

Addressing Conflict Early to Mitigate and Reduce the Cost

David E. Michael, J.D.
Deputy Ombudsman
Office of the Ombudsman, Center for Cooperative Resolution

Consider the following statistics:

- *The typical manager spends 25-40% of his or her time dealing with workplace conflictsⁱ*
- *In 2008, U.S. employees spent 2.8 hours per week dealing with conflict.ⁱⁱ*
- *It can cost 33% of an employee's salary to replace him/herⁱⁱⁱ*

Conflict in organizations is inevitable, and can be beneficial if it allows us to more clearly understand concerns, differentiate among options, and determine viable solutions. Unresolved or dysfunctional conflict, however, may lead to a range of problematic and unnecessary organizational costs described below^{iv}. While the organizational costs of increased health care utilization, and of violence, vandalism, theft or sabotage are possible, they are atypical and not a significant factor in many conflicts in the NIH setting, and therefore are not included in this discussion.

Productivity - Conflict limits productivity in these areas:

- **Wasted Time.** Wasted – or unproductive – time, is that which doesn't lead to resolution of the conflict. This includes time spent worrying or complaining about the conflict to others, time spent avoiding others, and time away from work to avoid dealing with the conflict or because of illness due to the stress of the conflict.^v
- **Lower Motivation.** People upset about a conflict or who experience incivility in the workplace may lose commitment to their job, spend less time at work, and decrease the effort they put into their work.^{vi} A study in 2009 found that employees experiencing incivility had a productivity loss of 3%.^{vii}
- **Increased Attrition.** While less frequent, employees may leave entirely or in part as a result of unresolved conflict. Turnover also includes reduced productivity while the replacement employee comes up to speed.
- **Disruptive Restructuring.** Lowered productivity resulting when employees in conflict are separated either physically or functionally from one another.

Unreimbursed Expenses:

- **Turnover/Hiring.** These costs include employees' time preparing and posting an announcement, designing an interview process, interviewing, selecting and on-boarding a new employee.
- **Grievances and Complaints.** Unresolved conflicts often result in either the filing of an employee grievance or an EEO complaint, which can result in significant administrative time and expense.

Lost Opportunities:

- **Impaired Decision Making.** Dysfunctional conflict leads to a dampening of the rigorous discussions that surface high quality information and inform good decision making. Such conflicts result in less sharing of information,^{viii} which can impact an organization in dollars and in the loss of strategic opportunities.
- **Impaired Achievement of Strategic Goals.** Dysfunctional conflict can impede the development and implementation of strategic goals by limiting trans-NIH discussions and relationships, and by creating organizational silos and narrowed thinking.

Measuring the Costs of Conflict. A number of online calculators are available to measure the costs of organizational conflict, including one by Resologics at <https://www.resologics.com/cost-of-conflict-calculators/>, and the Mediation Training Institute at <https://www.mediationworks.com/ga/conflict-cost-calculator/>. While imprecise, calculating the costs of conflict can give an organization’s leaders some sense of the financial and strategic magnitude of a particular conflict. These calculators walk one through questions about the categories of cost outlined above. Let’s apply this framework to cost out a significant conflict that one might see at the NIH:

- **A Hypothetical Conflict:** *An administrative department hires a Branch Chief from outside NIH to lead a branch of 10 employees that has a heavy workload and some dysfunction. The Branch Chief held his first all-hands meeting prioritizing performance and accountability. Within six months, he issued six different employees two special leave procedures, three reprimands, and a suspension. Two employees filed EEO complaints, two filed grievances, and two others requested an administrative inquiry for harassment. Three staff have gone to the Employee Assistance Program. One employee is now on extended medical leave, and another employee is taking a similar position with another agency. The six employees directly in the conflict range from a GS-11 to a GS-13, with the median salary at a GS-12, step 1 (approximately \$100,000 including 30% benefits). The other four employees are at similar grades and have been indirectly impacted by the conflict. The Branch Chief is a GS-14, with a salary and benefits equivalent to \$150,000. This conflict continued for six months.*

Cost Estimate of this Hypothetical NIH Conflict:

Productivity: (@\$51/hour for staff; \$76/hour for supervisor)	
Wasted Time:	
Discussions: 72 hours discussions with colleagues (12 hours X 6 FTEs)	\$3,672
Discussions: 24 hours (6 hours X 4 FTEs)	\$1,224
Excessive Sick Leave: 576 hours (2 days/month X 6 FTEs)	\$29,376
Extended Medical Leave: 264 hours (33 days X 1 FTE)	\$13,464

<p>Lower Motivation:</p> <p>3% decline of productivity for all 10 FTEs over 6 months (\$1,500 X 10 FTEs)</p>	\$15,000
<p>Increased Attrition:</p> <p>Productivity loss due to reallocation of work of 2 FTEs (40 hours)</p> <p>New Hire Productivity Loss (average 50% productivity in first 6 months)</p>	<p>\$2,040</p> <p>\$25,000</p>
<p>Unreimbursed Expenses:</p>	
<p>Turnover/Hiring:</p> <p>Posting/Design/Interview/Hiring (4 FTEs X 40 hours)</p>	\$8,160
<p>Grievances/Complaints:</p> <p>Admin Leave: 64 hours admin leave to prepare grievances/complaints (16 hrs X 4 FTEs)</p> <p>Supervisor Response to grievances & complaints (40 hours X \$76/hour)</p> <p>Administrative Inquiry - Cost of Contract Investigator Time:</p>	<p>\$3,264</p> <p>\$3,040</p> <p>\$5,000</p>
<p>Lost Opportunities -- Impaired Decision Making and Achievement of Strategic Goals: Not assessed</p>	?
<p>TOTAL Cost of Conflict Involving 6 employees (directly) and 4 employees (indirectly)</p>	\$109,240

This conservative cost estimate of a hypothetical group conflict illustrates how the costs of conflict can quickly add up to reduce the overall productivity within an entire workgroup. In this case, the annualized loss of productivity approached 10% of the branch budget – a full FTE – for a conflict occurring for only 6 months. Costing out significant conflicts in this way can allow management to understand the impact of conflict on the organization and to allocate resources to address and resolve conflicts early.

ⁱ Washington Business Journal, May 2005

ⁱⁱ Lawler, J., *The Real Cost of Workplace Conflict*, www.entrepreneur.com, 2005

ⁱⁱⁱ Otto, N., *Avoidable Turnover Costing Employers Big*, Employee Benefit News, 2017

<https://www.benefitnews.com/news/avoidable-turnover-costing-employers-big?brief=00000152-14a7-d1cc-a5fa-7cffccf00000>

^{iv} See, Whitepaper: *The Cost of Conflict*, Mediation Training Institute at Eckerd College,

<https://mediationworks.com/wp-content/uploads/2016/11/cost-of-conflict-whitepaper-.pdf>

^v Klachefsky, M., *Take Control of Employee Absenteeism and the Associated Costs*, New York: Mercer, 2008

^{vi} Dana, D., *Conflict Resolution*, New York: McGraw-Hill, 2001

^{vii} Pearson, C. and Porvath, C., *The Cost of Bad Behavior*, New York, Portfolio, 2009

^{viii} Runde, C. and Flanagan, T., *Becoming a Conflict Competent Leader* (2nd ed.), San Francisco, Jossey-Bass, 2012;

and

Dana, D., *Conflict Resolution*, New York: McGraw-Hill, 2001