

Toward a Strategic Theory of Workplace Conflict Management

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I. INTRODUCTION

Beginning in the 1970s employers turned to alternative dispute resolution (ADR), particularly mediation and arbitration, to resolve workplace disputes.¹ In recent years a growing number of organizations, predominantly in the nonunion sector, have implemented so-called "integrated conflict management systems" for handling workplace conflict.² A system, in contrast to the conventional use of ADR, is not merely a practice, technique, or procedure. It is a more holistic and comprehensive approach to managing conflict in an organization. In a nonunion setting, such systems represent a departure from the traditional approach to dealing with conflict, which considers the resolution of workplace conflict to be a management prerogative. In a union setting, implementing integrated systems entails the development of mechanisms and procedures that operate outside the scope of the collective bargaining agreement and its formal grievance procedure.³

The conventional explanation for the rise of ADR in the workplace rests on the observation that employers have sought means of avoiding the costs and delays of litigating employment disputes. This explanation links the passage of major workplace legislation in the 1960s and 1970s (for example, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Occupational Safety and Health Act of 1970, and the Employment Retirement Income Security Act of 1974) to a dramatic increase in employment litigation in the 1970s and 1980s. The increase in employment litigation in turn led employers and policymakers to find alternative methods of resolving employment disputes that avoided entanglement in the courts.⁴ This reasoning had the appeal of Occam's razor—it

¹ DAVID B. LIPSKY ET AL., EMERGING SYSTEMS FOR MANAGING WORKPLACE CONFLICT: LESSONS FROM AMERICAN CORPORATIONS FOR MANAGERS AND DISPUTE RESOLUTION PROFESSIONALS 1-116 (2003). There are numerous accounts of the rise of workplace ADR in the United States. See, e.g., JOHN T. DUNLOP & ARNOLD M. ZACK, MEDIATION AND ARBITRATION OF EMPLOYMENT DISPUTES (1997).

² LIPSKY ET AL., *supra* note 1, at 97-105.

³ *Id.*

⁴ *Id.*

had the virtues of parsimony and simplicity. The theory that ADR could best be understood as a manifestation of the inefficiency of our legal system also appealed to all those inside and outside the legal profession who believed they had been victimized by a system that badly needed reform. We term the conventional explanation for the rise of ADR the legalistic theory of ADR.

The emergence of conflict management systems in the 1990s prompted scholars to frame an explanation for this new organizational phenomenon. These scholars recognized that the legalistic theory could not fully explain the growing use of conflict management systems. Indeed, focusing only on factors external to the firm (i.e., exogenous factors) to explain the rise of systems ignored the critical role played by factors internal to the firm (i.e., endogenous factors). External factors such as litigation, the threat of unionization, and market competition were found to be a necessary but insufficient explanation for the use of systems in organizations. One needed to understand that a fuller explanation for emergence of systems had to take account of the interaction between the internal dynamics of the organization and the external environment in which the organization existed. Some of the internal factors that mattered included management and leadership, political forces within the organization, human resource policies, and the nature and roots of conflict in the organization's employment relations.⁵ We propose using the term "systems theory" for those explanations that examine the growing use of systems as a function of the interaction of external threats (such as litigation) and internal needs and pressures. The ultimate purpose of both theories is to explain how organizations resolve workplace disputes. There are two questions that previous theories of conflict resolution have

⁵ Id. at 117-52. See also Lisa B. Bingham, Self-Determination in Dispute System Design and Employment Arbitration, 56 U. MIAMI L. REv. 873 (2002); Alexander J.S. Colvin, The Relationship Between Employment Arbitration and Workplace Dispute Resolution Procedures, 16 O-O ST. J. ON DisP. RESOL. 643 (2001); Alexander J.S. Colvin, Institutional Pressures, Human Resource Strategies, and the Rise of Nonunion Dispute Resolution Procedures, 56 INDUS. & LAB. REL. REv.375 (2003); David Lewin, Dispute Resolution in the Nonunion Firm: A Theoretical and Empirical Analysis, 31 J. CONFLICT RESOL. 465 (1987).

sought to address: What factors explain how an organization handles workplace conflicts? How effective is the organization's handling of workplace conflicts in settling or resolving them?

In this article, we propose a new model or theory of conflict management that we believe not only incorporates lessons we have learned about the use of ADR and conflict management systems in the workplace but also includes a critical dimension missing in earlier research, namely, how ADR and the use of systems links to the organization's broader strategic goals and objectives. The model we propose here we call the "strategic theory" of conflict management. In social science terms, the legalistic theory uses some measure of dispute resolution outcomes (such as the settlement rate in mediation or the win rate in arbitration) as a dependent variable, a measure of the availability or use of an ADR technique (such as mediation or arbitration) as a key independent, explanatory variable, and a measure of litigation or the threat of litigation as another independent, explanatory factor. The legalistic theory is depicted in Figure 1.

INSERT FIGURE 1 HERE

The systems theory also uses some measure of dispute resolution outcomes as the key dependent variable, but adds critical organizational factors as intermediate explanatory variables. It also expands on the external factors influencing conflict resolution, adding variables such as market competition and unionization to litigation, and it elaborates on ADR variables, adding other measures of a conflict management system. Lastly, consistent with systems theory, it adds the important notion of a feedback loop, which recognizes the effect of dispute resolution outcomes on both organizational factors and conflict management system characteristics. The systems theory is depicted in Figure 2.

In the theory we propose here, the systems theory is augmented to include a critical link to the organization's strategic goals and objectives. We maintain that a strategic theory needs to embody the

interaction between organizational systems and strategies: that is, the establishment and maintenance of a conflict management system is both driven by an organization's strategic goals and objectives and in turn affects the organization's ability to achieve those goals and objectives.

INSERT FIGURE 2 HERE

One way to view the three theories is to think of them as phases that describe the evolution of conflict management in American organizations over the past three or four decades. The legalistic theory is, arguably, an adequate explanation for the origins of ADR in the 1970s; the systems theory is, arguably, an adequate explanation for the adoption of conflict management systems in many organizations over the past twenty years. In our own research we discovered that only a handful of organizations (principally large corporations) truly think of conflict management in strategic terms. Although we believe the way in which an organization handles conflict, particularly workplace conflict, has always had strategic implications, those implications have not always been recognized-certainly before the fact-by the organization's managers and stakeholders.⁶ A strategic theory, therefore, is in part prospective in nature in that our current research suggests that most American managers are only now beginning to realize that the way their organizations manage conflict both affects and is affected by the organization's larger strategy. We readily acknowledge that there is virtually no research on the link between conflict management and organizational strategies. But if we are right about the growing recognition that such a link exists, then it is high time that scholars begin to examine, both theoretically and empirically, the nature and effects of that linkage.

Indeed, as we will point out later, some scholars believe that how an enterprise manages employment relations (including workplace conflict) or other internal functions has little bearing on its

⁶ LIPSKY ET AL., *supra* note 1, at 117-52.

ability to establish a sustainable strategic advantage.⁷ By contrast, we will argue here that in the contemporary organization, especially one that relies on a highly skilled workforce, how the organization manages workplace conflict has a decidedly significant effect on its ability to achieve important strategic goals, not the least of which may be the need to stay competitive in a global economy.

The theory we develop in this article is based on empirical research the authors and their colleagues at the Scheinman Institute on Conflict Resolution have been conducting for over a decade. For example, in 1997 the Institute surveyed the general counsel or chief litigators of the Fortune 1000 on their use of ADR. We discovered that the use of ADR techniques was even more widespread than most scholars had imagined.⁸ The 1997 survey remains the only comprehensive survey on ADR usage by major U.S. corporations.⁹ The empirical results of this survey were the springboard that led to a second phase of the Institute's research. The survey revealed the fact that a large number of corporations had moved beyond the use of ADR techniques and toward a more proactive, strategic approach to conflict management. This finding motivated the Institute to undertake case studies of workplace dispute resolution and conflict management systems in a large sample of organizations. From 1999 to 2002, we visited and conducted interviews at more than fifty corporations across the U.S., including Alcoa, Boeing, Chevron, Eastman Kodak, Halliburton, Prudential, Shell, and TRW.¹⁰ The authors and their colleagues have also assisted in the design or evaluation of dispute resolution systems at several federal and state agencies, including the U.S. Department of Labor, the U.S. Department of the Interior, the U.S. Equal

⁷ Harvard Professor Michael Porter especially advocates this point of view, as we will note below. See, e.g., MICHAEL E. PORTER, ON COMPETITION 39-73 (1998).

⁸ LIPSKY ET AL., supra note 1, at 75-116. See also DAVID B. LIPSKY & RONALD L. SEEBER, THE APPROPRIATE RESOLUTION OF CORPORATE DISPUTES: A REPORT ON THE GROWING USE OF ADR BY U.S. CORPORATIONS (1998); David B. Lipsky & Ronald L. Seeber, In Search of Control. The Corporate Embrace of ADR, 1 U. PA. J. LAB. & EMP. L. 133 (1998).

⁹ The only comparable study was conducted by the American Arbitration Association. See AMERICAN ARBITRATION ASSOCIATION, DISPUTE-WISE MANAGEMENT: IMPROVING ECONOMIC AND NON-ECONOMIC OUTCOMES IN MANAGING BUSINESS CONFLICTS (2003).

¹⁰ LIPSKY ET AL., supra note 1. The list of the corporations at which we conducted interviews is listed at 345-46.

Employment Opportunity Commission, the New York State Workers' Compensation Board, and the New York State Unified Court System.¹¹ Recently we extended our research into health care, and we now plan to roll out a new survey of the Fortune 1000 in the near future.

II. THE PREMISES UNDERLYING OUR THEORETICAL FRAMEWORK

To understand the dimensions of our strategic theory, the reader should understand that it is based on the following premises: First, we believe our theory applies to the adoption of ADR generally, but it more directly applies to employer-promulgated ADR, rather than court-annexed ADR.¹² The factors that we believe have led employers to adopt ADR are probably similar, if not identical, to the factors that have led the courts and public policymakers to adopt ADR, but the decision-making process that has led to the adoption of ADR by employers differs from the decision-making process in the case of the courts and policymakers. In the theory we develop in this article we focus on employer decision-making rather than decision-making by courts and policymakers.

Second, we will focus on ADR and conflict management systems in employment relations principally because our research has been almost entirely limited to the workplace. But we are quite confident that the theory we expound could be adapted to apply to other types of disputes, particularly those that involve large organizations. For example, our strategic theory can probably be extended to

¹¹ See, e.g., DAVID B. LIPSKY ET AL., FINAL REPORT: THE U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION INTERNAL DISPUTE RESOLUTION PROGRAM: AN EVALUATION OF RESOLVE (Final Report Submitted to the U.S. EEOC, March 2006); DAVID B. LIPSKY ET AL., FINAL REPORT: DEVELOPING A MEDIATION PROGRAM FOR THE U.S. DEPARTMENT OF LABOR: AN EVALUATION OF A PILOT PROGRAM FOR ENFORCEMENT CASES (Final Report Submitted to the U.S. Department of Labor, August 2003); RONALD L. SEEBER ET AL., AN EVALUATION OF THE NEW YORK STATE WORKERS' COMPENSATION PILOT PROGRAM FOR ALTERNATIVE DISPUTE RESOLUTION (Final Report Submitted to the New York State Workers' Compensation Board, 2001).

¹² A comprehensive collection of articles on court-annexed ADR procedures is contained in E. WENDY TRACHTE-HUBER & STEPHEN K. HUBER, ALTERNATIVE DISPUTE RESOLUTION: STRATEGIES FOR LAW AND BUSINESS 907-1043 (1996).

commercial, product liability, and financial disputes, but we acknowledge that it has little if any relevance for family and community disputes.

Third, as we have noted, our theory acknowledges that in many organizations there has been an evolution over time from an emphasis on resolving disputes to an emphasis on managing conflict. Conflict management applied to the organization or to the workplace is a management activity of relatively recent origin. It recognizes that conflict in organizations is inevitable-a virtual mantra in workplace conflict resolution.¹³ Human beings are not clones but have differences in values, beliefs, interests, and perceptions. When they are brought together in organizations, these differences do not evaporate, but in fact may be accentuated by the roles people are required to play in an organization. Individual differences, frequently magnified by the demands of the workplace, are the source of conflict in organizations. But scholars and practitioners alike have come to recognize that conflict, although frequently costly and even destructive in nature, can also have a constructive dimension. Sophisticated managers strive to capitalize on the constructive aspects of conflict while minimizing the destructive ones, which implies that they need to learn how to manage conflict. Whereas dispute resolution is reactive, conflict management is proactive: it requires managers to anticipate problems rather than simply react to them.

Fourth, our theory recognizes the relevance of conflict management systems in contemporary organizations. At the risk of oversimplification, the legalistic theory views ADR as merely the substitution of one technique (or forum) for resolving disputes for another technique (or forum): for example, final and binding arbitration can be viewed as a substitute for a trial. We contend that there are profound implications for an organization if it relies as a matter of policy on arbitration rather than litigation to

¹³ See Lewis R. Ponds, *Organizational Conflict: Concepts and Models*, 17 ADMIN. SCI. Q. 296 (1967). A landmark book on the nature of conflict is LEWIS A. COSER, *THE FUNCTIONS OF SOCIAL CONFLICT* (1956).

resolve workplace disputes. Rather than focusing simply on methods or techniques of settling disputes, conflict management systems stress a holistic or integrated approach to the management of conflict. A system has been defined as "a bounded transformation process," that is, a process that transforms inputs into outputs within well-defined boundaries.¹⁴ An organizational conflict management system, accordingly, is a system that transforms disputes into settlements, or more generally conflict into cooperation, within the boundaries of the organization. How significant are conflict management systems in the contemporary organization? On the one hand, research reveals that only 25% or so of the Fortune 1000 companies have an authentic integrated conflict management system.¹⁵ On the other hand, research also reveals that the concept of a system has permeated large numbers of smaller firms. Elaborate integrated conflict management systems in large firms such as General Electric and Prudential are emulated in smaller companies by simpler systems.¹⁶

Last and most important, a premise underlying our theory is that the choices managers make in their handling of conflict and dispute resolution have always had a strategic dimension, even if the managers themselves have not always recognized that fact. In the 1970s, managers in U.S. organizations consciously chose to adopt the use of ADR to resolve workplace and other types of disputes. It is

¹⁴ See, e.g., Ronald L. Seeber & David B. Lipsky, *The Ascendancy of Employment Arbitrators in U.S. Employment Relations: A New Actor in the American System?*, 44 BRIT. J. INDUS. REL. 719 (2006). William L. Ury, Jeanne M. Brett, and Stephen B. Goldberg are often credited with offering the first serious treatment of dispute resolution systems. See WILLIAM L. URY ET AL., GETTING DISPUTES RESOLVED: DESIGNING SYSTEMS TO CUT THE COSTS OF CONFLICT (1988). See also, CATHY A. COSTANTINO & CHRISTINA SICKLES MERCHANT, DESIGNING CONFLICT MANAGEMENT SYSTEMS (1996); KARL A. SLAIKEU & RALPH H. HASSON, CONTROLLING THE COST OF CONFLICT (1998); KIRK BLACKARD & JAMES W. GIBSON, CAPITALIZING ON CONFLICT: STRATEGIES AND PRACTICES FOR TURNING CONFLICT TO SYNERGY IN ORGANIZATIONS (2002); David B. Lipsky & Ronald L. Seeber, *Managing Organizational Conflicts*, in THE SAGE HANDBOOK OF CONFLICT COMMUNICATION: INTEGRATING THEORY, RESEARCH, AND PRACTICE 359-90 (John G. Oetzel & Stella Ting-Toomey eds., 2006); F. Peter Phillips, *Employment Dispute Resolution Systems: An Empirical Survey and Tentative Conclusions*, in ALTERNATIVE DISPUTE RESOLUTION IN THE EMPLOYMENT AREA: PROCEEDINGS OF THE NEW YORK UNIVERSITY 53RD ANNUAL CONFERENCE ON LABOR 244-56 (Samuel Streicher & David Sherwyn eds., 2004).

¹⁵ LIPSKY & SEEBER, THE APPROPRIATE RESOLUTION OF CORPORATE DISPUTES: A REPORT ON THE GROWING USE OF ADR BY U.S. CORPORATIONS, *supra* note 8, at 719.

¹⁶ AMERICAN ARBITRATION ASSOCIATION, *supra* note 9.

indisputable that in that era, litigation avoidance was a principal motive for the adoption of ADR. But the adoption of ADR had unintended consequences for the organization. Research has shown that the use of arbitration and mediation to resolve workplace disputes has had a significant influence on a variety of management practices (e.g., hiring, discipline, and discharge policies) and the culture of the organization itself (that is, the informal standards and norms of behavior that operate within the organization).¹⁷ If the adoption of ADR influenced both the policies and culture of an organization, then it is difficult to imagine that ultimately it did not also affect the achievement of goals and objectives critical to the survival and success of the enterprise. In other words, in all likelihood there have always been implicit strategic implications in the way in which organizations handle conflicts and disputes.

It is important to point out that coincident with the adoption and diffusion of ADR, and its morphing into conflict management systems, there was a significant evolution of strategic management in U.S. organizations. If managers in the 1970s failed to grasp the strategic implications of the adoption of ADR, it was in part because both practitioners and scholars had a different understanding of strategic management than they do today, a matter we will turn to later in the article.

III. THE TRANSFORMATION OF EMPLOYMENT RELATIONS

Most scholars maintain that ADR was a response to external threats to the organization, such as the threat of lawsuits and the possibility of a union organizing campaign, and fail to recognize that ADR was a result of the interaction of external factors and the internal dynamics of organizations that, over

¹⁷ For reviews of the research, see Lisa B. Bingham, *Employment Dispute Resolution: The Case for Mediation*, 22 CONFLICT RESOL. Q. 145 (2004); David B. Lipsky & Ariel C. Avgar, *Research on Employment Dispute Resolution: Toward a New Paradigm*, 22 CONFLICT RESOL. Q. 175 (2004); David Lewin, *Dispute Resolution in Nonunion Organizations: Key Empirical Findings*; Phillips, *supra* note 14, at 379-404.

the past three decades, resulted in an historic transformation in employment relations in this country's major corporations.

A. *External Factors*

Some of the familiar external factors that have transformed the organization include the increasing globalization of business, the growth of multinational corporations, the rapid pace of technological change, the deregulation of many U.S. industries, and the changing demographics of the American workforce. In the 1960s the strength of the U.S. economy was still based on its ability to produce and distribute manufactured products, but by the dawn of the 21st century the U.S. had become a knowledge-based economy. The strength of the U.S. economy now is based on its ability to produce and distribute information. By the 1980s imported products from Germany, Japan, and elsewhere had undercut the economic viability of major segments of American manufacturing, including automobiles, auto parts, steel, aluminum, and apparel. Particularly in the industrial centers of the Northeast and Midwest, plants were closed, jobs were permanently lost, and communities were abandoned.¹⁸ At the same time, computing and other high technology industries, where unions were generally absent and often considered irrelevant, were growing rapidly. Other sectors of the American economy were also undergoing an historic transformation. Wal-Mart and other big-box stores began to drive mom-and-pop shops out of business.¹⁹

Deregulation had begun in earnest during the presidency of Jimmy Carter, starting with the Airline Deregulation Act in 1978, which virtually eliminated federal control of the airline industry.²⁰

¹⁸ For an empirical study of the extent and consequences of plant closing in U.S. manufacturing, see BARRY BLUESTONE & BENNET HARRISON, THE DEINDUSTRIALIZATION OF AMERICA: PLANT CLOSINGS, COMMUNITY ABANDONMENT, AND THE DISMANTLING OF BASIC INDUSTRY (1982).

¹⁹ For a more extended discussion, see LIPSKY ET AL., *supra* note 1, at 29-73; see also, THOMAS A. KOCHAN ET AL., THE TRANSFORMATION OF AMERICAN INDUSTRIAL RELATIONS 47-80 (1986).

²⁰ Peter Cappelli, Airlines, in COLLECTIVE BARGAINING IN AMERICAN INDUSTRY: CONTEMPORARY PERSPECTIVES AND FUTURE DIRECTIONS 140-41 (David B. Lipsky & Clifford B. Donn eds., 1987).

During Ronald Reagan's presidency, deregulation spread rapidly to telephone, telecommunications, trucking, and other heavily regulated industries. Deregulation, globalization, and technological change intensified product market competition and put pressure on companies to control and cut costs wherever possible. As competition heightened in the 1970s, employers especially sought to reduce labor costs by freezing or cutting wage rates. In collective bargaining, after decades of unions being on the offensive, the pendulum swung to the employer side, and companies increasingly demanded concessions and givebacks. Union bargaining power waned significantly.²¹

Union membership as a proportion of the workforce (often referred to as union density) peaked at 35% in 1954. Union density has steadily declined for over fifty years, and in 2007 fell to 12%.²² Management opposition explains some of the long-term decline in union strength, but not all of it. Globalization, deregulation, and technological change all served to undercut the union movement. The shift from a manufacturing to an information economy brought about an increase in the white-collar, service, and professional segments of the workforce-segments the union movement has had difficulty organizing. "In addition, unions, headed mostly by aging white men, found it increasingly difficult to organize the growing number of women, immigrants, and minorities entering the labor force."²³

B. Internal Dynamics

All of the forces described here resulted in a significant reorganization of the way work is performed in many U.S. organizations. The most significant feature of this restructuring is the decline in the importance of hierarchy and the rise of team-based work. In part, the decline of hierarchy was necessitated by the changing composition of the American workforce. Companies found that to attract and retain an increasingly white-collar, higher-skilled workforce they could no longer rely upon

²¹ LIPSKY ET AL., *supra* note 1, at 63-64

²² U.S. Department of Labor, Bureau of Labor Statistics, Economic News Release: Union Members Summary (2007), available at <http://www.bls.gov/news.release/pdf/union2.pdf>; See also, LIPSKY ET AL., *supra* note 1, at 63-65.

²³ LIPSKY ET AL., *supra* note 1, at 63.

traditional concepts of authority and superior-subordinate relations, but needed to empower their employees and allow them to exercise more discretion in the workplace.²⁴ In many U.S. workplaces so-called delayering resulted in the removal of layers of supervision and the delegation of authority to teams of employees to control the direction of their activities. Many employers discovered that team-based work, especially in high-skilled occupations, resulted in the improvement of employee performance and productivity.²⁵

The penultimate hallmark of team-based work is the so-called high-performance work system. Such systems include both teams and delayering. At General Motors' Saturn plant in Springhill, Tennessee, for example, the corporation and the union agreed to eliminate all first-line supervisors and instead have teams elect their leaders.²⁶ The reduction in the number of job classifications, often called broad banding, is another feature of a high-performance work system. In the past a typical manufacturing plant might have as many as three hundred job classifications, but in recent years newer facilities have as few as five or six. Many U.S. companies recognized that eliminating job classifications and combining jobs resulted in improved efficiency and performance. But broad banding requires higher skilled employees, which in turn means that employers who adopt a high-performance work system need to be committed to the ongoing training of their employees.²⁷

More flexible and contingent compensation schemes are also a feature of high-performance work systems. Employers generally have moved away from lock-step pay practices and toward more flexible arrangements, including bonuses, lump-sum payments, and pay adjustments based on

²⁴ See KOCHAN ET AL., *supra* note 19, at 93-100. For another discussion, see EILEEN APPLEBAUM & ROSEMARY BATT, *THE NEW AMERICAN WORKPLACE: TRANSFORMING WORK SYSTEMS IN THE UNITED STATES* (1994).

²⁵ See KATHERINE V.W. STONE, *FROM WIDGETS TO DIGITS: EMPLOYMENT REGULATION FOR THE CHANGING WORKPLACE* 87-116 (2004). For a book that deals with team-based work in steel, apparel, telecommunications, and banking, see *EMPLOYMENT PRACTICES AND BUSINESS STRATEGY* (Peter Cappelli ed., 1999).

²⁶ See, e.g., SAUL A. RUBENSTEIN & THOMAS A. KOCHAN, *LEARNING FROM SATURN: POSSIBILITIES FOR CORPORATE GOVERNANCE AND EMPLOYEE RELATIONS* (2001).

²⁷ KOCHAN ET AL., *supra* note 19, at 100-02; THOMAS KOCHAN & PAUL OSTERMAN, *THE MUTUAL GAINS ENTERPRISE* (1994); APPLEBAUM & BATT, *supra* note 24; Cappelli, *supra* note 20.

employee performance or the profitability of the firm. In many organizations, contingent and flexible pay schemes have replaced automatic annual pay adjustments.²⁸

Still another feature of the contemporary organization is the expectation that employees will more directly participate in decision-making at the workplace. Many companies have experimented with innovative approaches designed to foster employee involvement in decision-making. Some companies were inspired to adopt such innovations because of the apparent success of employee participation in Japanese firms. American employers, however, eventually learned that the transfer of Japanese approaches (such as quality circles) to the American workplace was impeded by cultural differences, and they began to tailor participation programs more suited to the culture and norms of American workers.²⁹

In sum, over the past thirty years employers have significantly restructured how work is performed and rewarded, moving from hierarchical, bureaucratic, command-and-control approaches to teams, participation, empowerment, delayering, multiskilling, multitasking, and contingent pay. The reorganization of the American workplace was driven principally by management's need to remain competitive in markets that were becoming increasingly global in scope. As Lipsky et al. have written, "The reorganization of the workplace has also had pronounced implications for conflict management in that a workplace conflict management system is the logical handmaiden of a high-performance work system."³⁰ They note that "a growing number of managers have come to realize that delegating responsibility for controlling work to teams is consistent with delegating authority for preventing or resolving conflict to the members of those teams."³¹

²⁸ KOCHAN, ET AL., *supra* note 19.

²⁹ *Id.*

³⁰ LIPSKY, ET AL., *supra* note 1, at 68.

³¹ *Id.*

C. Variation in Employment Practices

Thus, external factors (globalization, technological change, deregulation) have interacted with internal dynamics of the organization (the decline of hierarchy, the rise of teams, the reorganization of work) to bring about the emergence of conflict management in U.S. organizations. But one needs to understand that the transformation of employment relations in the U.S. has occurred at an uneven pace across American enterprises. Indeed, many companies and some industries continue to adhere to more traditional approaches to employment relations. As many scholars have noted, there is considerable variation in employment practices across organizations in the U.S.

One notable attempt to map this variation, in the U.S. as well as six other advanced economies, was made by Katz and Darbshire.³² We will elaborate on the patterns identified by Katz and Darbshire because later in this article we will use their scheme in our strategic theory. They maintain that there are four patterns of workplace practices: (1) The so-called "low-wage" pattern includes firms that adhere to hierarchical work relations, traditional wage practices, and have a strong antiunion animus. The low-wage pattern, according to Katz and Darbshire, is characterized by a high level of managerial discretion and the absence of formal policies and procedures. Firms in this category have relatively high rates of employee turnover.³³ (2) The "HRM (human resource management)" firms foster a strong corporate culture, use teams directed by managers, pay above-average wages, and generally try to avoid unions. According to Katz and Darbshire, firms in this category emphasize communication with employees, human capital training and investment, and career advancement and development.³⁴ (3) The "Japanese-Oriented" firms rely on standardized practices, problem-solving teams, high pay closely

³² HARRY C. KATZ & OWEN DARBISHIRE, CONVERGING DIVERGENCES: WORLDWIDE CHANGES IN EMPLOYMENT SYSTEMS 1-283 (2000). In addition to the U.S., the authors also studied Australia, Germany, Italy, Japan, Sweden, and the United Kingdom.

³³ *Id.* at 22.

³⁴ *Id.* at 10.

linked to years of service, and value highly stable employment. Firms in this category share many of the characteristics of firms in the next category, particularly the use of team-based production. (4) The "joint team-based" firms promote joint decision-making and high levels of union and employee involvement, use semi-autonomous work groups, and link pay to the employees' knowledge and skills.³⁵

In the U.S. low-wage firms are common in the retail industry and parts of manufacturing. "Often, these firms are family owned or operated, with family members personally directing personnel policies."³⁶ The HRM pattern is a common one in the high-tech industry and other newer sectors of the American economy. Some of the corporations that belong in this category are Microsoft, Hewlett-Packard, Procter & Gamble, and Eastman Kodak. In the U.S., Japanese-oriented firms are principally owned by Japanese parent companies and include automobile assembly plants and steel mini-mills. Lastly, the joint team-based pattern, in its pure form, is relatively less common in the U.S. than the other patterns but exists in companies such as Harley-Davidson and the Saturn division of General Motors.³⁷

The variation in employment practices is not simply the result of impersonal external or internal forces. The missing ingredient is managerial decision-making-managers are the principal agents in an organization responsible for understanding the significance of the exogenous factors that affect their organization and for making conscious, deliberate decisions that accommodate those factors and result in changes in the organization's employment practices. In other words, management strategy is the source of a considerable portion (but not all) of the variation in employment practices across firms.

The term "strategy" has its origins in the military. The Latin root of the term is "stratos," meaning army, and "agein," meaning to lead.³⁸ The dictionary defines strategy as "the science of planning and directing largescale military operations, specifically (as distinguished from tactics), of

³⁵ *Id.* at 9-14.

³⁶ *Id.* at 22.

³⁷ *Id.* at 17-69.

³⁸ WEBSTER'S NEW WORLD COLLEGE DICTIONARY 1416 (4th ed. 2008).

maneuvering forces into the most advantageous position prior to actual engagement with the enemy.³⁹

It offers a second definition: "skill in managing or planning, especially by using stratagem."⁴⁰ Strategic concepts moved beyond the military and were applied to other realms, including business and management, by the mid-20th century.⁴¹ The literature on management strategy is vast, and we can only scratch the surface in this article, but we need to review some of the key concepts and controversies in the strategy literature for at least two reasons. First, our strategic theory of conflict management is rooted in the broader field of management strategy, and we seek to establish an explicit link between these two areas that has not previously existed. Second, our theory adopts one particular view of strategy, namely, the so-called resource-based theory, which needs to be understood in the context of alternative views.

A. The Classical View of Management Strategy

Many authorities date the modern history of scholarship and practice on management strategy to the work of Alfred Chandler, "who provided a disciplinary base for studying the modern corporation and inspired others at Harvard to build upon and further research his theoretical base."⁴² Chandler coined the axiom that "structure follows strategy," that is, the manner in which an organization organized its various operations was a function of its overall strategy.⁴³ He was the first management strategist to stress the importance of the fit between the design of the organization and the organization's strategic goals and objectives.⁴⁴

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ See generally ALFRED R. CHANDLER, *STRATEGY AND STRUCTURE: CHAPTERS IN THE HISTORY OF INDUSTRIAL ENTERPRISE* (1962).

⁴² Edward H. Bowman et al., *The Domain of Strategic Management: History and Evolution*, in *HANDBOOK OF STRATEGY AND MANAGEMENT* 32 (Andrew Pettigrew et al. eds., 2006).

⁴³ CHANDLER, *supra* note 41, at 314.

⁴⁴ *Id.* at 14.

A number of other scholars at the Harvard Business School followed in Chandler's footsteps and further shaped the field of management strategy.⁴⁵ Indeed, the standard view of management strategy is sometimes called the "Harvard School approach." Here we will refer to the standard view as the "classical" approach to management strategy, because there are many other scholars at other universities who contributed to its development.⁴⁶

The classical approach to strategy essentially entails setting goals and objectives for the organization, establishing a plan to achieve those goals, and identifying criteria to judge the effectiveness of the strategy.⁴⁷ In the classical model there are usually three domains: First, the leadership of the organization has the responsibility of defining the mission of the organization and of articulating a vision of the organization's potential achievements.⁴⁸ In a corporation the leadership ordinarily consists of top managers and other key stakeholders, particularly members of the board of directors. Classically, strategy formulation is a leadership function and is considered central to decision-making in the organization. Second, in the classical model the strategic process itself emphasizes long-term planning and the importance of the successful implementation of the organization's chosen

⁴⁵ See, e.g., H. I. ANSOFF, CORPORATE STRATEGY (1965); KENNETH R. ANDREWS, THE CONCEPT OF CORPORATE STRATEGY (1971). Possibly the most significant figure in the so-called Harvard School approach to strategy is Michael E. Porter, whose work will be summarized below.

⁴⁶ Several scholars at Carnegie Mellon University made a significant contribution to the study of management strategy. See, e.g., JAMES G. MARCH & HERBERT A. SIMON, ORGANIZATIONS (1958); RICHARD M. CYERT & JAMES G. MARCH, A BEHAVIORAL THEORY OF THE FIRM (1963). The Harvard group of scholars was principally grounded in the discipline of economics, whereas the Carnegie Mellon group was grounded in the behavioral sciences. Some authorities distinguish the Harvard School from the Carnegie Mellon School because of this fact. But both groups of scholars focused on a common set of questions: What is strategy? Why are some firms more successful than others? For a discussion, see, Bowman et al., *supra* note 42, at 32-33. Some scholars refer to the * traditional approach to strategy as the "rational approach," whereas others refer to it as the "prescriptive approach." See, Andrew Pettigrew et al., *Strategic Management: The Strengths and Limitations of a Field*, in HANDBOOK OF STRATEGY AND MANAGEMENT, *supra* note 42, at 3-30. Here we adopt Haugstad's use of the term "classical." See, Bjorn Haugstad, *Strategy Theory: A Short Review of the Literature*, 2 INDUS. MGMT. 1 (1999).

⁴⁷ An excellent collection of articles on the classical approach to strategy is included in HANDBOOK OF STRATEGY AND MANAGEMENT, *supra* note 42.

⁴⁸ See *Id.*

strategy.⁴⁹ In the past the planning horizon for a long-term strategy might be three to five years, although of course there was always considerable variation in this regard. In the 1980s, when many American companies began to feel threatened by their Japanese competitors, it was noted that many Japanese enterprises had much longer planning horizons than their American counterparts.⁵⁰ Third, in its more recent version, the classical model stressed the need for assessment and evaluation of the strategies an organization had adopted.⁵¹ The classical model increasingly stressed the adoption of explicit criteria to judge the success of a strategy, especially the use of well-defined quantitative measures (or metrics).⁵²

Many scholars have stressed the importance of an enterprise positioning itself in an industry or sector. That is, these scholars maintain that an effective strategy is one that allows an enterprise in a particular line of business to deploy its resources in a fashion that enables it to secure a competitive advantage against other firms in the same line of business.⁵³ Positioning theory emphasizes the need to focus on the firm's customers, rather than internal company factors in shaping strategy.⁵⁴

Some authorities assert that the classical approach to strategy reached its penultimate stage with the work of Michael Porter. His influence on management strategy has been so significant it is worth delving into his views more thoroughly. Porter underscored the difference between a true

⁴⁹ See *Id.*

⁵⁰ For a discussion of strategy in Japanese enterprises, see David J. Jeremy, *Business History and Strategy*, in *HANDBOOK OF STRATEGY AND MANAGEMENT*, *supra* note 42, at 442-43. Japanese corporations are usually family-owned enterprises. A zaibatsu is a group of diversified businesses owned exclusively by a single family or an extended family. Given the long-term family ownership of many Japanese enterprises, it is not surprising that they have a longer time horizon than American firms. See H. MORIKAWA, *ZAIBATSU: THE RISE AND FALL OF FAMILY ENTERPRISE GROUPS IN JAPAN* (1992); RICHARD PASCALE & ANTHONY ATHOS, *THE ART OF JAPANESE MANAGEMENT: APPLICATIONS FOR AMERICAN EXECUTIVES* (1981); W.M. FRUIN, *THE JAPANESE ENTERPRISE SYSTEM: COMPETITIVE STRATEGIES IN COOPERATIVE STRUCTURES* (1992).

⁵¹ See *HANDBOOK OF STRATEGY AND MANAGEMENT*, *supra* note 42.

⁵² Balaji S. Chakravarthy & Roderick E. White, *Strategy Process: Forming, Implementing, and Changing Strategies*, in *HANDBOOK OF STRATEGY AND MANAGEMENT*, *supra* note 42, at 182-205.

⁵³ See, e.g., MICHAEL E. PORTER, *COMPETITIVE STRATEGY: TECHNIQUES FOR ANALYZING INDUSTRIES AND COMPETITORS* (1980); See also AL RIES & JACK TROUT, *POSITIONING: THE BATTLE FOR YOUR MIND* (1979).

⁵⁴ See, e.g., PORTER, *supra* note 53; see also RIES & TROUT, *supra* note 53.

strategy and operational effectiveness: Operational effectiveness refers to the practices a company uses that allow it to operate not only effectively, but also efficiently. Increasing the speed of new product development, reducing the number of product defects, enhancing the performance and productivity of employees, and otherwise improving the use of inputs in the production process are all aspects of operational effectiveness. All organizations, Porter argued, need to perform these activities, so seeking a competitive edge means performing these activities better than anyone else.⁵⁵ Benchmarking (identifying the best practices used by other companies) is one means by which an organization seeks to improve its operational effectiveness. "Operational effectiveness (OE) means performing similar activities better than rivals perform them," according to Porter.⁵⁶

Porter, however, believes that superior operational effectiveness is seldom sufficient to guarantee that a company sustains its competitive advantage. The problem is that managerial best practices can usually be emulated by competitors and rapidly diffuse throughout a business sector. Operational effectiveness, Porter says, is a necessary but not a sufficient condition for superior performance. Rather, a sustainable competitive advantage depends on whether the company is capable of creating a unique value proposition. Porter writes, "Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value."⁵⁷

Porter maintains that an enterprise can pursue one of three generic strategies: (1) overall cost leadership, (2) differentiation of the product or service offered by the firm, and (3) focus, that is, targeting a particular segment of the market.⁵⁸ Some scholars would consider a cost-minimization strategy as equivalent to a so-called low road strategy, whereas strategies involving differentiation and

⁵⁵ PORTER, *supra* note 53, at 47-75.

⁵⁶ PORTER, *supra* note 7, at 40.

⁵⁷ *Id.* at 45.

⁵⁸ PORTER, *supra* note 53, at 34-46.

focus are often equated with companies pursuing a so-called high road strategy.⁵⁹ Porter's generic strategies can be linked to the four patterns of workplace practices identified by Katz and Darbshire.⁶⁰ Low-road strategies are used by firms with the so-called low-wage pattern, whereas high-road strategies are most often used by firms fitting one of the three other patterns identified by Katz and Darbshire-HRM, Japanese-oriented, and joint team-based firms. Porter, following Chandler, also stresses the importance of fit across all of a company's many activities.⁶¹ "The success of a strategy depends on doing many things well—not just a few—and integrating among them," according to Porter.⁶² Nowadays managers and scholars frequently use the term alignment, which conceptually refers to the same characteristic.⁶³

In sum, we can describe six principles that Porter believes an enterprise must follow to have an effective strategy:⁶⁴ (1) The right goal. Strategy starts with selecting the right goal, which for a typical business is profitability, market share, or superior long-term return on investment.⁶⁵ (2) A unique value proposition. As noted previously, Porter maintains that "competitive strategy is about being different."⁶⁶ (3) Distinctive value chain. A distinctive value chain is a set of activities both designed to achieve the value proposition and customized to the needs of the organization's stakeholders. Porter's terminology here is related to the notion that means need to be selected that will achieve the desirable ends.⁶⁷ (4) Tradeoffs. Porter believes that an organization cannot (and should not) be all things to all people. Rather, he maintains that an organization must pursue some activities and forego others, and effective

⁵⁹ See, e.g., KATZ & DARBISHIRE, *supra* note 32.

⁶⁰ *Id.*

⁶¹ PORTER, *supra* note 7, at 59-65.

⁶² *Id.* at 64-65.

⁶³ LIPSKY ET AL., *supra* note 1, at 324-27.

⁶⁴ Here we synthesize the views that Porter expresses in several works, but we rely principally on Michael E. Porter, *Strategy and the Internet*, HARVARD BUSINESS REVIEW ON ADVANCES IN STRATEGY 1-50 (2001).

⁶⁵ *Id.* at 39

⁶⁶ PORTER, *supra* note 7, at 45.

⁶⁷ Porter, *supra* note 64, at 39.

strategic positioning requires choices that are truly distinctive to the organization.⁶⁸ (5) Fit. As noted, Porter believes that a good fit is one that insures that all the organization's activities are mutually reinforcing.⁶⁹ (6) Continuity. Finally, Porter maintains, strategic positioning involves continuity of direction. Without continuity of direction it is difficult for an organization to develop the unique skills and assets needed for an effective strategy.⁷⁰ Porter says that frequent "reinvention" is usually "a sign of poor strategic thinking and a route to mediocrity."⁷¹

Although Porter never explicitly makes a link to conflict management, undoubtedly he would view the effective management of conflict as part and parcel of an organization's operational effectiveness.⁷² He would, accordingly, applaud a company's effort to improve the efficiency and effectiveness of its handling of conflicts and disputes, but he would not regard such efforts as essential to the company's unique value proposition and its ability to position itself strategically in the marketplace. Later in this article we will part company with Porter on this important idea: We will argue that in the contemporary era, particularly in companies requiring high-level human capital, how a company manages conflict can provide it with a long-term, sustainable competitive edge.

B. Alternative Views of Management Strategy

The classic model of strategy has been heavily criticized by some contemporary scholars.⁷³ The sea change in thinking about management strategy has been so noteworthy it might properly be called a strategic revolution. In an internet age, some scholars argue, the world moves too rapidly for organizations to engage in the kind of deliberate, long-term planning that the classical model

⁶⁸ *Id.*

⁶⁹ *Id.* At 39-40

⁷⁰ *Id.* at 40.

⁷¹ PORTER, *supra* note 53, at 40.

⁷² For Porter's view of the distinction between strategy and operational effectiveness, see PORTER, *supra* note 7.

⁷³ See *infra*, notes 77-88.

prescribes.⁷⁴ The traditional view of a strategic plan, some maintain, can put an organization in a straitjacket and stifle creativity.⁷⁵ The conventional approach to strategy has been criticized for assuming that organizational actors can employ an entirely rational basis for strategic decision-making.⁷⁶ Also, some view the classical approach as overly prescriptive in nature; that is, it presumes to instruct managers on how to develop and implement a strategy, whereas some scholars prefer a more analytical approach.⁷⁷ In addition, the classical model does not adequately take into consideration the political nature of organizations, according to its critics.⁷⁸ It assumes that strategy formulation is a top-down process, and it ignores the influence that an organization's many constituents (including employees, customers, suppliers, and the like) can have on its strategic choices.⁷⁹ The classical model, with its emphasis on rational decision-making, largely avoids dealing with the conflict and contention that can arise in an organization consisting of multiple individuals and factions with competing interests.⁸⁰ Critics acknowledge that the classical model may have been more appropriate in some bygone (possibly hypothetical) era when the world was a less dynamic one, but they argue that in the contemporary era an organization needs to be more agile and responsive to changes occurring more rapidly and continuously.⁸¹

Perhaps the leading critic of classical theory has been Henry Mintzberg. As Pettigrew et al. note, Mintzberg "used his energy and Herculean reading" along with his "great skills in conceptual pattern

⁷⁴ PAUL DOBSON ET. AL., STRATEGIC MANAGEMENT 141 (2d. ed. 2004) ("The bureaucracy is criticized for being...too slow to adapt to increasingly complex and fast-changing environments.").

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ See, e.g., STRATEGIC MANAGEMENT: A NEW VIEW OF BUSINESS POLICY AND PLANNING (Dan E. Schendel & C.W. Hofer eds., 1979); RICHARD T. PASCALE, MANAGING ON THE EDGE: How THE SMARTEST COMPANIES USE CONFLICT TO STAY AHEAD (1990); GARY HAMEL & C.K. PRAHALAD, COMPETING FOR THE FUTURE (1994); GARY HAMEL, LEADING THE REVOLUTION (2002).

⁷⁸ See, e.g., STRATEGIC MANAGEMENT, *supra* note 77.

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ Constantinos Markides, *A Dynamic View of Strategy*, SLOAN MGMT. REV., Spring 1999, Vol. 40, No. 3, at 55 (1999).

recognition and evocative writing" to challenge "one cherished belief after another."⁸² For example, Mintzberg attacked Chandler's maxim that "structure followed strategy," and noted that in many firms strategy had followed structure.⁸³ Mintzberg argued that in many firms the conventional notion that thinking preceded action was entirely reversed: he noted that strategy was frequently a rationalization for action that had already been taken.⁸⁴ In almost every regard, Mintzberg threw classical theory on its head. Most notably Mintzberg challenged the view that strategy in most organizations was deliberate and intended.⁸⁵ He coined the term "emergent strategies" to describe strategy formulation that is partly deliberate but partly unplanned.⁸⁶ In his view, strategy is a dynamic, ongoing, ever-changing process that requires an organization to revise a strategic plan to accommodate emerging opportunities and threats in the environment.⁸⁷ Moreover, Mintzberg maintained that managers, employees, and other stakeholders will interpret and implement a strategic plan in ways that confound the framers of the plan. Mintzberg shifted the emphasis from planning strategy to "crafting strategy," a term intended to capture the interactive, dynamic, and political nature of the strategic process.⁸⁸

Mintzberg essentially challenged the premises underlying the strategic planning process, but other critics went even further and challenged not only the strategic process but also the outcomes of that process, namely, the content of the strategies, whether deliberate or emergent. This approach to strategy applies chaos theory and the concept of complexity to organizational strategy. These scholars

⁸² Andrew Pettigrew et al., Strategic Management: The Strengths and Limitations of a Field, in HANDBOOK OF STRATEGY AND MANAGEMENT, *supra* note 42, at 12.

⁸³ CHANDLER, *supra* note 41.

⁸⁴ See HENRY MINTZBERG, THE RISE AND FALL OF STRATEGIC PLANNING: RECONCEIVING ROLES FOR PLANNING, PLANS, PLANNERS (1994);

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *Id.*

⁸⁸ See generally Henry Mintzberg, Crafting Strategy, 87 HARV. BUS. REV. 66 (1987); HENRY MINTZBERG & JAMES BRIAN QUINN, THE STRATEGY PROCESS: CONCEPTS, CONTEXTS, CASES (3d ed. 1996); MINTZBERG, *supra* note 84; HENRY MINTZBERG ET AL., STRATEGIC SAFARI: A GUIDED TOUR THROUGH THE WILDS OF STRATEGIC MANAGEMENT (1998); Henry Mintzberg, *The Design School: Reconsidering the Basic Premise of Strategic Management*, 11 STRATEGIC MGMT. J. 171 (1990).

view organizations as systems that are constantly in flux, bombarded by a variety of external and internal forces. In a world of turbulence and discontinuity, a planning process that imagines the possibility of a period of relative organizational stability is simply illusory. Particularly in the contemporary world, disequilibrium is a much more common phenomenon than equilibrium. These theorists have developed the concept of complex adaptive systems. The strategic process in a complex adaptive system becomes a matter of establishing a handful of simple rules or principles that, under the best of circumstances, allow an organization to move in a desirable direction. Managers of complex systems, however, must recognize that even simple rules can have unpredictable and unintended consequences. The trick for managers, according to this school of thought, is to be adaptive—that is, prepared to respond appropriately to undesirable changes in the direction of an organization that invariably are caused by the numerous interactions of participants and constituents.⁸⁹

Finally, we turn to the so-called "resource-based theory" (R-B theory) of management strategy. In subsequent sections of this article we will build our strategic theory of conflict management on the foundations provided by the R-B theory of human resource management. Whereas most classical theory is built on an "outside-in" view of strategy—that is, it views the strategic process as one that entails assessing the external factors relevant to the enterprise and then shaping a strategy on that basis—the R-B theory takes an "inside-out" approach. That is, it calls for the firm to assess its own resources and to configure those resources in a fashion that optimizes the firm's ability to achieve a sustainable competitive advantage. This view of strategy stresses the organization's ability to take advantage of and

⁸⁹ See generally ROBERT AXELROD & MICHAEL D. COHEN, HARNESSING COMPLEXITY: ORGANIZATIONAL IMPLICATIONS OF A SCIENTIFIC FRONTIER (1999); JOHN H. HOLLAND, HIDDEN ORDER: How ADAPTATION BUILDS COMPLEXITY (1995); SUSANNE KELLY & MARY ANN ALLISON, THE COMPLEXITY ADVANTAGE: How THE SCIENCE OF COMPLEXITY CAN HELP YOUR BUSINESS ACHIEVE PEAK PERFORMANCE (1999); EVAN M. DUDIK, STRATEGIC RENAISSANCE: NEW THINKING AND INNOVATIVE TOOLS TO CREATE GREAT CORPORATE STRATEGIES USING INSIGHTS FROM HISTORY AND SCIENCE (2000); RICHARD T. PASCALE ET AL., SURFING THE EDGE OF CHAOS: THE LAWS OF NATURE AND THE NEW LAWS OF BUSINESS (2000).

develop its core competencies. In the R-B theory, organizational learning is an important key to the success of the firm. We note that the R-B theory of strategy is not inconsistent with the more classical approach; for example, it features deliberate, rational planning and adopts aspects of the traditional economic theory of the firm. But it also recognizes some of the dynamic and adaptive ideas of alternative models of strategy. In a way, it attempts to combine the best of Porter with the best of Mintzberg.⁹⁰

V. LESSONS FROM THE STRATEGIC HUMAN RESOURCE MANAGEMENT LITERATURE

The central argument set forth in this article is that the research regarding the deployment of conflict management practices by organizations has, for the most part, lacked a strategic dimension. In the early ADR phase of organizational conflict resolution, researchers focused on the manner in which different practices buffered the organization from external threats in general and litigation costs in particular.⁹¹ As organizations became more sophisticated in the 1990s in their use of conflict management systems, researchers primarily focused on the proliferation of this new organizational phenomenon, the forces that brought it about, and the detailed description of its contours.⁹² Neither of

⁹⁰ See generally Birger Wernerfelt, *A Resource-Based View of the Firm*, 5 STRATEGIC MGMT. J. 171 (1984); Raphael Amit & Paul J. H. Schoemaker, *Strategic Assets and Organizational Rent*, 14 STRATEGIC MGMT. J. 33 (1993); M. A. Peteraf, *The Cornerstones of Competitive Advantage: A Resource-Based View*, 14 STRATEGIC MGMT. J. 179 (1993); J. T. Mahoney & J. R. Pandian, *The Resource-Based View within the Conversation of Strategic Management*, 13 STRATEGIC MGMT. J. 363 (1992); R. M. Grant, *Toward a Knowledge-Based Theory of the Firm*, 17 STRATEGIC MGMT. J. 109 (1996); C. K. Prahalad & G. Hamel, *The Core Competencies of the Corporation*, HARV. Bus. REV., May-June 1990 (special issue), at 79; C. C. Markides & P. J. Williamson, *Related Diversification, Core Competencies, and Corporate Performance*, 15 STRATEGIC MGMT. J. 149 (1994); PETER SENGE, *THE FIFTH DISCIPLINE: THE ART AND PRACTICE OF THE LEARNING ORGANIZATION* (1990); Kathleen M. Eisenhardt & Filipe M. Santos, *Knowledge-Based View: A New Theory of Strategy?*, in *HANDBOOK OF STRATEGY AND MANAGEMENT*, *supra* note 42, at 139--64.

⁹¹ See WALTER K. OLSON, *THE LITIGATION EXPLOSION: WHAT HAPPENED WHEN AMERICA UNLEASHED THE LAWSUIT* (1991); RICHARD A. BALES, *COMPULSORY ARBITRATION: THE GRAND EXPERIMENT IN EMPLOYMENT* (1997).

⁹² See LIPSKY ET AL., *supra* note 1; Lewin, *supra* note 5.

these two research phases examined the strategic role of conflict management in organizations and its relationship with the firm's overarching strategy.

Our call is for the introduction of a new phase of conflict management research and practice, one that will examine the relationship between different conflict management system configurations and multiple categories of organizational outcomes and performance indicators. The conflict management literature has generally encouraged the adoption of integrated conflict management systems.⁹³ However, despite the considerable investment associated with the adoption of such systems, there are many remaining questions regarding their effectiveness in general and as a function of configurational variation in particular. In other words, the study of conflict management needs to build on existing knowledge about how different systems enhance or hinder the achievement of specific organizational strategic objectives.

Shifting from a predominately descriptive and functional research lens to a more strategic lens requires a number of fundamental changes in the way we study conflict management in the workplace. In many ways, the paradigmatic shift we are advocating is parallel to the dramatic changes in the study of another workplace-related discipline, namely, human resource management. Beginning in the mid-1980s, human resource management scholars pushed for a departure from the traditional functional study of workplace practices and arrangements.⁹⁴

In its place a strategic alternative began to emerge, one that tested the relationship between human resource practices and measures of organizational performance.⁹⁵ Put differently, the strategic

⁹³ LIPSKY ET AL., *supra* note 1.

⁹⁴ Lee Dyer, Strategic Human Resources Management and Planning, in RESEARCH IN PERSONNEL AND HUMAN RESOURCE MANAGEMENT 1 (K. Rowland & G. Ferris eds., 1985).

⁹⁵ See, John E. Delery & D. Harold Doty, *Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions*, 39 ACAD. MGMT. J. 802 (1996); John P. MacDuffie, *Human Resource Bundles and Manufacturing Performance: Organizational Logic and Flexible Production Systems in the World Auto Industry*, 48 INDUS. & LAB. REL. REV. 197, 199 (1995); Mark A. Huselid, *The Impact of Human Resource Management Practices on Turnover, Productivity and Corporate Financial Performance*, 38 ACAD. MGMT. J. 635 (1995).

human resource management scholarship has sought to understand the role of human resource practices in the context of the firm's broader organizational strategy and its delineated goals and objectives.⁹⁶ At the heart of this research was the proposition that aligning human resource practices with the overall business strategy of a firm would increase its competitive advantage.⁹⁷

Unfortunately, despite the impressive body of literature that has amassed over the past two decades, the current state of conflict management research does not yet allow us to make empirically sound claims about the contribution of practices to a firm's general strategy or competitive advantage. Nevertheless, this is precisely the direction we believe the next phase of conflict management scholarship should aspire to. What then can we learn from the past two decades of developments in the study of human resource management that can inform the strategic study of organizational conflict management? In what follows, we focus on three key themes from strategic human resource management that, we believe, should be used to inform our evolving discipline.

A. Linking Human Resource Practices to Organizational Goals and Objectives

The introduction of strategic human resource management as a new subfield was motivated by, among other things, the broader proliferation of strategic approaches to the study of organizations.⁹⁸ In the midst of what we earlier referred to as a strategic revolution, human resource management scholars began to explore the relationships between their discipline and general management strategies.

In their frequently cited article on the theoretical underpinnings of strategic human resource management research, Wright and McMahan define the strategic study of human resource management as "the pattern of planned human resource deployment and activities intended to enable

⁹⁶ Patrick M. Wright & Gary C. McMahan, *Theoretical Perspectives for Strategic Human Resource Management*, 18 J. MGMT. 295, 298 (1992).

⁹⁷ For a frequently cited example see Jeffrey B. Arthur, *The Link between Business Strategy and Industrial Relations Systems in American Steel Minimills*, 45 INDUS. & LAB. REL. REV. 488 (1992).

⁹⁸ Wright & McMahan, *supra* note 96

an organization to reach its goals.⁹⁹ The authors' definition calls for an explicit linkage between human resource management and the organization's strategic processes and objectives. In order for such a linkage to be identified, human resource management scholars needed to clearly delineate the manner in which different patterns of practices affect different strategic goals. If, as was suggested by earlier theoretical advances, human resource management could be deployed in a manner that strengthened the organization's ability to pursue its chosen strategy, the empirical challenge was to provide support for this claim and expose the mechanisms through which this is achieved.

Depicted as a means of achieving very specific ends, Wright and McMahan opened the floodgates on a stream of empirical research that attempted to support this linkage between practices and organizational outcomes.¹⁰⁰ Although there is some debate regarding the extent to which human resource management practices can, in fact, affect organizational performance,¹⁰¹ a large body of literature has been accumulated over the past two decades making a strong case for the claim that these practices do contribute to a firm's underlying objectives through, for example, the reduction in turnover,¹⁰² the increase of firm productivity,¹⁰³ and the improvement in quality of service or product.¹⁰⁴

The lessons for the study of organizational conflict management are clear. First, although ADR research has provided evidence regarding the role of conflict resolution as a buffer from external pressures, a stronger, broader and more direct linkage between conflict management practices and firm

⁹⁹ *Id.* at 298.

¹⁰⁰ *Id.*

¹⁰¹ See Peter Cappelli & David Newmark, *Do "High-Performance: Work Practices Improve Establishment-Level Outcomes?*, 54 INDUS. & LAB. REL. REV. 737 (2001).

¹⁰² Jeffrey B. Arthur, *Effects of Human Resource Systems on Manufacturing Performance and Turnover*, 37 ACAD. MGMT. J. 670 (1994).

¹⁰³ See, e.g., MacDuffie, *supra* note 95; Huselid, *supra* note 95.

¹⁰⁴ See, e.g., Michael A. West et al., *The Link Between the Management of Employees and Patient Mortality in Acute Hospitals*, 13 INT'L. J. HUM. RES. MGMT. 1299 (2002); Rosemary Batt, *Work Organization, Technology, and Performance in Customer Service and Sales*, 52 INDUS. & LAB. REL. REV. 539 (1999).

strategy or outcomes needs to be established.¹⁰⁵ This entails the advancement of theory building around the existence of an empirical relationship between conflict management systems and different measures of organizational performance, going beyond the traditional legal cost savings measure of effectiveness. Furthermore, theory development is needed regarding the actual mechanisms through which an organization's use of different conflict management practices may contribute to a firm's objectives. Using social science terminology, in the process of incorporating a strategic dimension, researchers must begin to develop theories regarding the role of conflict management systems as an independent variable used to explain a variety of other outcomes, such as firm performance and employee outcomes. This article serves as a first step in this direction with a great deal of additional ground to be covered in future research.

Second, alongside the development of theoretical models, conflict management research must begin to enhance our empirical understanding of whether and how such practices improve organizational performance. Qualitative and quantitative methodologies should be employed in pursuit of evidence regarding the effects of conflict management system adoption on organizational outcomes. More importantly, empirical research is needed to establish what, if any, are the effects of conflict management system variation on such outcomes.

B. The Importance of Horizontal Fit and the Bundling of Practices

If the first major theme from strategic human resource management relates to a so-called "vertical fit" between practices and the organization's overall strategy, the second theme focuses on a so-called "horizontal fit" between specific practices.¹⁰⁶ Alongside research on the relationship between

¹⁰⁵ For a similar claim regarding the lack of evidence linking conflict management practices to higher performance measures see Julie B. Olson-Buchanan & Wendy R. Boswell, *Organizational Dispute Resolution Systems*, in THE PSYCHOLOGY OF CONFLICT AND CONFLICT MANAGEMENT IN ORGANIZATIONS 321, 334 (Carsten K. W. De Dreu & Michele J. Gelfand eds., 2008).

¹⁰⁶ See, e.g., John E. Delery, Issues of Fit in Strategic Human Resource Management: Implications for Research, 8 HUM. RESOURCE MGMT. REV. 289, 292 (1998).

human resource management practices and organizational performance, researchers began to examine the relationship between different practices and their combined effect on outcomes. This stream of research pointed to a strong relationship between the internal consistency of a set or system of practices and the magnitude of their effects on performance.¹⁰⁷ In other words, this research supported the claim that it is not sufficient to examine each human resource practice independently, but rather a systems approach to practices needs to be examined.

For example, in a study of sixty-two automotive assembly plants MacDuffie found that it was the bundling of a coherent set of human resource management practices that delivered positive performance outcomes. Furthermore, MacDuffie found that the effect of human resource practices on performance is achieved through their bundling and not through the use of individual practices. Thus, the overall effect of a consistent set of practices was larger than the additive effect of each of its individual practices. Bundled practices, it was therefore argued, have a synergistic effect.¹⁰⁸ Some scholars maintain that it is precisely this interactive strength of specific bundles of practices that differentiates strategic human resource management from the traditional functional human resource management perspective.¹⁰⁹

The implications for the study of conflict management are relatively straightforward. On the one hand, our field of study has already advanced the notion of systems of conflict management practices. In fact, the departure from single ADR practices in the early 1990s represents the recognition that conflict management at the organizational level entails more than the use of a single individual practice in an ad hoc manner. On the other hand, the study of conflict management practices as a system is still limited in a number of respects.

¹⁰⁷ MacDuffie, *supra* note 95.

¹⁰⁸ Id. at 218; for a similar argument see Delery, *supra* note 106.

¹⁰⁹ Delery, *supra* note 106, at 294.

First, there is almost no empirical research on the individual versus interactive effect of conflict management practices. Existing research has pointed to a shift in the adoption pattern by organizations, but we know much less about whether and how this shift has influenced actual organizational outcomes. Second, although some scholars have examined dimensions of internal consistency between conflict management practices,¹¹⁰ there is still a great deal we do not know about what makes for a consistent set or system of conflict management practices.¹¹¹ In other words, which practices are reinforcing and achieve the effect of a synergistic bundle? Similarly, conflict management research has not yet provided for a categorization of different sets or bundles of practices. In a notable effort to address similar questions of internal system consistency, Bendersky developed a theoretical argument for the synergetic use of rights-based, interest-based, and negotiated dispute resolution processes in a complementary manner.¹¹² According to Bendersky, the combination of these three categories of dispute resolution processes into one system will produce superior outcomes as compared with the use of each process individually.¹¹³ Bendersky has empirically supported this proposition in a recent article examining the effects of complementarities in a dispute resolution system.¹¹⁴

On the one hand, Bendersky's notion of complementarities in a dispute resolution system is in line with our call for a more detailed examination of the internal consistency of a bundled set of dispute resolution practices. On the other hand, the author maintains that one set of practices, comprising of rights, interests, and negotiated processes is, by definition, superior to all other configurations of

¹¹⁰ See, e.g., LIPSKY ET AL., *supra* note 1; Corinne Bendersky, *Complementarities in Organizational Dispute Resolution Systems: How System Characteristics Affect Individuals' Conflict Experiences*, 60 INDUS. & LAB. REL. REV. 204 (2007).

¹¹¹ For a discussion regarding the existing research on complementarities in dispute resolution systems see Olson-Buchanan & Boswell, *supra* note 105, at 331.

¹¹² Corinne Bendersky, *Organizational Dispute Resolution Systems: A Complementarities Model*, 28 ACAD. MGMT. REV. 643 (2003).

¹¹³ *Id.* at 650.

¹¹⁴ Bendersky, *supra* note 110.

practices. As will be discussed in the subsection below, we believe that our field needs to move beyond a universalistic "one size fits all" approach to conflict management.

C. Shifting from a Universalistic to a Configurational Framework

In addition to the first two themes from the strategic human resource management literature, the third development in this field that applies to the study of conflict management is the shift from a universalistic to a configurational perspective. According to the universalistic or "best practice" perspective, popular in the early literature on strategic human resource management, a very limited set of individual practices provides superior outcomes across the board, irrespective of industry setting or context.¹¹⁵ The high performance work system, described above, is one of the most notable examples of this approach. Universalistic scholars have maintained that this system of human resource management practices holds a consistent and inherent potential of enhancing organizational performance.¹¹⁶ Translated into the conflict management arena, the argument is similar to those made by researchers who maintain that a specific conflict resolution technique, such as mediation, is superior to other practices regardless of the nature of the conflict at hand, the type of organization, or any other contextual factor.

As the research on strategic human resource management evolved during the 1990s, more nuanced and sophisticated frameworks for examining the relationship between bundled practices and performance were developed. Some scholars have argued for a contingent relationship between certain practices and performance as a function of organizational context.¹¹⁷ Others have promoted a configurational approach, which argues that different patterns of practices have varying levels of

¹¹⁵ Delery & Doty, *supra* note 95, at 805.

¹¹⁶ *Id.*

¹¹⁷ Harvie Ramsay et al., *Employees and High Performance Work Systems: Testing Inside the Black Box*, 38 BRIT. J. INDUS. REL. 501, 503 (2000)

compatibility with an organization's chosen strategy.¹¹⁸ Thus, different configurations of practices vary in their effectiveness in different settings.¹¹⁹ As with the discussion of bundled practices above, some scholars have argued that the configurational approach is aligned with the very essence of a strategic approach to human resource management.¹²⁰

As noted, we believe a strategic theory of conflict management should also move toward a more sophisticated configurational approach. How do different conflict management configurations affect organizational outcomes? This is one of the main questions conflict management scholars should strive to address as part of the movement toward a new phase of conflict management research. In order to do so, a clear theoretical foundation must be put in place shedding light on: the array of strategic objectives that can be served through organizational conflict management; the actual mechanisms through which conflict management practices enhance organizations' ability to achieve these objectives; and the varied effects of different configurations of practices.

VI. THREE CONFLICT MANAGEMENT OBJECTIVES

In order to link conflict management systems to measures of organizational performance we need first to understand the various mechanisms through which these systems can affect outcomes. If, as we propose, different systems operate through different underlying mechanisms, conflict management research should begin to develop typologies of systems and study their varied relationships with organizational outcomes.

¹¹⁸ Delery & Doty, *supra* note 95, at 811.

¹¹⁹ *Id.*

¹²⁰ *Id.* at 829.

Existing literature on conflict management systems has generally distinguished between firms that choose to take a proactive conflict management approach from organizations that do not. Lipsky et al. found that Fortune 1000 firms could be classified on the basis of three general conflict management strategies: contend, settle, and prevent.¹²¹ Organizations that fell into the contend category elected to deal with conflict in the traditional fashion through managerial authority and prerogative and the court system if necessary.¹²² Organizations that elected a settle strategy tended to wait until organizational conflict was manifested as formal disputes at which point they turned to third-party dispute resolution procedures.¹²³ The prevent category of organizations, according to Lipsky et al., implemented proactive practices and systems that were intended to manage conflict on an ongoing basis thereby preventing the escalation of some conflicts and capitalizing on the value inherent in others.¹²⁴

This typology is instrumental in highlighting the distinct characteristics of organizations that choose very different approaches to the management of conflict. Nevertheless, this typology does not distinguish between the strategic goals and objectives of organizations that fall under each specific category, including organizations in the "proactive prevent" category. In other words, the typology treats firms in each category as homogeneous in their strategic approach to conflict management.

Colvin provided empirical support for the proposition that organizations facing different institutional and environmental pressures are likely to adopt different dispute resolution practices.¹²⁵ Colvin found that firms facing a greater level of litigation threats were more likely to implement employment arbitration, while firms facing the threat of unionization were more likely to implement a peer review panel.¹²⁶ Although this research examined the settle category of dispute resolution

¹²¹ LIPSKY ET AL., *supra* note 1, at 117-52.

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *Id.*

¹²⁵ Colvin, *supra* note 5.

¹²⁶ *Id.*

practices and focused on the antecedents for practice adoption and not their associated consequences, Colvin documented a pattern in which firms were motivated by very different considerations when adopting conflict management practices; these considerations shaped the specific types of practices they decide to adopt.¹²⁷

As will be described below, we maintain that organizations within a prevent or systems approach to conflict management are also not cut from the same cloth and are motivated by different goals and objectives that are a function of their overall organizational strategy. We therefore propose a typology of underlying objectives for firms that fall within the proactive prevent category.

Insights from the strategic human resource management literature, discussed above, highlight the importance of strengthening existing frameworks for conceptualizing the linkages between a set of workplace practices and organizational goals and objectives. If, as we propose, strategy in the field of conflict management is the planned deployment of practices and activities in a manner that assists in the attainment of organizational goals and objectives, then it is essential to understand clearly the range of effects that these practices can have in organizations. One of the first steps in developing such linkages in the conflict management arena requires the delineation of central categories of specific conflict management objectives. Understanding the ways in which conflict management practices are employed in organizations and the dominant categories of expected associated outcomes advances our ability to theorize about how conflict management systems might relate to different general firm strategies.

Conflict management and ADR research have exposed a wide range of associated outcomes, such as voice,¹²⁸ cost containment,¹²⁹ perceptions of justice and fairness,¹³⁰ and individual-level

¹²⁷ *Id.*

¹²⁸ See, e.g., Olson-Buchanan & Boswell, *supra* note 105, at 327.

¹²⁹ LIPSKY ET AL., *supra* note 1.

¹³⁰ See, e.g., DOUGLAS M. MCCABE, CORPORATE NONUNION COMPLAINT PROCEDURES AND SYSTEMS 33 (1988).

attitudes and behaviors.¹³¹ However, despite the abundance of empirical data, the current state of research on outcomes is limited in three central ways. First, there have been few attempts to develop clear and systematic analyses and categorizations of these outcomes.¹³² Second, we know very little about the characteristics of conflict management practices that contribute to outcome variation. Finally, there is still relatively little known about how the direct conflict management effects, such as voice, are linked to the more general organizational strategy.

At the heart of our strategic theory of workplace conflict management is the proposition that conflict management systems can be utilized to achieve three separate and, in some cases, competing intermediary objectives: the resolution of individual workplace conflicts; the facilitation of member or employee voice; and the coordination of organizational activity. To be clear, these objectives represent the intermediary outcomes delivered by the use of conflict management practices and not the broader organizational performance measures. Conflict management systems, we argue, affect organizational outcomes through one of these mediating mechanisms. We maintain that it is through the alignment of these mediating outcomes with an organization's strategic objectives that broader organizational performance outcomes are realized. Put differently, each of these objectives represents a distinct mechanism through which conflict management practices affect organizational outcomes. Distinguishing between these different mechanisms will assist us in linking specific practices to alternative categories of outcomes.

Utilizing conflict management systems in order to achieve these different underlying objectives is linked to qualitatively different general organizational strategies. In other words, we maintain that organizations seeking different overarching strategic goals should deploy conflict management practices in different ways so as to realize their specific strategy and that the decision regarding which practices to

¹³¹ Bendersky, *supra* note 110.

¹³² For a recent exception see Olson-Buchanan & Boswell, *supra* note 105.

use should be decided as a function of the conflict management objectives they are capable of delivering.

A. *The Management and Resolution of Individual-Level Conflicts and Disputes*

The conflict management literature has traditionally focused on the need to better manage and resolve individual-level conflicts as the dominant underlying rationale guiding many organizations in their adoption of conflict management systems and associated practices.¹³³ The study of conflict management systems is, for the most part, founded on the assumption that although conflict can never be completely eradicated within an organization, nor should it be, proactive management of such conflict can decrease the formation of formal disputes and enhance the resolution potential of those that arise.¹³⁴

Establishing formal and informal conflict management mechanisms is frequently motivated by a desire to deal with workplace conflicts before they escalate and manifest themselves as entrenched conflicts or formal disputes.¹³⁵ Thus, a first dominant category of organizational objectives associated with the adoption of a conflict management system is the actual management and resolution of individual-level conflict and disputes,¹³⁶ often seen as the sole rationale for developing these programs.

Organizations motivated primarily by this individual-level objective are often confronted with adversarial workplace relations and a rise in formal disputes filed within and outside the organization. Often, adoption for these purposes is aligned with the legalistic theory discussed above, in which the use

¹³³ By individual-level conflict we are referring to conflicts and disputes among peers (frontline staff or supervisors) or between employees and their supervisors and managers. We are therefore distinguishing between the resolution of these types of conflicts with the management and resolution of broader organizational collective conflicts and problems, which will be dealt with below.

¹³⁴ LIPSKY ET AL., *supra* note 1.

¹³⁵ See, e.g., Dean G. Pruitt, *Conflict Escalation in Organizations*, in THE PSYCHOLOGY OF CONFLICT AND CONFLICT MANAGEMENT IN ORGANIZATIONS 245, *supra* note 105.

¹³⁶ See Bendersky, *supra* note 110.

of ADR or conflict management practices serve as a protection from the pressures and costs of external legal avenues used to resolve formal disputes.

In addition, proactive management and resolution of frontline horizontal and hierarchical conflicts has also been viewed as a means to improve employee motivation and satisfaction with the organization.¹³⁷ The individual conflict resolution objective or mechanism is, therefore, closely linked to a broader cost containment strategy, emphasizing the reduction in costs associated with conflicts and disputes and the improvement of employee productivity and performance.

Although we acknowledge that the management and resolution of individual-level conflicts serves as a crucial organizational driver in the adoption of conflict management systems, we believe that it is not the only underlying organizational objective guiding the management of conflict. Furthermore, we maintain that focusing solely on this narrow objective runs the risk of ignoring other important factors motivating an organization's adoption and use of conflict management practices.

A strategic theory of conflict management rests on the proposition that organizations choose to adopt conflict management systems in the service of different objectives. As will be detailed immediately below, organizations often view conflict management systems as a means to achieve other, broader, organizational ends that go beyond merely resolving and managing individual-level conflict.

B. Enhancing Employee Voice

Providing employees with voice is a second central outcome traditionally studied in the context of conflict management practices.¹³⁸ Building on Hirschman's seminal exit, voice, and loyalty

¹³⁷ Bendersky, *supra* note 112, at 650.

¹³⁸ See, e.g., Olson-Buchanan & Boswell, *supra* note 105, at 327; Rosemary Batt et al., Employee Voice, Human Resource Practices, and Quit Rates: Evidence from the Telecommunications Industry, 55 INDUS. & LAB. REL. REv. 573 (2002); Alexander J.S. Colvin, *The Dual Transformation of Workplace Dispute Resolution*, 42 INDUS. REL. 712 (2003).

framework,¹³⁹ and Freeman and Medoff's application of this theory to the unionized workplace,¹⁴⁰

dispute resolution research has been guided by the proposition that conflict management practices allow for employee voice and therefore benefit the organization by reducing exit activity or quits.¹⁴¹

In the union setting, this proposition has been tested and supported in multiple contexts.¹⁴²

Union grievance procedures, which provide union members with a standardized procedure for voicing dissatisfaction with alleged violations of the collective bargaining agreement, have been shown to reduce quit rates substantially compared with nonunion firms.¹⁴³ In the nonunion setting, making the link between grievance or conflict management practices and the reduction of turnover has been much more difficult to substantiate.

Lewin, for example, examined nonunion grievance procedures in three companies, assessing the effect they had on outcomes such as turnover, promotions, and performance appraisals. Interestingly, Lewin found that in contrast to the union setting, voice in these nonunion companies was associated with increased turnover, reduced promotions, and lower ratings on performance appraisals. Much of the research since has consistently shown that nonunion dispute resolution is either positively associated with turnover measures or, at best, not significantly correlated.¹⁴⁴

Despite the absence of a strong demonstrated link between the use of conflict management practices and the reduction of turnover, their role in facilitating employee voice is still an important area of study and can be linked to other organizational level outcomes. For example, research has supported the link between uses of nonunion dispute resolution practices and the adoption of high-performance

¹³⁹ ALBERT O. HIRSCHMAN, EXIT, VOICE AND LOYALTY: RESPONSES TO DECLINE IN FIRMS, ORGANIZATIONS, AND STATES (1970).

¹⁴⁰ RICHARD B. FREEMAN & JAMES L. MEDOFF, WHAT Do UNIONS Do? (1984).

¹⁴¹ See, e.g., Batt et al., *supra* note 138, at 577.

¹⁴² FREEMAN & MEDOFF, *supra* note 140; for a recent review of the literature see David Lewin, *Unionism and Employment Conflict Resolution: Rethinking Collective Voice and its Consequences*, 26 J. LAB. RESEARCH 209 (2005).

¹⁴³ FREEMAN & MEDOFF, *supra* note 140; Lewin, *supra* note 142; Batt et al., *supra* note 138.

¹⁴⁴ Lewin, *supra* note 5; see also Batt et al., *supra* note 138; For similar reviews see Olson-Buchanan & Boswell, *supra* note 105, at 334.; Lewin, *supra* note 142.

work systems by organizations.¹⁴⁵ Some scholars maintain that the employee voice provided through these mechanisms supports the input and involvement necessary for a high performance organization of work, which relies on teams, increased employee autonomy, and discretion to be effective.¹⁴⁶

In other words, dispute resolution voice in the nonunion setting appears to provide other benefits that are not captured by the exit-voice framework. From a strategic perspective, evidence of a relationship between conflict management practices and increased employee input and involvement supports our overarching claim that conflict management practices and systems need to be examined in the context of broader organizational goals and objectives, such as the redesign and organization of work. Furthermore, we need to know more about the ways in, which organizations can tailor systems to enhance their dominant conflict management objectives, in some cases the facilitation of greater employee voice.

C. *Improving Organizational Coordination*

Both of the objectives discussed above have received considerable attention in the academic and practitioner literature. Although conflict resolution and employee voice are undoubtedly important mechanisms through which conflict management systems affect organizational performance, we believe there is a third mechanism through which systems influence outcomes, namely, organizational coordination and communication. Both employee voice and conflict resolution mechanisms operate only at the individual-level, providing employees with relief from their individual-level conflicts as well as increased input and involvement on the shop floor. Our own research on conflict management systems in organizations in diverse settings has provided evidence that conflict management practices, in addition to providing individual-level or micro mechanisms, also operate at a more macro group or

¹⁴⁵ See, e.g., Colvin, *supra* note 13844; Colvin, *supra* note 5; Batt et al., *supra* note 138, at 573-94; for a review of the research see Lewin, *supra* note 1428.

¹⁴⁶ Olson-Buchanan & Boswell, *supra* note 105, at 338; Colvin, *supra* note 5.

organizational level. In some of the organizations we have studied, conflict management practices were used to assist supervisors and managers in coordinating organizational activity, such as restructuring, and in communicating across the organization.¹⁴⁷ The use of a conflict management system to achieve coordination has been especially apparent where the system has been structured around an ombuds office. For example, in a study of a conflict management system in the healthcare setting, one of this article's authors documented the central role a hospital ombudsman played in enhancing unit and organizational coordination in the midst of substantial restructuring activity.¹⁴⁸

A hospital's ombudsman was shown to enhance a manager's ability and capacity to deal with structural and relational issues associated with unit downsizings and mergers. Furthermore, the presence of a conflict management system in a hospital setting was also linked to the improvement of organizational communication. The system provided top management with aggregated communication from the hospital's frontline and middle management, and it enabled managers to communicate more effectively with employees, supervisors, and managers.¹⁴⁹ This evidence from the healthcare setting, alongside research in other settings, illustrates the need to examine a wider spectrum of organizational objectives achieved through the use of conflict management practices.

The proposition that conflict management practices serve a coordination and communication role, thereby affecting organizational performance outcomes, is supported in another, related body of literature. Research on organizational conflict over the past two decades has improved our understanding of both the negative and positive consequences of conflict in the workplace.¹⁵⁰ Some

¹⁴⁷ Ariel C. Avgar, *Treating Conflict: Conflict and its Resolution in Healthcare* (January 2008) (unpublished Ph.D. dissertation, Cornell University) (on file with Ariel Avgar).

¹⁴⁸ *Id.* at 293.

¹⁴⁹ *Id.* at 300.

¹⁵⁰ See, e.g., Karen A. Jehn, *A Multimethod Examination of the Benefits and Detriments of Intragroup Conflict*, 40 ADMIN. SCI. Q. 256 (1995); Karen A. Jehn, *A Quantitative Analysis of Conflict Types and Dimensions in Organizational Groups*, 42 ADMIN. SCI. Q. 530 (1997); Tony L. Simons & Randall S. Peterson, *Task Conflict and Relationship Conflict in Top Management Teams: The Pivotal Role of Intragroup Trust*, 85 J. APPLIED PSYCHOL. 102 (2000).

forms of conflict, such as interpersonal or relationship conflict, have been consistently shown to have a negative effect on individual and organizational-level outcomes. Other forms of conflict, such as those associated with how the work is conducted (task conflict), have been shown to have a positive effect on certain performance outcomes.¹⁵¹

What explains the positive effects that some forms of conflict have on outcomes? Task conflict often enhances dialogue and debate regarding how work is conducted, thereby leading to a better understanding of how things are actually done in the organization and the manner in which they should be done. Furthermore, research has also shown that the presence of conflict management mechanisms amplifies the benefits of task conflict.¹⁵² In sum, the presence of conflict management practices and systems can improve organizational coordination and communication by fostering discussions regarding the way work is done and how it might be restructured.

VII. THE STRATEGIC DEPLOYMENT OF CONFLICT MANAGEMENT AND THE MEDIATING ROLE OF EMPLOYMENT PATTERNS

We have noted that one of the dominant themes in the literature on general management strategy as well as the research on strategic human resource management is the centrality of organizational fit and alignment. We maintain that a strategic theory of conflict management should consider the extent to which conflict management practices align with the organization's pattern of employment practices and, in turn, the extent to which that pattern aligns with the organization's overarching strategy. In other words, conflict management practices affect an organization's strategic goals and objectives, but are mediated by their effects on employment patterns. Thus, we theorize that

¹⁵¹ Jehn, *supra* note 150.

¹⁵² Simons & Peterson, *supra* note 150.

organizations with a high degree of alignment between their conflict management practices, on the one hand, and their employment practices, on the other hand, will be in a better position to achieve their strategic goals and objectives and will thus have a competitive advantage over organizations that lack such alignment. More specifically, we contend, the degree of alignment is determined by the extent to which the configuration of conflict management practices is compatible with the employment pattern the organization desires.

According to this argument, different employment patterns have different underlying conflict management needs and objectives. Alignment between conflict management and employment patterns is achieved, therefore, through the strategic use of each of the three conflict management mechanisms outlined above: conflict resolution, voice, and organizational coordination. Thus, for example, employment patterns that emphasize work in teams and high levels of autonomy and discretion will benefit from conflict management outcomes that enhance coordination, and the conflict management strategy adopted by such an organization should reflect this need. Building on the concepts explored above, our strategic model of organizational conflict management integrates the classical view of strategy with the internal elements of the resource based view of strategy. In contrast to Porter, we maintain that conflict management practices contribute to the attainment of a firm's general strategy, but they are mediated through their compatibility with employment patterns.

That said, conflict management also plays a central role in developing and advancing a firm's internal resources, namely its employees' human capital and its organizational social capital, defined broadly as the quality of the relationships between organizational members.¹⁵³ Conflict management practices, like human resource practices or bundles, enhance individual skills and knowledge as well as group and team level learning and knowledge sharing.¹⁵⁴ In other words, a firm's conflict management

¹⁵³ See, e.g., Avgar, *supra* note 147, at chapter 6.

¹⁵⁴ *Id.*

strategy contributes to its competitive advantage both by increasing its ability to advance a specific general strategy, or the "outside-in" approach to strategy, and through its contribution to the quality of its human and social capital or resources, or the "inside-out" approach to strategy. Both of these strategic effects, however, are closely linked to the alignment with the organization's employment pattern or system.

A. *Three Central Employment Patterns*

The concept of employment patterns or systems is well established in the industrial relations and human resource management literature.¹⁵⁵ For example, Osterman proposed a differentiation between four employment subsystems: industrial, salaried, craft, and secondary.¹⁵⁶ The choice of an employment subsystem, Osterman argued, is driven primarily by the firm's overarching goals and objectives.¹⁵⁷ Firms strive, according to Osterman, to align their employment patterns with their strategic goals and objectives.¹⁵⁸ What is somewhat less clear from Osterman's analysis is how a particular subsystem or pattern is sustained over time. In keeping with this article's general argument, we propose that a firm's conflict management practices play a key role in enhancing or hindering the survival of a particular employment pattern, thereby affecting the capacity to fulfill its general strategy.

Lepak and Snell, who also propose a categorization of employment patterns (referred to as modes by the authors) maintain that organizations tend to align their human resource management practices with their employment pattern.¹⁵⁹ More specifically, Lepak and Snell provide empirical support for the alignment of specific human resource management configurations with different employment

¹⁵⁵ See, e.g., KATZ & DARBISHIRE, *supra* note 32; Paul Osterman, *Choice of Employment System in Internal Labor Markets*, 26 INDUS. REL. 46 (1987); David P. Lepak & Scott A. Snell, *Examining the Human Resource Architecture: The Relationships Among Human Capital, Employment, and Human Resource Configurations*, 28 J. MGMT. 517 (2002).

¹⁵⁶ Osterman, *supra* note 155.

¹⁵⁷ *Id.* at 63.

¹⁵⁸ *Id.* at 53.

¹⁵⁹ Lepak and Snell, *supra* note 155.

modes or patterns.¹⁶⁰ Similarly, a conceptual linkage can and should be made, we believe, for the relationship between conflict management configurations and employment patterns.

Although there are a number of different existing conceptualizations and categories of employment patterns and systems, for the purposes of this article, we make use of the Katz and Darbshire framework, discussed earlier.¹⁶¹ Use of this framework is motivated primarily by its ability to be empirically generalized, given its application to a wide range of countries, and by the careful and rich description of the work practices associated with each pattern, which provides a convenient foundation upon which to develop a conflict management component. The patterns proposed by Katz and Darbshire clearly highlight distinct organizational goals and objectives. For purposes of parsimony and simplicity, we will make one modification in the Katz and Darbshire typology, namely, we will combine the Japanese-oriented and joint team-based patterns into one category, which we will refer to as a team-based pattern. To recapitulate, we will consider three employment patterns in our theory: low-wage, HRM, and team-based. Each of these patterns suggests different strategic goals and objectives: the low-wage pattern is the embodiment of a low-road strategy or, in Porter's terms, a cost leadership strategy. The joint team-based pattern is consistent with a high-wage strategy or, in Porter's terms, a differentiation strategy. The strategic implications of the HRM pattern are more ambiguous and empirically have been associated with either a low-road or a high-road strategy. The point we want to emphasize is that the conflict management practices adopted by an organization need to be aligned with the specific employment pattern pursued by the firm, and that pattern in turn needs to be aligned with the organization's strategic objectives.

¹⁶⁰ *Id.* at 534.

¹⁶¹ KATZ & DARBISHIRE, supra note 32.

Aligning Conflict Management with Employment Patterns

How do employment pattern characteristics affect the conflict management needs of an organization? Put differently, what are the conflict management system characteristics that are best suited for different employment patterns? Unlike the inquiries in earlier research on conflict management, these questions go to the heart of the strategic adoption and use of conflict management in organizations. In what follows, we outline which conflict management outcomes are central to each of the three employment patterns discussed.

In addressing these strategically focused questions, we rely on the typology of the three conflict management mechanisms discussed above (i.e., conflict resolution, voice, and coordination). We propose that each of the three employment patterns makes use of a different set of conflict management mechanisms. Since each of these employment patterns varies in terms of its sophistication and complexity, so too will the requirements aligning a pattern with its conflict management practices. More specifically, we maintain that the relationship between the three categories of employment patterns and the three conflict management mechanisms is additive. Thus, in our theory the low-wage employment pattern is aligned with one of the conflict management mechanisms (conflict resolution), the HRM pattern is aligned with two conflict management mechanisms (conflict resolution and voice), and the team-based pattern is aligned with all three of the conflict management mechanisms.

As noted above, the low-wage employment pattern relies almost exclusively on managerial prerogatives, is highly hierarchical, and has extremely high levels of employee turnover. Each of these characteristics, alongside the other features of this pattern, has clear conflict management implications. Simply put, the internal logic of this pattern is aligned with one of the conflict management mediating mechanisms, namely conflict resolution: Employment relations in such employment patterns tend to be highly adversarial, creating the potential not only for a high level of informal workplace conflicts, but for the manifestation of formalized employment disputes. Thus, this employment pattern requires

procedures that can keep workplace conflict at bay and prevent them from escalating to the level of formal disputes.¹⁶² In this sense, conflict management in the low wage employment pattern primarily serves the traditional legalistic role discussed above.

The low-wage pattern is not, however, strongly aligned with either the voice or coordination mechanisms. First, as discussed above, one of the main rationales for the establishment of voice procedures in the workplace is to reduce unwanted turnover.¹⁶³ Given the high rate of turnover, or exit, common in low-wage organizations, the need for or the incentive to provide an alternative voice outlet is minimal. Regarding a conflict management system's role in enhancing organizational coordination, here too, the low-wage employment pattern does not need to be aligned with this mediating outcome. The hierarchical nature of work relations, together with the high level of managerial authority and discretion, reduces the need for informal, horizontal coordination across organizational units and employee groups. Thus, consistent with our argument that different employment patterns are aligned with different conflict management system configurations, we maintain that the low-wage employment pattern is consistent with a relatively simple conflict management system emphasizing the most basic individual-level objective of conflict and dispute resolution.

The HRM employment pattern is more complex than the low-wage pattern and therefore has more sophisticated conflict management needs. First, in common with the low-wage pattern (or any employment pattern for that matter), the HRM employment pattern is aligned with the conflict resolution function of a conflict management system. The conflict resolution needs of organizations in the HRM category are also a function of the high degree of formalized policies and procedures, which are characteristics of this employment pattern and could provide the basis for formalized employment disputes. In addition, one of the underlying aspects of the HRM employment pattern is its emphasis on

¹⁶² LIPSKY & SEEBER, *supra* note 8, at 362-67.

¹⁶³ FREEMAN & MEDOFF, *supra* note 140.

increasing organizational performance by motivating the workforce through the use of progressive work practices.¹⁶⁴ Persistent workplace conflicts and tensions would undermine this feature of the HRM pattern.

Second, in contrast to the low-wage pattern, we argue that the HRM employment pattern calls for the presence of a voice mechanism in the conflict management system. The HRM employment model is differentiated from the low-wage model in that it places an emphasis on employee skills and career advancement. The HRM model also features investment in employee skills, a relatively high level of compensation, a premium on retaining employees, and efforts to create alignment between employee and organizational interests.¹⁶⁵ It is important to note, however, that despite the relative emphasis on career development and longer term relationships with the organization, firms in the HRM pattern have been experiencing a shift away from traditional long-term job security.¹⁶⁶ That said, firms fitting the HRM pattern strive to maintain a stronger tie between their workforce and the organization, hence our claim that a conflict management's voice function is central. One of the methods by which an organization can reduce employee turnover is through the facilitation of voice mechanisms and procedures.¹⁶⁷

Finally, regarding the coordination function of a conflict management system, our assessment of the HRM pattern leads us to conclude that it is not a required feature for this employment pattern. As noted, the HRM pattern is characterized by a high level of formalization both in terms of organizational structure and in terms of policies and procedures.¹⁶⁸ Although employees are organized into teams in

¹⁶⁴ KATZ & DARBISHIRE, *supra* note 32, at 23.

¹⁶⁵ *Id.* at 24; See, e.g., PETER CAPPELLI, THE NEW DEAL AT WORK: MANAGING THE MARKET DRIVEN WORKFORCE (1999).

¹⁶⁶ STONE, *supra* note 25; KATZ & DARBISHIRE, *supra* note 32, at 23.

¹⁶⁷ As noted above, the exit voice tradeoff has been clearly established in the union setting, yet the evidence regarding the existence of an exit voice tradeoff in the nonunion setting is mixed, at best. See, e.g., Lewin, *supra* note 142.

¹⁶⁸ KATZ & DARBISHIRE, *supra* note 32, at 23.

this model, they are generally managed and directed hierarchically. In a hierarchical organization coordination is a top-down function and, in labor relations terms, would normally be considered a management prerogative.

Finally, the team-based employment pattern is the most complex and dynamic one from an organizational perspective. Similar to the HRM pattern, the team-based employment pattern is also associated with workforce skill development and career advancement.¹⁶⁹ This employment pattern has a much flatter organizational structure than either of the other patterns; it operates through autonomous teams and places a great deal of emphasis on horizontal employee relations. Central to this pattern is the delegation of organizational activity from top management to the shop floor.¹⁷⁰

Based on these characteristics, our theory proposes that the team-based employment pattern should be aligned with a conflict management system that contains all three mechanisms (conflict resolution, voice, and coordination). First, conflict resolution is the standard conflict management mechanism—one that we contend applies to all organizations and employment patterns and is no less essential in the team-based pattern than it is in the others. The resolution of conflict in team-based organizations is of special importance, given the dominant horizontal nature of this type of work organization. Thus, although conflict resolution is a central conflict management mechanism in all three employment patterns, the underlining logic of the mechanism is somewhat different in a team-based firm. Both the low-wage and HRM patterns may strive to prevent unaddressed informal conflict from developing into formalized disputes, but typically the emphasis is on resolving those disputes when they do arise. By contrast, the team-based pattern shifts the focus from dispute resolution to the early management and resolution of informal conflicts.¹⁷¹

¹⁶⁹ *Id.* at 27.

¹⁷⁰ *Id.*

¹⁷¹ This point is especially emphasized in LIPSKY ET AL., *supra* note 1.

Second, similar to the HRM employment pattern, the team-based pattern seeks to reduce and minimize employee turnover. Thus, the ability to provide employees with a voice mechanism is also central to the alignment between this employment pattern and a conflict management system. Although the need for this mechanism is similar to the HRM pattern, the rationale is slightly expanded. Working in self-directed teams increases the need for input and suggestions by frontline employees. Voice mechanisms provided by conflict management practices serve not only as a tradeoff to exit, but also as a means for enabling employees to voice their work-related concerns and suggestions.¹⁷²

Finally, we maintain that to align conflict management practices with the team-based employment pattern, an organization pursuing this approach must stress coordination. Since much of the decision-making authority is delegated to autonomous work teams in a team-based organization, coordination across those teams is an especially important requirement. Thus, in team-based firms, coordination must be an important element of their conflict management practices.

Achieving alignment between conflict management systems and a given employment pattern entails a configurational deployment of conflict management practices. In other words, appropriate conflict management practices need to be implemented for a conflict management system to provide one or more of the three proposed mechanisms. Systems that are intended primarily to serve an individual-level conflict resolution mechanism will be designed differently compared to a system that is intended to serve two or three of the proposed conflict management functions.

Figure 3 summarizes our strategic theory. It links an organization's conflict management system to each of the three employment patterns through the three conflict management mechanisms or outcomes. To recapitulate, each employment pattern is compatible with one or more of these conflict

¹⁷² See, e.g., Saul A. Rubinstein, *The Impact of Co-Management on Quality Performance: The Case of the Saturn Corporation*, 53 INDUS. & LAB. REL. REV. 197 (2000); Joel Cutcher-Gershenfeld, *The Impact of Economic Performance of a Transformation in Workplace Relations*, 44 INDUS. & LAB. REL. REV. 241 (1991).

management outcomes. In our theory the team-based pattern is a more sophisticated or complex one than the HRM pattern, which in turn is more sophisticated than the low-wage pattern. Accordingly, team-based firms require more sophisticated conflict management practices than HRM firms, and in turn HRM firms are likely to have somewhat more sophisticated practices than low-wage firms. Finally, Figure 4 pulls together all the elements of our strategic theory of conflict management.

INSERT FIGURE 3 HERE

INSERT FIGURE 4 HERE

VIII. CONCLUSIONS AND FINAL THOUGHTS

We have attempted to develop a strategic theory of conflict management in part because our research suggests that a growing number of organizations are viewing conflict management as essential to the achievement of their overarching goals and objectives. Thirty years ago, when ADR was in its infancy, the term "conflict management" had barely surfaced in either scholarship or practice. Many large organizations in that era had already realized that it was essential to manage litigation, and those adopting ADR were beginning to realize that it was essential to manage dispute resolution.¹⁷³ But very few organizations considered it feasible to manage conflict, if they considered the possibility at all. Nowadays, especially in large organizations, the notion that it is possible to manage conflict has become commonplace, akin to managing any other corporate activity, such as sales, marketing, and engineering. Top managers who are now consciously managing conflict are also beginning to realize the extent to which conflict management links to their organization's strategic objectives.

¹⁷³ LIPSKY & SEEGER, *supra* note 8, at 362-67.

In this concluding section we would like to underscore three themes that underlie our effort to develop a strategic theory of conflict management. First, very little of the scholarship on workplace conflict management has been truly empirical in nature. Much of it has dealt with the legal implications of ADR and the development of conflict management systems. Although there are very useful historical narratives and case studies in the literature alongside a considerable amount of research at the micro or individual level dealing with dispute resolution, there is a paucity of empirical research on conflict management practices and systems at the macro or organizational level.¹⁷⁴

Second, we stress again our conviction that at this stage of the development of conflict management systems in U.S. organizations, it is especially critical to develop new theories that not only explain the emergence of this phenomenon, but also help explain how such systems might affect organizational outcomes. Much of what passes for theory in the literature, in our view, is normative, or prescriptive, in nature. What we require now is theory that is positive in nature-theory that leads to testable and rebuttable propositions. As we wrote earlier, "the next generation of researchers will need to do a better job of building multi-dimensional models and using multivariate statistical techniques to test hypotheses."¹⁷⁵ In this article we have attempted to develop a positive theory that incorporates some of the most important findings of a stream of research on U.S. employment relations and dispute resolution practices. On the surface it may appear that our strategic theory is more complex than either the legalistic or the systems theory of conflict resolution, and there is certainly virtue in parsimony and simplicity. But we have done our best to design our theory in a way that allows its core elements to be tested empirically in a relatively straightforward way. For example, one of the propositions that stems from this article and that can be delineated into testable hypotheses is that alignment between

¹⁷⁴ For another version of our views on this matter, see Lipsky & Avgar, *supra* note.

¹⁷⁵ *Id.* at 185.

employment patterns and the configuration of a conflict management system will lead to improved organizational outcomes.

Third, our theory's effort to link conflict management to strategic objectives rests on the validity of our assumption that the critical mediating factors are conflict resolution mechanisms (conflict resolution, voice, and coordination) and employment patterns (low-wage, HRM, and team-based). We maintain that it is variation in these mediating factors that affects an organization's ability to manage conflict in a fashion that serves its larger strategic objectives. Our theory, accordingly, emphasizes the need for alignment between conflict resolution practices and conflict resolution mechanisms and in turn the need for alignment between conflict resolution mechanisms and the organization's strategic goals. We are confident that whether an organization achieves alignment on these fronts is an empirically testable proposition.

Figure 1. The Legalistic Theory of Conflict Management

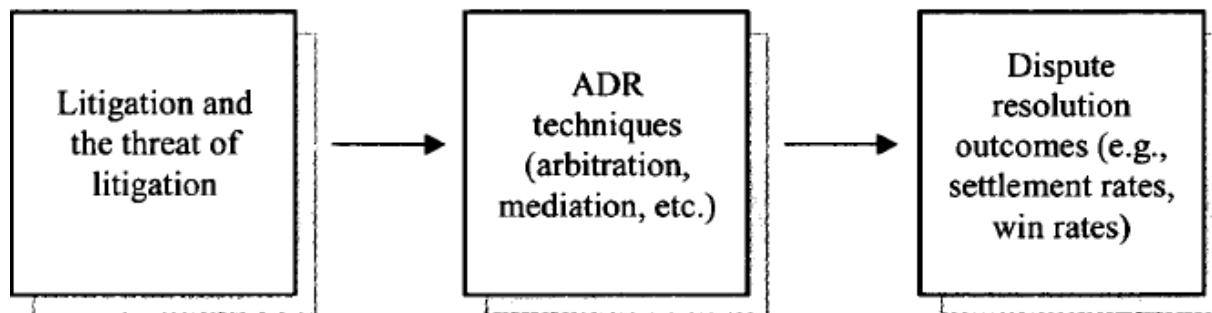


Figure 2. The Systems Theory of Conflict Management

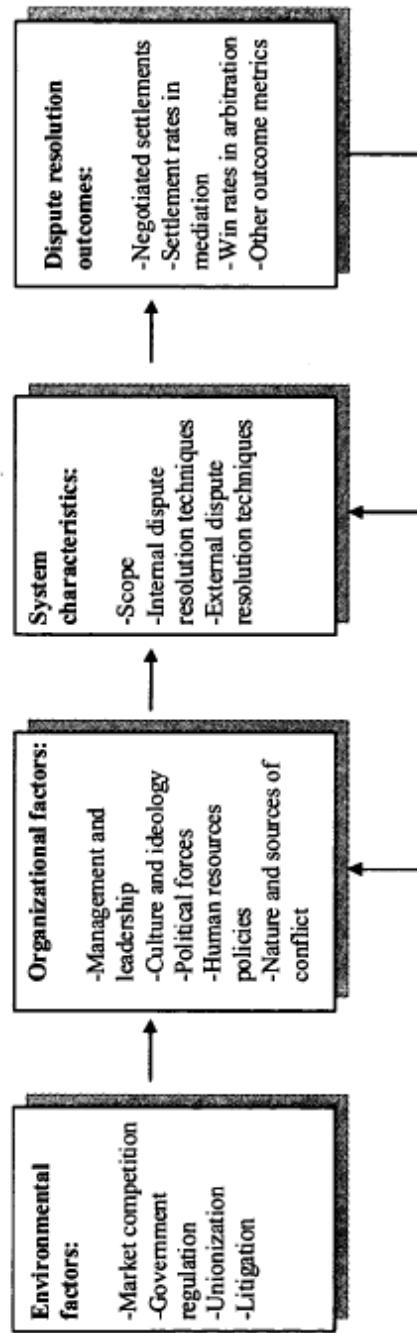


Figure 3. Aligning Employment Patterns with Conflict Management Outcomes

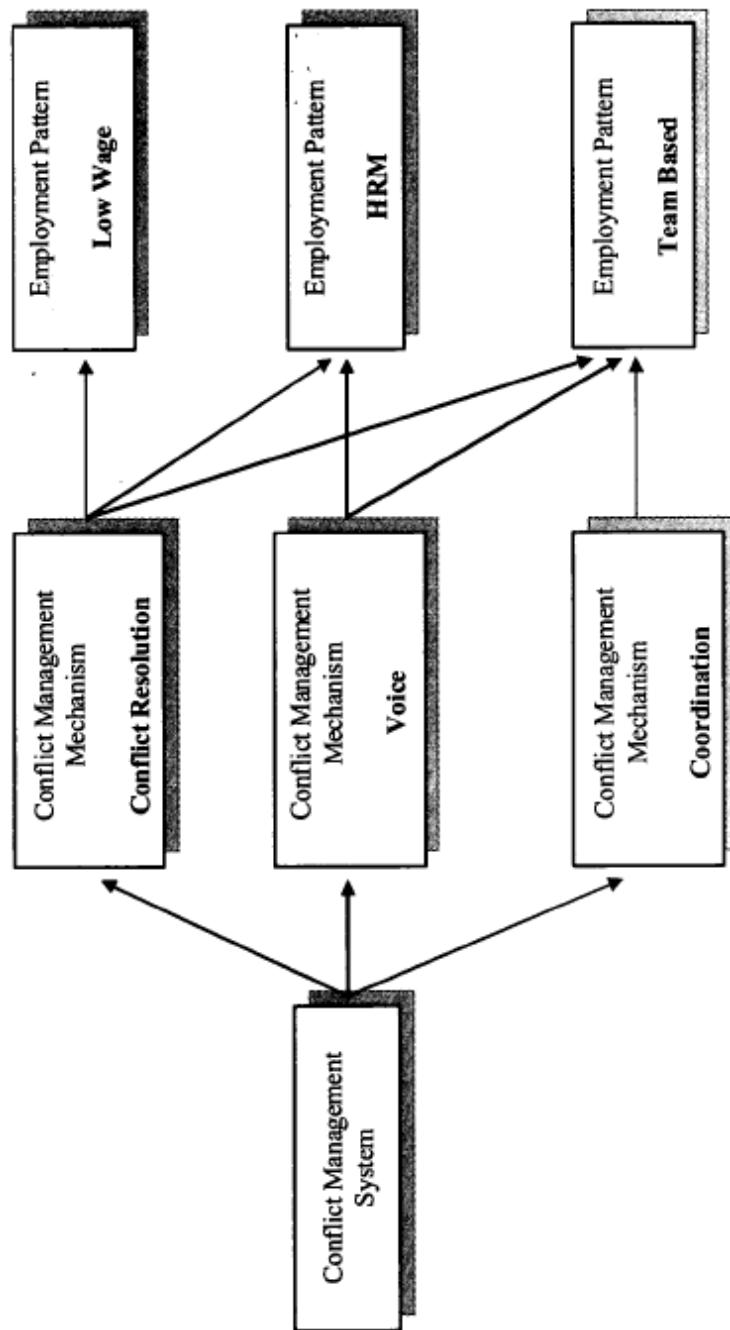


Figure 4. The Strategic Theory of Conflict Management

