

## THE ZALT BUBBLE - MONEY AND TIME ..... THE COST OF CONFLICT

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# THE ZALT BUBBLE

WITH ZANDY

## COST OF CONFLICT



Imagine if you could walk into a Board Meeting and say “*this month I saved the organisation \$100,800*”. Once the applause dies down you may get asked, “how did you do that?” Take the pride stance, relax and respond. “*After careful consideration of a major issue that is stifling the business we just....*” wait for it, drum roll please “*we just managed conflict more effectively*”. And when asked by the detractor in the room “*so is this a once off lucky shot or can you do it again?*” You can put on a smug smile and say with some good business lingo thrown in for good measure “*Yes, repeatable, sustainable and measurable on and ongoing basis*”.

**So, do you know what conflict is costing you and draining from your organisation? Poorly or unmanaged workplace conflict is possibly the largest reducible cost— and largely continues without serious consideration.**

Are you currently monitoring the indicators of conflict or measuring the cost of conflict?

If you answered no, then how do you know the impact and cost? If it's not being measured

how do you know where there is opportunity? If it's not being measured then where does the accountability rest?

There are various ways of calculating the cost. Many of them include factoring in the following:

- Time lost. For example, although studies vary, generally managers spend between 20-40% of their time responding to employee conflict. Before you even do the \$ maths imagine giving a supervisor back 8-16 hours a week!
- Lowered job motivation and productivity
- Loss of investment in skilled employees
- Conflict-incited theft, sabotage, vandalism, and damage
- Restructuring around the problem
- Health costs
- Degraded decision quality. For example in an experiment reported in the Harvard Business Review, participants who were exposed to conflict were 30% less creative than others in the study. They produced 25% fewer ideas, and the ones they did come up with were less original.



Often these are hidden costs. But let's play with some numbers. The Dana Measure of Financial Cost of Organizational Conflict estimates the amount of time wasted by each person

who is/was affected by the team conflict and then puts it in dollar terms by calculating the financial cost as a fraction of monthly or annual salary. For example, let's say you have a team of 4 in dispute and each of the 4 employees wasted 40 hours during a six month period because conflict disrupted their work. And, let's say the annual salary of each employee is \$55,000. Forty hours is one week of work time, which is one-fifty-second of one year's salary. So, the dollar value of the four employees' wasted time is approx. \$6,350.

Another survey found that, on average, each employee spends 2.1 hours every week – approximately one day a month – dealing with conflict in some way (being involved in a disagreement, managing a conflict between co-workers, etc)

In another scenario using the same index but slightly different variables, where an employee leaves due to workplace conflict. Take the employee's annual salary for example: **\$80,000** **then** multiply by 1.4 (140%) as the investment you have in the employee: **\$112,000**. **Then** multiply by 1.5 (150%) as the cost of replacing the employee: **\$168,000**; **then** multiply by .6 (60%) average role of conflict in voluntary terminations (conflict was not the only factor): **\$100,800**. This is just for one employee. We know many people leave jobs because of conflict so if you lose 10 that's **\$1,008,000 per annum**.

If you just saw Batman vs Superman then this infographic on the cost of conflict is for you!

**The costs just keep accumulating. Go on, do the maths for your organisation or team. At what financial marker would your organisation be willing to do something to reduce this cost? We can help reduce this hidden and not so hidden costs. We can also help you establish ways to measure conflict and monitor the impact of initiatives. Please be in touch to discuss this further.**

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