



The High Cost of Conflict ... and its subtle and insidious affect on the bottom line

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What is the known and unknown cost of conflict to your business? How does it affect your bottom line? Can conflict be easily remedied before cost becomes exorbitant? These are important questions to your business. And to be successful and profitable, a business owner needs to pay attention to conflict and its impact on the bottom line.

Positive Relationships Count

We know that Charlottesville is a relational business community. One of the most striking observations newcomers have about our area is how tightly woven our patterns of interaction are. The grocery store clerk is your assistant's cousin. The customer you just helped is a teacher at your child's school. Our paths cross coincidentally with one another time and time again. And, not unlike regions of similar size, we build our volume of business based on these ever reinforcing relationships.

Conflict Can Prove Costly

Unattended conflict can irreparably harm these relationships and then your business. In all of the following situations one or both parties to a conflict may take steps to limit or end their relationship but the conflict will survive, and with it, the damage from soured relationships. Each time an unhappy employee, customer or vendor recounts his or her problem to others, positive word of mouth referrals are disrupted and future business is deterred.

Employee conflict

When conflict affects the relationship between employees or the relationships between employee and employer, employees become distracted from productive work. This type of distraction has a major negative impact on morale, loyalty, efficiency, productivity and, inevitably, profitability. When an unresolved conflict leads an employee to leave his or her job, either voluntarily or involuntarily, a business suffers the expense of replacing them, the repercussion of any venom they may have left with fellow employees, and the ill will they may spread around the community.

Customer conflict

Conflicts can also turn satisfied customers into disgruntled ones. Unhappy customers are likely to restrict or terminate the business relationship. And, sad but true, customers may feel justified amplifying their dissatisfaction to any willing ear. This inevitably has adverse affects on the business' sales and profits.

Vendor conflict

Conflict with vendor relationships can result in the loss of important supplies and services which in turn can make it hard to satisfy customers, thus causing a chain reaction of event inspired conflict. Also, vendors can be an excellent source of customer referrals which ceases when conflict arises.

The Road to Litigation

In addition to limiting or terminating a business relationship, one or both parties may hire attorneys in an effort to bring judicial closure to the conflict. Once engaged, attorneys will initiate a negotiation process that may achieve satisfactory results. If not, a lawsuit may be initiated in which the parties surrender the outcome of the conflict to a judge.

In Court the conflict will be resolved, but this does not restore the relationship or the valuable business that may have been lost with it. And, as is so often the case with judge or jury determined outcomes, one or both parties may be unhappy with the decision.

Because of this, it is growing more common, with the escalating cost of litigation, that instead of pursuing the judicial process, the parties may decide that living with the consequences of conflict may be less expensive than a final destination in court. They swallow hard and move on with no resolution. In a 2005 survey run by the Charlottesville Regional Chamber of Commerce over a quarter of business respondents noted that they chose not to pursue a conflict due to the potential financial cost involved.