Conflict Management Strategies and Organizational Performance in Banking Sector of Pakistan

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Abstract

This research was aimed to identify the major factors causing conflict and to study the relationship between conflict management strategies and organizational performance considering financial sector of Southern Punjab, Pakistan. Data collection was done through a self-administered questionnaire from a sample of 100 respondents. Statistical Package for Social Sciences (SPSS) version 16 was used for the data analysis. In order to study the relationship between conflict management strategies and organizational performance regression analysis was performed. The study reflects that key causes of conflict are related to way of expression and communication between management and employees. It was found that a statistically significant and positive relationship exists between conflict management strategies and organizational performance. Study findings will be helpful for the managers and HR decision makers to facilitate the organizational performance through better implementation of conflict management strategies.

Key Words: Conflict; Conflict management strategies; Performance; Pakistan

Introduction

Organizations employ people who have to coordinate and work in harmony with each other in order to achieve the desired aims and objectives. Employees seek guidelines from managers as team members to establish good working relations. No doubt these people are also part of the society where conflicts are likely to occur at home as well as at their workplaces. In many cases these conflicts are obvious and unavoidable. So team members, competitors and organizations have to face conflicts while carrying out their daily operations.
Conflict occurs when there is opposition in attitude and behavior which takes place between managers and working people and also among groups. It means that people of different attitudes have to face conflicts in the professional environment. The conflict is basically a disagreement which may arise due to some factors such as anger, mistrust, personality clashes and biased policies of institutions.

Cooperation and mutual collaboration are also important aspects required both at work place and in daily life of individuals for accomplishment of their task to carry out their activities in a steady, secure and stable environment. But it does not mean that we consider conflict as bad whereas cooperation as a good component because they both exist together and are part of our daily life. Conflict is likely to occur at workplace because organization has many goals to achieve through different people and they all do not have similar thoughts and approaches. If conflict does not take place then this means that the organization does not prefer improvement, perfection, innovation and novelty in its operations and favors strict adherence to its system without flexibility and softness resulting in an unfavorable environment created hindrance in the development and sustainability of the firm.

For managing conflict in an effective way it is essential that it should be identified first and someone has to get involved to resolve it. Conflicts occurring in an organizational environment cannot be permanently removed, rather they require management to improve the organization's learning process and its activities. During the process of conflict management managers have to take decisions mutually beneficial for employees, firm and its stakeholders (Rahim, 2002).

Neskertin and Porterfield (2016) are of the view that managing and handling conflict increases support of the team members within the organization. This ultimately affects the performance in a positive way.

At workplace it may be difficult to completely avoid conflicts, but what we can do is to manage them effectively by recognizing them and providing timely solution. Conflicts can influence the functioning of the organization so it would be beneficial to manage them as early as possible. So the basic purpose to manage conflict would be to reach the point where organizational performance is maximized.

According to Opute (2014) managers have to be vigilant in the sense that they come up with the best possible solution that satisfies both the conflicting parties. So that organizational performance is not affected and there are no unfavorable outcomes that may hinder the productivity. Chen, Zhao, Liu and Wu (2012) posit that learning to manage conflict is an important job requirement and managers have the responsibility to arrange training sessions so that employees can learn skills to effectively manage conflicts. Employees become satisfied with their jobs and their performance improves with the help of various methods used to manage conflicts.

Conflict is considered as social problem and within the organization it may exist in various types. It may have a positive or negative or both type of effect on the performance of the organization. Pawlak (1998) argues that research on conflict, play a significant role in all types of public and private organizations. When conflicts are not managed well within an organization then this may adversely cause tensions, stress, clashes and other forms of unpleasant social strains and disagreements. The conflict between individuals and groups of people influence the performance of the organization negatively and unconstructively. So, it is important to study the potential causes of disagreement, divergence and collisions at workplace with a perspective to determine their impact on performance and highlight the effective strategies to manage such conflicts. Hence, this study is aimed to determine the relationship between conflict management strategies and organizational performance.
2. Literature Review

In organizations, difference in opinion is an everyday phenomenon due to multiple approaches and thoughts by individuals and parties. Whenever two individuals opine in different ways, a conflict arises. They think in different styles and behavior, hence clash in opinion and definite disagreement gives beginning to conflict. Simply conflict is difference between thoughts as well as understanding between two persons or group of persons. The etymology of conflict can be traced back to the Latin word conflicyus meaning trouble between two or more human beings. According to Balawi (2005) a conflict among people is a disagreement, friction, or dispute. Keeping insight enormous activities of organizations, conflicts have gained importance for making correct decisions. A number of definitions of conflict are available in literature. According to Schramm-Nielsen (2002) conflict is a state of grave contradiction in argument over a matter considered indispensable by at least one person or group involved. Both parties having conflict are clearly identified in case of industrial conflicts. Azamosa (2004) notes that industrial conflicts include all types of dealings having disagreement between owners, administrators, and workers. Dzurgba (2006) emphasized the social aspect of conflict and treated it as serious problem for the functionality of social groups. Baron (1984), Fisher (1993) and Papa & Pood (1988) believed that it is almost impossible to avoid conflict in its entirety because it is a continual part of the organizational sustainability and growth.

The conflicts have been categorized as functional and non-functional by Robbins (2000). Functional conflicts are positive which support achievement of organizational targets and improve working efficiency. On the other hand, conflicts of negative nature cause hurdles in accomplishing goals, hence considered as destructive or dysfunctional. It is rather complicated to assess exact estimation of conflicts with regard to functionality or dysfunctionality. The same conflict may reflect same importance through time but it may not have same meaning for opposite party in a conflict.

Who are responsible for conflicts? Generally conflicts in an organization are originated because of difference in personalities, unequal values, indistinguishable and overlapping duties, limited resources, flaws in communication processes, interdependence of employees to perform their duties, complexity in organizational arrangements, impractical/blurred regulations and values, unfeasible targets, combined verdicts where multiple people participate in decision-making, consensus decision-making while consensus can only be achieved only after resolution of existing conflicts, out of reach demands of the employees having impractical hopes with regard to their work and working environment, compensation, and possibilities for promotion, unresolved/tacit old conflicts from past, organizational structures making employees helpless, divided and indifferent leaving little incentive for them to exhibit professional cooperation and excellence, weaker communication channels where people are unable to express their issues in order to convey underlying factors of conflict, personality based conflicts which emerge due to varying styles of dealing or contradictory values or beliefs, in an environment where continuous change within the organization is not managed effectively. Consequently, this may cause fears and insecurity of employees. Such depression then leads to disappointment, displeasure and strain which in turn affect the social relations at work place. Absence of team spirit or poor efficiency at work may also be another cause of conflict especially if team members believe that other colleagues are unable to perform their duties in an appropriate and desired manner or lack competence to carry out their assigned tasks.

Various sources of organizational conflicts with different characteristics are shown below in figure 1 (Jones and George, 2003).
Greenberg & Baron (1997) note that the impacts of the conflict on the organization may be good or bad. Conversely, earlier works written on conflict, such as Wall & Callister (1995), Pondy (1967), Hackman & Morris (1975) and Brown (1983), have emphasized only on the negative effects of conflict. However, the figure 2 based on Jones and George (2003) explains the significance of conflict that is necessary for an organization to enhance its efficiency and effective decision making.

**Figure 1:** Various sources of organizational conflicts as categories by Jones and George (2003)

**Figure 2:** Relation between performance and level of conflict (Jones and George, 2003)
The organizations must do their utmost to achieve a healthy and advantageous level of conflict which enhances the sense of competition and a genuine desire for growth resulting in organizational efficiency and progress. However, lack of conflict or having a very high level of the same may negatively affect the organization, individual employees, and the parties to the conflict. Management is therefore responsible to manage conflicts effectively to attain increase in organizational performance through good communication, time supervision, and good collaboration.

Conflict management is a systematic approach to resolve conflicts to maximum extent by all means. It involves developing expertise in conflict resolution, awareness about conflict modes and sources, communication skills, and establishing a structure for conflict management. Conflict management may include interventions designed to reduce a conflict or in some cases, to increase insufficient conflict. It requires managers to develop and implement plans, strategies, and policies to ensure effective resolution of conflicts.

According to conflict management theories a healthy conflict management system should put together the internal sub-system with the higher level of the organizational chain of command and provide a four-way process which includes appraisal, inquiry, the design, realization and evaluation which facilitates reaching an effective conflict resolution or management decision (Ford, 2007). Thomas and Schmidt (1976) note that usually managers spend an estimated 1/4th of their time in conflict management which is equally important to strategic scheduling, budgeting, or decision making. Conflicts managed without skill and expertise may cause an undesirable consequence causing harm to the organization.

Exercising accurate and appropriate strategies for managing the adverse situations results into successful and effective conflict management. However, the suggestions are not equally effective for every organization under similar situations. Rahim (2002), Hocker and Wilmot (1991) and Axelrod (1984) stated that the best conflict management strategy is correlated with prevalent conditions and organizational strong points to satisfy demands. Therefore, when managers choose conflict management strategies, they must consider relevant conditions both inside and outside of their organization which is known as contingency (situational) conflict management.

It is prevalent that conflict management is an effective way for improving organizational performance (e.g. Amirkhani et al., 2016; Longe, 2015; Ajike et al., 2015; Agwu, 2013; Mughal & Khan, 2013). Therefore, following hypotheses is proposed:

**H0**: Conflict management strategies are not associated with organizational performance.

**H1**: Conflict management strategies are associated with organizational performance.

### 3. Methodology

The population of current study is employees of financial sector of south Punjab in Pakistan. The responses have been obtained from employees of large network banks possessing huge deposit base, which include NBP, HBL, MCB, UBL, and south Punjab based microfinance bank NRSP. The sample is drawn via non-probability sampling technique i.e. purposive sampling. The sample size consists of 100 respondents, this sample size is considered as appropriate as Rahman & Hossain (2015), Mughal & Khan (2013) and Hotepo et al. (2010) also used the same.

Self-administered questionnaire is used to collect data from respondents. The questionnaire has been adapted from Agwu (2013) and Obasan (2011). To achieve the research objectives two scales are used:
one is forced choice ranking scale and other is 5 point Likert scale.

The questionnaire consists of two parts: First part collects the information about demographic variables such as age, gender, education, status, income while the second part collects the information about variables of the current study.

Before distributing the questionnaire among the respondents, the purpose of the study and questions were explained to the respondents. 100 respondents filled in the questionnaires. Then responses were coded and entered into SPSS version 16 for further analysis. To determine the relationship between conflict management strategies and organizational performance, regression analysis was used.

4. Results and discussions

4.1 Response rate

As the study has been conducted through self-administered survey and the questionnaires were handed over to responsible educated employees of financial institution willing to fill in the questionnaire within specified time, hence response rate remained 100%.

4.2 Profile of the respondents

Personal data and demographics such as gender, age, income, educational level, category of employment, and experience are presented in Table 1 to Table 6 respectively. Those tables are given below:

<table>
<thead>
<tr>
<th>Table 1: Gender of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2: Age of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>20-25 years</td>
</tr>
<tr>
<td>25-30 years</td>
</tr>
<tr>
<td>30-35 years</td>
</tr>
<tr>
<td>35-40 years</td>
</tr>
<tr>
<td>above 40 years</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 3: Monthly Income of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Income (Pak. Rs.)</td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>15000-25000</td>
</tr>
</tbody>
</table>
The data analysis indicates that most of the respondents were male. The percentage of males was 73% whereas females were only 27%. Majority of the respondents were above 40 years and least number of respondents were between 20 to 25 years. Most of the respondents were above 35 years. This also leads
us to an important fact which is that most of the respondent's income was above 55000. A notable majority of respondents had master degree, few had bachelor degree and a very nominal number of respondents had M.Phil degree. 80% of the respondents had officer status in their current financial institution, whereas only 20% had executive status. Majority of respondents (66%) had more than 5 years of experience.

It is good to have more experienced staff which means they are aged. New hiring should also be preferred by the organizations after a short period of time. As such they would be able to hire fresh graduates having fresh ideas who can outperform the old timers and make their career perfect and outstanding.

4.3 Mean and standard deviation

Descriptive statistics such as mean and standard deviation of each item in the questionnaire is calculated and shown below in table 7:

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting with workers in order to resolve the conflict</td>
<td>100</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4100</td>
<td>1.05500</td>
</tr>
<tr>
<td>Putting machineries in place to address the sources of conflict</td>
<td>100</td>
<td>2.00</td>
<td>5.00</td>
<td>3.0800</td>
<td>.73416</td>
</tr>
<tr>
<td>Effecting necessary changes in process and procedure management</td>
<td>100</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4500</td>
<td>.80873</td>
</tr>
<tr>
<td>Putting in place a formal procedure for conflict Prevention so as to avoid future conflict</td>
<td>100</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3500</td>
<td>1.10440</td>
</tr>
<tr>
<td>Intimidation of workers</td>
<td>100</td>
<td>2.00</td>
<td>5.00</td>
<td>3.5700</td>
<td>.75552</td>
</tr>
<tr>
<td>Enforcing strict disciplinary rules on workers</td>
<td>100</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5400</td>
<td>.94730</td>
</tr>
<tr>
<td>Improved profitability</td>
<td>100</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4200</td>
<td>1.17362</td>
</tr>
<tr>
<td>Improved quality of service</td>
<td>100</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3200</td>
<td>1.23812</td>
</tr>
<tr>
<td>Better human relations between management and staff</td>
<td>100</td>
<td>1.00</td>
<td>5.00</td>
<td>3.7100</td>
<td>1.13969</td>
</tr>
<tr>
<td>Reduced incidence of conflicts</td>
<td>100</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3600</td>
<td>.92682</td>
</tr>
</tbody>
</table>
Less disruptions in bank activities 100 1.00 5.00 3.5000 .73168
Less wastages in time and resource usage 100 1.00 5.00 3.2800 .99575
Reduced late coming and absenteeism 100 1.00 5.00 3.2600 1.06002
Less delays in task performance 100 1.00 5.00 3.2800 1.06439

The responses are taken on five-point likert scale, where 1 stands for strongly disagree and 5 for strongly agree. The minimum point for scale is 1 which is strongly disagreed, while the maximum point is 5 which means strongly agreed. The mean score is more than 3 meaning that responses are between neutral and agree.

4.4 Major Causes of Conflict

The respondents ranked the following five factors; (a) Unacceptable terms of employment such as poor hours of work, poor salary and lack of fringe benefits, (b) Poor human relations between management and employees, (c) Perceived autocratic style of managers, (d) Poor government economic and industrial policies and (e) Cumbersome and ineffective means of communicating grievances to top managers. The frequency table illustrating ranking is presented below:

<table>
<thead>
<tr>
<th>Causes of Conflict</th>
<th>Most severe</th>
<th>Others</th>
<th>Least Severe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unacceptable terms of employment such as poor hours of work, poor salary and lack of fringe benefits</td>
<td>14</td>
<td>84</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Poor human relations between management and employees</td>
<td>6</td>
<td>90</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Perceived autocratic style of managers</td>
<td>4</td>
<td>95</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Poor government economic and industrial policies</td>
<td>2</td>
<td>87</td>
<td>11</td>
<td>100</td>
</tr>
<tr>
<td>Cumbersome and ineffective means of communicating grievances to top managers</td>
<td>35</td>
<td>52</td>
<td>13</td>
<td>100</td>
</tr>
</tbody>
</table>

The statistics shown in table 8 depict that major cause of conflict is cumbersome and ineffective means of communicating grievances to top managers as majority of the respondents (35 out of 100) ranked it as most severe factor leading to conflict.

4.5 Relationship between conflict management strategies and organizational performance

Data analyses results (Table 9, 10 and 11) show $\beta = 0.806$, T-value = 13.486 and P value < 0.05 as shown in Table 9, 10, 11. The $\beta$ shows that 0.806 or 80.6% increase in performance is due to implementation of conflict management strategies. The results of analysis show that there is a statistically significant and positive relationship between conflict management strategies and organizational performance, therefore we reject H0 (null hypothesis) and accept H1 (alternate hypothesis).
Whenever conflict arises in an organization that should be handled in such a way which improves the relationship status between workers and management. Strategies should focus on improving handling of conflicts in best possible way. When managers and workers have a good relationship then they would be able to solve issues in a better way. This may also ensure that only constructive criticism takes place and disruptive conflicts are reduced to a greater degree.

Top managers should ensure effective communication within the organization. In this way they would get awareness of the issues prevailing in the organization. When top management is not informed of the issues or conflicts in the organization then the real problem starts. Sometimes the problems communicated to the top managers are not explained to them in a good spirit with true sense of difficulty. They may not get an idea of the severity of the problem and may ignore it. This may offend the workers hence conflicts take place. The top managers should be informed about the problems of the employees in a good way to keep them aware of the situation causing the employees to engage in conflict. The management should hold meeting sessions with their employees on a periodical basis so that employees could tell them the problems they are facing. In this way managers would get an idea of the employee problems and try to formulate strategies or find a way to solve them. Employees would be happy by working in such an organization that values them. This also emphasizes the fact that communication is improved between management and workers which could minimize the occurrence of conflicts.
Conflicts can be managed when workers are given importance by consulting them to resolve the issues. Organizations processes and practices should be changed accordingly to minimize the conflicts and to manage them in a better way. Such procedures should be made part of organizational operations that handle the conflicts and remove them before they occur. This is a good step towards ensuring better future for the organization.

Employees should themselves take essential steps to resolve their daily conflicts. They should try to maintain harmony in the organization. Sometimes the situation also demands from the management that they should enforce strict rules to maintain discipline, handle the conflicts and manage them effectively. These rules would lead everyone to follow defined duties and minimize the occurrence of conflict.

In organizations where the management puts into practice strategies to deal with conflicts, profitability of organizations is improved because of employees' satisfaction and confidence. It would be more productive in achieving its goals and objectives. Working environment would be improved as there would be good relations between staff and the management. Effective strategies would reduce the conflicts and enforce good human relations. All the operations would be carried out in a normal way without any hindrance or stoppage. Otherwise, the conflicts would have a strong impact on daily operations of the organization which will make the organization less productive. With least amount of conflicts less time would be wasted in resolving them and less resources would be used to handle them. Employees would be happy with their organization and they would prefer to come on time and try to be regular. This would in turn boost up the performance of the organization as all the employees would be performing their task within specified time and on a regular basis. All this is possible when management controls the conflicts well in time and identify in true perspectives and intelligence.

Conflicts are likely to occur in organizations to set right directions. Conflict when managed effectively would have less disruptive effects. Management has to play its role in identifying the causes of conflicts that occur and by managing them effectively. Conflicts that are managed in a good way can improve the performance of the organization by making employees delighted and thankful. Employees would have good relations with management which is essential for better working sanctity of the organization. Future conflicts can also be avoided by putting in place strategies that resolve conflict or tackle it before it's occurrence.

5. Conclusion

Many employees expressed their grievance and accusation regarding futile and ineffective means of conveying problems by middle management to competent authorities for taking timely notice of it. The analysis revealed that major cause of conflict is cumbersome and ineffective means of communicating grievances to top managers as 35% respondents ranked it as most severe factor leading to conflict. They exhumed their concern on the issue. Non-communication of employee’s wishes to top management causes imperfection in formulating strategies for abolition of conflicts. While, the least cause of conflict is perceived autocratic style of managers. 14% respondents were of the view that staff strength is inadequate and extra work results into late sitting without any reward or overtime. Demands for extra compensation or resentment cause annoyance of managers which leads to conflicts. Generally good relationship between employees and management has been observed except in cases of main branches where transactions are in bulk and employees are under stress due to heavy load of work. In financial institutions, elevation of employees mostly depends upon their performance in terms of business target achievement but state-owned organizations give preference to seniority as prime
factor. Employees working under such situations expressed grievances against Government rules and policies. In our area of study (southern Punjab) majority of inhabitants are poor, therefore, micro finance banks are present everywhere to earn higher rate of interest or return (about 20%) to boost their profitability but on the other hand they offer nominal wages to field staff, especially females. The regulatory authority takes no notice of such harsh practices. Unacceptable or ineffective terms of employment can also offend the employees which may create conflicts. They should be given adequate salary for fulfillment of their necessary requirements. Fringe benefits should be properly allowed keeping insight the incentives given by competitors and working hours should be properly defined.

A statistically significant and positive relationship was found between conflict management and organizational performance. In other words, effective management of conflict leads to higher organizational performance. The study results are consistent with prior studies in this domain (One Cheong, 2010; Obasan, 2011; Amuhaya Iravo, 2011; Mughal & Khan, 2013).

This research has some limitations. Study is specific and restricted to one sector i.e. financial sector in a specific territory (southern Punjab, Pakistan), therefore, it may be less generalizable to other industries. Future research may aim at multiple sectors and more locations. Data were collected only through questionnaire while data collection by multiple sources such as interviews, observations etc. may explore the relationship more precisely. This research is quantitative in nature, whereas qualitative or mix of qualitative and qualitative approaches may offer more insights for future research.

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