The Real Cost of Workplace Conflict

We reveal how much office drama cuts into your bottom line.

JENNIFER LAWLER

When Rory Rowland, then CEO of a small financial institution, encountered a petty workplace conflict between two of his employees--"I don't even remember what it was about, but it was over an insignificant matter, like the way one of them looked at the other"--he didn't immediately address the problem.

That turned out to be a big mistake. "It escalated to the point where they were snarling at each other. They weren't professional at all. They would just fling [stuff] at each other's work area." This might be funny when it's on a sitcom, but not when it's happening in your business.

While every small-business owner knows that such workplace conflicts affect productivity and morale, the hard money drain of office drama is not as obvious. When CPP Inc.--publishers of the Myers-Briggs Assessment and the Thomas-Kilmann Conflict Mode Instrument--commissioned a [study on workplace conflict](#), they found that in 2008, U.S. employees spent 2.8 hours per week dealing with conflict. This amounts to approximately $359 billion in paid hours (based on average hourly earnings of $17.95), or the equivalent of 385 million working days.

That's a lot of time spent gossiping, protecting turf, retaliating, recruiting people to one side or the other, planning defenses and navigating the drama. More importantly, that's time not spent answering customer questions, filling orders or doing the job employees were hired to do.

"It was impacting the entire organization," Rowland says of the conflict at his company. "People had to navigate around them. I found out later that the two employees were recruiting people to take their sides."

Even customers took notice and complained to Rowland. "They said, 'You have some snarky employees.' If you're [angry], it's tough to be all smiles. We didn't lose customers, but it impacted our image, and I hated that."

Now a speaker and consultant for financial institutions and the author of *My Best Boss Ever*, Rowland says the most important thing in dealing with workplace conflict is to "recognize that ripping the bandage off is painful, but after it's done everything is all better."

How did Rowland rip off the bandage? "I had the two employees come in and put it on the table. I told them we weren't going to quit until the issue was resolved. One of the techniques I used was you couldn't restate your own position until you stated the other person's position to their approval. When you're angry and hurt, the last thing you want to do is restate the other person's perspective." This forced both employees to step out of their own complaints and look at the other side.

The meeting took several hours, and afterward the two changed their ways. "They said they would rather be polite than go back to what they called 'the

chamber' again," Rowland says. Neither was fired, and both continued with the company for the long term.

For Rowland, the cost wasn't in just the actual number of hours it took to solve the problem and in the negative effect it had on the workplace and on customers. "I wasted a tremendous amount of time hoping it would go away; I was wrong."

Conflict Is Costly

Findings from the CPP study should be enough to spur any "wait and see" business owner into action. For example, 25 percent of employees said that avoiding conflict led to sickness or absence from work. Equally alarming, nearly 10 percent reported that workplace conflict led to project failure and more than one-third said that conflict resulted in someone leaving the company, either through firing or quitting. Those negatives translate into real financial losses for small businesses.

If a worker uses five sick days a year to avoid conflict, that's a direct cost of over $700 to your business (calculated using the above hourly earnings), not to mention the cost of covering the employee's missed work (e.g., overtime pay for another worker or hiring a temporary employee). Multiply that by 50 workers, or even 10, and you can immediately see the kind of money drain conflict creates.

Employee turnover owing to conflict is also expensive. Consider the costs of filling a vacant position: recruitment costs (including everything from placing ads to hiring head hunters), training the new hire, paying other employees involved in the hiring and training process, paying severance, and the lost investment you made in the previous employee (including their knowledge). Replacing an employee will cost you 150 to 200 percent more than that employee's salary and

benefits. This means that losing even a mid-level employee making $30,000 a year could cost your company $70,000 or more to replace.

The Proverbial Snowball Rolling Downhill

Conflicts can stem from the most trivial of offenses. "[It] often starts out really small," says Anne McSorley, partner with [WorkBest Consulting LLC](#) and a trained psychotherapist. "But in a small business it can become viral." In a larger company, the conflict may be contained to a workgroup. But in a small business, it's everyone's problem.

McSorley points out that sometimes the conflicts are less overt, such as subtle forms of harassment or bullying. "Subtle harassment and bullying is a systems problem often supported unknowingly by management because employees are not educated in the risks associated with harassment," she says. "It's not a priority in small businesses or mandated by law."

McSorley offers some examples of subtle bullying and harassment, "They look at their phone when someone is talking and look up when that person stops. They stand too close or walk out of a meeting." This type of behavior can lead to anger and fear among staff, but often management doesn't recognize it until pre-litigation, she says. "Management isn't seeing what's happening [until] they get the letter, and [then] they say, 'How can we make this not go to court?'"

Considering the costs of defending a lawsuit or avoiding court, small-business owners are well-advised to deal with conflict quickly and directly.

Hire Smart to Avoid Conflict

The CPP study found that the primary causes of workplace conflict are related to personality clashes, followed by stress and workload. "We know that people who

are similar get along better, but that leads to other problems, like groupthink," says Rich Thompson, director of research for CPP.

Thompson emphasizes that in any workplace, a balance of personality types is needed, as is an understanding that people deal with conflict in different ways. "There's always one person who causes conflict," he says, "whether it's a small business or the federal government." Training can help managers and other employees deal with conflict successfully.

In a more perfect world, it would be possible to identify the "one person who causes conflict" before you hired him. That's not always possible, but you can look for red flags, says Terry Sember, author of *Bad Apples: How to Manage Difficult Employees, Encourage Good Ones to Stay, and Boost Productivity*. "Ask them point blank, 'Why'd you leave your last job? And the job before that? How did you get along with your co-workers?'"

Beware of excuses like "They didn't understand me" or "There was someone who had it in for me." Sember advises, "Probe a little deeper."

Sember also recommends being upfront about your company. "As much as I sell our company, I try to paint as realistic a picture as possible. I have [candidates] spend time with the people they'll be working with. That has worked very well for me."

Ultimately, finding ways to deal with conflict comes down to the leadership of an organization, says Ralph Kilmann, an expert in the field of conflict management and one of the authors of the Thomas-Kilmann Conflict Mode Instrument. "People don't talk about the [company] culture, which is largely determined by the leaders and how they behave."

Awareness of the culture and how it can actually encourage conflict is the first step toward fixing it. "Change is possible if senior leadership is absolutely committed to changing the culture," says Kilmann. "[But], you have to have real conversations about desired cultural norms and how to take advantage of [people's] differences."

Those conversations take time, energy and effort--but compared to the real costs of workplace conflict, finding healthy resolutions is a win-win situation for everyone.