INTRODUCTION

Learning Objectives

- List and describe the most common sources of conflict faced by managers in the public and private sectors.
- Describe and analyze the costs of unproductive conflicts within organizations.
- Describe the financial and nonfinancial benefits of being a proactive conflict manager versus a reactive conflict manager.

A TALE OF TWO MANAGERS

John and Elise are managers who strive to apply the principles and practices of conflict management in their everyday working environments. They come from vastly different organizations yet both recognize the importance of proactively addressing conflict. By observing them we can see the techniques from this book at work.

Meet John, Director of the State Bureau of Reclamation

Almost every day, John dreads coming to work. As soon as he walks through the door to the State Bureau of Reclamation, his administrative assistant practically tackles him and regales him with the emergency du jour. It is these constant interruptions and daily emergencies that keep him from doing his real job, which is shaping and leading his department so that it can fulfill its regulatory mandate in an efficient and productive manner. What are these "daily emergencies"? They tend to fall into one of three categories.

Workplace Problems Inevitably someone on John's staff calls in sick or announces that she or he is leaving for a position in private industry. Staff

Note: These narratives are based on an amalgamation of real managers at real organizations and are not based on any one individual or organization.

members cannot seem to work together well. They compete over scarce resources, blame each other for missed deadlines, or avoid talking altogether even when they are supposed to work on team-based projects. Occasionally employees file union grievances or discrimination complaints with the Equal Employment Opportunity Commission (EEOC). John's organization "wins" nearly all of these cases but the paperwork and drama wear him down and cost his agency tens of thousands of dollars per year.

Customer Complaints John's agency is part of the state's Department of Natural Resources. Specifically, the Bureau of Reclamation issues licenses for coal mines and ensures that all coal mines operating in the state are doing so within the bounds of applicable state and federal environmental regulations. Because the turnover in John's department is fairly high, it is difficult to meet deadlines for issuing permits and conducting mandatory audits. Sometimes his department loses applications altogether or makes mistakes in the paperwork so the applicant has to start the process over again. Every day that a mining company cannot work because of a missing license application means idle and unpaid employees as well as lost tax revenue. Calls come in nearly every day from citizens and companies who believe that the bureau is not doing its job well enough or quickly enough. When the call comes from a state legislator's office John knows things have really gotten bad.

Regulatory Challenges On really bad days, one of the mining companies will be in the news for some environmental mess they created or other violation of the state or federal laws that John's agency is supposed to enforce. The alleged violator will likely feign ignorance of the broken rule or law and try to avoid taking responsibility for the damages caused. The violator's legal counsel might threaten to sue the agency. Lawsuits are inevitable and unavoidable. If John does his job right, then the corporations he regulates want to sue him for his overzealous enforcement of state and federal mining laws. If he backs off a bit, then citizens' groups sue him for not adequately enforcing the laws. It is a no-win situation. No wonder turnover and absenteeism is so high in his department.

Something Has to Give John has passion for the mission of his organization and he views himself as a committed public servant with good people skills who knows the mining industry inside and out. This should be the perfect job for him. So why is it that the bureau has not improved since he assumed command six months ago? John got this job by sharing some of his ideas for improvement with the agency's director, who quickly recognized John's passion and competence. So far, none of those ideas have been implemented due to the nonstop crisis management style in which the bureau seems to function. How can John focus on "fire prevention" when he is so busy "putting out fires" every day?

MEET ELISE, FOUNDER AND CEO OF MAIN STREET BAKERIES

Elise started with a good idea: provide local, organic, fresh foods to people in a café-bookstore atmosphere. Customers buy freshly prepared foods, healthy groceries, and gourmet items, get one-on-one consultations from certified nutritionists, and listen to guest speakers on various topics. Her stores have become gathering places and focal points for the communities in which they operate. Her company is widely reputed to be environmentally friendly and socially conscious, a reputation gained through innovations in environmental management and significant charitable giving. She started in the early 1980s in California and has ridden the green wave into the twenty-first century by expanding from one shop to 425 stores throughout the United States and Canada. Elise plans to expand into European markets next year as well. Her company is consistently rated as one of the best places to work by *Fortune* magazine and *Working Mother* magazine. *Consumer Reports* rates Main Street Bakeries as having the highest customer satisfaction of any grocery store chain.

Does Elise love her job? Definitely. How does she do it? How did she create a workplace environment in which employees are generally happy, customers are satisfied, and the relationships with regulatory agencies are collaborative? More important, how can we learn from her example and improve our own companies?

Throughout this book we will return to John and Elise to see how Elise created and sustains a company with satisfied, dare I say, happy employees and customers. We will watch John as he transforms his workgroup into one that is less riddled with unproductive conflict and more successful at accomplishing its regulatory mission in spite of the ever-present shortage of resources common to public agencies. We will read other examples as well, including some from the nonprofit sector and from organizations of all sizes. Through these examples you will see the pitfalls of organizations that poorly predict, prevent, and manage conflict, as well as learn from contrasting positive examples of collaboratively and wisely managed organizations. By implementing the processes, strategies, and techniques in this book you will learn the skills necessary to be a proactive conflict manager.

THE GOAL OF THIS BOOK

You are reading this book because you are, or you hope to become, a manager who productively manages conflict to the benefit of your organization, your career, and let's face it—your sanity. Whether you acknowledge it or not, all managers are conflict managers. Whether you work in the private, public, or nonprofit sector, you are likely to spend the majority of your day dealing with conflicts between employees; disputes with clients, suppliers, or vendors; or managing relationships with myriad regulatory agencies that influence or shape your organization's work.

The question is not *if* managers deal with conflict but *how* managers deal with conflict. Those who do not recognize it, analyze it, and design better methods for conflict prevention and management end up like John at the Bureau of Reclamation (but there is still hope for John, so don't quit reading now). The goal is to become adept at fostering and facilitating collaboration within your work teams and organizations so as to proactively avoid destructive conflict and harness the power of constructive change. "Conflict brings change and collaborative leadership is the ultimate political transformer" (Adler & Fisher, 2007, p. 21).

This book will provide readers with a knowledge base and a set of skill-building opportunities so they can reclaim their time and make their workplaces enjoyable, productive, mutually supportive, and where people want to work. Even in difficult economic times, during mergers and acquisitions and as leadership changes at the top of the organization, there will always be organizations or departments in which employees are happy, customers and clients are satisfied, and the problems that inevitably arise are handled efficiently and collaboratively. Managers in thriving workplaces are able to poach the best employees from other companies or agencies because their organizations have reputations as great places to work.

INTENDED AUDIENCE

This book is for managers and future managers whether you are reading this book as part of a university course or independently or as a manager seeking to improve his or her organization; or whether your organization is a small business, a department within a large organization, or a nonprofit group engaged in public service. Workplaces of all types and sizes deal with issues of organizational culture, personality conflicts, struggles over scarce resources, the need to create and sustain successful teams, and the need to design solution-oriented processes to the inevitable conflicts that will arise.

You need not be the CEO, like Elise, in order to make changes within your own work unit, as we will see from John's example. Managers at any level can change the way they operate for the betterment of their employees, themselves, and their organizations. The costs of unproductive conflict are too high to remain unaddressed for too long. Look at your most successful competitors and you are likely to find that they have put into place systems and people who manage conflict and collaboration well.

Public Sector Managers

"Yeah, but the public sector work environment is nothing like the private sector environment," some people say. Although differences certainly exist, managers across sectors have more in common than not. They all need to be attentive to the organization's cultural norms, keep customers and those in powerful positions satisfied, solve problems efficiently when they arise, design and use tools to track progress toward goals, give and receive feedback effectively, lead productive meetings, coach and mentor employees, and be strategic about fostering a collaborative team environment. Managers in large unionized corporations may have more in common with public sector managers than they have in common with small businesses. And yes, public sector managers sometimes face problems or environments that are more rule bound and more open to public scrutiny, and they must do it with more accountability than some private sector managers.

Regulatory agencies are usually a part of the executive branch of the government at the federal or state level, and they have statutory authority to perform their functions with oversight from the legislative branch. Regulatory authorities are commonly set up to enforce standards and safety, regulate commerce, and oversee public goods such as national defense or clean air. Regulatory agencies deal in the area of administrative law—regulation or rule making. A **public good** is something that, by its nature, is either supplied to all people or to none, regardless of whether or not each individual has paid his or her fair share for the enjoyment of that good. For example, national defense, clean air, public roads, and public libraries are all public goods: if they exist for anyone, then they exist for everyone. The problem with public goods is that many people try to gain the benefit of the goods without paying their fair share (via taxes, usually). Also, because they are owned by everyone and no one, they may not be adequately supplied or protected without governmental action. Regulatory agencies have historically had adversarial relationships with the organizations subject to their authority but this leads to unproductive conflict and often to suboptimal outcomes for the public.

It is undeniable that government workers (i.e., public sector employees) face some challenges that are slightly different from those working in commercial enterprises (i.e., private sector employees) or for nonprofit organizations. For an organization to operate efficiently, its managers need to develop strategies and skills for collaboratively managing relationships with the overlapping levels of regulatory authority they face as well as with myriad vendors, suppliers, and others within the supply chain. This book will help you map out those necessary relationships for the success of your unit, your organization, and ultimately your career, regardless of the size or type of work in which you find yourself.

Private Sector Managers

The private sector is far from monolithic. Managers in small companies face challenges at a different scope and level than managers in *Fortune* 500 organizations. Small companies are more nimble and open to changing as needed, whereas large ones seem slow to turn around even when big changes are needed. Examples throughout the book are used to illustrate the ways in which the techniques and ideas may be applied in varying contexts—from huge US-based airlines to a family-owned restaurant. Most of the material presented in this book can be applied to businesses of all sizes but the relative costs of implementation for some interventions may be proportionately higher in small organizations. When this is the case, it will be noted and ideas for overcoming or reducing costs will be discussed.

Nonprofit Sector Managers

Nonprofits often combine the biggest challenges from the other two sectors. Like the private sector, nonprofits can be as small as a one-employee shop or as large as Blue Cross Blue Shield Association, with tens of thousands of employees within and across the United States. Similar to the private sector, nonprofits generally must find streams of revenue to support their work, often through grants, government contracts, and fund-raising events. The persistent state of budgetary uncertainty is a source of stress among employees and can lead to burnout and departure for one of the other two sectors. Similar to public sector organizations, nonprofits are generally involved with supplying public goods or private goods for which the market is not well suited (e.g., health care for the poor, emergency housing, humanitarian relief, transportation for the disabled or elderly). The importance of the mission means that most nonprofit employees care deeply about those served by their organization, yet employees may disagree strongly about the best way to serve their clientele and use limited resources. Nonprofits must keep their administrative costs down and their brand name sparkling if they are to compete for scarce funds—thereby increasing the importance of intraoffice collaboration and the need to reduce the costs of conflict. Case studies and illustrations from the nonprofit sector are used throughout the book to show how collaboration and conflict management can be applied in these challenging and diverse environments.

Not a Manager Yet?

What if you are not a manager yet? The material contained in this book will assist you as you improve your communication and customer service skills and interact with your coworkers and supervisors. As you rise in your career, you can use the material contained in these pages to improve collaboration among your peer group and to use feedback for your continued skill development. When you become a manager, you will be ahead of the pack, having already gained much of the knowledge needed to successfully lead your team and organization.

If you are reading this book as part of a university course, you will likely have opportunities to discuss and apply the skills and concepts herein. If you are reading the book on your own, I encourage you to seek out one or more managers either within your company or outside of it in order to fully benefit from many of the skill-building exercises, role-plays, surveys, discussion questions, and goal-setting tasks supplied at the end of each chapter and with the online teaching supplement. Old habits die hard and practicing your new skill set will improve your ability to transfer these practices from the book and classroom into the boardroom and break room.

ORGANIZATION OF THE BOOK

The book is organized into four parts, each with a brief introduction of its own. Part One introduces the primary concepts and practices of conflict management on which the following parts depend. Part Two examines sources of conflict internal to an organization, meaning employment disputes, turnover, dysfunctions within a team, working with union leaders, and so on. These are the sources of conflict that eat up managers' days, leaving them less time to build their businesses, respond to customers, and mentor their employees. Part Three examines conflicts external to an organization, meaning those involving clients, customers, patients, vendors, and so on. This part include case studies of organizations across sectors from which we can gain valuable insights into systematic methods for achieving higher levels of satisfaction for our customers, clients, or constituencies. Finally, Part Four examines the sources of friction as well as potential collaboration between regulators and the regulated. This part includes detailed information about how to lead efficient meetings and decision-making processes, regardless of whether these involve five or five hundred participants.

The first chapter helps managers better understand their own conflict management style and habits as well as the impact of those habits on their managerial efficiency. Once managers understand their own preferences and habits in response to conflict, it becomes easier to be strategic in responding to or preventing conflict. Next, we examine the root causes of conflict and how it escalates and de-escalates, using specific communication and conflict management techniques. This knowledge of conflict theory and basic concepts will serve as the foundation for many of the subsequent chapters. Chapter Three introduces the core concepts and skills of negotiation. Managers negotiate every day—with vendors and suppliers, with disgruntled customers or employees, with those up and down the chain of command (not to mention our spouses, children, and neighbors!). A firm grasp on the skills of negotiation will significantly improve your ability to achieve desired outcomes at work and elsewhere. The final chapter in this part, Chapter Four, introduces and defines common processes used to address disputes that arise in order to avoid costly litigation, such as mediation, arbitration, peer review, and so on.

In Part Two we examine internal sources of organizational conflict, meaning employment disputes. Employment disputes often lead to high employee turnover (Chapter Five) and poorer mission achievement. Chapter Six shares best practices for building and sustaining creative, collaborative, and productive teams even in difficult times such as during mergers and acquisitions. Chapter Seven examines the unique processes found in unionized workplaces as well as sharing innovative methods for moving beyond the worn-out dichotomy of "us versus them" frequently found in labor-management negotiations and contracts. Chapter Eight presents methods for designing systems of conflict prevention and management within organizations. This information is useful to resolve employment disputes as well as disputes with clients and customers, as seen in the next part.

Part Three investigates the best practices for creating positive, stable, mutually beneficial relationships with customers, clients, and vendors. In Chapter Nine we examine the methods used by organizations across the spectrum to enhance customer acquisition, retention, and satisfaction—including methods for resolving customer complaints. Customer satisfaction systems *are* inherently conflict management systems. Chapter Ten presents numerous case studies of customer satisfaction innovations from organizations of various sizes and missions.

Part Four examines methods for creating and sustaining collaborative relationships and participatory decision making among public sector regulators, private sector business, and nonprofit sector civil society organizations. When all three sectors come together to share information and resources, brainstorm policy solutions and implementation methods, and search for solutions that meet the needs of all stakeholders, then amazing things can happen. Chapter Eleven examines innovative applications of conflict management in the public policy arena, including highlights from exemplary efforts. Chapter Twelve walks you through the process of designing and facilitating effective large-group processes such as public hearings, board meetings, shareholder gatherings, and deliberative democracy initiatives. These tools are helpful to leader managers who are called on to facilitate decision-making and change-management processes within and between organizations.

The book concludes with some next steps for the reader to take to improve personal management practice and is then followed with a glossary of key terms and the references for further reading and research.

Each chapter begins with a fictional illustration of the challenges facing two very different organizations—the Bureau of Reclamation, headed by John, and Main Street Bakeries, led by Elise. These examples are used to illustrate common sources of conflict faced by managers and then show how the concepts and tools from each chapter are applied to those scenarios in order to address the challenges. The learning objectives at the beginning of each chapter serve to outline the concepts and skills covered as well as to cue the reader as to the chapter's foci. Teachers may wish to come back to these at the end of each chapter or class to evaluate the extent to which learning objectives have been achieved and determine where further elaboration or clarification is in order. Case studies presented throughout the book are used to show either best practices or worst-case scenarios to avoid.

THE COSTS OF CONFLICT

In organizations, "the typical manager may spend 25% of his time dealing with conflicts" (Bass & Bass, 2009, p. 319). The costs of conflict include the obvious expenses of legal fees and settlements but also include the costs of lost customers, employee turnover, and damage to the reputation of the organization and the brand name. **Alternative dispute resolution (ADR)** refers to a host of processes that serve as alternatives to costly adversarial litigation, including mediation, arbitration, peer review, the use of an ombudsman, and others. According to Europe's leading ADR organization, conflicts costs British corporations more than thirty-three billion pounds per year (fifty-two million US dollars). To give some perspective, if this sum were a country, it would be the fifty-seventh largest economy in the world. Of this amount, only about 22 percent comes from legal fees, with 78 percent stemming from lost business due to customer dissatisfaction (Amble, 2006). A 2008 study showed that US employees spent an average of 2.8 hours per week dealing with overt conflicts, which equals about $359 billion dollars' worth of average hourly wages. This amount equals approximately 385 million days of work (Hayes, 2008). It is likely that this number is underestimated because many people do not accurately recognize or label conflict when it occurs, preferring not to acknowledge its presence. For managers, conflict takes up even more time, with one survey showing it takes about 42 percent of the average manager's day (Watson & Hoffman, 1996) and with *Fortune* 500 executives devoting 20 percent of their time explicitly to litigation. Unfortunately, these statistics are not trending in a positive direction. In 2010, the EEOC reported a record high number of lawsuits (Equal Employment Opportunity Commission, 2010).

Numerous studies detail the costs of high employee turnover. Studies peg the costs of hiring and training a new employee to be between 75 percent and 150 percent of the employee's annual salary. According to the US Bureau of Labor Statistics, 23.7 percent of Americans voluntarily quit their job in 2006 (Allen, 2008). Let's do the math for a moment: for an organization with one hundred employees, with a relatively low turnover rate of 15 percent per year and an average salary of $50,000, this turnover rate means costs of $562,000 to

$1,125,000 every year! If that much money could be saved by mechanizing or changing a manufacturing process most managers would jump at the chance to reap this much in savings. Unlike changes to the assembly line or cutting back on technology purchases, many managers feel helpless to reduce employee turnover, improve morale, or change company culture. The good news is these can be changed and at relatively low cost.

Unfortunately, many managers view employee turnover as inevitable, like the weather—something that must be endured because it cannot be changed. Yet some organizations and some managers have realized that managing conflict is crucial to retaining employees and thriving as an organization. A growing body of research links high turnover rates to shortfalls in organizational performance and low customer satisfaction. "For example, one nationwide study of nurses at 333 hospitals showed that turnover among registered nurses accounted for 68% of the variability in per-bed operating costs. Likewise, reducing turnover rates has been shown to improve sales growth and workforce morale" (Allen, 2008, p. 5).

Spotlight: Turnover Is Tougher on Small Organizations

The loss of key employees can have a particularly damaging impact on small organizations:

- Departing workers are more likely to be the only ones possessing a particular skill or knowledge set.
- A small company's culture suffers a more serious blow when an essential person leaves.
- There is a smaller internal pool of workers to cover the lost employee's work and provide a replacement.
- The organization may have fewer resources available to cover replacement costs.

Source: Allen (2008, p. 5).

Organizations that have high rates of employee turnover also have related problems with high levels of absenteeism, low employee commitment to the organization and its mission, employee tardiness, and overall low worker productivity (Allen, 2008).

It is a myth that employees leave primarily for higher-paying jobs. The primary drivers of employee turnover include the relationships experienced on the job (between coworkers and between employees and managers), the work environment, the quality of communication within an organization, and job characteristics such as the opportunity to advance and develop professionally (Allen, 2008). Even in a tight budget climate, when raises are hard to dole out, conflict savvy managers can increase employee retention and productivity gains. This book will examine thoroughly the ways in which managers, owners, and employees can create the kind of workplace where people feel valued, they enjoy their work, and those conflicts that will inevitably arise from time to time are handled smoothly, collaboratively, and result in strengthened rather than weakened relationships.

Keeping employees happy is closely related to keeping customers and clients happy. Companies with high levels of employee satisfaction consistently produce high levels of customer or client satisfaction (Zondiros, Konstantopoulos, & Tomaras, 2007). In addition to lost productivity at work and high employee turnover, an organization's reputation and brand name suffer due to litigation over unresolved conflicts. A study in the *Journal of Financial Economics* (Baghat, Brickley, & Coles, 1994) showed that the stock value of large firms drops an average of 1 percent on the announcement of a lawsuit against the company whereas the stock of the plaintiff's company does not increase at all. Stock prices tend to rebound when an out-of-court settlement is announced. One percent may seem small but for the companies analyzed in this study the overall drop in stock value was equal to $21 million.

According to the Centre for Effective Dispute Resolution (CEDR), Europe's largest dispute resolution organization, the majority of managers state they have not been adequately trained to handle the conflicts they encounter. In CEDR's survey of conflict among managers, more than one-third of managers claimed they would rather jump from a plane in a parachute for the first time than address a problem at work! The desire to avoid confronting problems results in wasted opportunities for improved performance on the part of employees and the entire company but apparently it bodes well for the parachute business.

Gerzon (2006), a leadership researcher, emphasizes that "leading through conflict involves facing differences honestly and creatively, understanding their full complexity and scope, and enabling those involved to move beyond the powerful, primordial responses to difference that result in an ‘us versus them’ mentality. It requires capacities that many leaders have never developed, bringing to bear both personal and professional skills that turn serious conflicts into rewarding opportunities for collaboration and innovation” (p. 4). Conflict can be positive or negative, depending on how it is handled. By handling conflict efficiently you can harness its creative power for positive change and avoid the negative elements that give it a bad reputation.

Collaboration and collaborative management are evolving as the dominant forms of leadership but we are not there yet. With an educated, creative, and capable workforce, dictatorial, oppressive leaders are increasingly seen as dinosaurs from the era of factory-style production. With an economy focused on knowledge-creation and service industries, management styles must change to reflect the evolving nature of work itself. Barbara Gray (1989) defines **collaboration** as having four distinct parts:

- Interdependent stakeholders (i.e., those affected by a decision)
- The ability to constructively address differences
- Joint ownership of decisions
- Collective responsibility for the future of the partnership

Collaboration is different from *cooperation* or *coordination* because these “two terms do not capture the dynamic, evolutionary nature of collaboration. Collaboration from this perspective is best examined as a dynamic or emergent process rather than as a static condition” (O’Leary & Blomgren Bingham, 2011, p. 5).

Conflict management (CM) refers to the systematic prevention of unproductive conflict and proactively addressing those conflicts that cannot be prevented. Every workplace has existing conflict management methods but these methods may have developed in an ad hoc fashion without explicit discussion. As a result the existing methods may need to be examined and (re)designed for maximal efficiency and user satisfaction. According to Adler and Fisher (2007), two visionaries in the field of conflict management, “By necessity, leaders must be many things: strategists, warriors, moralists, peacemakers, artisans, technicians, managers, and more. Sometimes a leader becomes an ‘undercover mediator’ within his organization or at the negotiating table” (p. 21).

Nonprofit organizations and government agencies are not immune from the high costs of conflict mentioned already, including costs related to employee turnover problems and dissatisfied clients, customers, and citizens. For example, in 2005 the four largest counties in California paid $79.2 million in litigation costs (Citizens Against Lawsuit Abuse, 2007). Although some of this litigation may be unavoidable, these costs could undoubtedly be reduced through the judicious use of ADR processes as well as systems to solve problems in their earliest stages.

Many organizations have learned the hard way that unproductive conflicts and poor management methods hurt the bottom line. Unproductive conflicts can result in costly and unpleasant relationships between companies and regulatory agencies such as the Department of Labor, the EEOC, the Occupational Safety and Health Administration (OSHA), and so on. But you do not have to take my word for it. Luckily there are numerous examples of companies that have turned things around by making changes to their management of conflict as well as examples of those who have experienced huge costs from not learning those lessons early enough.

Through the systematic analysis of the sources and types of disputes, organizations can engage in a process called ***dispute systems design (DSD)***. DSD is a process for assisting an organization to develop a structure for handling a series of similar recurring or anticipated disputes more effectively. These can be internal employment disputes or disputes with external conflicts with clients, customers, or regulators (e.g., EEOC complaints within a federal agency or environmental enforcement cases with polluters). Chapter Eight will help you with the process of assessing the disputes facing your organization and then designing processes to prevent and limit the costs from those disputes.

CASE STUDY IN UNMANAGED CONFLICT: WALMART

Walmart Corporation has been in the news on and off for more than a decade concerning gender and racial discrimination charges. Although a recent Supreme Court decision means that women who want to sue Walmart for gender discrimination will need to do so individually rather than as a class action, the bad press and damage to their brand has been significant. According to the *New York Times*, plaintiffs cite significant differences in pay and promotion by gender, with women in salaried jobs earning on average 19 percent less than men in similar jobs. Men at Walmart are 5.5 times as likely as women to be promoted into salaried, management positions. Even in hourly positions, women earned on average 5.8 percent less than their male counterparts. Women were disproportionately hired as cashiers and less often in higher-paying hourly jobs (Greenhouse, 2010). Disparities in pay were also found between black and white employees, although the differences were smaller. A subsequent analysis done by a statistics expert from California State University at East Bay in 2001 found a 26 percent difference in salaries by gender and a 6 percent difference for hourly workers. In 1995, Walmart hired an outside law firm to examine potential litigation liabilities related to gender discrimination complaints. In that report, the law firm of Akin Gump Strauss Hauer & Feld found widespread disparities in pay and promotion by gender and estimated Walmart's legal exposure to a class-action suit at $185 to $740 million dollars (Greenhouse, 2010).

What does this have to do with conflict management? Many companies struggle with issues of diversity and the need to effectively implement nondiscriminatory hiring and promotion policies. Walmart is not unique in that it has received gender discrimination complaints and other types of discrimination complaints. If nothing else, because of its size and the sheer number of employees, we could predict that each year there will be some number of employee complaints lodged against Walmart with the EEOC. But it is not the existence of complaints that indicate whether a company is managing conflict well—although the proportion of complaints can certainly be an indicator that room for improvement exists. Instead of the existence of complaints, it is how those complaints are handled or ignored that indicates whether an organization has a healthy system for resolving disputes early and before large litigation costs and damage to the organization's image have occurred.

Among other changes, the Akin Gump report recommended that Walmart set up an internal mandatory arbitration system for employment claims (Greenhouse, 2010). If Walmart had followed the recommendations found in the report by the Akin Gump group, they could have saved themselves millions in lost revenue due to damage to their brand name, cascading lawsuits, and customer boycotts.

CASE STUDY IN POSITIVE CHANGE: AMERICAN HOME SHIELD

Managers at American Home Shield knew they had a problem with employee turnover. With about 1,500 employees, the company was experiencing rates of turnover as high as 89 percent in some departments, which was estimated to cost the company more than $250,000 in the direct costs of hiring and training new employees (Allen, 2008). To better understand why employees were leaving, the company instituted a systematic survey of former employees and those currently leaving the company. These surveys indicated that employees left out of concerns about inadequate supervisor availability: they could not access their supervisors to ask for help when they needed it. Employees also felt they needed more job training and that the organizational system for communication was insufficient to accomplish work-related tasks. The survey information was used to make changes in the company's procedures, resulting in a 35 percent decrease in turnover in the first year alone (Allen, 2008).

As you proceed through this book you will learn strategies and techniques for reducing unproductive conflict within your organization and with customers as well as techniques for improving your ability to communicate positively and to respond to problems that arise. You will learn how to design policies and procedures to effectively handle disputes that are inevitable and how to use alternatives to litigation to save yourself and your organization money, time, and emotional energy. Exercises, scenarios, and analytical tools will be presented to help you practice these new skills so that you can develop the habits of effective conflict management.

CONCLUSION

Knowing there is a problem is only half the solution. After reading and practicing the skills contained in this book, you will better understand the sources and solutions to conflict in the working lives of managers. The next step is the hardest one: changing knowledge into action. Managers skilled in the art and science of collaborative problem solving will bring the specific skills of mediation, facilitation, process design, and visionary leadership to their work teams and organizations. The days of hierarchically organized, authoritarian rule by organizational leaders are fading fast. Dynamic, successful leader managers of today and tomorrow will act as catalysts for collaboration, maximizing performance by drawing on the individual strengths of team members and fostering firm commitment to a shared mission accomplished through a supportive, humane, energizing work environment. If you are reading this book, you have the ability to make these changes happen.

KEY TERMS

Alternative dispute resolution (ADR)
Collaboration
Conflict management (CM)
Dispute systems design (DSD)
Public good
Regulatory agencies

DISCUSSION QUESTIONS

1. What are the sources of employee turnover in your organization? How might a collaborative manager reduce employee turnover?
2. What are the current methods for addressing conflicts with customers and employees in an organization with which you are familiar? How satisfied are the users of those processes from what you can tell?
3. How collaborative is your organization? Why? How might it benefit from a more collaborative approach?
4. Does your organization have an ADR system? Why or why not?

EXERCISES

1. Analyze the conflict management system(s) within your current or a past work environment. How are workplace disputes prevented, tracked, and managed? What about disputes with clients or customers?
2. How much of your day is spent in dealing with disputes with employees or customers? Can you estimate the costs of unproductive disputing for your organization?