

The Cost of Conflict

Conflict generates a significant, but often hidden, cost for organizations. For example, it has been estimated that over 65% of performance problems come from interpersonal issues between employees. (Organization Development Journal, Fall 1984)

Conflict in the workplace results in:

- Wasted time resulting from employee and management attention spent on resolving problems and clarifying expectations. Studies have shown that as much as 42% of a manager's time is spent dealing with various aspects of confusion, disagreement, and conflict. (Watson, C. and Hoffman, R. "Managers as Negotiators," Leadership Quarterly 7 (1) 1996)
- Reduced decision quality due to ineffective communication and power struggles between employees or work units who are not getting along. Add to this the hidden emotional and relationship costs that result when individuals choose to remain in opposition to each other.
- Loss of quality employees who leave an organization to seek a place where they can work with less tension and greater satisfaction. Exit interviews show that at least 50% of employees leave an organization due to conflict – and usually the good ones are the ones who go. Replacing a skilled employee can cost 75% to 150% of their salary due to lost productivity, recruiting, orientation, and getting "up to speed" with a replacement. (Phillips, D.T. "The Price Tag of Turnover." Personnel Journal, Dec. 1990, p. 58.)
- The need to restructure work team composition or work schedules to separate employees who are having conflict with each other. Other personnel or productivity issues may develop as a reaction to this attempt to avoid problems, further complicating the situation at hand.
- Loss of property due to theft, damage, sabotage, and undermining. This may include physical and intellectual property.
- Decreased job motivation and morale problems generated by interpersonal stress in the workplace. This can lead to a decline in productivity and an increase in absenteeism, health care costs, and workman's compensation claims based on stress related illnesses.
- In some cases conflict can lead to accusations of harassment and discrimination as well as violence or threats of violence. Grievances and law suits filed by employees to address unresolved issues are very costly to organizations, often reaching judgments of \$100,000 or more when the case is lost. (Risser, R. "Stay Out of Court: The Manager's Guide to Preventing Employee's Lawsuits." Prentice Hall, 1993.) Even when the case is won the organization will typically spend \$50,000 or more in attorney's fees and organizational time and resources. (McDermott, E. and Berkley, A. "Alternative Dispute Resolution in the Workplace: Concepts and Techniques for Human Resource Executives and their Counsel." Quorum Books, 1996, pg. xviii.)