

THE HIDDEN COSTS OF CONFLICT

Whenever people work together, conflict is an inevitable result. Disagreements occur in even the best working relationships. But how conflict is addressed can either add to or take away from a company's bottom line.

In healthy conflict the issues are on the table being discussed with objective language. Each party is empowered to state his or her position with confidence that the other party is genuinely listening, wanting to understand. Possible solutions are explored with open minds, and ripple effects are considered and weighed for each solution offered.

It's an easy process to understand, but more often than not it's incredibly difficult to do. People want what they want, believe what they believe, and value what they value.

To consider the idea that their interests, attitudes, and values can be fulfilled differently than the picture in their heads can be a long stretch of faith. For many, it's too long and they don't want the hassle.

As a result, unhealthy conflict is common. In some cases unhealthy conflict is seemingly non-existent because one of the parties just "gives in." Other times the two parties become stubborn and all debate becomes deadlocked. Still another look is when one or both parties become manipulative and begins sabotaging the opposition from behind the scenes.

In unhealthy conflict, personal attacks are common. People can get visibly angry and feelings get hurt. Words can become weapons that leave nasty scars.

In its most subtle form, unhealthy conflict disintegrates into tension. In his book *Five Dysfunctions of a Team*, Patrick Lencioni explains how conflict can be good, but tension is almost always bad. Unspoken conflict, what Lencioni describes as tension, results in chronically unresolved problems. During informal conversations with business leaders, I often hear stories about conflicts that erupted into turf wars, ego battles, and even resignations.

Interestingly, many of these leaders brush off such incidents as "the cost of doing business." What I don't think these people realize is that the cost of unhealthy conflict is much higher than they may think.

The Eight Hidden Costs

Daniel Dana, Director of Program Development for Mediation Training Institute International, identifies eight "hidden" costs of conflict that many employers overlook. Dana says "Not all cost factors are relevant to every conflict, but every conflict incurs cost by several of these means." The eight cost factors he identifies—and every employer should be aware of—are:

1. Wasted Time

Productivity goes by the wayside when unhealthy conflict persists. Not only does it affect employees' work, managers have to stop what they're doing to act as negotiator. Studies vary, but the findings show that between 30% and 42% of a manager's time is spent simply dealing with squabbling co-workers.

2. **Reduced Quality of Decisions**

As stated above, in healthy conflict, options are explored and ripple effects are considered and weighed. This rarely happens in unhealthy conflict. Backbiting and sabotage, deadlocked debates, or simply “giving in” either destroy or greatly damage the chances for arriving at the best decisions.

3. **Loss of Skilled Employees**

Researchers studying exit interview data on volunteer departures (i.e., people who leave a company on their own accord) state that “chronic unresolved conflict is a decisive factor in at least 50% of all such departures.” I bounced that figure off of a few HR managers I know, and they agreed. One manager’s numbers were even higher. “At least 60% of our departures are due to interpersonal conflict,” he said.

4. **Restructuring Inefficiencies**

Productivity often suffers when a company redesigns workflow so two or more people don’t have to interact with each other. The original system was designed for a reason. Changed procedures are rarely more efficient.

5. **Sabotage/Theft/Damage**

If two opposing parties are willing to manipulate and backstab each other to get their way, it’s only a short step to passive aggressive behavior. Interestingly, the amount of theft and damage in a company has a direct correlation to the level of employee conflict.

6. **Lower Levels of Motivation**

Working with conflict is stressful, and stress eats energy. Therefore, it’s only simple logic that higher levels of conflict eat energy that could be applied to income-producing activities.

7. **Absenteeism**

The proverbial “mental health” day has become a staple in many companies. Sure, deadline pressures can be a source, but a higher correlation exists between absenteeism and needing a break from fighting with co-workers.

8. **Health Costs**

Insurance premiums rise when employees make more claims. Again, data from insurance companies show that employees working in conditions with high levels of interpersonal conflict are more likely to have injuries. The resulting impact on a company’s bottom line is delayed, but it’s still there.

Bottom line: the cost of training for healthy conflict resolution is far, far less than the cost of unresolved chronic conflict. In fact, such training brings a return on investment — because although the costs of conflict are hidden, they’re much higher than most of us realize

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