FairWay

Lead · Resolve · Agree

FairWay Resolution
Conflict in New Zealand
Workplaces Study

August 2014

Contents

Foreword

Conflict is an inevitable part of the work environment. It emerges wherever there is potential for disagreement – whether between employees, between employees and management or between suppliers and customers – yet very little is known about the extent of conflict within our workplaces and the impacts of poorly managed conflict on organisational productivity.

FairWay Resolution commissioned this ground-breaking research in order to start building a body of knowledge about the nature of workplace conflict within the New Zealand context. We have taken a holistic approach; exploring the drivers, dynamics and personal and workplace impacts in order to gain deep insights and intelligence that can be applied in conflict management solutions.

Equally important, this research is a platform to start the discussion about workplace conflict – to bring the topic out from under the carpet as a critical first step in making conflict management a core competency in an organisation.

Underpinning our research is the need to recognise that conflict is not an inherently negative concept; that it is time to rethink the role of conflict in the workplace and to focus on how to harness conflict constructively.

Anticipating a robust discussion.

Greg Pollock
Chief Executive

Executive Summary

One in four New Zealanders experienced productivity sapping conflict in the workplace.

The FairWay Resolution Conflict in New Zealand Workplaces Study shows the extent, nature and cost of organisational conflict in New Zealand.

We surveyed a cross-section of 740 employees from the public and private sector in a range of industries, and found that in the last year, a quarter of employees had at least one disagreement or argument at work that distracted or prevented them from doing their job. Over a third of the disagreements/arguments went on for more than one month suggesting that productivity loss due to conflict in the workplace is significant.

One thing is clear — organisations that invest in equipping their employees' with the skills to manage conflict effectively, reduce the risk of lost productivity that arises from conflict in the workplace. Conflict management is not a soft skill or a 'nice-to-have', but is critical to optimising performance of New Zealand organisations.

Health and safety implications of workplace conflict

Boards and employers may be concerned about the health and safety implications of conflict in light of greater regulatory responsibility for employees' health and safety. Our research showed that the consequences for the employees involved in workplace conflict are feelings of anger, stress and anxiety, followed by losing focus in the workplace, avoiding communicating with the other party and reduced motivation.

Negative personal effects of conflict were amplified by two thirds of respondents asking for help from their managers, but only half receiving satisfactory support in the workplace. Only six percent of those in conflict called on their HR team to help them manage the conflict.

With greater employer responsibility for employee wellbeing comes the opportunity to more actively minimise the negative consequences of conflict.

Workplace conflict seriously damages relationships and the overall financial performance of organisations in New Zealand.

Productivity implications of workplace conflict

Other impacts of conflict were missing deadlines, loss of confidence and mistakes being made. Respondents reported taking time off as a response to conflict, of leaving the employment by choice or dismissal.

Clearly a quarter of the workforce producing poorer quality of work, higher absenteeism and loss of focus due to poorly managed conflict adds up to significant loss of productivity to the New Zealand economy.

Sector implications of workplace conflict

The survey revealed significant differences between workplace conflict in the public and private sectors. The effect of conflict on the public sector is far more pronounced than the effect on private sector employees. Those working in the public sector are significantly more likely than their private sector peers to have had at least one disagreement or argument with someone in a more senior position; more likely to feel stressed by the conflict; and more likely to avoid communicating with the other party involved. Twice as many public sector workers as private sector employees reported that conflict resulted in loss of motivation to do their job.

Significantly more public sector than private sector employees feel stressed following conflict (71% compared to 47%). Not only are public sector workers' behaviours in response to conflict more negative, but they are also five times more likely to receive a warning than those working in the private sector.

Gender implications of workplace conflict

Slightly more men than women reported experiencing conflict in the workplace. The nature of conflict experienced by the genders is quite different. Men reported much higher levels of conflict over work-related ideas than women, whereas women were far more likely to experience a conflict over bullying or a personality clash.

Possibly due to the interpersonal nature of the conflict – rather than work-related conflict – women are considerably more likely than men to seek help or support from people outside the workplace such as family and friends or unions.

The survey shows that conflict is not well managed in New Zealand's workplaces, and that the cost of failing to manage conflict effectively is indirect but significant. Publication of these survey results aims to raise awareness of conflict in the workplace so that steps can be taken to address it.

Significantly more public sector than private sector employees feel stressed following conflict (71% compared to 47%)

Women are considerably more likely than men to seek help or support from people outside the workplace such as family and friends or unions

What is the conflict about?

A quarter of New Zealanders in the workplace had at least one disagreement or argument at their workplace within the last 12 months, which they felt was serious enough to compromise their ability to do their job.

Major types of conflict in New Zealand organisations include:

- differences of opinion about how to perform a task;

- relationship conflict that is focused on values, individual styles, personality and personal taste.

The nature of organisational conflict in New Zealand identified in our study is consistent with the findings of international studies[1].

Conflict in the workplace can positively or negatively affect performance. Management literature tells us that conflict energises people to debate issues and evaluate alternatives more thoroughly[2]. If harnessed well, constructive conflict is a characteristic of high performing organisations.

FairWay's study found that workplace conflict in New Zealand results in negative outcomes. A small minority of the participants expressed conflict as having a positive effect in the workplace, suggesting that only a minimal amount of conflict's 'productive potential' is being harnessed.

The scope therefore is to equip workers to recognise that conflict can be dealt with constructively, and to resolve negative conflict early.

Disagreements about how to perform a task

Sources of conflicts were most often about differences in opinions about how to perform a task (21%) and procedures or policies not being followed (17%). Although relationship conflict has been shown to have the greatest impact on performance, team satisfaction and task performance also decrease as task-related conflict increases in the workplace. Task conflict has the most negative effect when experienced in an uncertain environment such as project and programme teams, which are particularly widespread in the public sector[3].

Men were significantly more likely than women to disagree about the best method of performing a task suggesting that men are more process-oriented.

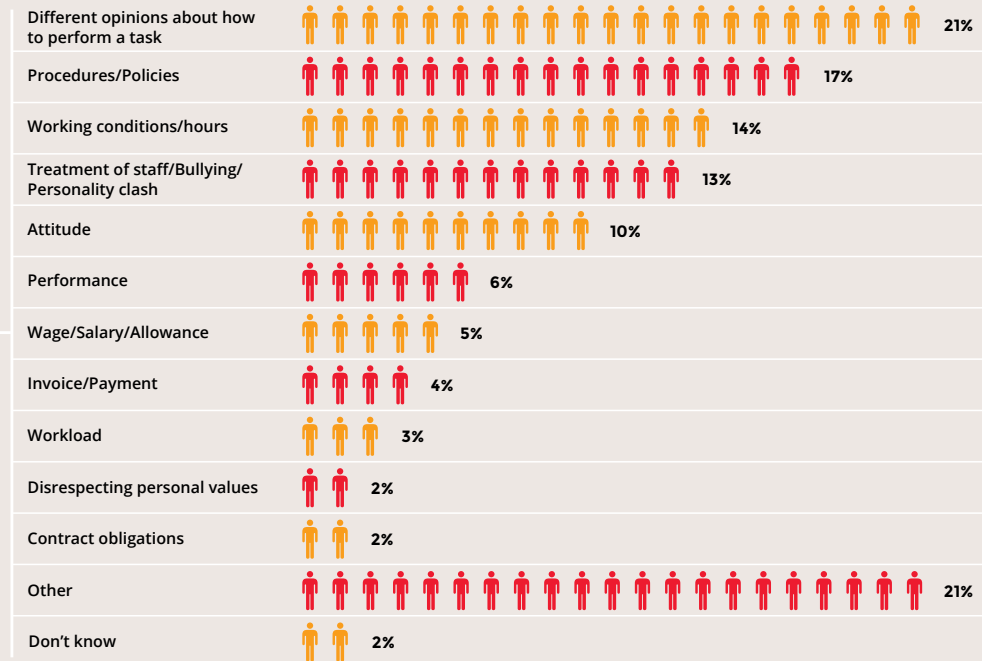If harnessed well, constructive conflict is a characteristic of high performing organisations.

1. Karen Jehn and Elizabeth Mannix "The Dynamic Nature of Conflict: A Longitudinal Study of Intragroup Conflict and Group Performance," The Academy of Management Journal, 44 (2001): 2, 238-251.

2. McShane et al. Organisational Behaviour in the Pacific Rim (Sydney: McGraw Hill,, 2010)

3. McShane et al.

REASON FOR CONFLICT

Reason	Percentage
Different opinions about how to perform a task	21%
Procedures/Policies	17%
Working conditions/hours	14%
Treatment of staff/Bullying/Personality clash	13%
Attitude	10%
Performance	6%
Wage/Salary/Allowance	5%
Invoice/Payment	4%
Workload	3%
Disrespecting personal values	2%
Contract obligations	2%
Other	21%
Don't know	2%

Men negotiate to advance their own interests[4], and may see task-related conflict as important to advance their careers.

When organisations' policies are flawed, employee criticism can be positive conflict that improves design. To empower employees to constructively criticise policies, 'safe' forums should be established for open discussion.

Relationship conflict is lower in New Zealand than other countries

Personality clashes or bullying contributed to 13% of conflicts in the workplace, and 10% to co-workers' 'attitude' according to respondents[5].

A multi-country survey found personality clashes accounted for 49% of all conflicts[6].

Conflicts are intense and can last longer than one month

Most workplace conflicts lasted either several days or more than one month. The length of time employees spend in conflict shows both the intensity of conflict, and workers' ability to manage it effectively. Of the conflicts that had ended at the time of the survey, 46% of conflicts lasted less than one week, and 37% of conflicts lasted longer than one month. The longer the duration of the conflict, the greater the impact on the directly affected employees' performance, and the performance of those supporting them from within the workplace.

Relationship conflict arises when people focus on the characteristics of people rather than the issues as the source of conflict[7].

Relationship conflict is therefore wholly negative and unproductive[8].

4. Kray and Thompson (2005) Gender Stereotypes and Negotiation Performance: An Examination of Theory and Research, Research in Organizational Behaviour, 26, 103-182

5. Conflict (including bullying) was measured in this study in terms of the respondent's self-perception of it occurring. While this approach is consistent with other studies, it differs from the objective measurement of bullying. The legal definition of bullying is based on a number of objective criteria being met. The legal definition of bullying in New Zealand is reliant on case law. See, for example, Kneebone v Schizophrenia

Fellowship Waikato Incorporated AA 31/07, 13 Feb 2007 at [207].

6. CPP. "Global Human Capital Report: Workplace Conflict and How Businesses can Harness it to Thrive," July 2008, Available from: https://www.cpp.com/pdfs/ CPP_Global_Human_Capital_Report_Workplace_Conflict. pdf (31 July 2013).

7. McShane et al., (2010).

8. Karen Jehn A Multi-method Examination of the Benefits and Detriments of Intragroup Conflict, Administrative Sciences Quarterly, 40 (1995): 2, 256-282.

Who is involved in conflict?

Conflict is most prevalent among those who are middle-aged, earning over $80,000, are in the public sector, and have been in the job between one and five years.

The common theme among respondents who had experienced conflict is seniority in the labour market. The position of power allows these workers to confidently assert their rights, interests, and opinions in the workplace. But this group is a valuable sector of the labour market and is limiting its potential contribution to the workforce because of poor conflict management skills.

Who started the conflict?

When asked who initiated the conflict, one-third of respondents acknowledged that they did. Sixty five percent of respondents said the other party started the conflict.

Most respondents blame the other party for initiating the conflict, while downplaying their own responsibility, suggesting that people reconstruct conflict in a way that comfortably fits their world view.

This finding reinforces that managers should seek the perspectives of both parties to a dispute as there are usually multiple perspectives about the conflict. If unable to remain neutral enough to fairly help workers resolve conflict, managers would benefit from independent third-party investigation, facilitation or mediation of the dispute.

Conflict with more senior employees

Most employee conflicts in New Zealand were with a more senior employee. Seventy seven percent had a conflict with someone at a more senior level, but only 25% reported conflict with someone who reports to them. The discrepancy between employee and manager responses likely reveals differing perspectives on the same conflicts among managers and staff.

Junior employees are registering significant conflicts with managers which is damaging their ability to be productive. Interestingly, managers interpret these encounters as normal relations between staff. This may be because managers are consistently invoking their seniority to create win-lose outcomes, in which they win.

Most respondents blame the other party for initiating the conflict, while downplaying their own responsibility.

The reactions of employees to conflict certainly indicate that people have a win-lose strategic understanding of conflict. The 'power over' dynamic reflects a forcing approach as contrasted to 'power with power' which reflects a fostering approach. A forcing approach is often the cause of conflict.

In comparison to findings in similar overseas studies, New Zealand workers were significantly more likely to be in conflict with a more senior person in the organisation. In United Kingdom, France, and the United States, conflict is more commonly among entry level staff. This finding may reflect New Zealand's low power-distance and high individualism values that empower employees to challenge authority and debate commands from superiors[9].

The sample reveals that employees and managers engage in conflict over different issues. For example, 20% of non-managers who were involved in a conflict reported arguing over work conditions or hours compared to only 2% of managers. Similarly, 17% of non-managers who were involved in a conflict reported experiencing a conflict over bullying, personality clashes, or how they were being treated, compared to 4% of managers. The finding indicates that non-managers are more likely to be involved in a relationship-based conflict than managers.

Conflict with external parties

Although conflict with co-workers was most likely, employees also reported having conflicts with customers — more than conflicts with suppliers. This is surprising given wide understanding in the business world that 'customers are king'. It appears that the reality is quite different. Thirty percent of employees had a conflict with a customer, compared to 12% of employees experiencing a conflict with a supplier.

There is growing evidence to suggest that customer conflict has a far greater impact than most people realise[10].

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9. McShane et al., (2010).

10. The Importance of Reducing Customer Conflict. Shaun Belding. July, 2004.

What are the impacts and consequences of conflict?

New Zealand workers' approach to conflict resolution among managers and employees is both uncooperative and unassertive, which is the least effective strategic approach to conflict resolution. The usual approach to conflict among both managers and employees is to disengage from the conflict, the other party, and generally lose motivation.

Personal impact

The survey shows that New Zealand employees' most common reaction to conflict is anger/frustration (83%), followed by stress (57%), anxiousness/nervousness (47%), loss of self-esteem (25%), and trouble sleeping (25%). Becoming sick or drinking more alcohol were less common, but still significant responses.

Eighty three percent of workers in conflict initially react in anger or frustration to conflict, but then choose to avoid the conflict. This response process indicates a lack of confidence and skill in dealing proactively with conflict, but in some circumstances may be the most appropriate course of action.

Significantly more females than males reported feeling stressed as a result of conflict (69% compared with 47% of males). This is consistent with a European multi-country study, which found more negative emotional fallout from conflict among women[11].

The Health and Safety at Work Act which comes into effect on 1 April 2015 will make managers more accountable for ensuring workplaces are healthy and safe. The most effective way to improve health-related consequences of conflict is to help employees recognise disagreement that may lead to conflict early through training and create a culture where employees and managers know what to do to curtail escalation of conflict into disputes.

It is possible that a poor conflict culture may lead to unwillingness to speak up on health and safety issues in the workplace, hazards and therefore may not be reported if this is the case, particularly if workplace culture involves bullying or teasing.
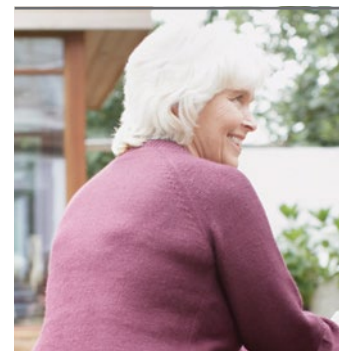
More women than men were stressed as a result of workplace conflict.

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11. CPP. "Global Human Capital Report: Workplace Conflict and How Businesses can Harness it to Thrive," July 2008, Available from: https://www.cpp.com/pdfs/CPP_Global_Human_Capital_Report_Workplace_Conflict.pdf (31 July 2013).

Workplace impact

As a result of disagreements, almost half of respondents reported losing work focus or becoming distracted from work, losing motivation and confidence, as well as missing deadlines. Public sector employees were nearly twice as likely as private sector workers to lose motivation and significantly more likely to avoid communicating with the other party to the conflict.

Although most employees said nothing further happened at work as a consequence of the conflict, some managers lost confidence in the person who reported to them if involved in the conflict, and 11% received warnings from their employers. This data suggests that ineffective conflict management can result in long-term career damage.

Fourteen percent of those in conflict took time off work.

Seeking support to deal with workplace conflict

Seventy percent of employees who experienced a conflict sought help from within their organisation to resolve their conflict.

Of these, 47% turned to their manager or a CEO, and 30% turned to a colleague at the same level, but only 6% of those with a conflict asked a human resources member for help. Workers in the private sector were significantly more likely than public sector workers to seek help from a senior person within their organisation.

Poor responses to employees' requests for help

Of the people who sought help from managers in the organisation, only half are satisfied with the response. The reasons for the dissatisfaction include managers trying to ignore the problem, not feeling heard and being told to "get over it". The findings show that New Zealand organisations are not managing conflict effectively. Managers are not equipped with the skills they need to effectively manage conflict in their organisations.

Friends and family as support for people in conflict

Fifty five percent of those with a conflict sought help from someone outside of their organisation. Employees most commonly turned to family/friends/partners (46%), followed by their union (9%), a lawyer (2%), counsellor/psychiatrist (2%), and lastly a doctor (1%).

Women sought help more from outside the organisation (67% compared to 45% of men). This finding may reflect that women are more likely to be involved in personality clashes or bullying and feel safer seeking support from supportive people outside the organisation, or may be more attuned to asking for help in general.

More public sector employees turned to a union for help in resolving their conflict (19% compared to 3% of private sector employees), reflecting a higher rate of unionisation in the public sector.

"My manager never tried to resolve the problem; she just tried to ignore it".

How can organisations manage conflict better?

At the heart of all conflict, be it the workplace or in another context, is the cycle of retaliation. It is a cycle of blaming and justifying that people become locked into and have great difficulty escaping from.

A triggering event at work leads a person to think that their interests are being threatened. This prompts anger and emotional thinking, and the use of inappropriate behaviour. And this behaviour serves as a trigger for the other person feeling that their interests are threatened, and they then mirror the behaviour. They have now locked themselves into the retaliatory cycle of conflict, and they and the organisation will bear the brunt of the negative consequences of conflict until it is somehow resolved.

Ways of resolving workplace conflict

There are three acknowledged ways of resolving workplace conflict. These are:

• power contests

• rights contests

• interest reconciliation.

Smart leaders and organisations avoid the first two, and focus on finding ways to resolve conflicts through the third (reconciling interests). Every organisation has a strategy for resolving conflict that is embedded in its culture, although often the strategy is hard to define. Through FairWay's research, we have also identified that some individuals have a strategy for managing conflict too, unfortunately, involving the wrong reactions of distancing, blaming, justifying and coercion.

The role of culture in responding to conflict

Conflict is not always negative or destructive. Controversial issues in the workplace can be managed in a way that enables positive change and growth, and contributes positively to an organisation's culture.

Culture is one of the three dimensions in every organisation in which conflict management strategy is embedded. Cultural norms, shared values and attitudes influence workplace conflict behaviour. The other two dimensions in which conflict management strategy is embedded are competencies (people's ability to manage conflict), and structure (the design of the organisational structure). Organisation-wide conflict management competencies are embedded in these three dimensions, and should not be mutually exclusive[12].

> Controversial issues in the work place can be managed in a way that enables positive change and growth, and contributes positively to an organisation's culture.

12. Daniel Dana. (2001) Conflict Resolution, (New York: McGraw-Hill 2001)

Conscious and skilled organisations are those that best mitigate the myriad of negative consequences associated with unmanaged conflict that have been identified in FairWay's workplace research. These are 'conflict competent' organisations.

Unconscious and unskilled organisations will be those that continue to be exposed to the risks, and the natural consequences of cost and disruption.

Conflict management interventions

If your workplace experiences conflict, a number of conflict management interventions can be used to manage and resolve it and create the conditions for constructive conflict to occur.

Building organisational and individual conflict competence lies at the heart of effective and efficient conflict management. This can best be achieved through focussing on culture, competencies and structure of the organisation.

Focusing on the problem, not the person and encouraging a contest of ideas, debate and teamwork to resolve problems will have a positive impact on the parties involved and the outcome.

A number of early resolution intervention processes are available to organisations to help manage conflict and avoid employment disputes including:

- The establishment of an informal, independent, neutral conflict management system in an organisation is a complementary addition to an existing formal

system. The informal nature of the Independent-Neutral Practitioner (INP) fosters conflict management and resolution of disputes quickly whilst reducing the cost of a conflict both in dollar terms and human cost.

- Facilitation is a flexible and open-ended dispute resolution process. It involves an impartial, professionally qualified facilitator helping the parties to have conversations that are respectful and productive. The facilitation process allows people to have constructive dialogue and to share perspectives. It also has a process focus, which enables people to have forward thinking and step-by-step conversations.

- Mediation is a simple and informal process where parties in conflict work with an impartial mediator to reach agreement. Mediators are trained to help parties understand each other's perspectives on the dispute and find a solution that both parties can agree to. Mediators empower the parties by helping them identify the disputed issues, develop options, consider alternatives and reach an agreement. The focus of mediation is on the reconciliation of interests.

- Adjudication is a process best used where intractable rights and power conflict prevails. The parties agree to have an independent expert person make a binding decision about their dispute. The decision is based on the facts and applicable law. The process is private, confidential and timely. These are advantages that appeal to many organisations.

A number of early resolution intervention processes are available. These include:

- Establishing a conflict management system

- Facilitation

- Mediation

- Adjudication

Conflict skill development focuses on building the key skills used to manage conflicts. Conflict skill development builds individuals and groups capability to constructively manage conflict. The training focuses on negotiation, mediation, conflict management, communication skills, health and safety and other areas.

Conflict coaching is a customised, one-to-one service which addresses specific conflicts, giving a person the ability to constructively manage conflicts, and prevent future conflicts from arising and/or escalating.

Coaching focuses on helping people reassess themselves and their behaviour, to understand their thoughts and feelings about conflict, how that drives their behaviour, and how that in turn, impacts on other people. From this process, a conflict management strategy is developed. Conflict coaching is sought after by executives and anyone who manages conflict as a core feature of their role.

These are all services that FairWay can and does provide.

FairWay Resolution offers a range of processes and interventions that cover the full spectrum of dispute resolution processes and tools.

Research methodology

Research New Zealand was commissioned to conduct the survey that forms the basis of this report.

A total sample of 740 New Zealanders, aged 18 years or more, were interviewed by telephone as part of an Omnibus survey between 18 September and 10 October 2013. The working age population (defined as '25-64 years') was over-sampled, and the results were weighted with Statistics New Zealand demographic parameters to ensure the sample is representative.

An initial 'qualifying' question identified those respondents who are currently, or have been over the past 12 months a 'salary or wage earner'. This resulted in a sub-sample of n=411 salary or wage earners. A second qualifying question was asked to identify the respondents who were working at the time of the interview. The second qualifying question resulted in a sub-sample of n=366 wage or salary earners. Respondents in the n=366 wage or

salary earners were asked work-related questions. A third 'qualifying' question was asked to identify those salary or wage earners who had had a disagreement or argument in the last 12 months. This resulted in a sub-sample of 24% or n=100. Results for the two main sub-samples are subject to different margins of error because of their size:

1. The weighted sample of n=411 salary or wage earners is subject to a maximum margin of error of +/- 5.3 percent (at the 95 percent confidence level).

2. The sample of n=100 who had had a disagreement or argument within the last 12 months is subject to a maximum margin of error of +/- 10.8 percent (at the 95 percent confidence level).
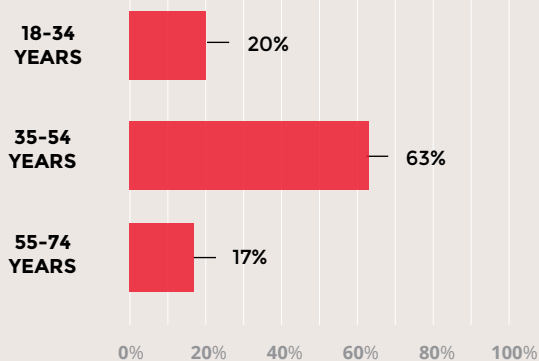
The results have been tested for statistical significance. Only significant results are quoted in this report.

The following graphs display the statistically significant demographic variables of the respondents who experienced a conflict over the previous 12 months.
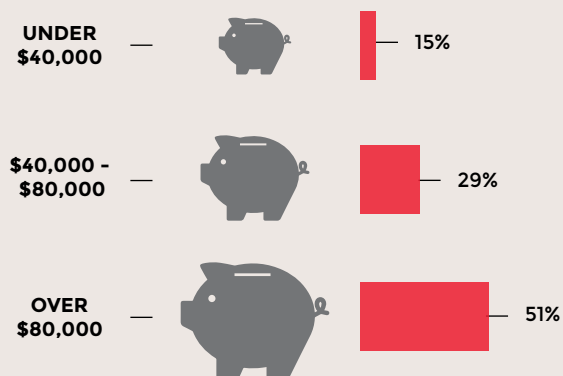
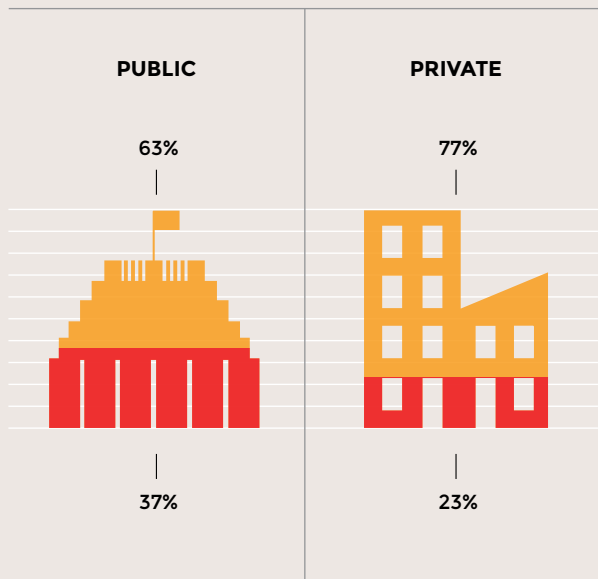## 1 IN 4 SALARY AND WAGE EARNERS EXPERIENCE CONFLICT IN THE WORKPLACE

- **EXPERIENCED CONFLICT**
- **DID NOT EXPERIENCE CONFLICT**

AGE OF RESPONDENTS
WHO EXPERIENCED CONFLICT

18-34 YEARS	20%
35-54 YEARS	63%
55-74 YEARS	17%

0% 20% 40% 60% 80% 100%

SALARY OF RESPONDENTS
WHO EXPERIENCED CONFLICT

UNDER $40,000	15%
$40,000 - $80,000	29%
OVER $80,000	51%

EMPLOYMENT SECTOR OF RESPONDENTS

PUBLIC	PRIVATE
63%	77%
37%	23%

■ **EXPERIENCED CONFLICT**
■ **DID NOT EXPERIENCE CONFLICT**

TIME IN JOB OF RESPONDENTS
WHO EXPERIENCED CONFLICT

LESS THAN 1 YEAR	7%
1-5 YEARS	56%
6-10 YEARS	17%
MORE THAN 10 YEARS	20%

0% 20% 40% 60% 80% 100%
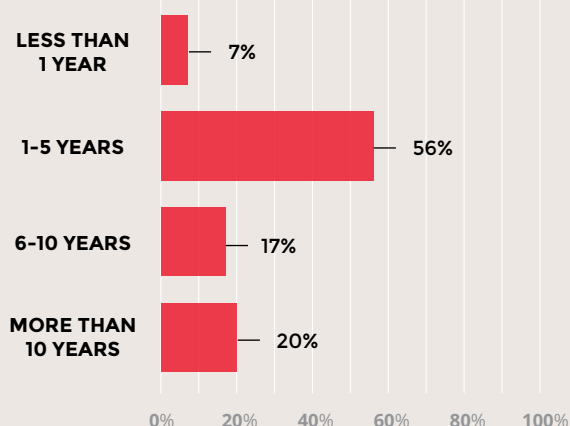
About FairWay Resolution

FairWay Resolution Limited is an independent, Crown-owned company providing specialist conflict management and dispute resolution services.

FairWay handles over 10,000 disputes each year — of all kinds and all levels of complexity, including medical, insurance, financial services, telecommunications, real estate and family. Our conflict management experience underpins our conflict management expertise in all part of the cycle.

FairWay's competitive advantage comes from our extensive experience in conflict resolution, our systems and processes for managing conflict, a commitment to protecting the privacy of all parties to a dispute, and a thorough understanding of technical and legislative issues that arise in different sectors that use our services.

What problems does FairWay Resolution solve?

Organisations that invest in building capability for constructive conflict management reap the rewards through improved internal and external relationships and reduced costs.

FairWay is an expert conflict management provider and alternative dispute resolution partner. We help manage conflict so you can build trusted relationships.

FairWay works with organisations that care about their stakeholders' experiences to custom-design effective dispute resolution services. Our clients include Accident Compensation Corporation, Ministry of Justice, Christchurch Earthquake Recovery Authority, the Real Estate Agents Authority, Ministry of Business, Innovation and Employment (Consumer Affairs) and the New Zealand Telecommunications Forum.

We help manage conflict so you can build trusted relationships.

Our services span the full conflict management cycle from prevention to organisational learning, so over time, your organisation can build its conflict management capability.

Prevent
- Diagnostic analysis
- System development
- Partnership plans
- Early intervention
- Advisory services

Manage
- Complaint management design
- Screening and assessment
- Capability building / training
- Dispute resolution system design
- Conflict surveys

Prevent

Manage

FairWay Resolution

Conflict Management Cycle

Learn

Resolve

Learn
- Training
- Conflict coaching
- Data analysis

Resolve
- Mediation
- Reviews
- Adjudication
- Arbitration
- Conciliation
- Facilitation