

Managing the Costs of Conflict... A Novel Idea

ACCORDING TO a major research study, U.S. employees spend an average of 2.8 hours per week dealing with non-productive conflict. This lost productivity equates to \$359 billion in paid hours on an annual basis.¹ In tough economic times, no one can afford to waste this kind of time and money! In addition, 25% of employees report that conflict or the avoidance of conflict has resulted in sickness or absence from work.¹ Another prominent researcher in the field suggests that the annual increase in the cost of medical care that's attributable to conflict is 5 percent.² For an economy trying to change direction after a long downturn, addressing these massive conflict-related costs could be its own economic stimulus package.

Unfortunately, almost no one escapes the effects of interpersonal conflict and the stress it creates. Research tells us that 85 percent of all employees experience interpersonal conflict in the workplace¹ with 78 percent of managers admitting they are suffering from workplace stress.³ Other research found that managers, on average, spend 30 percent of their time dealing with conflict.⁴ So if the old adage, *time is money*, is true, then most managers are on a major spending spree every week.

While nobody likes to lose a good employee or co-worker, we know that unresolved conflict or a poor relationship with one's immediate supervisor is one of the top reasons given when an employee chooses to leave the organization. In other words, workers often make decisions to leave a job based on their relationship with their boss. When one considers recruiting, training and opportunity costs, the overall cost associated with finding a replacement employee can easily reach 150 percent of the lost employee's annual salary.⁵ The cost for finding a new manager or senior executive can be much higher.

Tragically, these workplace challenges often spillover into relationships at home as well. Poorly managed conflict frequently affects our relationships with friends, family members, coworkers, and neighbors. Few of us have escaped the devastating impact of divorce. Research

Calculating the Costs of One Conflict in Your Organization

The following worksheet will help you calculate the cost of conflict in your workplace. Use it to get an idea of just how costly just one conflict can be. Complete as much of this form as possible; you may not know all the answers, so feel free to make educated guesses.

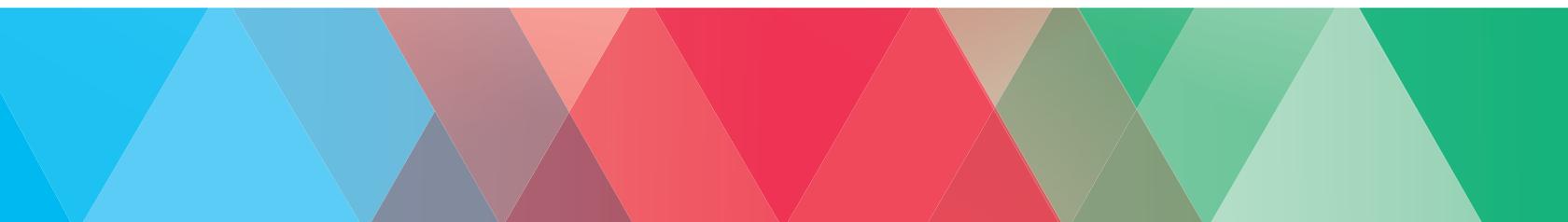
COST OF ONE CONFLICT WORKSHEET

Describe a significant or ongoing conflict in your workplace (you do not need to be directly involved):

Estimate the combined number of hours these people spend on the conflict on a weekly basis (include the time spent complaining and gossiping about the people involved in the conflict):

Number of people involved		_____
Number of hours in one week	x	_____
Weekly hours of lost productivity due to conflict	=	_____
Average hourly wage of people involved	x	_____
Weekly compensation	=	_____
Estimated number of weeks	x	_____
Subtotal: Cost of Time	=	_____

(continued)



tells us that more than 50 percent of first marriages end in divorce.⁶ The number is much higher for second and third marriages. There are many causes for marital discord, but at the root of all of them is interpersonal conflict.

Most people relate to these facts by way of experience. We know how poorly managed conflict feels and it's not good. But what about the financial costs of conflict in a business setting on a micro-level? Can these costs be calculated for a department or a small business? Further, can a business case be made to proactively and systemically address conflict in the workplace? The answer is yes; the cost of conflict in organizations can be measured and the results are staggering.

Working Toward a "Nice" Conflict

Without a doubt, conflict is costly on a personal and organizational level. Poorly managed conflict can steal our time, money, health, and happiness. However, we can learn to *have a nice conflict*—the type of conflict that consistently leads to greater productivity, stronger relationships, and a leaves everyone involved feeling good about themselves. The five keys to having a nice conflict are presented in the business bestseller, *Have a Nice Conflict: How to Find Success and Satisfaction in the Most Unlikely Places*.

REFERENCES

- ¹ CPP Global Human Capital Report, July 2008
- ² Dan Dana, Ph.D., The Dana Measure of Financial Cost of Organizational Conflict
- ³ Roffey Park
- ⁴ Thomas, K. & Schmidt, W. A survey of managerial interests with respect to conflict. *Academy of Management Journal*, June, 1976.
- ⁵ William G. Bliss—Bliss & Associates
- ⁶ Jennifer Baker, Forest Institute of Professional Psychology

If this conflict has (or could) lead to turnover, multiply the annual compensation of each person who has left (or who may leave) the organization by 150%:

Number of employees who could leave		_____
Estimated average salary	x	_____
Subtotal	=	_____
Cost of turnover (150%)	x 1.5	
Subtotal: Cost of Turnover	=	_____

Estimate the actual and potential costs of reduced decision quality, disengagement, sabotage, and increased health care needs related to this conflict:

Potential Legal and HR costs		_____
Lost business, missed opportunities, sabotage, absenteeism, etc.	+	_____
Other	=	_____

Use the subtotals to calculate the TOTAL cost:

Time		_____
Turnover	+	_____
Other	+	_____
Total Cost of One Conflict	=	_____

Can your organization afford the cost of conflict?