

The Dance of Inclusion and Exclusion

“Managing Conflicts in Organisations – Role of HR”

Address delivered on Feb 26, 2011 at the International Institute of Management Excellence, Nerul, Navi Mumbai

I would like to thank Dr Sengupta, HEF and this Institute for giving me an opportunity to present my thoughts. The subject is ‘Managing Conflicts in Organisations – Role of HR.’

1. I guess there is nobody in this audience who is not affected, favourably or otherwise, by a conflict. They would have experienced conflicts and would have gained insights. For that reason my task is easy because you would easily relate to what I am going to speak about; and for the same reason of your having insights my task is also difficult because you will have very firm views on the subject.

2. *Let me state the central theme of my talk. It is that ‘Conflicts within the organisation cannot be eliminated. The way to manage conflicts is to focus on relationships, and to focus on how each person or group is influenced by the relationship and how each person or group is influencing the relationship.’ The role of HR is to create suitable interventions and processes on this premise. I will develop this central thought.*

3. Let us first reflect on our experience of working within the organisation. We see three types of conflict situations more frequently.

The first and the most visible conflict which is also the most written about conflict is that between management and union. It takes the form of agitations in various ways; the most common are strikes and lockouts. The conflict between management and union is the most deadly because it results in financial loss to both the parties. Sometimes it leads to loss of jobs as we have seen in the case of textile strike. About two lakh jobs were lost then. The metaphor to describe this conflict is ‘a battle.’

4. The second very common conflict starts when a company acquires another. When it comes to mergers and acquisitions deals in India, the total number was 287 from the month of January to May in 2007. It has involved monetary transaction of over US \$47 billion. Out of these 287 merger and acquisition deals, there have been 102 cross country deals with a total valuation of over US \$28 billion. That tells us the magnitude. A merger and acquisition is like a marriage. It changes the relationships between people in those organisations and across those organisations. The people in the acquired organisation feel a sense of betrayal. The people in acquiring organisation often feel a sense of victory, a sense of conquest. These feelings at the beginning of relationship ensure that the conflict begins at the first step. A manager of an acquired organisation once gave me a very apt metaphor. He pointed out that the vanquished king often gave away his daughter, a princess, in marriage to the victorious king. He mentioned that the people in the acquired organisation have the same feeling that the princess would have had in being the part of the new organisation. A deep sense of betrayal and an uncertain future!

5. The third common conflict is the interface conflict. Like a snake and mongoose that are genetically programmed to be at war with each other, there are some

interface conflicts like those between Production and Maintenance departments, or between Marketing and R&D. Perhaps the metaphor of snake and mongoose overstates the case, but there surely is something very natural about such conflicts. These conflicts are inherent in the structure of the organisation. If the organisation is structured as comprising Strategic Business Units then we can see organisations within organisation. These SBUs fight for resources which could be finance, or human resource. The leadership in such a situation has the same problem of sibling rivalry that has hassled every parent.

Unlike strike which has a clear beginning and end, and unlike M&A where the recast relationships get accepted over a period of time, the interface issues trouble the leadership within the organisation almost every day. The cost of such conflicts is hidden. It does not take great intelligence to realise that the magnitude is high. These interface conflicts are like haemophilia where wounds bleed incessantly.

6. The fourth and perhaps the most dangerous form of conflict is that within the investor family members. A large number of organisations in India are controlled by investor families. The members of the family have their ambitions and aspirations. Their personal and professional lives are inextricably intertwined. As the successive generation of the investor family goes to work, the problem becomes increasingly complicated. The competition between two or more members of the family impacts the present and future of the organisation. Transition of power and division of territories led to unprecedented blood bath at the time of partition. And the battle of succession led to Mahabharat. These dramas are re-enacted if the family conflicts are not managed well.

7. Let me advert to the central theme of this presentation. I said that 'The way to manage conflicts is to focus on relationships, and to focus on how each person or group is influenced by the relationship and how each person or group is influencing the relationship.' I would now like to take one example in each type of conflict and explain how those were managed.

8. One of the most well documented case of Union and management conflict is Toyota's joint venture with General Motors at NUMMI. The NUMMI plant was notorious for very bad industrial relations. The employees were organised in a union by United Auto Workers which was a union known to oppose changes in production standards. Toyota on the other hand was committed to continual improvement. Toyota kept the entire work force together during the days of low business period. They trained the workforce and eventually won the trust of the United Auto Workers. The manager who led this was Kiyoshi Furuta. He was subsequently moved to another assignment. But when a dispute arose at NUMMI on a certain issue, the union asked for his intervention and even assured that they will accept his judgement as final.

9. Quite clearly the game was to build trust by ensuring fairness in managing people. Toyota believed in listening to employees directly to ensure fairness and consistency of approach which are the two cornerstones of trust. They focused on building ideal relationship rather than concerning themselves excessively with the past. This indeed is the modern approach to conflicts.

10. This was a case where a latent conflict was diffused through effective leadership. But sometimes a strike or a lock out becomes inevitable. Since the management is

saddled with the responsibility of influencing parties that affect its business, they have to ask themselves whether they take pride in 'crushing' a union or in creating a dialogue on what went wrong and how it could have been managed differently. A strike or a lockout invariably has its roots in failure to influence perceptions of the employees. I believe that the HR's role should be to lead a dialogue among the managers and with workmen to understand what could have averted the immense loss that industrial strife causes. This is not an easy job. When battle lines are drawn, the attitudes harden. Reason is done away with and emotions take over. A dispassionate analysis of an emotionally charged experience becomes very difficult. At the same time, such situations need it more than any other. If we do not see the reality as seen by others we can never build good relations.

A strike or a lockout also creates a divide between employees. The 'loyal' employees and the 'striking' employees nurse such ill will against others that it takes years to normalise. This brings out another dimension of exclusion. A three party battle between the management and the two groups of workmen is the most unenviable situation for rebuilding relationships for an HR Manager.

11. Coming to the conflicts in mergers and acquisitions cases, two way communication and setting the basis for building relationship makes a big positive difference. Ratan Tata used novel ways to reach out to Korean employees when Tata Motors acquired the Korean company. He is reported to have made very effective communication when Tata Steel acquired Corus. The personnel in acquired companies are apprehensive on two counts: [a] the workplace relationship changes. Sometimes a matrix structure is imposed when the managers have to report to others in another country. The local manager in charge of operations sometimes gets reduced to a reporter of sales and profits; he loses his authority and power significantly. [b] The other factor is that the employees in the acquired company think that some of them would lose jobs. Changes to organisation structure and rationalisation of manpower may be essential in some cases, but the real issue is whether it is carried out with a human touch.

12. **The name of the game is inclusion even in all conflicts.** It is about creating long term relationship. And to bring the focus back on relationship the dialogue is essential. Toyota demonstrated it exceptionally well.

13. When it comes to interface conflicts, a lot of research and technique comes handy. The pioneering work was done by Blake and Mouton. There are reports of further improvements in approaches to address the interface conflicts. Their methodology of solving interface conflicts is very simple: Create a model of optimal relationship, Create a model of actual relationship and Plan for change from actual to optimal. This simple methodology brings out in the open views of conflict held by people. The cynical views, the fears, the long held beliefs by the parties are then out in the open. People also see how they actually contributed to the conflict. Once they resolve to change the reality, a big step is taken towards resolution. When they plan for change together, the resolve only gets stronger.

14. What is the role of HR in managing conflicts? I would like to ask who is HR? Is it the HR department? Or is it the Chief Executive because he is the real HR head? I would say that the managers in the leadership positions together have a big role to play in managing conflicts. At a certain level the managers cannot assume sectoral

roles, they cannot say that they are just Sales Director or Technical Director. They have to wear the hat of corporate leaders who are role models for others. By doing so, they promote inclusiveness. Such leaders will have to step in to manage conflicts, in other words they will have to focus on the things they need or desire as an organisation, and not things needed or wanted by individuals.

The HR Department's role in my opinion is to arm them with the necessary skills of facilitation.

15. Another important issue is how do we interpret the words 'Achievement', 'Cooperation' or 'Teamwork'? I would like to take this opportunity to read out a passage from an article by a noted researcher, Alfie Kohn, in the field of education. To me personally it brings some fresh perspective. I quote:

*"The predominant experience with cooperation in our society consists of having a group of people work together in order to defeat another group of people. The group may be a basketball team, a company, or, in its most dangerous incarnation, an entire country. **While some activities featuring a blend of intra-group cooperation and intergroup competition, such as sports, are widely acclaimed precisely on the basis of promoting teamwork, the most salient lesson they actually teach is that the ultimate reason to cooperate is to defeat a common enemy. Such a message is mixed at best and exceedingly damaging at worst.***

Considerable evidence suggests that (1) nothing about the nature of group functioning presupposes the presence of a common enemy, (2) intergroup competition does not enhance, and may actually diminish, the achievement of a given group, and (3) intergroup competition also is unnecessary for promoting in-group affiliation and other social benefits of cooperation. A comprehensive review of the classroom research supports the finding that "cooperation seems to promote better relationships when intergroup competition is absent."

16. The enemy must not be within the organisation. An HR manager once described a strike situation to me. I asked him what he would label the drama of human emotions in it. His answer was 'The Dance of Inclusion and Exclusion.' I agree.

Vivek

