

Conflict and its Impact on Organization Performance in Insurance Company: A Study Based on Kathmandu Valley

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ABSTRACT

This study investigated the impact of conflict on employee's performance in an insurance industry. This study adopted the correlational research design. A total of 95 respondents were selected for the study using a stratified sampling technique. A questionnaire was used to collect primary data. Data collected were analyzed using cross tab, mean, frequency and correlational matrix. The Findings revealed that effective conflict management enhances employee's performance in an organization and that organization's conflict management system influences employee performance in the organization. It was recommended that organization should embark on training and retraining of its employees in the area of conflict management so as to create a conducive working environment for the employees and there should be efficient and effective communication between and among all categories of the employee of the organization. This will reduce conflicting situations in the organization.

Keywords: Conflict, organization performance, insurance companies.

INTRODUCTION:

As there are four major sector of Nepalese economy: Banking sector, Insurance sector, Capital market sector and Co-operative sector. We decided to study on Insurance sector because insurance industry is in growing phase and have coverage of 10 percent of population. Currently there are 25 insurance companies in Nepal including life insurance, non-life insurance and re-insurance. Being a growing market, insurance industry can be a better work place for many professionals.

Conflict is a process in which one party perceives that its interest are being opposed or negatively opposed by another party. (McShane & Glinow, 2015) In other words, when one party has a disagreement of interests with the other one with the belief that they will think and act negatively to their own, it is known as conflict. No organization or household is immune to conflict. At one point of time each organization is vulnerable to face it at any levels of their management.

In such scenarios, the management should have a blueprint of how they shall have to manage and resolve these conflicts. The employee's performance is also affected by what type of conflict they face and how the organization chooses to manage it. Various scenarios demand various types of conflict management strategies and knowing when to use what decides how the employees react to it and their reaction. If the conflict between two employees is positive, it can result in better decision making by provoking logical arguments and answering assumed questions. It can also provide employees to be more responsive to the changing environment; settlements of any bottled-up emotions and can hence result in stronger team cohesion. However, negative consequences can worsen the situation by wasting a productive period into a meaningless discussion and cold war between employees. Similarly, it can increase stress levels, dissatisfaction and turnovers along with increased organization politics. Thus, it ruins the team cohesion, reducing team performances and the organizational productivity as a whole (Hocker, 2000).

Therefore, recognizing conflict in time and using appropriate conflict resolution techniques have a direct impact on the employees and their performance. An organization regardless of its type, size or structure is never immune to conflict (Appelbaum, 2005).

The major objective of this study is to study the causes of conflict, impact of conflict on employee's performance and the effects of conflict in an organization.

LITERATURE REVIEW:

In today's global business environment, number of factors affects the successful operation of business. One such factor is presence of conflicts within the internal and external working groups. Organizations which fail to address such conflicts are bound to face various problems as conflicts consist of benefits and costs. Conflict reflects the disagreement among the parties working within a common area. Dealing with conflicts has been a major responsibility for managers since number of years. Organizations are confronted with various types of interpersonal conflicts that may be disruptive or beneficial to organizational objectives. Conflicts directly or indirectly affect the performance of the employees and hence affect the overall organizational performance.

K.C. (1993) in his research study "Conflict Management in Nepalese Organizations" stressed upon the conceptual background and various approaches towards organizational conflict. Researcher also attempted to know the perceptions of top level executives in respect to various conflict levels, their causes, consequences and managing devices. A survey method had been used with the help of structured questionnaire to collect data from 73 top level executives as respondents from 15 public sector enterprises of Nepal. Various tools such as descriptive statistics and ranking method had been used for data analysis. Researcher explained the main three approaches to handle conflict i.e. (a) the traditional approach, (b) human relations approach and (c) the modern approach. The findings of the study revealed that: (i) the top level executives perceived that conflict mostly occurred at inter-department level (2.28) followed by inter-personal (2.50), intergroup (2.70), intra-group (3.70) and intradepartmental (3.70) level with their respective mean scores, (ii) the top level executives believed that the major causes of conflict were competition between individuals, competition between department, interpersonal disagreements, scarcity of resources, ambiguity of rules and legislation, lack of team spirit, changes in organizational structure and system and absence of new technology, as ranked in the study, (iii) the major dysfunctional consequences of conflict were found poor coordination followed by delays in work, poor performance and wrong communication, etc. The study revealed that only 43% executives tried to manage conflict in their organization by adopting various techniques to handle conflicting situations. The study at last concluded that the high level of conflict should be brought to normal level or optimum level because it can hinder organizational performance and work productivity.

According to (Hocker and Wilmot 1995), not all conflicts are bad and not all conflicts are good. The study aims to clarify that all conflicts may not lead to negative results. Conflicts and arguments can rather lead to more discussion and lead to positive effects depending on the nature of conflict. The study also states some of the positive effects of conflict on performance such as improvement in the quality of the decisions, stimulating involvement in the discussion and building group cohesion. It also explains that conflicts may create interpersonal hostility if the conflicts are not dealt properly.

The findings from the study conclude that the conflicts must be backed by the best course of action in order to utilize the organizational resources properly and enhance performance. Conflict helps to create a better result and enhance group productivity via constructive criticism and individuals adopting a devil's advocate role (Amason, 1996; Schwenk and Cosier, 1980). So, the main argument of this research is to highlight that conflicts if dealt and understood properly may lead to positive results and vice-versa.

As per the research findings of American Scientific Research Journal for Engineering, Technology, and Sciences (ASRJETS) regarding the conflict impacts on employees' performance at Coca Cola Company, conflicts can be categorized into three types-interpersonal, task and process conflict. The findings from this study indicate that there is an ideal level of conflict that should exist in an organization to obtain effective performance. The findings also include a diagram showing the level of conflicts and its effects. The conclusion of the study is that very few or very high conflict would lead to negative consequence or ineffective performance. So, an organization needs to identify the nature and level of conflicts and its consequences.

The study conducted in Nigeria was conducted by investigating the causes, types, reason and strategies identifying impacts of conflicts and managing conflicts in some selected organizations. The research incorporated managers of hotels, airlines, and transport and insurance companies in Lagos. It surveyed the personal characteristics of the respondents, their opinions about conflict in the service industry via questionnaires and surveys (Magaji, 2008).

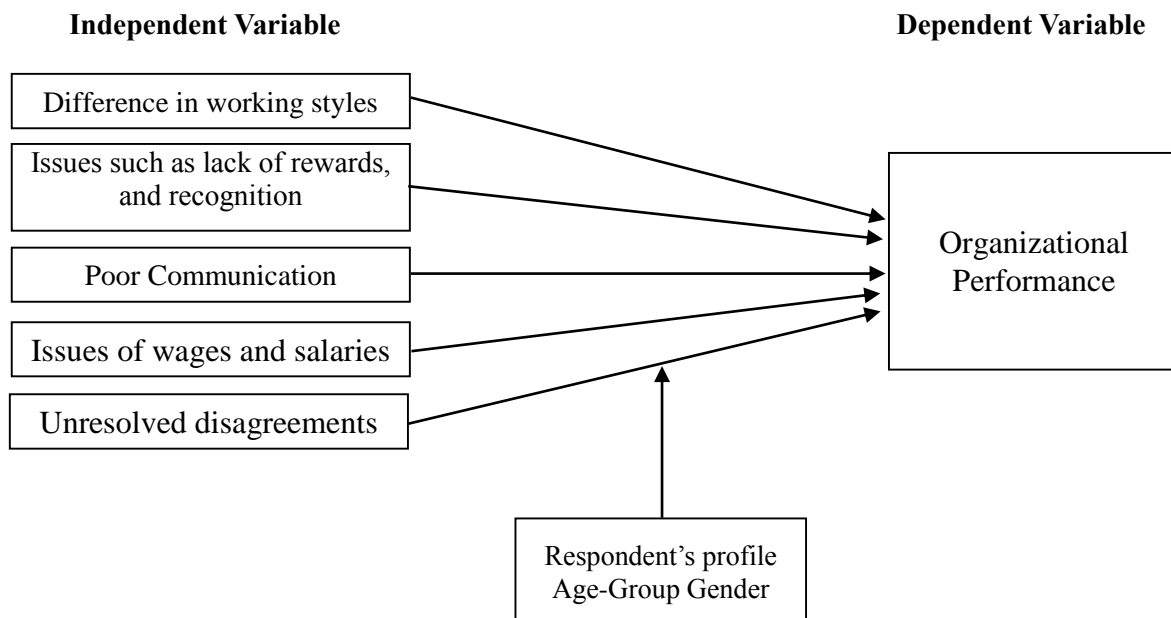
The findings identified six major sources of conflicts: (i) the interpersonal disagreements that arise when one person is experiencing individual stress; (ii) the problems resulting from role conflict; (iii) the power struggle; (iv) misunderstanding and differentiation; (v) interdependence and (vi) the external threats from outsiders. The findings from the article describes that an organization will face adverse effects in terms of performance and productivity if any conflicts will not be addressed properly. The findings also suggest that a manager and employees should be responsible for organizational conflicts. The findings also mentioned that they should develop a cohesive framework to solve the conflicts as soon as they occur (Magaji, 2010).

Knippen and Green (1999) argued that the best way to handle the conflicts is to follow six process that involves describing the conflict situation to the other person, asking the other person how he sees the conflict situation, jointly deciding how to resolve the conflict, asking commitment to resolve the conflicts, and promising to be committed in future to continue resolving conflicts, which might arise. The study found out some basic strategies to manage conflicts. The study has focused on group cohesiveness and coordination to solve conflicts. Communication strategy has been also used to resolve conflicts in many organizations by breaking down the resistance among workers and increasing their trust in impending changes (Graham and LeBron, 1994). In addition, when a group is achieving a goal, there are internal and external problems and one way to resolve the problem is via communication.

Another study of Askari Bank Ltd. focused on conflict situation and its causes, as well as possible solution for positive workforce in an Organization. The findings and study showed that conflict management techniques as a key factor for organizational performance. Thus, the findings also prove that conflict is inevitable in the organizations. The study also found out that low morale and motivation is the most prevalent effects of conflict (Appelbaum et al., 1999).

The aforesaid review clearly brings out that numerous studies have been conducted in and outside Nepal to look into the various aspects of conflict and its impact in organization. But still there are dearth of studies analyzing the level and extent of conflict at workplace, by identifying its major sources and destructive consequences along with the exploration of prevalent conflict resolution mechanism in different organizations. Most of the studies are conceptual concerning various sources and manifestations of conflict at workplace. So, attempt has been made to identify empirically the sources behind the generation of these destructive conflicts as well as also provided the way forward to resolve such conflicted situations ahead. The present review may provide the researchers as well as practitioners with the better understanding of the conflicts and its impact on organizational performance. Even though review of literature is quite exhaustive in nature but certain gaps in empirical as well as theoretical grounds are still prevalent. The current research framework has tried to cover some of the research gaps pertaining to empirical work on conflict and its impact on organizational performance in insurance industry of Nepal.

THEORETICAL FRAMEWORK:



RESEARCH METHODOLOGY:

The research design used for this study is correlational research design. As the research intends to examine the relationship between the variables, correlational design is suitable to know how two or more variables are related and how one variable affect the other. In our study, we intend to identify the relation between “Conflict” and “Organizational performance”.

All the employees of different insurance companies are the total population in this study. Out of 25 insurance companies in Nepal, our study area includes Nepal Life Insurance Company, National Life Insurance Company and MetLife Insurance. We selected these three insurance companies as they are the most profitable insurance companies having long years of operation. Out of 2581 employees excluding agents, our sample size is 95 employees. By calculating sample size at 95% confidence level with 10% margin of error from 2581 population size, we derive the appropriate sample size of 95. The target sample size was calculated based on statistical calculation and Survey Sample Size Calculator.

The research contains primary data which are collected through survey questionnaires filled up by the employees of our selected insurance companies of Nepal. The results were tabulated and analyzed using Excel and SPSS. Descriptive statistics such as frequencies and percentages have been presented using SPSS. Cross-tabulation analysis of the moderating variables and our results is also calculated using SPSS. Correlation analysis has been used to measure the relationship between the independent variable and the dependent variables. Frequencies, percentage mean scores were used in analyzing the data with mean scores ranging on a 5 Likert scale (1 strongly disagree, 2 disagree, 3 neutral, 4 agree, 5 strongly–agree).

Results:

Collected data are summarized using tables. Similarly, different analytical tools are used for the interpretation of data.

Table 1: Respondents Gender and Age group profile

Gender * Age Group Cross-tabulation							
			Age Group				Total
			18-24	25-34	35-44	45-55	
Gender	Female	Count	35	7	5	2	49
		% within Gender	71.4%	14.3%	10.2%	4.1%	100.0%
	Male	Count	21	15	5	5	46
		% within Gender	45.7%	32.6%	10.9%	10.9%	100.0%
Total		Count	56	22	10	7	95
		% within Gender	58.9%	23.2%	10.5%	7.4%	100.0%

Source: Field Survey (2019)

Since the age group 18-24 has majority of respondents, this study is highly influenced by the opinions of youths followed by the age group 25-34. Among the female respondents, 71.4% are within 18-24 years of age due to which we can say that the findings of this study is applicable to all young employees of insurance industry.

Table 2: Levels of conflict

Levels of Organization	Frequency	Percent
All levels	38	40.0%
Bottom Level	23	24.2%
Middle Level	28	29.5%
Top level	6	6.3%
Total	95	100.0%

Source: Field Survey (2019)

According to the result, majority of employees in insurance industry believe that there is conflict at all organizational level (40%) which is followed by middle level and bottom level with 29.5% and 24.2 % response respectively. We can state that top level in the organization either has less conflict or is not exposed to the employees of the organization.

Table 3: Welcoming of feedback

Is feedback about conflict welcomed in your organization?	Frequency	Percent
Agree	49	51.6
Disagree	15	15.8
Highly agree	10	10.5
Highly disagree	1	1.1
Neither agree nor disagree	20	21.1
Total	95	100.0

Source: Field Survey (2019)

The above table shows that 51.6% of respondents agree with the view that employees’ feedback is welcomed in the organization to resolve and discuss the conflict resolving mechanisms in case of presence of conflicts. This implies that feedback related to conflict is welcomed in the organization in insurance companies.

Table 4: Cross-tabulation of knowledge of conflict and welcoming of feedback

Is feedback welcomed in organization?	Knowledge of conflict		Total
	No	Yes	
Agree	19	30	49
Disagree	8	7	15
Highly agree	1	9	10
Highly disagree	0	1	1
Neither agree nor disagree	12	8	20
Total	40	55	95

Source: Field survey (2019)

From this study, 30 respondents stated that conflict related feedback is welcomed in insurance companies while having knowledge of conflict and its management whereas 19 respondents stated that feedback is welcomed even without knowledge of conflict and its management. From this, we can imply that insurance companies in general welcome feedback even if the organization doesn’t have enough knowledge about conflict management.

Table 5: Association between causes of conflicts and organizational performance

Causes of Conflict		Reduced Organizational Performance
Difference in working style	Pearson Correlation	.319**
	Sig. (2-tailed)	.002
Issues such as lack of rewards, and recognition	Pearson Correlation	.260*
	Sig. (2-tailed)	.011

Causes of Conflict		Reduced Organizational Performance
Unresolved disagreement that was escalated to an emotional level	Pearson Correlation	.223*
	Sig. (2-tailed)	.030
Poor Communication/Miscommunication	Pearson Correlation	.275**
	Sig. (2-tailed)	.007
Issues of wages and salaries	Pearson Correlation	.239*
	Sig. (2-tailed)	.020

** . Correlation is significant at the 0.01 level (2-tailed).

Table 5 shows the existence of correlation between factors causing conflict and reduced organizational performance. This implies that higher the level of conflict or causes of conflict, higher will be the reduction in organization's performance. The factor that reduces the organizational performance the most through conflict is difference in working style and goal difference which has 0.319 correlations at 1% level of significance. But issue such as lack of reward and recognition is insignificant for reduction in organization's performance at 1% level of significance. Hence we can state that difference in working styles and poor communication has major impact on organizational performance at 1% level of significance whereas, every variable significantly reduces organizational performance at 5% level of significance.

Table 6: Association between conflict and Organizational Performance

Correlations		Conflict	Poor Organizational Performance
Conflict	Pearson Correlation	1	-.340**
	Sig. (2-tailed)		0.001
	N	95	95
Poor Organizational Performance	Pearson Correlation	.340**	1
	Sig. (2-tailed)	0.001	
	N	95	95

** Correlation is significant at the 0.01 level (2-tailed).

Table 6 shows that there is a negative relationship between conflict and organizational performance. This states that an increase in conflict decreases organizational performance by. This implies that conflict should be reduced in order to improve the organization's performance of insurance industry.

DISCUSSION AND CONCLUSION:

This study was conducted to study the causes of conflict, impact of conflict on employee's performance and the effects of conflict in an organization.

The study shows that difference in working style and poor communication has a statistically significant effect on organizational performance. The reason behind this is the fact that different working styles and poor communication generally result in poor coordination in employees. The related empirical literature (Bahadur, 1993) already showed that poor coordination between employees leads to a reduced output in terms of organizational performance. This is because of conflict that leads to poor co-ordination, duplication of efforts, poor performance and wrong communication.

This has also showed that issues of wages and salaries is not a significant predictor of reduced organizational performance. From this, we can infer that salary satisfaction does not necessarily predict better organizational

performance. A study conducted by (Hoffman and Lyons 2014) showed that higher salaries show statistically significant increase in competitiveness and productivity for politicians. This view can be shared by many others. Therefore, our view stands kind of opposite to what past literature normally suggest. However, the reason behind this might be the fact that there were not much pay differences in our study and the sample size was also not very big. Further, bonuses on good performance might have other impacts that we have omitted from the study. There is also significant positive correlation between conflict and poor organization performance which means that increase in conflict increases the chance of decrease in organization performance. As per the research findings of American Scientific Research Journal for Engineering, Technology, and Sciences (ASRJETS) shows that different types of conflicts leads to negative consequences and ineffective performance. This might be because certain types of conflict usually leads to poor performance in employees and lack of cohesion. In conclusion, solving different conflicts in the workplace, as suggested by our research, might be valuable to companies, and any kind of organizations, who want to improve organizational performance and output. Some factors like lack of rewards and issues of wages in the workplace were insignificant to organizational performance. However, as mentioned before, difference in working styles and poor communication skills can predict a reduced organizational performance. Therefore, improving on these factors, by introducing ways to resolve conflicts inside the workplace, might prove beneficial for organizations.

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