



Linkage between Employee's Performance and Relationship Conflict in Banking Scenario

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Abstract

To enhance performance of employees of commercial banks, it is imperative to improve harmony, develop favorable relationship and alleviate relationship conflict among them. To ascertain the viability of assertion, sample of 450 individuals belonging to different commercial banks was selected. Questionnaire comprising three components were sent directly to the sample target. Part first relates to general information, second part consist of relationship conflict, and last part relates to the employee's performance. The study delineates that relationship conflict has significant impact on employees' performance. Their performance depletes ranging between 28 percent and 46 percent due to relationship conflict. The model is significant at the 95% of confidence level ($p < 0.05$) and there is negative relationship between relationship conflict and employee's performance. This study provides novel results regarding previously unexplored domain of relationship conflict and employee's performance. Relationship Conflict is dangerous for organizations employees, so top hierarchy strives to get rid of relationship conflict rather than relegating its resolution. Management in organization establishes redress grievances & interactive cell comprising senior, middle and lower level management. Special strategies may be adopted to lessen relationship conflict amongst the employees of an organization enabling organization to improve their performance. It is imperative to provide smooth functioning in the commercial banks due to their promising role in today's scenario of economic growth and imbued consumer's expectation. This paper is an endeavor to unveil factors impinges disagreement among employees and subsequently yielding the solution. Adoptions to these solutions being novel in nature would enhance employee's performance in commercial banks considerably.

Keywords: Conflict, Intra-group Conflict, Relationship conflict, Bank employee's performance

1. Introduction

Economic recession is gripping whole world; it come form United States of America to Asia, and Pakistan is one of them. It means countries' organizations are going to get adversely effected slowly. In this situation, people need to evaluate its effects and ferret out remedial measures. It is therefore candid opinion that recession news is likely to have negative impact on employees as well as organizations. When business is successful, their employees traditionally

become emotional, physically even spiritually. Conversely, if business is worsening, its employees spent most of time in tension and focusing on their future. Some time, it adversely affects their performance and become cause of conflict between workers and supervisors. Conflict is a state in which two or more parties have incompatible objectives and in which their perception and behavior commensurate with that incompatibility (Mack, 1965). Conflict is a foreseeable authenticity. It may not fade away nor ignored (Michael & Wayne, 2001; Medina, Munduate, Dorado, Martinez & Guerra, 2005). It is found in personal, group or organizational interaction.

Conflict is either “good or bad” and “sinful or immoral”. It assumes significance, once it is handled intelligently. When conflict is handled unskillfully and dissipatedly, it becomes bad and when it is handled morally and creatively, it ceases to be frightening and crippling, and results in growth, maturity, and empowerment for individual, group and organization. Conflict is a disagreement about issues between two or more persons, groups, nations and countries. Conflict occurs due to difference of perception, difference of ideas, difference of behaviors, difference of interest, different attitudes, religious differences, political differences and unjustified distribution of national resources. Conflict is not always negative. It depends how to handle the conflict. If you handle properly it can become source of development, otherwise it creates hostilities (Kigali, 2006). So it affects quality, performance and profit of organization. Conflict is essential for life and dynamic for team performance (Medina, et al., 2005). If managers ignore clash between co-workers, these clashes convert into personal and emotional conflict between them and in the long run, these clashes damages the organizational culture, worker moral and overall reduction of organization performance. There are three different point of view regarding conflict among employees in the organizations. First, traditionally, conflict must be avoided. Secondly, from human relations point of view, it is natural and need not to be negative rather possess potential to be a positive force to enhancing performance. Lastly, internationally, it can be positive force to develop auspicious relations and perform effectively.

In situation of conflict among employees, they seriously think about alternatives (Schwenk, 1990). Guetzkow and Gyr (1954) first time divided intra-group conflict in two types: relationship conflict and task conflict (Jehn, 1997, 1995; Pelled, 1996a; Simons and Peterson, 2000). Relationship conflict is pessimistically associated with emotions (De Dreu, and Van de, 2001), satisfaction (De Dreu and Van Viannen, 2001) and team effectiveness (Jehn, 1997). Relationship conflict is a perception of interpersonal incompatibility and it typically includes tension, annoyance and animosity among group members (Jehn, 1995; Simons, Peterson, 2000). It is a related to difference of relationship between team members. It is infertile, difficult to manage and likely to leave people with more pressures and less ability to manage them. Normally, it occurs between frontline workers and their supervisors. It can reduce creativity, innovation, quality, and performance of employees and organizations (Jehn, 1994, 1995; Amason, 1996; De Dreu & Van de, 1997; Friedman & Curral & Tsai, 2000; Michael et al., 2001; Passos & Caetano, 2005). Relationship Conflict also relates to conflict about personal taste, political preferences, values, and interpersonal style (De Dreu, Weingart, 2003). Relationship conflict negatively effects on team performance and it breaks personal and professional relations and it also produces tension between team members (Hackman & Morris, 1975; Wall & Callister, 1995).

Difference of opinion or divulgence from the standard norms breads conflict in an organization. Power sharing, beliefs, conviction behaviour variation and living pattern are some of the reasons which engender dichotomy among individuals as well as teams working in society (Varney, 1989). Relationship also experiences anxiety and at time quarrel among individuals due to emotional factors. Emotional approach could erupt due to divergence of belief, conviction, standards, experiences and disapproval by some of the people. Such like situation develops negative reaction and relations among the people associated with particular organization (De Dreu, and Van de, 2001). Relationship conflict creates negative work environment and impact adversely on working conditions. People become apprehensive and hold their forthright cooperation in discharge of their function. Organization cognizance of the negative fall out of the relationship conflict strives to block team work for the growth of organization (Robbins, 1974; Jehn, Chadwick and Thatcher, 1997; Kankanhalli, Tan and Wei, 2007). Once relationship conflict erupts, each individual's displays varying difference. In case conflict continues, it results in nervousness, rivalry, stress and discontents, which results into reduction in performance of employees in organization (Pondy, 1967). Divergence of thoughts, action and opinion results in sorting out flimsy occurrences. It depletes energy of people to resolve conflict or to counter its effect rather than spending time in achievement of organizational objectives (Simons and Peterson, 2000). Management endeavors to maintain harmony, cooperation and coordination in organization, in order to allow teams to function with their complete capacity. To achieve these objectives, conduct of survey is mandatory to find out situation in different entities of organization (Oliver, 1997). In the present era, attaining productivity and maintaining performance standards is the major concern for organization. Similarly, employees at large strive to remain focus towards their work and growth of organization because their reward is related to the success of organization (Jackson, and Schuler, 2007).

1.1 Significant and Objective of the Study

This study is focusing on commercial banks of Pakistan with respect to their employees who are working in a particular branch and employs to alleviate relationship conflict. Relationship conflict is related with interpersonal

incompatibilities. Management makes cogent decisions because they know that conflict is very important and it has significant impact on employee's performance. It's an era of competition in banking sectors, all banks are in pursuit to improve their services and products by according due importance to the customers. However, competition has also led to usurping small fries by the big ones. Large number of stakeholders transfers their loyalty from one bank to another. It had put the banks on toes to operate with improved performance. Conversely, there is no supposition of a "best way" to control conflict. The process of managing conflict to achieve constructive results is complex situation which becomes more pronounce for the organization success (Henkin & Cistone & Dee, 2000).

Bank management is offering Golden Handshake for reduction of their employees. This situation creates tension for all individuals which are working in banking sectors. And they also feel insecure in their jobs. After conducting preliminary data form banking sector, relationship conflict was seen among the employees who remain on culmination point of shifting from one bank to the other. The main objective of this study is to improve the performance of financial Institutions employees through alleviation of relationship conflict.

1.2 Problem Statement

Composition of personnel in the organization is of various segments of society with diversified experiences and backgrounds. Once focused is an organization objective, it is natural that difference of opinion among individual in general and groups in particular is likely to surface. Under the circumstances, it is accentuated to establish how the conflict among the members would affect on the employee's performance and to what extent some of the conflict can be absorbed as a course of normal activity. More specifically, this study embarks upon enhancing the performance of bank employees through alleviation of relationship conflict.

1.3 Hypothesis Development

Relationship conflict is related with poor decisions and correlated in ongoing groups, which create a prescriptive dilemma (Simons et al., 2000). Relationship conflict usually opposes dynamism that needs to be resolving (Friedman et al., 2000). Relationship conflict has significant relation with team performance and its satisfaction (Passos et al., 2005). It was negatively associated with individual's satisfaction (Jehn, 1995) and well-being (Dijkstra, Dierendonck, Evers, De Dreu (2005). Conflict is highly complex in decision making and accomplishment of production tasks. The existing literature provides strong support as regard to negative impact of relationship conflict on decisions, individual's satisfaction, affective reactions and well-being of the employees. On the basis of above literature, following hypotheses are be developed.

H₁ Relationship conflict has no significant impact on low level employee's performance

H₂ Relationship conflict has no significant impact on middle level employee's performance

H₃ Relationship conflict has no significant impact top level employee's performance

H₄ Relationship conflict has no significant impact overall employee's performance

2. Method

2.1 Sample

Pilot study was conducted taking sample from the targeted banks. Intention was to evaluate the performance of bank's employees with least relationship conflict and to measure such like work environment. Appreciative of the facts that there always exist uniformity as well as divergence therefore, effects of negative fall out are mitigated and positive efforts are appreciated. It was considered essential to evaluate the reliability of instrument and its efficacy, particularly in Pakistan scenario. A number of studies have been conducted with the Lusch and Serpkenci, (1990) and Cox's (1998) instruments however, its reliability under the work environment in Pakistan was a point to consideration. Consequently, 36 members of the population were chosen for the pilot study. It aimed to analyze the instrument reliability, evaluate the performance of employees under conflict relationship conflict as well as harmonized working condition. Cronbach Alphas was applied to obviate the possibility of overlapping of data.

Upon successful conduct of pilot study and satisfactory results achieved through the use of this instrument, main study was conducted. For the main study, over fifty branches of banks were selected. Of those 600 questions were sent to the population, 450 questionnaires were received for this study.

2.2 Instrument & Measures

Cox's (1989) instrument was used for measurement of relationship conflict (Friedman, et al., 2000; Medina et al., 2005). It is pertinent to mention that the scale used in this study is different than Jehu's (1995) scale of relationship conflict. This scale covers conflict in reality rather than opinion of the people about the conflict. Five point likert scale was used, 5 for strongly disagree whereas 1 for strongly agree. Cox (1998) scale proved its reliability of 0.91 whereas other scale of Medina et al., (2005) found a reliability of 0.81 for this scale. Table No 1 shows mean and standard deviation of each item of relationship conflict.

Lusch et. al., (1990) and Stathakopoulos (1998) scale comprising 17 items were used to determine the performance of employees in organization. This scale measures performance of employees' with respect to the peers in organization. For this purposes, 5 is used to measure the performance as performance above than peers whereas 1 measures performance below than peers. Additionally, self rating is accurate and precise in this scale. However, self rating as biased factor cannot be overlooked in general cases. This scale of Stathakopoulos (1998) finds reliability as 0.88 which is similar to 0.885 found in the study.

2.3 Procedure

The questionnaire was distributed among random sample of various branches of renounced banks in Pakistan. Mode of dispatch included in person delivery as well as through mail. Follow up visits were also under taken to get the work complete. Personal interaction with the Bank's Managers was established as and when it deemed necessary. Since the sample population was educated segment therefore, English language was used. However, in informal meetings, certain aspects were explained in native language Urdu too. Some of the questions in the instruments were asked in different manner to extract unbiased opinion of the employees. Confidentiality of personal information was guaranteed to avoid embarrassing situation for the employee among their colleagues. By and large questions were received within stipulated time frame. However, reminders were also sent to the target sample for early completion of the task.

3. Results and Discussion

To evaluate the results of the study regression test, mean standard deviation and regression was applied. Through regression test, R Square relationship of independent variable was analyzed. Impact of independent variable over dependent variable was measure through Beta Coefficient. However, relative importance was shown with the help of t-value. It could be deduced that regression analysis measures impact, importance and relationship between independent variable with dependent variable. To accrue the result of mean, standard deviation, regression and cronbach's alpha Statistical package for Social Sciences (SPSS) was applied.

According to Table No. 02, the regression analysis of managerial levels shows that the values of R Squares of lower, middle and top level employees are 0.573, 0.489 and 0.518 respectively. It shows that lower level employees perceived stronger association with relationship conflict and employee's performance. Therefore, overall model is significant at the 95% of confidence level ($p < 0.05$) and there is negative relationship between independent and dependent variables. The regression coefficient of relationship conflict is -.278, -.345 and -.457 of lower, middle and top level employees respectively. It means that top level employee's performance diminishes 45% due to relationship conflict, middle level employee's performance lessens 35% due to relationship conflict and lower level employee's performance condenses 28% due to relationship conflict. Results reveal that -14.528, -18.148 and -19.652 are t-value which divulge relevant importance of relationship conflict for lower, middle and top employee's performance.

In the Table No 3, the result of regression analysis for employee performance showing that the value of R-Square is 0.537 and the F-value is 78.294. The results are revealing that the model is significant at the 95% confidence level ($p < 0.05$) and there is strong relationship between independent and dependent variables. The regression coefficient of relationship conflict is -.413 in this model and significant, which means that it decrease employee performance by 41%. Results reveal that -11.428 are t-value which divulges relevant importance of relationship conflict for lower, middle and top employee's performance.

From the above results, it is evident that there is no significant difference between lower, middle, top levels employees' perception towards relationship conflict and their impact on performance. On the basis of these results we reject all H_1 to H_4 . It is evident that conflict has more negative and significant relationship with employee's performance. As regression analysis reveals, impact of relationship conflict are -0.413 on employee's performance and -0.278, -0.345 and -0.457 for lower, middle and top level employees respectively which shows the significance of this variable towards the employee performance.

4. Conclusion and Recommendations

Measurement of relationship aspect in the Banking sector is essential due to the sensitivity of employees' job. This study provided useful findings in this area of relationship conflict and Bank's employee performance. It was established that employee's performance is adversely affected between 28% and 46 % on account of relationship conflict. This model proved to be significant at 95% of confidence level ($p < 0.05$). However, negative relationship has been found between dependent and independent variable. This study revealed some of the essential facts that conflict relation exist in the sample institutes. Management strives to reduce the conflict by keeping employees focus towards their objectives and team work. A dedicated cell is established to discern conflict at its primary level and resolve the same as deemed essential. It was also found that Mangers at time becomes reluctant to interfere in personal conflict of employees. Moreover, employees at time don't feel comfortable interference of third party as they consider it as their private affair. Since relationship conflict adversely effect smooth functioning of organization therefore, it becomes mandatory that such like activity is addressed at gross root level, in order to preclude it adverse effect on overall performance.

Employee conflict doesn't restrict to the parties involved but transverse to other co-workers too. Employees in close vicinity of conflict origin, start passing information of conflict up and down, resultantly, it becomes organization conflict. Groups are created and people take side of one another. Employee conflicts rarely involve just two parties and often entangle and polarize others. When employees begin passing information back and forth and take sides, it ceases to become merely an individual conflict. Managers are usually hesitant to interfere in conflict. It also proved that conflict between two employees continue to exist and those two people don't like each other. Consequently, people involved in conflict share their thought with their colleagues and it engenders discomfort in work environment. It calls upon change of behaviour at large. For the safety and health reasons of employees, it is imperative that such like situation is controlled before it gets escalated and impedes organizational performance. Manger's capabilities to handle the situation also became prominent in certain cases therefore, grooming of employees along with the management could bring about better work conditions: hence, conflict resolution is considered essential to maintain healthy work environment.

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Appendix

Table 1. Descriptive Analysis of Relationship Conflict Items

Relationship Conflict Items	Mean	Standard Deviation
The atmosphere here is often charged with hostility.	4.0241	1.4351
Backbiting is a frequent occurrence.	4.0135	1.4512
One party frequently undermines another.	3.9066	1.5148
There is an often feeling of hostility among parties.	4.0178	1.3114
Much "plotting" takes place "behind the scenes".	3.9816	1.2912

Table 2. Beta Coefficients, Standard error in parenthesis, t-Values in Brackets, and P-Values in italics

Management Level	Constant	Relationship Conflict	R Squares	F-Statistic
Lower Level Management	4.215	-.278	.573	79.542
	(.136)	(.034)		
	[27.415]	[-14.528]		
	<i>.001</i>	<i>.002</i>		<i>.004</i>
Middle Level Management	3.418	-.345	.489	48.472
	(.212)	(.075)		
	[7.451]	[-18.148]		
	<i>.005</i>	<i>.001</i>		<i>.006</i>
Top Level Management	5.741	-.457	.518	67.178
	(.184)	(.014)		
	[10.542]	[-19.652]		
	<i>.000</i>	<i>.007</i>		<i>.005</i>

Dependent Variable: Employee's Performance

Independent Variable: Relationship Conflict

Table 3. Beta Coefficients, Standard Error in parenthesis, t-Values in Brackets, and P-Values in italics

Dependent Variable	Constant	Relationship Conflict	R Squares	F-Statistic
Employees Performance	3.470	-.413	0.537	78.294
	(.134)	(.029)		
	[19.654]	[-11.428]		
	<i>.000</i>	<i>.002</i>		<i>.004</i>