**What Is Organizational Conflict?**

As noted in [Chapter 2](/books/9781323290941/content/id/ch02), an organization consists of different groups of stakeholders, each of which contributes something valuable to an organization in return for rewards. Stakeholders cooperate with one another to contribute jointly the resources an organization needs to produce goods and services. At the same time, however, stakeholders compete with one another for the resources the organization generates from these joint activities.[1](/books/9781323290941/content/id/ch14bib1) To produce goods and services, an organization needs the skills and abilities of managers and employees, the capital provided by shareholders, and the inputs provided by suppliers. Inside and outside stakeholders, such as employees, management, and shareholders, however, compete over their share of the rewards and resources that the organization generates.

To grow, change, and survive, an organization must manage both cooperation and competition among stakeholders. As [Figure 14.1](/books/9781323290941/content/id/ch14fig1) suggests, each stakeholder group has its own goals and interests, which overlap somewhat with those of other groups because all stakeholders have a common interest in the survival of the organization. But stakeholders’ goals and interests are not identical, and conflict arises when one group pursues its own interests at the expense of other groups. [Organizational conflict](/books/9781323290941/content/id/ch14bx2) is the clash that occurs when the goal-directed behavior of one group blocks or thwarts the goals of another.

Organizational conflict

The clash that occurs when the goal-directed behavior of one group blocks or thwarts the goals of another.

Because the goals, preferences, and interests of stakeholder groups differ, conflict is inevitable in organizations.[2](/books/9781323290941/content/id/ch14bib2) Although conflict is often perceived negatively, research suggests that some conflict is good for an organization and can improve organizational effectiveness. Beyond some point (point A in [Figure 14.2](/books/9781323290941/content/id/ch14fig2)), however, extreme conflict between stakeholders can hurt organizational performance.[3](/books/9781323290941/content/id/ch14bib3)

**Figure 14.1 Cooperation and Competition among Organizational Stakeholders**



**Figure 14.2 The Relationship between Conflict and Organizational Effectiveness**



Research suggests that there is an optimal level of conflict within an organization. Beyond that point (point A), conflict is likely to be harmful.

Why is some conflict good for an organization? Conflict can be beneficial because it can overcome organizational inertia and lead to organizational learning and change. When conflict within an organization or conflict between an organization and elements in its environment arises, the organization and its managers must reevaluate their view of the world. As we saw in [Chapter 12](/books/9781323290941/content/id/ch12), conflict between different managers or between different stakeholder groups can improve decision making and organizational learning by revealing new ways of looking at a problem or the false or erroneous assumptions that distort decision making. For example, conflict at AT&T between the board of directors and top managers about the slow pace at which the company was being restructured led to the appointment of a new CEO and top-management team. The new CEO, Randall Stephenson, has made many radical changes to the way the company operates and has taken major risks, including his 2011 decision to acquire T-Mobile for $39 billion. If the attempted acquisition fails for antitrust reasons, AT&T will have to pay T-Mobile $6 billion! Similarly, conflict between Ford’s new CEO and top divisional managers resulted in a major change in organizational focus that produced major improvements in the carmaker’s performance by 2011.

The conflict that arises when different groups perceive the organization’s problems in different ways and are willing to act on their beliefs is a built-in defense against the organizational inertia produced by a top-management team whose members have the same vision of the world. In short, conflict can improve decision making and allow an organization to better change and adapt to its environment.[4](/books/9781323290941/content/id/ch14bib4)

Beyond a certain point, however, conflict stops being a force for good and becomes a cause of organizational decline. Suppose, for example, conflict between managers (or between other stakeholders) becomes chronic, so that managers cannot agree about organizational priorities or about how best to allocate resources to meet organizational needs. In this situation, managers spend all their time bargaining and fighting, and the organization gets so bogged down in the process of decision making that organizational change is slow in coming. Innovation, of course, is more or less impossible in such a setting. In a somewhat vicious cycle, the slow and ponderous decision making characteristic of organizations in decline leads to even greater conflict because the consequences of failure are so great. An organization in trouble spends a lot of time making decisions—time that it cannot afford because it needs to adapt quickly to turn itself around. Thus, although some conflict can jolt an organization out of inertia, too much conflict can cause organizational inertia: As different groups fight for their own positions and interests, they fail to arrive at consensus, and the organization drifts along; failure to change makes the organization go from bad to worse.[5](/books/9781323290941/content/id/ch14bib5)

Many analysts claim that both AT&T and Ford faced this difficult situation. Top managers knew they had to make radical changes to their organization’s strategy and structure, but they could not do so because different groups of top managers lobbied for their own interests and for cutbacks to fall on other divisions. Conflict between divisions and the constant fight to protect each division’s interests resulted in a slow rate of change and worsened the situation. In both companies, the boards of directors removed the CEO and brought in newcomers who they hoped would overcome opposition to change and develop a strategy that would promote organizational interests, not just the interests of a particular group. The way in which John Mackay achieved this at Pfizer illustrates these issues, as discussed in [Organizational Insight 14.1](/books/9781323290941/content/id/ch14oi1)

**Organizational Insight 14.1: How Martin Mackay Controlled Conflict at Pfizer**

Pfizer is the largest global pharmaceuticals company, with sales of almost $50 billion in 2011. Its research scientists have innovated some of the most successful and profitable drugs in the world, such as the first cholesterol reducer, Lipitor, that used to earn Pfizer $13 billion a year.[6](/books/9781323290941/content/id/ch14bib6) In the 2000s, however, Pfizer encountered major problems in its attempt to innovate new blockbuster drugs, while its blockbuster drugs like Lipitor lost their patent protection. Pfizer desperately needed to find ways to make its product development pipeline work. And one manager, Martin Mackay, believed he knew how to do it.

When Pfizer’s longtime R&D chief retired, Mackay, his deputy, made it clear to CEO Jeffrey Kindler that he wanted the job. Kindler made it equally clear he thought the company could use some new talent and fresh ideas to solve its problems. Mackay realized he had to quickly come up with a convincing plan to change the way Pfizer’s scientists worked to develop new drugs to gain Kindler’s support and get the top job. So Mackay created a detailed plan for changing the way its thousands of researchers made decisions to make sure the company’s resources, its talent and funds, would be put to their best use. After Kindler reviewed the plan, he was so impressed he promoted Mackay to the top R&D position. What was Mackay’s plan?

As Pfizer had grown over time as a result of mergers with other large pharmaceutical companies, Mackay noted how decision-making problems and conflict between the managers of Pfizer’s different drug divisions had increased. As it grew, Pfizer’s organizational structure had become taller and taller and the size of its headquarters staff grew. With more managers and levels in the hierarchy there was a greater need for committees to integrate across their activities. However, in these meetings different groups of managers fought to promote the development of the drugs they had the most interest in and they increasingly came into conflict in order to ensure they got the resources they needed to develop them. In short, Mackay felt that too many managers and committees resulted in too much conflict between managers who were actively lobbying other managers and the CEO to promote the interests of their own product groups—and the company’s performance was suffering as a result. In addition, although Pfizer success depended on innovation, this growing conflict had resulted in Pfizer developing a bureaucratic culture that reduced the quality of decision making, making it more difficult to identify promising new drugs.

Mackay’s bold plan to get rid of this increasing conflict involved slashing the number of management layers between top managers and scientists from 14 to 7, which resulted in the layoff of thousands of Pfizer’s managers. He also abolished the scores of product development committees whose wrangling he believed was slowing down the process of transforming innovative ideas into blockbuster drugs. After streamlining the hierarchy he focused on reducing the number of bureaucratic rules scientists had to follow, many of which were unnecessary and had promoted conflict. He and his team eliminated every kind of written report that was slowing down the innovation process. For example, scientists had been in the habit of submitting quarterly and monthly reports to top managers explaining each drug’s progress; Mackay told them to pick which one they wanted to keep, and the other would be eliminated.



As you can imagine, Mackay’s efforts caused enormous upheaval in the company as managers fought to keep their positions and scientists fought to protect the drugs they had in development. However, Mackay was resolute and pushed his agenda through with the support of the CEO who defended his efforts to create a new R&D product development process that empowered Pfizer’s scientists and promoted innovation and entrepreneurship. Pfizer’s scientists reported that they felt “liberated” by the new work system, and the level of conflict fell and new drugs started to move faster along the pipeline. By 2011, Pfizer had won FDA approval for a major new antibacterial drug, and several potential new blockbuster drugs in its pipeline were on track.[7](/books/9781323290941/content/id/ch14bib7) However, Mackay left Pfizer to join AstraZeneca in 2011 as its new head of drug product development when Pfizer passed him over and appointed an outside manager as CEO.

On balance, then, organizations need to be open to conflict, to recognize the way it both helps managers to identify problems and promotes the generation of alternative solutions that improve decision making. Conflict can promote organizational learning. However, to take advantage of the value-creating aspects of conflict and avoid its dysfunctional effects, managers must learn how to control it. Louis R. Pondy developed a useful model of organizational conflict. Pondy first identifies the sources of conflict and then examines the stages of a typical conflict episode.[8](/books/9781323290941/content/id/ch14bib8) His model provides many clues about how to control and manage conflict in an organization.

**Pondy’s Model of Organizational Conflict**

Pondy views conflict as a process that consists of five sequential episodes or stages, summarized in [Figure 14.3](/books/9781323290941/content/id/ch14fig3). No matter how or why conflict arises, managers can use Pondy’s model to interpret and analyze a conflict situation and take action to resolve it—for example, by redesigning the organization’s structure.

**Stage 1: Latent Conflict**

In the first stage of Pondy’s model, latent conflict, no outright conflict exists; however, the potential for conflict to arise is present, although latent, because of the way an organization operates. According to Pondy, all organizational conflict arises because vertical and horizontal differentiation lead to the establishment of different organizational subunits with different goals and often different perceptions of how best to realize those goals. In business enterprises, for example, managers in different functions or divisions can generally agree about the organization’s central goal, which is to maximize its ability to create value in the long run. But they may have different ideas about how to achieve this goal: Should the organization invest resources in manufacturing to lower costs or in R&D to develop new products? Five potential sources of conflict between subunits can be identified: subunits’ interdependence, subunits’ differing goals, bureaucratic factors, incompatible performance criteria, and competition for resources.[9](/books/9781323290941/content/id/ch14bib9)

**Figure 14.3 Pondy’s Model of Organizational Conflict**



**interdependence**

As organizations differentiate, each subunit develops a desire for autonomy and begins to pursue goals and interests that it values over the goals of other subunits or of the organization as a whole. Because the activities of different subunits are interdependent, subunits’ desire for autonomy leads to conflict between groups. Eventually, each subunit’s desire for autonomy comes into conflict with the organization’s desire for coordination.

In terms of Thompson’s model of technology, discussed in [Chapter 9](/books/9781323290941/content/id/ch09), the move from pooled to sequential to reciprocal task interdependence between people or subunits increases the degree to which the actions of one subunit directly affect the actions of others.[10](/books/9781323290941/content/id/ch14bib10) When task interdependence is high, conflict is likely to occur at the individual, functional, and divisional levels. If it were not for interdependence, there would be no potential for conflict to occur among organizational subunits or stakeholders.[11](/books/9781323290941/content/id/ch14bib11)

**differences in goals and priorities**

Differences in subunit orientation affect the way each function or division views the world and cause each subunit to pursue different goals that are often inconsistent or incompatible. Once goals become incompatible, the potential for conflict arises because the goals of one subunit may thwart the ability of another to achieve its goals. As we discussed in [Chapter 12](/books/9781323290941/content/id/ch12), top managers often have different goals and priorities that may cause conflict in the decision-making process.

**bureaucratic factors**

The way in which task relationships develop in organizations can also be a potential source of conflict. Over time, conflict can occur because of status inconsistencies between different groups in the organization’s bureaucracy. A classic type of bureaucratic conflict occurs between staff and line functions.[12](/books/9781323290941/content/id/ch14bib12) A line function is directly involved in the production of the organization’s products. In a manufacturing company, manufacturing is the line function; in a hospital, doctors are the line function; and in a university, professors are the line function. Staff functions advise and support the line function and include functions such as R&D, accounting, and purchasing. In many organizations, people in line functions come to view themselves as the critical organizational resource and people in staff functions as secondary players. Acting on this belief, the line function constantly uses its supposedly lofty status as the producer of goods and services to justify putting its interests ahead of the other functions’ interests. The result is conflict.[13](/books/9781323290941/content/id/ch14bib13)

**incompatible performance criteria**

Sometimes conflict arises between subunits not because their goals are incompatible but because the organization’s way of monitoring, evaluating, and rewarding different subunits brings them into conflict. Production and sales can come into conflict when, to achieve the goal of increased sales, the sales department asks manufacturing to respond quickly to customer orders—an action that raises manufacturing costs. If the organization’s reward system benefits sales personnel (who get higher bonuses because of increased sales), but penalizes manufacturing (which gets no bonus because of higher costs), conflict will arise.

The way an organization designs its structure to coordinate subunits can affect the potential for conflict. The constant conflict between divisions at CS First Boston, a U.S. investment bank, shows how incompatible reward systems can produce conflict. CS First Boston was formed by the merger of two smaller banks: First Boston (based in New York) and Crédit Suisse (based in London). From the beginning, the two divisions of the new bank were at odds. Although the merger was formed to take advantage of synergies in the growing transatlantic investment banking business, the divisions could never cooperate with one another, and managers in both were fond of openly criticizing the banking practices of their peers to anybody who would listen.

As long as the performance of one unit of the bank did not affect the other, the lack of cooperation between them was tolerated. When the poor performance of the European unit began to affect the American unit, however, conflict started to build. First Boston made record profits from issuing and trading debt securities, and its managers were expecting hefty bonuses. However, those bonuses were not paid. Why? The London arm of the organization had incurred huge losses, and although the losses were not the fault of the Boston-based bank, the company’s top managers decided not to pay bonuses to their U.S. employees because of the losses from Europe.

As you can imagine, this inequitable decision, punishing U.S. employees for an outcome that they could not control, led to considerable conflict within the organization. Relations between the U.S. and European arms of the bank became even more strained; the divisions began fighting with top management. And, when employees decided that the situation would not change in the near term, they began to leave CS First Boston in droves. Many senior managers left for competitors, such as Merrill Lynch and Goldman Sachs.[14](/books/9781323290941/content/id/ch14bib14) Clearly, redesigning the reward system so it does not promote conflict between divisions should be one of a company’s management’s major priorities.

**competition for scarce resources**

Conflict would never be a problem if there was always an abundance of resources for subunits to use. When resources are scarce, as they always are, choices about resource allocation have to be made, and subunits have to compete for their share.[15](/books/9781323290941/content/id/ch14bib15) Divisions fight to increase their share of funding because the more funds they can obtain and invest, the faster they can grow. Similarly, at the functional level there can be conflict over the amount of funds to allocate to sales, or to manufacturing, or to R&D to meet organizational objectives. Thus, to increase access to resources, functions promote their interests and importance often at one another’s expense.

Together, these five factors have the potential to cause a significant level of conflict in an organization. At stage 1, however, the conflict is latent. The potential for conflict exists, but conflict has not yet surfaced. In complex organizations with high levels of differentiation and integration, the potential for conflict is especially great. The subunits are highly interdependent and have different goals and complicated reward systems, and the competition among them for organizational resources is intense. Managing organizational conflict to allocate resources to where they can produce the most value in the long run is very difficult.

**Stage 2: Perceived Conflict**

The second stage of Pondy’s model, perceived conflict, begins when a subunit or stakeholder group perceives that its goals are being thwarted by the actions of another group. In this stage, each subunit begins to define why the conflict is emerging and to analyze the events that have led up to it. Each group searches for the origin of the conflict and constructs a scenario that accounts for the problems it is experiencing with other subunits. The manufacturing function, for example, may suddenly realize that the cause of many of its production problems is defective inputs. When production managers investigate, they discover that materials management always buys inputs from the lowest-cost sources of supply and makes no attempt to develop the kind of long-term relationships with suppliers that can raise the quality and reliability of inputs. Materials management reduces input costs and improves this function’s bottom line, but it raises manufacturing costs and worsens that function’s bottom line. Not surprisingly, manufacturing perceives materials management as thwarting its goals and interests.

Normally at this point the conflict escalates as the different subunits or stakeholders start to battle over the cause of the problem. To get materials management to change its purchasing practices, manufacturing complains about materials management to the CEO and whoever else will listen. Materials management is likely to dispute the charge that its purchase of low-cost inputs leads to inferior quality. Instead, it attributes the problem to manufacturing’s failure to provide employees with sufficient training to operate new technology and dumps responsibility for the quality problems back in manufacturing’s lap. Even though both functions share the goal of superior product quality, they attribute the poor quality to very different causes.

**Stage 3: Felt Conflict**

At the felt conflict stage, subunits in conflict quickly develop an emotional response toward one another. Typically, each subunit closes ranks and develops a polarized us-versus-them mentality that puts the blame for the conflict squarely on the other subunit. As conflict escalates, cooperation between subunits falls, and so does organizational effectiveness. It is difficult to speed new product development, for example, if R&D, materials management, and manufacturing are fighting over quality and final product specifications.

As the different subunits in conflict battle and argue their point of view, the conflict escalates. The original problem may be relatively minor, but if nothing is done to solve it, the small problem will escalate into a huge conflict that becomes increasingly difficult to manage. If the conflict is not resolved now, it quickly reaches the next stage.

**Stage 4: Manifest Conflict**

In the manifest conflict stage of Pondy’s model, one subunit gets back at another subunit by attempting to thwart its goals. Manifest conflict can take many forms. Open aggression between people and groups is common. There are many stories and myths in organizations about boardroom fights in which managers actually come to blows as they seek to promote their interests. Infighting in the top-management team is very common as managers seek to promote their own careers at the expense of others. When Lee Iacocca was at Ford, for example, and Henry Ford II decided to bring in the head of GM as the new Ford CEO, Iacocca engineered his downfall within one year to promote his own rise to the top. Eventually, Iacocca lost the battle when Henry Ford forced Iacocca out because he feared Iacocca would usurp his power. A very different situation to that occurred in 2006 when Ford’s then CEO, William Clay Ford, decided he could not solve the conflict between Ford’s top managers and recruited Alan Mulally to become its new CEO—and he has orchestrated a dramatic turnaround in the company’s performance.

A very effective form of manifest conflict is passive aggression—frustrating the goals of the opposition by doing nothing. Suppose there is a history of conflict between sales and production. One day, sales desperately needs a rush order for an important client. What might the manager of production do? One strategy is to agree informally to the sales department’s request but then do nothing. When the head of sales comes banging on the door, the production manager says innocently, “Oh, you meant last Friday. I thought you meant this Friday.” [Organizational Insight 14.2](/books/9781323290941/content/id/ch14oi2) illustrates the damaging effects of manifest conflict between a company and its suppliers.

**Organizational Insight 14.2: Manifest Conflict Erupts between eBay and Its Sellers**

Since its founding in 1995, eBay has always cultivated good relationships with the millions of sellers that advertise their goods for sale on its website. Over time, however, to increase its revenues and profits, eBay has steadily increased the fees it charges sellers to list their products on its sites, to insert photographs, to use its PayPal online payment service, and so on. Although this caused some grumbling among sellers because it reduced their profit margins, eBay increasingly engaged in extensive advertising that attracted millions more buyers to use its website, so sellers received better prices and thus their total profits also increased. As a result they remained largely satisfied with eBay’s fee structure.

This all changed when a new CEO, John Donahoe, took over from eBay’s long-time CEO, Meg Whitman, who had built the company into a dot-com giant. By 2008, eBay’s revenues and profits had not increased fast enough to keep its investors happy and its stock price had plunged. To increase performance, one of Donohue’s first moves was to announce a major overhaul of eBay’s fee structure and feedback policy.[16](/books/9781323290941/content/id/ch14bib16) eBay’s new fee structure would reduce upfront listing costs but increase back-end commissions on completed sales and payments. For small sellers who already had thin profit margins, these fee hikes were painful. In addition, in the future, eBay announced, it would block sellers from leaving negative feedback about buyers—feedback such as buyers didn’t pay for the goods they purchased or took too long to do so. The feedback system that eBay had originally developed has been a major source of its success because it allows buyers to know they are dealing with reputable sellers and vice versa. All sellers and buyers have feedback scores that provide them with a reputation as good—or bad—people to do business with, and hence these scores reduce the risks involved in online transactions. Donohue claimed this change was to improve the buyer’s experience because many buyers had complained that if they left negative feedback for a seller, the seller would then leave negative feedback for the buyer.

Together, however, throughout 2009 these changes resulted in a blaze of conflict between eBay and its millions of sellers who perceived they were being harmed by these changes, that they had lost their prestige and standing at eBay, and their bad feelings resulted in a revolt. Blogs and forums across the Internet were filled with messages expressing felt conflict, claiming that eBay had abandoned its smaller sellers and was pushing them out of business in favor of high-volume “powersellers” who contributed more to eBay’s profits. eBay and Donohue received millions of hostile emails, and sellers threatened to move their business elsewhere, such as onto [Amazon.com](http://amazon.com/) and Yahoo!, which were both trying to break into eBay’s market. Sellers even organized a one-week boycott of eBay during which they expressed their dismay and hostility.by listing no items with the company. Many sellers did shut down their eBay online storefronts and move to [Amazon.com](http://amazon.com/), which claimed in 2011 that its network of sites had overtaken eBay in monthly unique viewers or “hits” for the first time.



The bottom line was that the level of perceived and felt conflict between eBay and its buyers had dramatically escalated and eBay’s reputation with sellers was suffering. One survey found that while over 50% of buyers thought [Amazon.com](http://amazon.com/) was an excellent sales channel, only 23% regarded eBay as being excellent. In essence, the bitter feelings produced by the changes that eBay had made were likely to result in increasing long-run conflict that would hurt its future performance. Realizing his changes had backfired, Donohue reversed course and eliminated several of eBay’s fee increases and revamped its feedback system so that buyers and sellers can now respond to one another’s comments in a fairer way.

These moves did improve and smooth over the bad feeling between sellers and eBay, but the old “community relationship” it had enjoyed with buyers in its early years largely disappeared. As this example suggests, finding ways to avoid conflict—such by testing the waters in advance and asking sellers for their reactions to fee and feedback changes—could have avoided many of the problems that arose. By 2010, eBay’s turnaround plan was showing signs of success as its sales and profits increased—but [Amazon.com](http://amazon.com/) had become the online retail portal of choice.

In general, as the example of eBay suggests, once conflict is manifest, organizational effectiveness suffers because coordination and integration between managers and subunits break down. Managers need to do all they can to prevent conflict from reaching the manifest stage, for two reasons: because of the breakdown in communication that is likely to occur and because of the aftermath of conflict.

**Stage 5: Conflict Aftermath**

Sooner or later, organizational conflict is resolved in some way, often by the decision of some senior manager. And sooner or later, if the sources of the conflict have not been resolved, the disputes and problems that caused the conflict arise again in another context. What happens when the conflict reappears depends on how it was resolved the first time. Suppose that sales comes to production with a new request. How are sales and production likely to behave? They probably will be combative and suspicious of each other and will find it hard to agree on anything. But suppose that sales and production had been able to solve their earlier dispute amicably and reached an agreement about the need to respond flexibly to the needs of important customers. The next time sales comes along with a special request, how is production likely to react? The production manager will probably have a cooperative attitude, and both parties will be able to sit down and work out a joint plan that suits the needs of both functions.

Every episode of conflict leaves a conflict aftermath that affects the way both parties perceive and react to future episodes. If a conflict is resolved before it gets to the manifest conflict stage, then the aftermath will promote good future working relationships. If conflict is not resolved until late in the process, or is not resolved at all, the aftermath will sour future working relationships, and the organizational culture is poisoned by permanently uncooperative relationships.

**Managing Conflict: Conflict Resolution Strategies**

Because organizational conflict can rapidly escalate and sour an organization’s culture, managing organizational conflict is an important priority.[17](/books/9781323290941/content/id/ch14bib17) An organization must balance the need to have some “good” conflict (which overcomes inertia and allows new organizational learning) with the need to prevent “good” conflict from escalating into “bad conflict” (which causes a breakdown in coordination and integration between functions and divisions). In this section, we look at a few conflict resolution strategies designed to help organizations manage organizational conflict. Later in the chapter, we look at organizational politics as another way of managing organizational conflict when the stakes are high and when divisions and functions can obtain power to influence organizational outcomes, such as decisions about how to change or restructure an organization, in their favor.

The method an organization chooses to manage conflict depends on the source of the problem. Two common strategies managers use to resolve conflict involve: (1) changing an organization’s structure to reduce or eliminate the cause of the conflict, or (2) trying to change the attitudes of individuals or replacing the individuals themselves.[18](/books/9781323290941/content/id/ch14bib18)

**Acting at the Level of Structure**

Because task interdependence and differences in goals are two major sources of conflict, altering the level of differentiation and integration to change task relationships is one way to resolve conflict. An organization might change from a functional structure to a product division structure to remove a source of conflict between manufacturing managers who are unable to control the overhead costs associated with different kinds of products. Moving to a product structure makes it much easier to assign overhead costs to different product lines. Similarly, if product managers are finding it difficult to convince departments to cooperate to speed product development, the move to a product team structure, in which different functional managers are assigned permanently to a product line, will remove the source of the problem.

If divisions are battling over resources, corporate managers can increase the number of integrating roles in the organization and assign top managers the responsibility for solving conflicts between divisions and for improving the structure of working relationships.[19](/books/9781323290941/content/id/ch14bib19) In general, increasing the level of integration is one major way in which organizations can manage the problem of differences in subunit goals. To resolve potential conflict situations, organizations can increase their use of liaison roles, task forces, teams, and integrating mechanisms (see [Figure 4.5](/books/9781323290941/content/id/ch04fig5)).

Another way to manage conflict is to make sure the design of an organization’s hierarchy of authority is in line with its current needs. As an organization grows and differentiates, the chain of command lengthens, and the organization is likely to lose control of its hierarchy. This loss of control can be a major source of conflict because people have the responsibility to make decisions but lack the authority to do so because a manager above them must sign off on every move they make. Flattening the hierarchy, so that authority relationships are clearly defined, and decentralizing authority can remove a major source of organizational conflict. One source of such conflict occurs when two or more people, departments, or divisions compete for the same set of resources. This situation is likely to be disastrous because decision making is impossible when different people claim the right to control the same resources. For this reason, the military and some other organizations have established very clear lines of authority; there is no ambiguity about who reports to whom and who has control of what resources.

Good organizational design should result in the creation of an organizational structure that minimizes the potential for organizational conflict. However, because of inertia, many organizations fail to manage their structures and change them to suit the needs of a changing environment. As a result, conflict increases and organizational effectiveness falls.

**Acting at the Level of Attitudes and Individuals**

Differences in goals and in beliefs about the best way to achieve organizational goals are inevitable because of differences between functions and divisions. One way to harness conflict between subunits and prevent the polarization of attitudes that results during the stage of felt conflict in Pondy’s model is to set up a procedural system that allows parties in conflict to air their grievances and hear other groups’ points of view. Committees or teams, for example, can provide a forum in which subunits in dispute can meet face to face and negotiate directly with one another. In this way, subunits can clarify the assumptions they are using to frame the problem, and they can develop an understanding of one another’s motives. Very often the use of a procedural system reveals that the issue in dispute is much smaller than was previously thought and that the positions of the parties are more similar than anyone had realized.

A procedural system is especially important in managing industrial conflicts between managers and unions. When a union exists, formal procedures govern the resolution of disputes to ensure the issue receives a fair hearing. Indeed, an important component of bargaining in labor disputes is attitudinal structuring—a process designed to influence the attitudes of the opposing party and to encourage the perception that both parties are on the same side and want to solve a dispute amicably.[20](/books/9781323290941/content/id/ch14bib20) Thus strikes become the last resort in a long process of negotiation.

An organization often engages a third-party negotiator to moderate a dispute between subunits or stakeholders.[21](/books/9781323290941/content/id/ch14bib21) The third-party negotiator can be a senior manager who occupies an integrating role or an outside consultant employed because of expertise in solving organizational disputes. The negotiator’s role is to prevent the polarization of attitudes that occurs during the felt-conflict stage and thus prevent the escalation to manifest conflict. Negotiators are skilled in managing organizational conflict so as to allow new learning to take place. Often, the negotiator supports the weaker party in the dispute to make sure that both sides of the argument get heard.

Another way of managing conflict through attitude change is by the exchange and rotation of people between subunits to encourage groups to learn each others’ points of view. This practice is widespread in Japan. Japanese organizations continually rotate people from function to function so they can understand the problems and issues facing the organization as a whole.[22](/books/9781323290941/content/id/ch14bib22)

When attitudes are difficult to change because they have developed over a long period of time, the only way to resolve a conflict may be to change the people involved. This can be done by permanently transferring employees to other parts of the organization, promoting them, or firing them. We have already seen that top-management teams are often replaced to overcome inertia and change organizational attitudes. Analysts attribute a large part of the conflict at CS First Boston to the attitudes of a few key top managers who had to be removed.

An organization’s CEO is an important influence on attitudes in a conflict. The CEO personifies the values and culture of the organization, and the way the CEO acts affects the attitudes of other managers directly. As head of the organization, the CEO also has the ultimate power to resolve conflict between subunits. A strong CEO actively manages organizational conflict and opens up a debate, allowing each group to express its views. The strong CEO can then use his or her power to build a consensus for a resolution and decision and can motivate subunits to cooperate to achieve organizational goals. In contrast, a weak CEO can actually increase organizational conflict. When a CEO fails to manage the bargaining and negotiation process between subunits, the strongest subunits (those with the most power) are encouraged or allowed to fight for their goals at the expense of other subunits. A weak CEO produces a power vacuum at the top of the organization, enabling the strongest members of the organization to compete for control. As consensus is lost and infighting becomes the order of the day, conflict becomes destructive.

**Managerial Implications: Conflict**

* 1. Analyze the organizational structure to identify potential sources of conflict.
* 2. Change or redesign the organizational structure to eliminate the potential for conflict whenever possible.
* 3. If conflict cannot be eliminated, be prepared to intervene quickly and early in the conflict to find a solution.
* 4. Choose a way of managing the conflict that matches the source of the conflict.
* 5. Always try to achieve a good conflict aftermath so that cooperative attitudes can be maintained in the organization over time.

**What Is Organizational Power?**

The presence of a strong CEO is important in managing organizational conflict. Indeed, the relative power of the CEO, the board of directors, and other top managers is important in understanding how and why organizations change and restructure themselves and why this benefits some people and subunits more than others. To understand how and why organizational conflict is resolved in favor of different subunits and stakeholders, we need to look closely at the issue of power.

What is power, and what is its role in organizational conflict? According to most researchers, [organizational power](/books/9781323290941/content/id/ch14bx4) is the mechanism through which conflict gets resolved. It can be defined as the ability of one person or group to overcome resistance by others to achieve a desired objective or result.[23](/books/9781323290941/content/id/ch14bib23) More specifically, organizational power is the ability of A to cause B to do something that B would not otherwise have done.[24](/books/9781323290941/content/id/ch14bib24) Thus, when power is used to resolve conflict, the element of coercion exists. Actors with power can bring about outcomes they desire over the opposition of other actors.

Organizational power

The ability of one person or group to overcome resistance by others to resolve conflict and achieve a desired objective or result.

The possession of power is an important determinant of the kind of decisions that will be selected to resolve a conflict—for example, decisions about how to allocate resources or assign responsibility between managers and subunits.[25](/books/9781323290941/content/id/ch14bib25) When decisions are made through bargaining between organizational coalitions, the relative power of the various coalitions to influence decision making determines how conflicts get resolved and which subunits will benefit or suffer.

Thus conflict and power are intimately related. Conflict arises because although different managers or subunits must cooperate to achieve organizational goals, at the same time they are in competition for organizational resources and have different goals and priorities. When a situation arises that causes these groups to fight for resources or they strive to pursue their own interests, conflict emerges. When the issue is sufficiently important, individuals and groups use their power to influence decision making and obtain outcomes that favor them.

**Summary**

Managing conflict, power, and politics is one of an organization’s major priorities because these factors determine which decisions the organization makes and therefore, ultimately, its survival. [Chapter 14](/books/9781323290941/content/id/ch14) has made the following main points:

* 1. Organizational conflict is the clash that arises when the goal-directed behavior of one group blocks or thwarts the goals of another.
* 2. Conflict can be functional if it overcomes organizational inertia and brings about change. However, too high a level of conflict can reduce the level of coordination and integration between people and subunits and reduce organizational effectiveness.
* 3. The five stages of Pondy’s model of organizational conflict are latent conflict, perceived conflict, felt conflict, manifest conflict, and the conflict aftermath.
* 4. The five sources of conflict between subunits are interdependence, differences in goals and priorities, bureaucratic factors, incompatible performance criteria, and competition for scarce resources.
* 5. Conflict resolution strategies are used to manage organizational conflict and to prevent it from becoming destructive. Two important strategies are acting at the level of structure to change task relationships and acting at the level of attitudes and individuals to change the attitudes of the parties or the parties themselves.
* 6. Organizational power is the ability of one actor or stakeholder to overcome resistance by other actors and achieve a desired objective or result.
* 7. The main sources of power available to managers and subunits are authority, control over resources, control over information, nonsubstitutability, centrality, control over uncertainty or contingencies, and unobtrusive power.
* 8. Organizational politics comprises activities carried out within organizations to acquire, develop, and use power and other resources to obtain one’s preferred outcomes.
* 9. Tactics that individuals and subunits can use to play politics include increasing indispensability, associating with powerful managers, building and managing coalitions, controlling the agenda, and bringing in an outside expert.
* 10. Using power to play organizational politics can improve the quality of decision making if the people who have the power are those who can best serve the needs of the organization. However, if top managers have the ability to control and hoard power and entrench themselves in the organization, the interests of other organizational stakeholders may be jeopardized as decisions are made to serve top management’s personal interests. Thus there needs to be a balance of power between organizational stakeholders.