

# Sources of Conflict in Industrial Enterprises in Romania and Ways to Improve the Situation

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## *Abstract*

**Purpose:** *The existence of harmonious labor relations in a company leads directly to increased motivation, engagement and employee performance. This paper attempts to identify sources of conflict at work in industrial enterprises.*

**Methodology/approach:** *Using the questionnaire based examination the authors try to determine how much the industrial companies are interested to find out if there are conflicts, how they start and how they can be removed.*

**Findings:** *To achieve the purpose, statistical indicators were correlated with responses to the questionnaires, which allowed the identification of specific measures to be taken to remove conflict situations.*

**Research limitations:** *I used a representative sample, but we cannot eliminate the degree of bias or the responses: "do not know", "no answer".*

**Practical implications:** *Based on the results, in order to improve labor relations at the industrial enterprise level, the authors have developed several recommendations to prevent and overcome difficult moments and also to avoid actions that could lead to conflict.*

**Originality/value:** *This work brings added value by focusing on labor relations, and in particular, on the social dialogue at the company level.*

**Keywords:** *labor relations, conflict, social dialogue, industrial sectors.*

**JEL classification:** J53, L60, O15

## **Introduction**

In many industrial companies are registered collective labor conflicts or individual conflicts. These happen not only because of the poor work organization at the enterprise level but also because of human nature or even the existence of subjective factors at work that can promote and maintain a state of conflict.

Through this work we propose the following objectives:

- To identify sources of conflict in Romanian industrial enterprises;
- To analyze the existing labor relations in enterprises;
- To find viable ways to remove the conflict.

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Imbalances lead usually to trigger conflicts between employees or between employees and management, which can be lengthy and difficult which usually results in disorganization productive system.

Conflicts are natural and require the application of specific procedures for solving them. The reality of their appearance takes into account differences arising in connection with their views, objectives and interests of different persons, groups, management organization, etc.

According to the Labor Code, labor dispute is any disagreement occurred between the social partners in labor relations.

Conflicts in the work place can be classified also according to different criteria. Concerning the level of appearance, there are:

- a. Individual conflicts, specific to certain employees and strictly relate to each worker on an individual (eg. differences expressed by an employee on the amount received as remuneration);
- b. Conflicts in the category of workers in a workshop or professional qualification (eg. In connection with the organization of the work program);
- c. Conflicts throughout the organization, including all employees with different causes (eg. on labor layoffs).

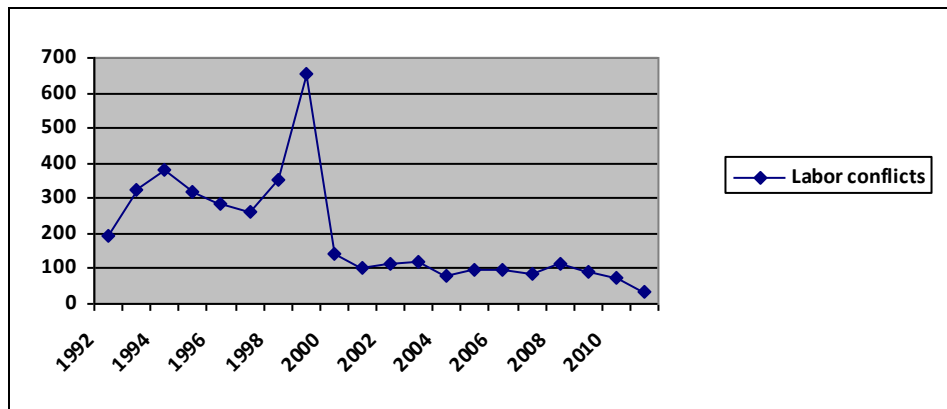
In terms of the organizational chart, conflicts can be:

- a. Horizontal conflicts that arise between persons or departments working under the same hierarchical level, but on different hierarchical lines (eg. conflict that can occur between members on the Board and CEO in relation to certain issues);
- b. Vertical conflicts that arise between individuals or departments work located on different hierarchical levels, which are the most common and can exist between people on one line hierarchical (eg. between the accounting service head and supply head office).

Labor disputes means tensed atmosphere at the workplace or any disagreement occurred among the persons involved in the working process. Labor disputes are preceded by a "*rising spiral of dissatisfaction*" against a part of the work process. When dialogue fails, this discontent is growing, but not always directly visible (although it can be monitored through a system - "murmur" and informal discussions with colleagues about negative aspects of the company, that leads, in time, to a less favorable organizational climate on work and performance thru: (Weber, 1993)

- Increased number of holidays (medical, free of charge), absenteeism, delays, absences;
- Weak involvement and participation in achieving the company's objectives;
- Looking for a new job and leaving the company etc.

In the first decade, after a sinuous evolution, the number of labor disputes peaked in 1999. Since 2000, year of economic growth, the number of conflicts recorded a downward trend (Figure 1). This shows the economic impact on labor conflicts, so economic crises favor them directly.



**Figure 1 Collective labor disputes nationwide recorded between 1992-2011**

Source: Romanian Statistical Yearbook 2010, Ministry of Labor

The data provided by the National Institute of Statistics (NIS) shows that most labor disputes (over 50%) occurred in manufacturing. The industry type, the concentration of employees in large enterprises and their organizing into unions favored collective labor disputes. Increasing dissatisfaction with working conditions and human relations at work can be seen in the behavior of employees.

Work conflicts may arise from:

a) Non-compliance of the employee to the employer: breach of duties, break the internal regulations, break the working hours, behavior problems towards colleagues and bosses, etc.

b) Non-compliance of the obligations of employer to employee: unpaid wages, discrimination between employees, lack of decent work conditions, poor communication, etc.

c) General: low wages, poor organization, ambiguous definition of tasks etc.

Research undertaken by many specialists in the country and abroad have shown that much of the difficulties that are faced by many companies are generated, ultimately, by operational expression as an individual objective, competences, responsibilities and circumscribed posts. Over or under sizing an organizational component will break the organizational equilibrium position, which is reflected on failures or partial accomplishment of tasks, waste of resources, abuse of power, conflict situations (Nicolescu & Verboncu, 2008).

## 1. Research methodology

"Researching is a process of collecting, analyzing and interpreting information in order to answer certain questions" and the scientific type of research is different from other forms of knowledge through the use of "scientific method". (Comsa, 2010).

The research based on questionnaires took into account a relevant hypothesis, which was defined as "an attempt to answer the research questions"

(Comsa, 2010), namely: "In an organization where labor relations are "solid", the sources of conflict are removed, so the number of conflicts is very small to nonexistent." The questionnaire was applied to a representative sample, the target population representing the total number of employees in industry. In January 2012, according to the NIS, the total number of employees in industry was 1,249,000 people.

The formula used in determining the representative sample was:

$$n = t^2 * p * (1-p) / s^2 \quad (1)$$

where:

n = sample size

t = theoretic probability value accepted (usually take t = 1.96 for a confidence level of 95%)

p = percentage of the population that owns sampling feature (usually = 0.50)

e = limited error allowed on representation (between 1% and maximum 5%)

$$n=1,962 * 0,50*(1-0,50)/0,05^2=3,84 \quad (2)$$

After applying this formula, the sample obtained was correlated to the size of the total population as follows:

$$n1 = n / [1 + (n-1) / N] \quad (3)$$

where:

n1 = sample size corrected

n = sample size obtained before

N = total population targeted

$$n1 = 3,84/[1+ (3,84-1)/1.249.000]=384 \quad (4)$$

The research was based on the application of a number of 450 questionnaires, of which about 100 were applied to managers, the remaining of 300 being applied to the employees of the same organization. The target population consisted of both, management and employees, of the organizations from Romanian industry.

The questionnaires were distributed to respondents in two ways:

a) Hand delivery of the questionnaire (a small part of the 400 questionnaires)

b) By e-mail (mostly of the questionnaires).

## 2. Variables Measurements

In order to have the best results in the questionnaire and include as much information as possible about the subject, we used three types of variables:

- nominal variables;
- variables that define results obtained;
- attitudes.

Nominal variables were set as Company information: industry, number of employees and details about employees - education, age, position. Regarding the questions related to labor relations, we used a scale "multiple choice, single response", that enabled us to achieve a proper ranking both concerning the results and the models used in the process.

To determine attitudes, we used a Lickert scale with five levels: disagree, partially agree, neutral, agree and strongly agree, each respondent expressing the degree of agreement or disagreement with the utterances on "*involvement of the managers in case of conflicts*". Thus, we asked managers and employees about the attitude on: how conflicts are managed, workplace discrimination, the system of wage and promotion criteria, how the management is able or not to provide profit guidance for the enterprise.

The table below summarizes the variables used in the research structure:

**Table 1 The map of research variables**

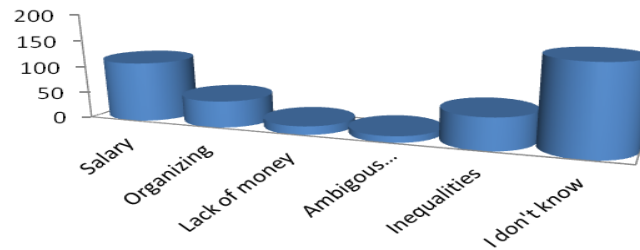
Research variables		Conceptual description
Nominally Scaled Variables	Informative Variables of the company	Sector: Industry
		No. of employees
		Turnover
	Informative Variables of the employees	Age
		Education
		Position
Results Variables	Labor Relations	Involvement and motivation
		Effective conflict management
		Salary
Attitude Variables	Process approach	Attitude dimension

### 3. Data analysis

The analysis and interpretation of data obtained from the questionnaires was done taking permanently into account the research objectives and hypothesis set at the beginning of the approach. We used EXCEL program to analyze all the responses and to identify frequencies and percentages for responses, but we also realized cross analysis between 2 questions. In this research we firstly aimed to "identify sources of conflict", in this sense we used the responses to the question "*Most conflicts in your company are due to .....?*", this question having several possible answers.

The situation concerning the responses: from a total of 410 people surveyed, only 249 (60.7%) people answered this question while the rest of 161 persons (39.3%) abstained (choosing to answer this question by "*I do not know* ").

### **Most conflicts in your company are due to .....?**



**Figure 2 Most conflicts in your company due to...?**

Source: Data processed by the author

According to the responses, the main source of conflict in the enterprises is the salary system (112 responses, 27.3%). The second source, in order of importance, is the inequality (59 responses, 14.4%). Almost as important as the inequality is the way the company is organized (50 responses, 12.2%). Situations where lack of money and ambiguous definition of tasks are sources of conflict are less numerous (3.9% and 2.9%). It is interesting that a relatively large number of people, 161, have "avoided" to answer this question, that makes us think that respondents considered the question quite "sensitive".

To refute the hypothesis "In an organization where labor relations are solid, the sources of conflict are removed, the number of conflicts is very low to non-existent" I used responses to three questions about the relationship between employees and management members and we correlated these responses with those given to the question about sources of conflict.

**Table 2 Most conflicts in your company are due to ...?**

		<i>Most conflicts in your company are due to ... ?</i>					<b>Total</b>
		Salary system	Organizing	Lack of money	Ambiguous definition of tasks	Inequality	
<i>The relationship between you and the management members is one based on mutual respect?</i>	<b>Yes</b>	94	40	14	10	45	203
	<b>No</b>	6	2	0	2	1	11
<b>Total</b>		<b>100</b>	<b>42</b>	<b>14</b>	<b>12</b>	<b>46</b>	<b>214</b>
<i>The relationship between you and the management members is one based on mutual involvement?</i>	<b>Yes</b>	74	22	13	10	34	153
	<b>No</b>	9	16	0	2	10	37
<b>Total</b>		<b>83</b>	<b>38</b>	<b>13</b>	<b>12</b>	<b>44</b>	<b>190</b>

<b>The relationship between you and the management members is one based on mutual trust?</b>	<b>Yes</b>	86	23	14	9	31	163
	<b>No</b>	9	17	0	2	11	39
<b>Total</b>		95	40	14	11	42	202

The first situation presented in the table above includes more valid answers than in the previous case (214 compared to 202). All the 203 people who have a relationship based on mutual respect with the managers distributed the sources of conflict in order of importance as follows: most of the times salary system is the starting point of the conflict (94 cases), inequalities (45) and organizing (40) are almost equally important, and less important is ambiguous definition of tasks (10). The other 11 respondents admitted only 4 of the 5 sources of conflict listed in the following answers. So it seems that no conflict broke out due to lack of money.

The second situation presents less valid responses (190). As in the previous case most of the respondents answered the question about the relationship with the managers (153). Similar situation in the case of responses to the question about sources of conflict, if 153 persons recognized each source as such, the rest of 37 could not say that lack of money would be the basis for a conflict between the parties. Analyzes realized so far reveal that wages are the main source of conflict and lack of money is the rare source of conflict.

In case three, the table above we can see that even first half (202 of 410) of the respondents gave valid answers to both questions. This means that the remaining 208 persons were granted at least one of the questions, if not both, an answer like "do not know" or "no answer" and such responses can not be taken into account in such an analysis.

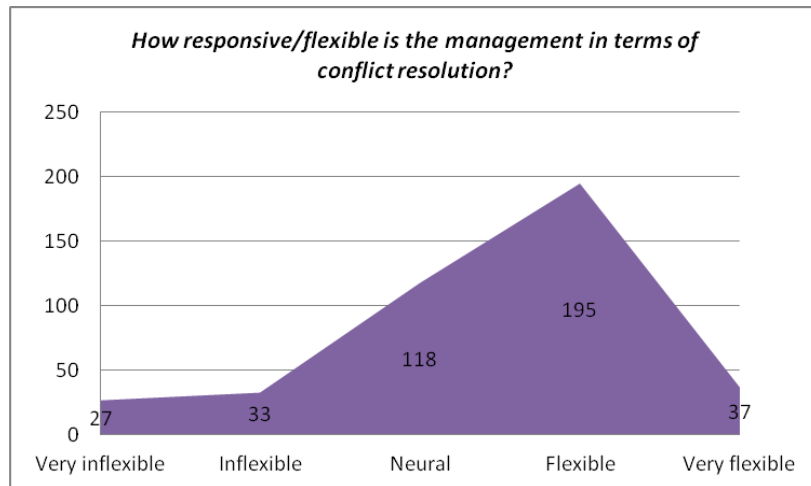
So the analysis will be based on the 202 valid responses only.

Correlating the question "Relationship between you and the management company is one of mutual trust?" and the one on sources of conflict "Most conflicts in your enterprise is due to salary/organizing/lack of money/ambiguous definition of tasks/inequality?" we have the following situation, 163 of the 202 respondents said that indeed the relationship among members of the company and its management is based on mutual trust, however, all respondents confirmed salary system (86 cases),organizing (23 cases), lack of money (14 cases) the ambiguous definition of tasks (9 cases) and inequality (31 cases) as sources of conflict.

The remaining 39 of the 202 believes that there is no relationship between there and managers rely on mutual trest and the main source of conflict is the organization (17 cases), while no money has never been a cause of conflict (0 cases reported by respondents).

When also asked "**How responsive/flexible is the management in terms of conflict resolution?**" 47.50% said that the management is flexible and highly flexible 9.02%. This means that, generally, managers pay attention to what happens in labor relations, because a negative atmosphere in the workplace would damage the image of the company and reduce the profit. 28.78% of respondents believe

that the management does not show interest in conflict situation and has a neutral position, while 14% believe that the management is not involved at all in defusing conflicts at work.



**Figure 3 How responsive/flexible is the management in terms of conflict resolution?**  
 Source: data from author processed

Therefore the hypothesis disprove, as all those who claim to have a solid relationship with the members of company management (relationship based on trust, respect, commitment) admitted that there are still conflicts between them, based on all the 5 reasons: salary, organizing, lack of money, ambiguous definition of tasks and inequalities.

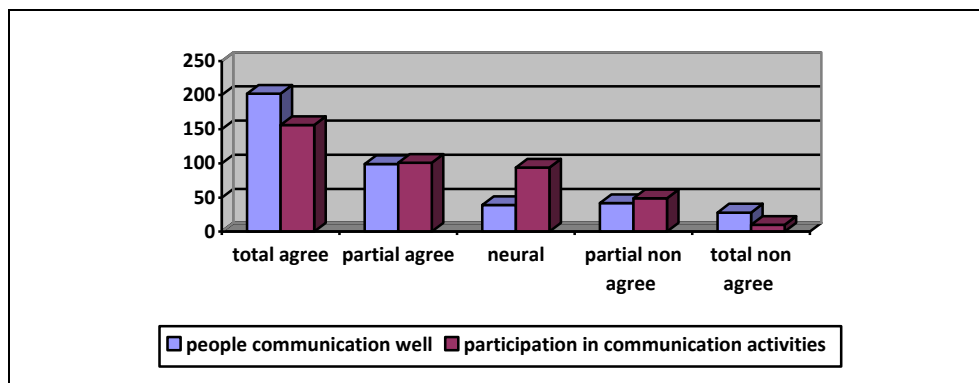
The context is more rigidly organized with the higher potential conflicts regarding the clash of ideas and opinions. The same is true for the other extreme: the degree of organization is more unstable and subject to current pressures, the degree of conflict is in turn higher. An organization has its share of organization based on a system of rules and regulations, even if the degree of rigidity is not as displayed as in the military, not so devoid of structure and public market. But conflict is a virtually usually justified by the fact that a dialogue between beings can final some dull unable to understand the subject of dispute, to absorb information that would allow changes in organization images, “point of view” rigid. Beyond rigidity conflict and human error occurs: „to make errores is human”, unless you insist on error. In fact both justifications are an obstacle to a new attitude necessary in a modern organization unth a huge complexity that require group work and open flow of informatoion all levels of the organizational pyramid. Communication plays a key role in the organization in the context of social complexity, requiring governing bodies open to the flow of informationand able to case with possible sources of distortio in the flow of essential information.



At the question: „In business people communicate well with each other, regardless of hierarchical position?” responses were as expected; 202 persons agreed total as interpretatioal communication writhin their enterprise runs and 99 partially agree, which is something gratifying and confirming the statement that most conflicts are due to salary inequalities and not to a lack of communication between people.

Workers at a rate of over 50%, according to their own statements participated in activities to foster communication embodied in seminars, forums, magazine articles in union or enterprise meetings and discussions with management and colleagues on professional topics.

Out of 410 people, only 10 have not agreed with this statement, which is 2,4%, that is a small percentage, meaning that human resource departments are concerned with boosting the Romanian companies maintain harmonious working relationships and non conflicting, convinced that they will increase enterprise performance and improving market image.



**Figure 4 People communicate well with each other, regardless of hierarchical position?”**

Source: data processed by the authors

#### 4. Research findings

These analyzes were not made on the whole number of responses, 410, as it would have been normal. Because many respondents abstained, choosing the answers "I don't know" or "I don't answer", we think that they fear to answer the questions because they could lose their job. Data analysis of questionnaires reveals that a high percentage of people considers salary system and inequality to be the main sources of conflict.

Another result shows that the management is interested in maintaining a healthy environment at work, both sides - management and employees making efforts to grow the profit, this means growing also the employees' salaries.

The way the enterprise is organized has effects on labor relations. The existence of an organizational chart, a hierarchy, collaboration and coordination, accompanied by clear and achievable tasks over time, named correctly, leads directly to lack of conflicts and increasing job satisfaction. Enterprise performance cannot grow in a climate of conflict and their unresolved has almost immediate effect on the company's image affecting also the market.

To minimize the conflicts they should act exactly the sources:

✓ The existence of a fair salary system and realize performance evaluation correlated with wages will decrease conflicts;

✓ Inequalities experienced by both managers and employees can be diluted having a clear definition of tasks and promoting teamwork;

✓ The organization of the enterprise must be conducted so as to be understood and acknowledged by all employees and labor relations (hierarchical coordination, collaboration) must be respected by all parties (50 responses, 12.2%);

✓ Encourage communication between all hierarchical levels and inciting dialogue will be a sure way of prevention on possible conflicts will be settled before the trigger;

✓ Social dialogue is ideal to be based on the interests of both parties and agreements set to be respected on both sides.

The results of this reserach will be expanded and the findings are of value for both managers and specialists that are dealing with conflict in industrial settings. We are confident that the conflict can be appropriately managed and both the organization and personnel to take advantages of the wide ranges of ideas and approaches in such a manner that finally, all the stakeholders to be able to meet their own expectations.

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