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### Ірина СІВЧУК

## МЕТОДИЧНИЙ ПІДХІД ДО ЕКОНОМІЧНОГО ВИЗНАЧЕННЯ ПОКАЗНИКА РІВНЯ КОНФЛІКТНОСТІ

**Резюме.** Обгрунтовано потребу в нових прогресивних методах визначення та розв'язання конфліктів, таких, які б дозволили вирішити конфлікт швидко, з мінімальними фінансовими втратами, орієнтованих не лише на ліквідацію конфліктів, а й на збереження гарних відносин з бізнес-партнерами. Запропоновано формулу для розрахунку рівня конфліктності на основі експертного оцінювання чинників внутрішнього середовища підприємства.

**Ключові слова:** конфлікт, показник рівня конфліктності, експертне оцінювання, підприємство, вагові коефіцієнти, управлінські задачі, колектив підприємства, господарська діяльність, рівень заробітної плати.

### Iryna Sivchuk

# METHODOLOGICAL APPROACH TO ECONOMIC DEFINITION OF CONFLICT LEVEL INDICATOR AT THE ENTERPRISE

**Summary.** Ukraine's economy reorientation to new market mechanisms requires an appropriate modernization of training specialists of different professions. It concerns not only experts in economics and management, but also managers, who can resolve conflicts. Business practice based on market principles confirms that the effectiveness of any economic activity depends initially on the competence and creative activity of management personnel, sufficiently deep knowledge of particular economy, social aspects of management, and without doubts – constructive conflict resolution at the enterprise.

Conflicts play an important role in modern life of the Ukrainian people (especially constructive and destructive), in other words wage disputes, intellectual potential disputes, conflicts regarding employee's professional development, the prices of various goods, regarding the real access to these benefits and other resources. However, any operational organization, company, institution is associated with inevitable emergence of various conflicts. The conflict is a natural condition of the existence of any group of people; it is a source and driving force of personnel development. Such perception allows using conflict as a tool for the organization development, if necessary, through the internal culture change, the hierarchical structure change and creating conditions for the best performance of employees to achieve their administrative objectives.

The article shows the need of new innovative methods of identifying and resolving conflicts. Such methods, which would help to resolve the conflict quickly, with minimal financial losses, targeted not only at eliminating conflicts, but also at maintaining good relations with business partners. It is offered the formula for calculating conflict level based on expert evaluation of internal environment factors.

**Key words:** conflict, conflict level indicator, expert evaluation, enterprise, weighted coefficients, administrative tasks, enterprise's personnel, economic activity, level of wages.

**The problem formulation.** Establishment of a market-oriented economic system and development of improved competitive relations between entities in Ukraine require the implementation in equal measure of managing and controlled organizational-economic mechanism that can provide a stable high-efficient operation of enterprises on the conflict-free basis and intensify the reproductive processes both at the local and global levels.

The enterprise development system should be a functionally interrelated set of separate control elements, which in the context of organizational and structural approach at a particular time are not located within a particular system, but strategically focused on sustainable economic development.

The social and labor relations improvement, including the search for effective mechanisms of conflict prevention has always been an important factor in ensuring the efficient operation of the enterprise, competitiveness and quality of work life. The experience of many successful foreign companies in usage of solid methods of conflict resolution enables to achieve high efficiency in production and employment as well as the enterprises' competitiveness improvement.

Analysis of recent research and publications. The problems of the origin, development, prevention and minimization of the conflict negative effects in the company (conflict level indicator) on the theoretical and methodological levels had been studied by many scientists, including: L.M. Gerasina, A.M. Girnyk, T.V. Dutkevych, L.M. Emelianenko, A.T. Ishmuratova, G.V. Lozhkina, V.M. Nagaev, V.M. Petyuh, M.I. Piren, N.I. Povyakel, M.V. Prymush, I.I. Rusynka, L.I. Skibitska, V.G. Tymofieva, S.F. Frolov, S.M. Khymenko, B. Gurney, N.V. Grishina, R.G. Dahrendorf,

M. Deutsch, G. Simmel, S. Emelianov, M. Dean, L. Coser, G. Kozyrev, K.C. Levin, A.I. Shipilov, K. He Sung.

The purpose of the article is to substantiate the rationale of the conflict level indicator definition and application at the enterprise.

**The main material.** The conflict is a social phenomenon, a fight, a real struggle for values, resources, wealth, influence, interests and needs. It is the clash of opposite goals, positions, opinions and views of the conflict interaction opponents. The problems, contradictions and opposites are necessary, but not yet sufficient conditions of the conflict. They turn into the conflict, when the forces that are their bearers begin to interact (individuals, groups, etc.).

The conflict management, as well as personnel management in general, should take into account the complexity and multidimensionality of the labor relations in all directions – between employers and workers, between the enterprise management and the trade union committee, council board of the work collective; between supervisor and subordinates, between individuals and group. This is due to the fact that labor relations are formed with influence of socio-economic environment factors and functional interactions, depend on the regulations and human traditions, and are the basis of conflict resolving that arise at the workplace.

The conflict level is an indicator of tension, instability, anxiety, suspicion, uncertainty, contradictions, in other words, indicators of the contradictions' sharpness in the group. Many economic and non economic factors influence on such a financial and economic indicator of the enterprise's performance as a profit. So it is quite difficult to mark direct co-relation between the profit level and the conflict level condition. Of course there are more significant factors that influence on the profit level, but conflict level indicator also has an effect.

It is well known that at stable companies the conflict level is quite low and, vice versa, on the enterprises with a high conflict level, there are problems that affect the financial and economic indicators. As the conflict level is invisible, but still very tangible factor, the extent of its influence is reflected on the profit level. In order to understand the content of the conflict level integral indicator, it is very important to review the methodological foundations of the algorithm of its obtaining. Therefore, the initial stage of the conflict level evaluation at the company – is a selection of key indicators that are used during the calculations. In generalized form, the following indicators are shown in figure 1.

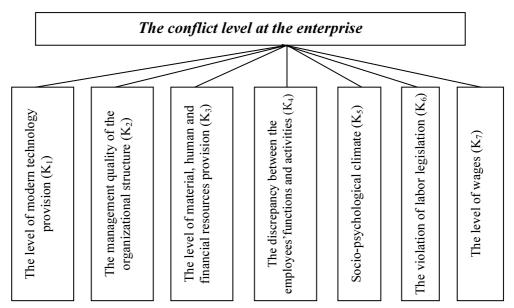


Figure 1. The structure of the conflict level indicator elements at the machinery enterprise

Note: developed by the author

The elements of the conflict level indicator can be identified with:

• analysis of the sociological research, made by author;

- expert evaluations (leaders, managers, Mediation and Conciliation Service employees);
- generalization of foreign and domestic experience of the conflict resolution in manufacturing;
- theoretical basis: scientific works on production management and conflict resolution, in particular regarding the conflict origin and causes;
  - these elements in themselves, under certain circumstances, can act as the conflict causes.

The general conflict level indicator at the enterprise is calculated as the sum of the indicator's elements taking into account weighted coefficients.

Let us denote the conflict level at the enterprise:

 $K_1$  – The level of modern technology provision;

 $K_2$  – The management quality of the organizational structure

K<sub>3</sub> – The level of material, human and financial resources provision

K<sub>4</sub> – The discrepancy between the employees' functions and activities

K<sub>5</sub> – Socio-psychological climate

K<sub>6</sub> – The violation of labor legislation

 $K_7$  – The level of wages

The set of conflict level indicator elements at the enterprise corresponds to the system of correlation:

The conflict level = 
$$f(K_1, K_2, K_3, K_4, K_5, K_6, K_7)$$
 (1)

The best possible value of the conflict level indicator at the enterprise (CLE) can be determined on the basis of the weighted average, so the function would look like:

$$CLE = \sum_{i=1}^{n} V_i K_i \tag{2}$$

where n – the number of elements (n=7);

 $V_i$  – the weight coefficient of the indicator's element  $(\sum_{i=1}^n v_i = 1)$ ;

 $K_i$  – numeric value of the indicator's element evaluation.

Let us conventionally accept that the impact factors on the conflict level at the enterprise are the same, so we will use a general system of the weighted coefficients.

It is formed the quantitative and qualitative team of experts in order to determine these coefficients of the partial indicator's elements, it is conducted their survey regarding the indicator's weighted coefficients. It has been prepared a questionnaire with questions, with scores from 0 to 1 (with the next step: 0, 0.1, 0.2, 0.3, 0.4, 0.5, 0.6, 0.7, 0.8, 0.9, 1) in order to determine the competence of candidates for experts, where 0 – characterizes the low conflict level, 1 – high conflict level. As a result, it is formed a group of 10 experts. Fewer experts lead to the decrease in the accuracy of the calculations, and more – make polling complicated.

Let us conventionally divide the conflict level indicator by two criteria. The first is working conditions, and the second – level of wages. The criterion "Working conditions" includes the following components: the level of modern technology provision, the management quality of the organizational structure, the level of material, human and financial resources provision, the discrepancy between the employees' functions and activities, socio-psychological climate, the violation of labor legislation.

The conflict level increase directly depends on the working conditions at the enterprise. Nowadays the work safety management in Ukraine is violated, which stimulates the growth of occupational diseases. Each year 7000 Ukrainians are first detected to have the disease due to the poor working conditions. Up to 40% of disabilities are caused because of such diseases. In this case about 17 thousand workers each year become disabled. The consequences of accidents are in 10 times more expensive than the cost of prevention measures. These are the data of the Business Council of

Germany. In Ukraine, taking into account the lower costs for work safety, this discrepancy is even bigger. Experts of the International Labor Organization estimated that the economic losses, associated with accidents amount for 1% of global gross domestic product (GDP). These funds can be used in order to feed throughout the year about 75 million people [1]. In Russia, the direct economic losses due to the poor working conditions amount to about 2 trillion rubles per year, or 4.2% of GDP [2].

Another criterion that determines the conflict level at the enterprise is the «level of wages». According to Article 1 of the Act of Ukraine «Payment for labor» № 108/95-VR, wages is a reward calculated, usually in monetary measurement, which is under a labor contract paid to the employee for their work by the owner or delegated authority. The salary depends on the complexity and working conditions, professional and business skills of the employee, the results of the work and enterprise's business activity [3].

The main requirements for the wages management, that meet the interests of the employee and the employer at the enterprise is to provide the necessary wage level at maximum cost reduction per production unit [4]. For this reason the wages should stimulate the employee's labour activity, develop his creativity and provide him adequate living standard.

Due to the indicator's elements weighted coefficients determined by the experts, let us derive a formula calculating the conflict level at the enterprises:

The conflict level = 
$$\sum_{i=1}^{n} V_i K_i = 0.08K_1 + 0.05K_2 + 0.1K_3 + 0.09K_4 + 0.23K_5 + +0.17K_6 + 0.28K_7$$
 (3)

The conflict level – the conflict level at the enterprise; n – number of elements (n=7);  $V_i$  – the weight coefficient of the indicator's element ( $\sum_{i=1}^{n} v_i = 1$ );  $K_i$  – numeric value of the indicator's element evaluation.

Based on the interpretation of the calculation results of above indicator, it is offered the gradation of the conflict level indicator (table 1) [5].

Table 1
The gradation of the conflict level indicator

Conflict level	Description
(0,75;1)	High. Negative social and psychological condition at the enterprise. The
	disablement of the conflict process participants to resolve the conflict individually. It
	is required the third party interference to resolve collective labor disputes.
(0,50;0,75)	Medium. Unstable social and psychological condition at the enterprise. The
	participants of the conflict interaction are ready to resolve the conflicts.
(0,25; 0,50)	Acceptable. Stable social and psychological climate. The members of the conflict
	are able to reach a consensus in resolving conflicts.
(0; 0,25)	Unexpressed. Positive social and psychological climate at the enterprise.

The calculation results show that the proneness to conflict at the enterprises, depending on the situation, can be in the range of high, medium, acceptable and unexpressed levels. This allows us to claim the lack of managers' attention to the conflict problem at the organizations. This method can be used to calculate the conflict level over time, which enables constantly to track the changes and impacts of management decisions on its fluctuations.

**Conclusions.** Based on the above stated, we can make following conclusions:

Based on the elements aggregation (the level of modern technology provision, the management quality of the organizational structure, the level of material, human and financial resources provision, the discrepancy between the employees' functions and activities, socio-psychological climate, the violation, the level of wages), the weighted coefficients structure of the indicator's elements, the effect of which is different, allows using mathematical relation to establish the conflict level at the enterprise. The conflict level indicator enables to define the maximum

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acceptable conflict borders – high, medium, acceptable, unexpressed, what will help directors and managers to analyze the socio-psychological climate in the team, and consequently to prevent the conflicts. It should be noted that:

- the conflict level is one of the factors that affect the profit;
- there is inverse relation between the conflict level and income level;
- during the conflict escalation (strikes, demonstrations, picketing, etc.) the conflict level can
   become one of the key factors that affect the conflict level;
  - by constructive conflict settlement, the profit indicator can acquire a stable growth trend.

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