

# **Conflict Management Strategies in Global Firms**

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*Conflict management in global firms is more complex and challenging than what it is in domestic firms. The paper focuses upon effective conflict management strategies that first achieve a cessation of hostilities; it then promotes ideas for cooperative behavior. The preferred style of the conflict resolver depends upon the national and organizational cultures, leader (or conflict resolver) and his/her personality (Mo, Booth and Wang, 2012; Oetzel and Wetz, 2012).*

## **INTRODUCTION**

Conflict can be a bad word. One associates it with irreparable damaging effects. Some conflict, it can be argued, is essential for discussion, analysis, and, consequently growth, progress and innovation in organizations. However, conflict should be contained within certain bearable or acceptable limits. Further, conflict management challenges the diplomatic and human relations skills of the most adroit manager (Berry and Kaul, 2014; Roche and Teague, 2012). And conflict management in global firms is even more challenging and complex because of the differences in cultural environmental and languages among the various players of a conflict situation.

## **THE PURPOSE OF THE PAPER**

The purpose of this paper is to first provide analytical models of the occurrence of conflict in global firms. Then it seeks to provide a paradigm of effective personal style of the conflict resolver, and, of the effective conflict management strategies (Table 1) that effectively utilize the intelligence of sources that either augment or reduce potential conflict (Figure 2) in a conflict situation in a global firm (as described in Figure 1).

Conflict is inherent within groups and organizations. It occurs because of three conditions: (1) strong group identification, (2) significant differences among central views or values of the two groups, and (3) unrelenting frustration that appears without an early end. Even if frustration is yet to become intense, there still can be the onset of mounting conflict.

Manifestations of intergroup conflict behavior may range from non-cooperative behavior to openly blocking the competing group's goal accomplishment process. Competing groups (when they compete for the same goal, common and limited resources, or for greater power, scope of operations or increased future opportunities), generate greater competitive intensity that is aimed at simultaneously increasing one group's goal accomplishment while limiting that of the other group (Berry and Kaul, 2014; Oetzel and Wetz, 2012; Robbins, 1996).

Intergroup conflict in the international business application would refer to conflict or potential for conflict within a global firm. This could surface in vertical or horizontal conflict.

Vertical conflict is when it occurs in some patterns (Roche and Teague, 2012). (1) For example, they may occur between the following pairs: (1) headquarters-foreign unit, (2) regional headquarters-units, (3) top management of a unit-lower management (or personnel) of the unit. Horizontal conflict could occur when it is between the following pairs: (1) unit-unit, (2) function-function at the firm's headquarters, (3) division-division at the firm's headquarters, (4) function-function at a unit, and (5) function-function at different units.

## **CULTURAL DIVERSITY AND CONFLICT**

A large multi-divisional (or business or product group) global firm with many country units operating in diverse cultural and operational circumstances could be a breeding ground for conflict. Geographical distance could limit frequent face-to-face interactions, and, thereby limit scope of conflict. So, while a global firm generally experiences relatively greater diversity than a domestic firm, its conflict arising out of differences in each unit culture may be lessened because of geographical distance (Bhattacharjee and Hirschheim, 1997; Mo, Booth and Wang, 2012; Otterback, 1981).

## **DEGREE OF CENTRALIZATION AND CONFLICT**

The degree of centralization of key decision-making areas that directly or vitally affect a unit's future has some a priori bearing upon the scope and likelihood of conflict occurrence between headquarters and unit, or between top management of a unit and its lower management. The reason for this is because the unit managers may perceive that the headquarters managers are not fully conversant with unit environmental and operating circumstances and unit needs in decision-making. This could indeed lead to greater frustration within the unit, leading to conflict conditions. The same situation could take place between regional headquarters and unit managers, and, between unit managers and their subordinates. In general, after a certain level, greater centralization would lead to conditions of conflict (Roche and Teague, 2012). Conversely, greater decentralization would lead to relief from conflict, and, may in fact lead to increased cooperativeness in some instances.

## **NEGATIVE RESULTS OF EXCESSIVE CONFLICT**

Conflict, when intense and uncontrolled, can have significant negative impact on a global firm. It could lead to a decrease in organizational performance and efficiency. Allred (1987) and Robbins (1996), and, in a similar context, Berry and Kaul (2014) identify the following costs of unbridled conflict: (1) excessive, dysfunctional stress experienced by the players in the conflict, with emotional problems spilling over the workplace and into family and friends of the conflict players; (2) lowered job satisfaction and morale, with people dreading to go to work, may increase absenteeism and employee turnover; (3) distorted communication among groups would further inter group goal incongruity and distrust; (4) increased offensive competitive activity to increase group goal accomplishment; (5) reduced overall organizational effectiveness and performance; (6) decrease in constructive efforts, e.g., brainstorming, problem-solving, innovation, creativity.

## **BENEFITS OF HEALTHY CONFLICT**

It may be acknowledged that while some conflict is inevitable, it is advantageous to channel it in some "healthy" manner so as to minimize the costs of negative conflict. The benefits of healthy conflict are (Allred, 1987; Roche and Teague, 2012): (1) feelings of satisfaction of working cooperatively and constructively even though there was a potential for conflict; (2) diverse or different perspectives when channeled in a constructive manner could lead to innovative and creative solutions; (3) good healthy

discussions and airing of disagreements may even be good therapy and provide a vent for pent up frustration; fuller expression may lead to more complete understanding by all members, thus leading to maturity; (4) newer ways of allocating resources and distributing power may also emerge as a result of healthy, open and cordial discussions; (5) provides opportunity for clarification of views and reasons for goals.

### **TRANSFER OF TECHNOLOGY, CAPITAL & HUMAN RESOURCES FROM HEADQUARTERS TO FOREIGN UNITS**

Headquarters of a global firm transfers to its units many forms of technology and resources. This can be a conditioning factor to dampen potential vertical conflict, but it may stimulate conflict from other units not receiving such transfers. Much of the sources can arise out of perceived inequitable transfer of resources and technology by headquarters to its various units. A good method would be to provide an overall plan and objective of global transfers and communicate to all its units (Deutsch, 1994; Mo, Booth and Wang, 2012).

### **A PARADIGM FOR EFFECTIVE STYLES OF CONFLICT RESOLVER**

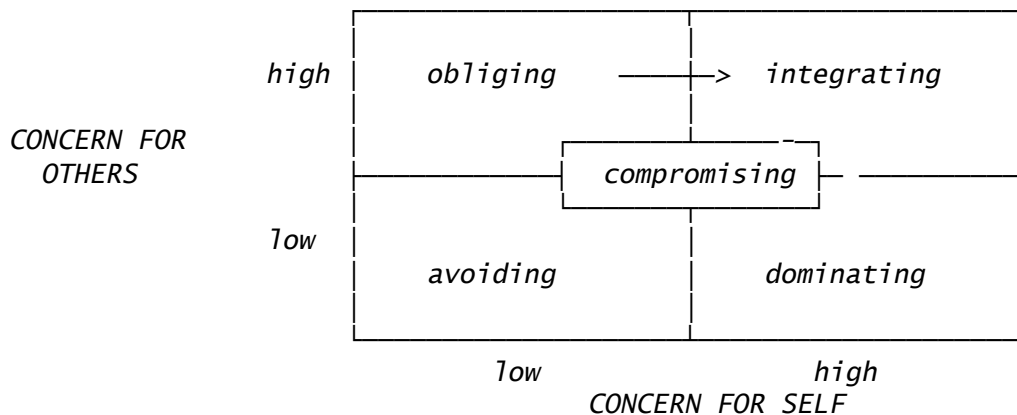
This paper presents some of the conflict management strategies from conflict management literature as they are more useful to global firms. Rahim and Magner (1995) cite basic ways of dealing with conflict:

- a) Primary ways - domination, compromise, and integration
- b) Secondary ways - avoidance and suppression

They further cite five ways of handling inter-personal conflict. These are categorized along two dimensions:

- a) Concern for others: smoothing, compromising (concern for people)
- b) Concern for self: forcing, confrontation, withdrawing (concern for production)

The above framework has been adapted from Blake and Mouton's scheme of the five styles of leadership using the two dimensions of concern for people and concern for production. These are set into the following paradigm by Rahim and Magner (1995):



The paradigm is useful insofar as the choosing of the correct conflict management modes. In this choice model, a manager either at the headquarters or a unit may use a dominant style, or, a combination of a dominant style and a secondary style. The individual manager should focus on the approaches that lead to effective resolution of conflict and subsequently cooperative behavior and cordial relationships.

For a given conflict situation it is possible to first use a compromising approach, and, then move to an integrating approach for greater effectiveness. Similarly, if it is difficult to use an integrative approach, it would be expedient to initially use a semi-obliging and a semi-compromising approach, and, then move to an integrating approach as the management of conflict appears to have a better hold. Also, the individual manager may have to adapt to his own needs and personality as well as those of the other players in the conflict situation. The past history of conflict episodes and the perceived power and cultural distances of the conflict resolver and the players in the conflict may additionally have a significant bearing upon the case (Meyer, 1997).

The recommended approach of the CEO of a foreign subsidiary unit (or a global firm's headquarters) would be to find the entry-level, acceptable conflict resolver style (using the fore-going paradigm) and then progress towards the "integrator" approach. This escalating method is one in which the conflict resolver first has an opportunity to build a rapport with the players of conflict, and then, proceeding more vigorously, towards conflict resolution.

### **A MODEL OF CONFLICT WITHIN A GLOBAL FIRM**

The incidence of conflict within a global firm has to be distinguished from conflict within a domestic firm. The significant distinguishing factors are the greater diversity, complexity, scale, duplicity of functions or processes, language and cultural differences, environmental and market differences. These distinguishing factors make international conflict management and resolution more challenging and complex for the conflict resolver. Misunderstanding and misinterpretations abound because of different cultural and language approaches of different countries. For example, if a conflict resolver hails from Theory Y societal values and very low power distance, and starts to apply his approach in a Theory X and high power distance society, then the conflict resolver would be mistaken for being weak and ineffective in the country of conflict incidence (Thomas, 1985; Rahim and Magner, 1995).

Figure 1 portrays a model of conflict in a global country. The environmental factors shape and limit (or expand) the scope and areas of conflict (or potential conflict). When the circumstances are ripe for the eruption of a potential conflict, then conflict could manifest itself in one or more of the types of conflict cited in the figure. Conflict could be having some positive outcome and some negative outcome, depending on the subjective evaluations of players of conflicts (Kelly, 1970; Mo Booth and Wang, 2012; Thomas, 1985).

### **A MODEL OF CONFLICT MANAGEMENT IN A GLOBAL FIRM**

Figure 2 portrays a model for managing when conflict occurs in a global firm. Such an approach requires a pro-active approach whereby a leader or manager sees his role to continuously monitor all relevant factors and prepares himself to be an active conflict resolver even before a potential conflict situation becomes very serious. He/she reviews the various possible and probable sources that could either augment a potential conflict situation as well as those other sources that could reduce a potential conflict situation. He/she then directly deals with sources in ways to pre-empt and prevent a conflict from occurring at all (or at least with high intensity). This successful approach would lead to increased cooperativeness at its best, and conflict reduction when it is in a difficult conflict situation.

### **CONFLICT MANAGEMENT STRATEGIES IN GLOBAL FIRMS**

Table 1 provides a two phase, escalating approach for conflict management, depending upon whether the conflict situation is in Vertical Conflict or Horizontal Conflict, as depicted in the table. In both

instances, the first phase is to achieve cessation of hostilities and conflict. After a moratorium is achieved, then the conflict resolution should move to the second phase which is intended to stimulate and sustain cooperative and integrative activities that are aimed at achieving the superordinate organizational objectives and purposes and overriding invalid localized interests and objections. The personal style of the conflict resolving executive can be important, and he/she should choose it carefully. The preferred approach is to quickly move as close to "integrative" approach, as explained in the paradigm earlier in the paper.

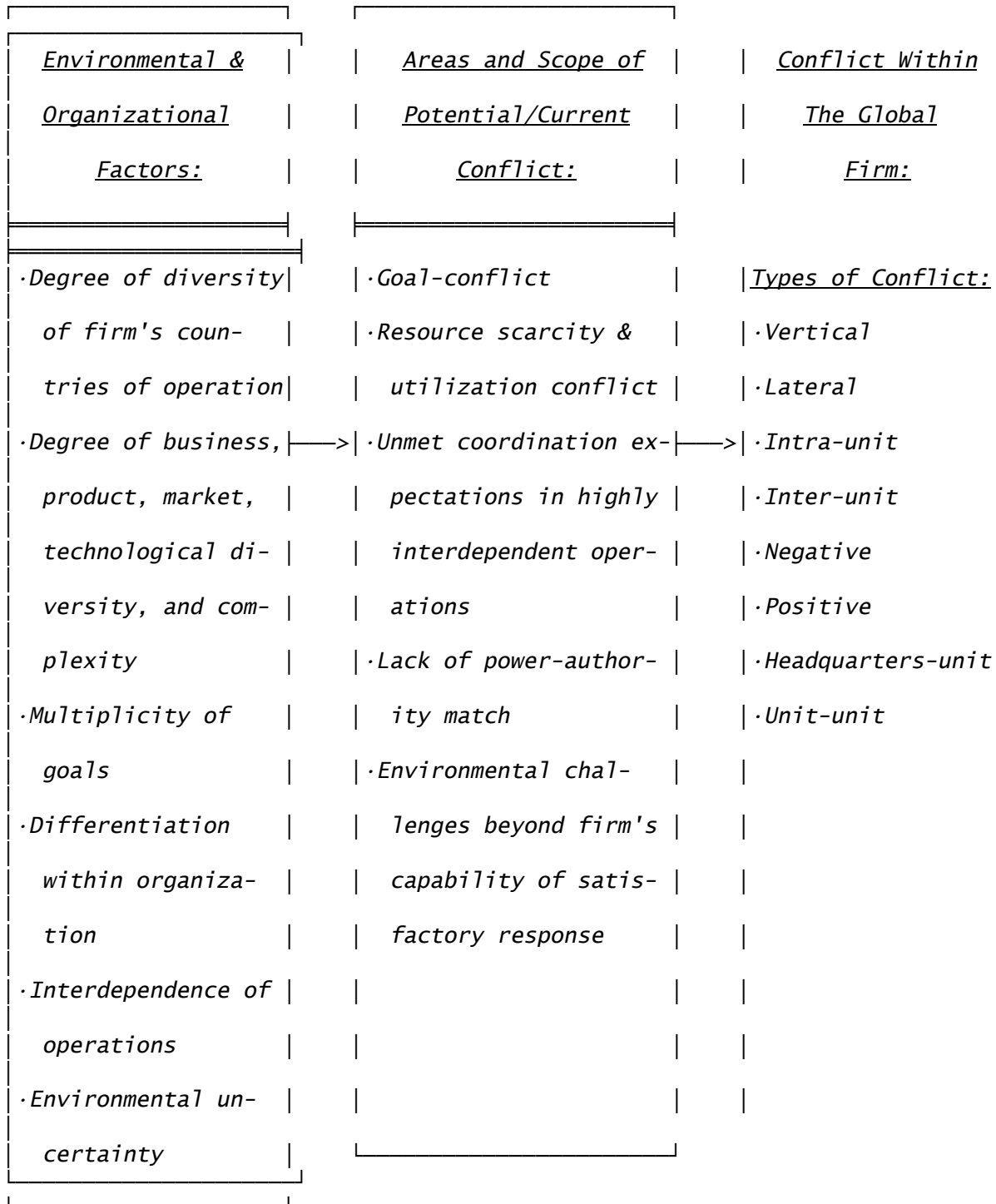
## CONCLUSION

Conflict is more complex in global firms than in domestic firms. Conflict management in global firms requires the capabilities of the conflict resolver to transcend the limitations imposed on him/her because of the complexity. Using the paradigm, he must quickly move to an "integrating" personal style and achieve a two-phased approach of conflict management as described in Table 1.

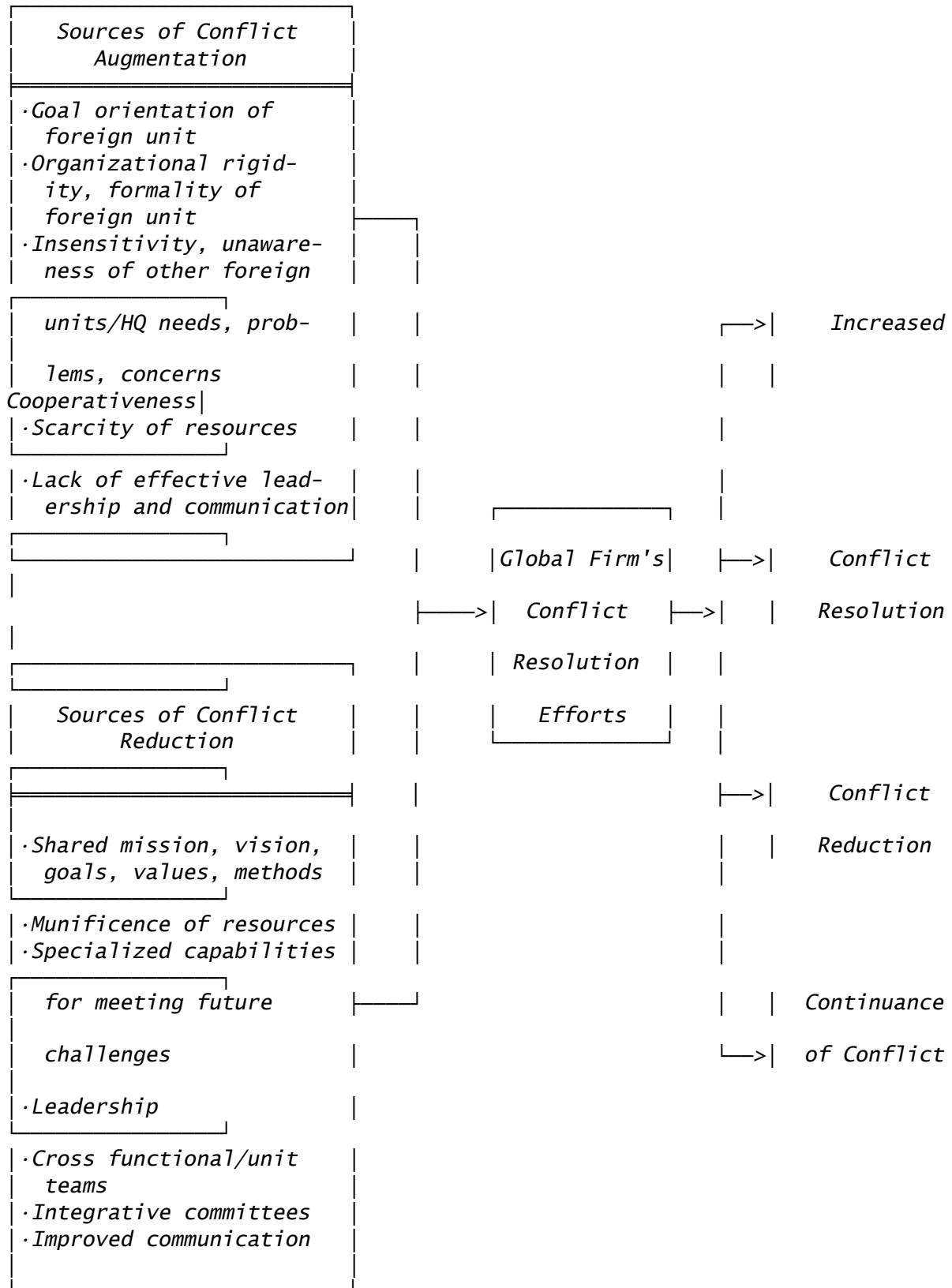
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**FIGURE 1**  
**A MODEL OF CONFLICT WITHIN A GLOBAL FIRM**



**FIGURE 2**  
**A MODEL OF CONFLICT MANAGEMENT IN A GLOBAL FIRM**



**TABLE 1**  
**CONFLICT MANAGEMENT STRATEGIES IN GLOBAL FIRMS**

<i>Types of Conflict in Global Firms:</i>	<i>Preferred Sequence of Conflict Management Strategies</i>
<p><u>A. Vertical Conflict:</u></p> <ol style="list-style-type: none"> <li>1. Headquarters-Foreign Units</li> <li>2. Regional headquarters-Units</li> <li>3. Top Management-Lower Management within a Unit</li> </ol>	<p><u>Phase 1:</u></p> <ol style="list-style-type: none"> <li>1. Use of formal authority to stop conflict</li> <li>2. Cool off period, limited interaction</li> <li>3. Provide additional needed resources</li> </ol> <p><u>Phase 2:</u></p> <ol style="list-style-type: none"> <li>1. Cooperative joint tasks</li> <li>2. Appeal to overall mission, goals</li> <li>3. Develop shared values, trust &amp; communication</li> <li>4. Vertical linkages, interaction</li> </ol>
<p><u>B. Horizontal Conflict:</u></p> <ol style="list-style-type: none"> <li>1. Inter-Unit</li> <li>2. Inter-Functional at HQ</li> <li>3. Inter-Divisional at HQ</li> <li>4. Inter-Functional at a Unit</li> <li>5. Function-function at different units</li> </ol>	<p><u>Phase 1:</u></p> <ol style="list-style-type: none"> <li>1. Use of formal authority to stop conflict</li> <li>2. Impartial mediation, seek common ground</li> </ol> <p><u>Phase 2:</u></p> <ol style="list-style-type: none"> <li>1. Overlapping committees</li> <li>2. Appeal to overall mission, goals</li> <li>3. Intergroup interaction training</li> <li>4. Cross-group rotation</li> <li>5. Inter-unit group exercises, activities</li> </ol>