, third party is needed (HR or senior management), facilitation, mentoring, coaching and mediation, company ombudsman, employee council. Another researched area was how much money they saved if they used mediation as a conflict solution tool.

There were also conducted twenty semi-structured interviews with respondents (10 with male and 10 with female managers) - top managers aimed at conflicts, conflict management and conflict costs. The author works as a HR consultant and registered mediator and often observes situations in the companies that are topic of this article.

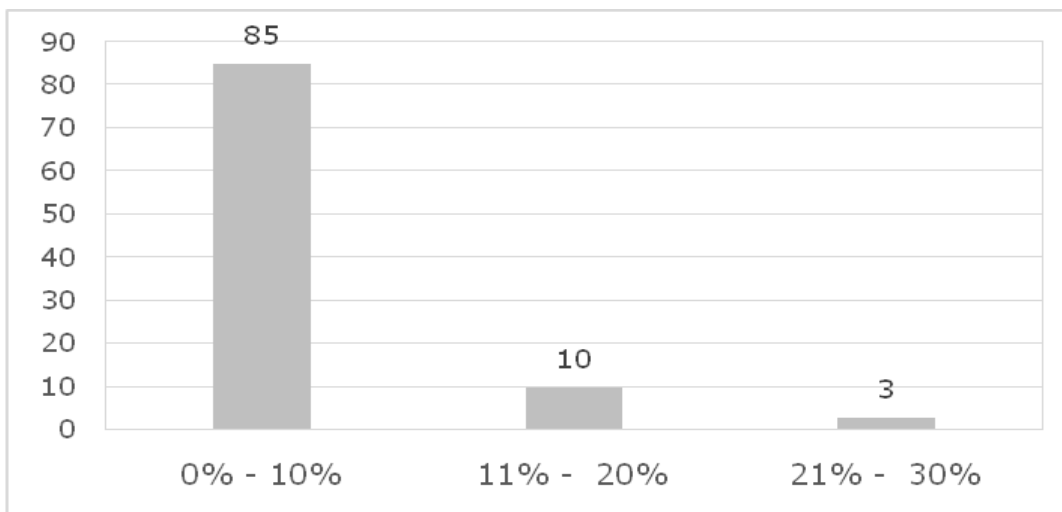
1.3 Research findings

I received 200 replies, 60% respondents were female managers, 40% were male. Respondents could identify the types of conflict, the amount of time they spend solving it, cost saving when used mediation however they were not aware of all costs (hard and soft) that conflict cause their companies. The reason for that is that 85% of respondents spend 0% - 10% of their work time solving the conflict.

Hypothesis 1: Czech managers in privately owned companies spend 20% of their time solving conflict was not confirmed.

All respondents were able to acknowledge their lost time due to conflict management however they did not perceive decrease of morale, delays in work, unpleasant work environment. 85% of respondents spend 0% - 10% of their work time solving the conflict. More sensitive to conflict and time loss were 10% respondents who resolve conflicts 11% - 20% and 3% who become “mediators” in 21% - 30% of their work time. Non-HR managers also did not see recruitment and training costs for new employees as company loss when there were new replacements due to a conflict. They thought of it as a cost.

Fig. 1: Time managers spend solving conflicts



Source: Author

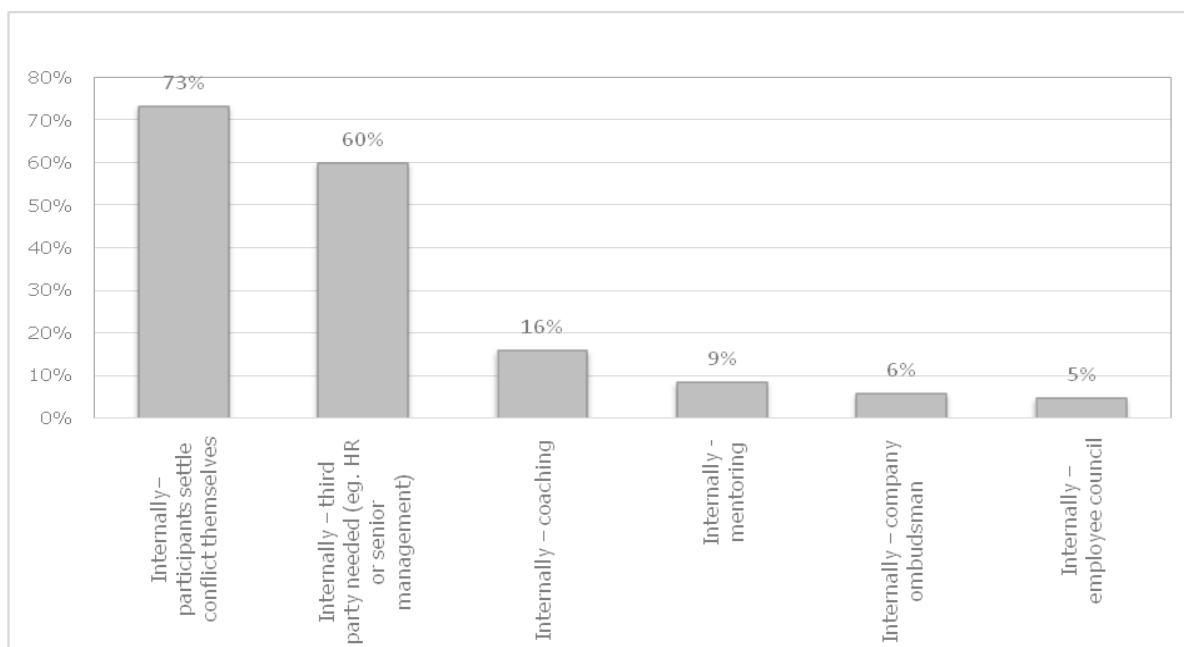
Hypothesis 2: The most used internal conflict solution is conflict settlement between the parties was confirmed.

73% of conflicts are settled by team members themselves although it is not easy for the parties, Jehn (1997) suggests is very difficult for individuals to remain objective when they feel that others disagree or even disapprove their point of view. There are several reasons for that: most employees are experienced and mature enough to be able to do so, managers need

to utilize their time so they ask or order depending on their managerial style to their subordinates to “solve it”.

60% of internal conflicts need intervention of third party which is typically direct superior or HR. 5 interviewed managers admitted they do not like conflicts and try to avoid them as much as they can. They typical conflict avoidance strategy is to motivate their subordinates or colleagues to “behave responsible” and solve the issue. Only one manager had specialised conflict/mediation training, and knew strategies and techniques how to manage a conflict. Martínez-Moreno et al. (2014) point out functional conflict management strategies, like open communication and rotating responsibilities, work over time.

Fig. 2: Internal conflict solutions in companies



Source: Author

There are managers with great natural talent to solve conflicts, managers who were trained and also managers without talent, training and in the worst case scenario without empathy. As for the tender, there are no differences in the outcomes they achieved. Difference is between high-power managers, of both genders, who engage in cooperative behaviour with their partners, and try to achieve cooperative outcomes. On the other hand low-power managers were more competitive and the outcomes were at the expense of the other party. (Watson & Hoffman, 1996). Leaders sometimes fail in their behaviour, they exhibit arrogance, insensitivity, selfishness, aloofness, perfectionism, and betraying the trust of others. (Burke, 2006)

Mediation is still not a part of standard set of trainings, in fact research showed only 3% of companies in the Czech Republic use mediation as a conflict management tool.

Hypothesis 3: When mediation is used as a conflict management tool, average cost saving is 50.000 CZK was not confirmed.

Only 10 respondents answered the question about cost saving conflict resolutions and their answers varied from “20.00CZK” to “dozens of thousands.” Lipsky and Seeber (1997) describe survey survey conducted by Price Waterhouse and Cornell's PERC Institute on Conflict Resolution of over 530 corporations in the Fortune 1000 category that revealed trends in those companies - 90% of respondents saw alternative dispute resolution as a critical cost-control technique, 88% of respondents reported using mediation in the last three years. The trend has not started in the Czech Republic yet, but is nothing but a question of time, when it becomes similar here.

Conclusion

Managers in the Czech Republic spend mostly up to 10% with conflict solution, they still see conflicts as a part of their work life, not as a cost and loss. Companies in the Czech Republic provide communication skills however not a specific conflict management training. Such trainings would be beneficial because even 10% of time of all parties involved means company is losing money, effectivity, reputation, morale, good employees, ideas, customers. Conflict management and mediation training would stop possible conflicts, reduce the time spend on conflicts if and when they occur.

The author of this paper trains one day mediation techniques to managers. There is a significant difference before and after the training in their confidence and attitude towards difficult communication situations. Three months after the training they are able to prevent conflict and they spend less time (about 20%) dealing with it.

Acknowledgment

This paper is a part of project IG308026 Mediation as a conflict management tool in companies in the Czech Republic.

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