

IMPACT OF WORKPLACE CONFLICT ON EMPLOYEES' PERFORMANCE IN COMMERCIAL BANKS OF NEPAL

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Abstract

Employee performance among the employees has been found as a fundamental element influencing the workplace conflict of the organisation. The purpose of this study was to examine the Impact of Workplace Conflict on Employees' Performance in Commercial Banks of Nepal. The variables included in the study were the relationship conflict, task conflict, and process conflict were independent variable and employee performance was dependent variable. A survey research design using questionnaire method on 5-point Likert scale was used to collect. The study was conducted with the sample size of 170 and the data were analysed through the use of descriptive statistics, correlation, regression, t-test and multi-collinearity test using SPSS software. The findings of the study have a R square value of 0.626 meaning that 62.6% of the variation in the dependent variable is explained by the independent variables while 37.4% is explained by other variables outside the model and also showed that there is a strong positive correlation between the dependent variable and the set of independent variables. The result showed that there is significant impact of RC, TC, PC on EP.

Key words: Workplace Conflict Employees' Performance, Relationship conflict, Task conflict, Process conflict

INTRODUCTION

During the past decades, Nepalese banking systems have been a portrayal of low turnover, high loan interest rates, large interest rate distribution, inefficient management, and inadequate funds available for major ventures (NRB, 2013). In addition to promoting greater financial integration, Nepalese financial structures often demonstrate national and urban/rural inequalities. To address these issues, Nepal Rastra Bank (NRB) has implemented the fiscal consolidation policy. One of the most effective restructuring steps in the financial sector so far is merger & acquisition (M&A) between weaker and stronger banks. For the Nepalese banks and financial institutions (BFIs) mergers and acquisitions are a fairly recent phenomenon. Nepal Rastra Bank introduces the Merger By-laws 2068 B.S. based on article 177 of the Company Law 2063(B.S), article 68, and 69 of the BAFIA 2063(B.S).

The steps taken by Nepal Government are moreover has been found resolving the issues of the national economy but on the other hand, it has introduced conflict between the employees of bank merged/consolidated. The diversified workforce, merger of different working approaches, new set of challenges, change in employee's positional hierarchy have breed conflict and influenced the employee performance as well. Many studies are done so far have shown that the dynamics of human resources problems both before and after merger or acquisition are key elements in the conflicts. Ultimately managing conflict of employees leads to success or failure of the strategic move of merger or acquisition.

The conflicts in work place have possibility to flame in organizational level dispute due to not managing it properly in initial stage just immediately after M&A. In the banking industry its possibility cannot be ruled out. To prevent such catastrophic situation in banking organization there is need to conduct a comprehensive analysis of the key possibilities of conflict that severely affect workplace efficiency.

The M&A method also entails a great deal of job-related confusion and can be a intriguing for the workers. Buono and Bowditch (1989), states that a merger causes, and is a source of anxiety for employees. It leads to counter-productive employee behavior. The changes in an organization due to M&A increases employee perception of job insecurity and eventually leads to a drop in an organization's commitment, organization's trust, job satisfaction, and work performance (Ashford, Lee, and Bobko, 1989). Tetenbaum (1999) also suggested that the productivity of an organization declines by 25-50 percent in such situations.

Every organization's performance is multi-faceted and complex. The success of any organization is measured by evaluating the productivity and their successes in tangible areas (e.g. manufacturing efficiency, amount of consumers served, income improvement by percentage), or by assessing their success using a series of

predetermined criteria. Organizational efficiency is measured based on the extent of achieving specified targets, such as financial or productivity results and meeting strategic goals, such as owners' vision, shareholders expectation, and customers' satisfaction (Robins and Barnwell 1994).

The study is about the conflict management in the context of banks employees of commercials bank that endured the consolidation. The main objective is to analyze the role of conflict management in the performance of the bank.

For the study the conflict stages are their redressal mechanism is considered. The conflict behaviors of employees stem due to varied experiences, emotions, and mindsets of opposing individuals. The conflict situation arises mostly due to opposing views of groups or individuals. It is the state of tense-relationship between employees. The third aspect is the outcome of conflict which concerns consequential behavior, behaviors and performance changes, rotten relationships with the peers and subordinates. The conflict between persons isn't simply divergent behavior or action; it is also due to the varied perception, different thinking, disagreements, arguments, emotional problems, and task-related issues. All these aspects are considered in identifying the reason for conflict behavior and the impact of the conflict management on bank performance is assessed.

Research Objectives

The research works are carried out with the following objectives: -

- ✓ To examine the impact of task conflicts on employees' performance in commercial banks of Nepal.
- ✓ To evaluate the effect of relationship conflicts on employees' performance in commercial banks of Nepal.
- ✓ To assess the influence of process conflicts on employees' performance in commercial banks of Nepal.

LITERATURE REVIEW

Hossian (2017) examine the Impact of Organizational Conflict on Employees' Performance in Private Commercial Banks of Bangladesh, and found that employee performance is unfavorably influenced by struggle circumstances, yet it can likewise cause a positive, hierarchically useful discussion. To make an ideal atmosphere and workplace in money related organizations, we have to consider and evaluate employee productivity in conflict circumstances.

Jungst (2016) in his research paper entitled "Work Relationships: The negative relationship between conflict (task and relationship conflict) and success was tested against the negative effects of conflict". Conflicts have been discovered to be negative for employees who have no access to high social networks. The study has also shown that workers are less engaged or engaged with work because they experience an uncomfortable working atmosphere while they are experiencing a conflict of tasks. This disturbs the working scenarios and increases the sense of unease, irritation, nuisance, and overall job unhappiness. The research has also shown that the action of working relations has a more optimistic motivating effect. The study ended with a more optimistic idea of valuing working relationships to improve employee morale and profitability so that they remain less influenced by conflicts.

Ajike et al. (2016) in their research article "Effect of Conflict Management on the Performance of Financial Service Organization in Nigeria: An Empirical Study of Access Bank PLC" examined the impact of conflict management upon the performance of Access Bank in Nigeria. Researchers noted that the term conflict has often been viewed negatively, but the successful management of conflict increases organizational creativity and productivity. Finally, the study concluded with different recommendations, like developing suitable strategies, dealing with issues properly, and managing flexible approaches to conflict management, to resolve disputes before escalating to the unmanaged level.

Awan, and Saeed (2015), in their research paper entitled "Conflict Management and Organizational Performance: A Case Study of Askari Bank Ltd", analyzed the major reasons for conflict and conflict management strategies prevalent in the bank under study. Conclusions showed that the approaches for conflict resolution vary greatly with the age and education of the studied respondents. The views of respondents of men and women on various conflict resolution approach implemented by the management of the bank were not substantially distinguished. Lack of warm relationships between management and employees, differences of perception, behavioral problems, and a lack of effective communication have continued to emerge as key

conflict sources among banking personnel. The multiple unstable effects were subsequently investigated using high mean ratings like Low morality, low productivity, lack of direction, and lack of innovation. Communications divide. The study concluded with a range of recommendations for banking management on free contact, the continuous dialog between management and staff to share ideas, and explain various issues whenever appropriate.

Hasani et al. (2014), in their research paper “Identity of Organizational Conflict framework: Evaluating Model Factors Based on Demographic characteristics in Iran” tested the deviation occurred in the overall level of workplace conflict framework concerning the population variables such as sex, age, tenure ship, and educational level. The results for the overall conflict environment based on gender have shown other population variables like age, qualifications for education, and work experience as important. There were no major variations in the overall context of the dispute. The study also identified factors that cause conflict. A literature analysis of 38 variables included a total of ten large factors. The factors that emerged had thus been named, i.e. Incompatible objectives, different values and beliefs, conflict in ambiguity and role, communication problems, ambiguous rules, conflict of authority, inconsistent evaluation and reward system, job stresses, work dispute and lack of information system. The study concluded with several management recommendations for workplace conflict resolution while employees were involved in various organizational processes.

Agwu (2013), in his research analysis determined the extent of the relationship between conflict management styles and employees’ performance in Julius Berger Plc. Bonny Island. The results showed that the conflict management structure’s relationship to employee performance is significantly positive. It was further noted that Julius Berger management employees prefer a mixture of problem-solving, compromise, and collaborative conflict management strategies. The findings also revealed that Julius Berger’s sources of conflict concern primarily relate to problems of value and belief, autocratic managers’ style, and unacceptable terms such as poor working hours and the lack of fringes.

Tandon, and Sharma (2012), in their research article “Conflict Management in Public Sector Undertaking; A Case Study of prevailing Interpersonal Conflict at JKSRTC in J&K” explored particularly the level of interpersonal conflict level in Jammu & Kashmir State Roadways Corporation. The results of the trial revealed that JKSRTC employees work at a high level of interpersonal conflict. The study, at last, identified the various ways of preventing and resolving conflict scenarios among the conflicting parties, such as brainstorming in the respective organization, training sessions to identify new and explorative conflict management approaches, effective and open communications between conflicting parties, a regular performance assessment system and more realistic measures.

Probst (2009) found the elements of performance are: a) Input b) Output c) Efficiency d) Service Quality e) Outcomes. The presentation markers ought to likewise be conveyed by illustrative data. Performance indicators must be quantifiable, quantifiable, applicable, reasonable, and convenient. At the clench hand reaction, the indicator may appear to be neither quantifiable nor quantifiable; a target investigation of the program’s parts will usually survey some viewpoint that is quantifiable, quantifiable, and important.

On the other side, De Bono (1985) expressed that contention takes numerous structures in associations. There will in general be contrasts among the management and managers and those individuals and groups working under them. There are disagreements regarding how revenues to be partitioned, how the work ought to be done, and to what extent and hard individuals should work. There are jurisdictional differences among people, offices, and associations, and executives. There are subtler types of contention including competitions, jealousies, character conflicts, job definitions, and battles for force and favor. There is likewise struggle among people and their contending needs and requests — to which workers react in various manners in the association.

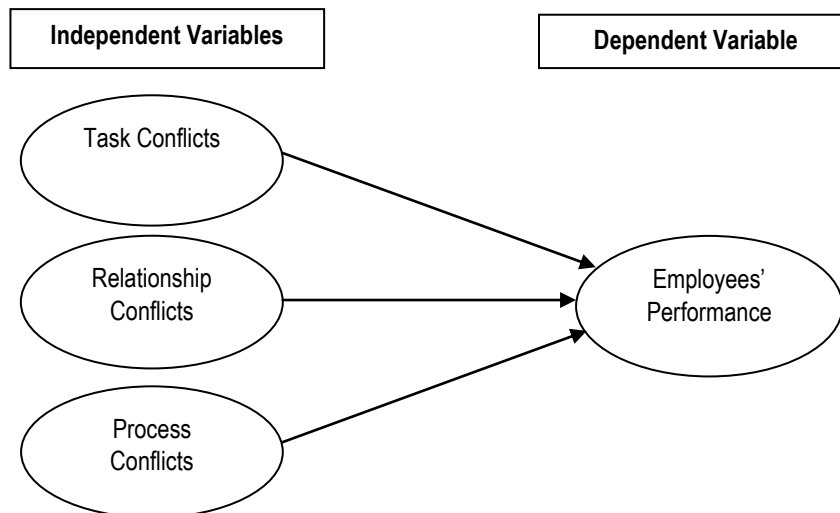
Argyris (1957) expressed in his investigation that contention is experienced in two general structures; individual conflict and task conflict. Struggle in the financial business can influence workers’ presentation and banks’ gainfulness.

The Conceptual Model

Some studies have attempted to investigate the relationship between conflicts and performance in an organization. Soft factors of employees, such as communication and trust, have already featured in the banking industries. However, the effects of soft factors (e.g. the impact of conflicts and dependency on employee performance) have not been investigated. In this study, organizational conflict is specified as process conflict, relationship conflict, and task conflict in the model. The IPO (input, process, output) framework, which has been

widely used in team performance studies (Mathieu et al., 2008), is adopted to develop the conceptual model of this study. The interdependent variables are task characteristics of bank's employees, relationship characteristics, process characteristics between employees' job characteristics, while the dependent variable is employee performance in context to absenteeism, turnover, and OCB. According to Jehn and Mannix (2001); Jehn and Bendersky, (2003) and Chen et al. (2014), task conflict, relationship conflict, and process conflicts are intermediate variables.

Figure:1



Proposed Hypotheses

In the present study following hypotheses are framed to be tested:

- H1: There is a significant relationship between task conflicts and employees' performance.
- H2: There is a significant affiliation between relationship conflicts and employees' performance.
- H3: There is a significant relationship between process conflicts and employees' performance.

RESEARCH METHODOLOGY

This study is based on a causal-comparative research design. The information is gathered from sampled employees of the selected M&A commercial banks from the years 2017 to 2022 AD. A Multistage Sampling method is used in selecting the respondents. It is multistage as in the first phase all commercial banks are selected and then on the basis of M&A banks; in the defined period between is selected. This method gives every employee of the sampled commercial banks an equal chance of being selected as part of sample elements.

Sampling

For a sampling of the research, the commercial banks which are merged or acquired from 2017 to 2022 AD are selected. 10 branches from every selected bank are randomly selected in which 20 respondents from each branch are asked for the questionnaire. A total of 180 questionnaires were completely filled and returned. The respondents are based on the existing structure of the organization i.e officers and managers.

Data Collection tools

Primary data are collected using Questionnaire. Questionnaire (measurement tools) are prepared to know the organizational conflict in commercial banks of Nepal. The questionnaire is designed as per the variables featured in the model. The questionnaire is on the Likert Scale.

Secondary data included published and unpublished articles, conference papers, books, and bulletins, etc.

Data Analysis Tools and Presentation

To analyze the problem of the research, statistical techniques Mean, Standard Deviation, Correlation and Regression, are used to examine the variables characteristics through statistical software SPSS Version 21.

DATA PRESENTATION AND ANALYSIS

	Correlations					
	Mean	S.D	RC	TC	PC	EP
RC	2.4643	0.6841	1			
TC	2.9158	0.6688	.619**	1		
PC	3.3482	0.496	.140**	.488**	1	
EP	3.7277	0.5976	-.199**	-0.06	.372**	1

** Correlation is significant at the 0.01 level (2-tailed).

From the above table the mean value of all variables is average representing that there is average amount of role conflict, task conflict and process conflict present among the employees working in commercial banks of Nepal. The highest mean value is for process conflict i.e., 3.3482, showing that employees are more affected by process conflict in the organisation.

The results from the table shows that correlation between role conflict and employee performance is negative and significant. Hence, it is inferred that role conflict reduces the level of employee performance. The variables task conflict and employee performance are insignificantly related and do not have a strong correlation, therefore task conflict is not related with employee performance. Also, the relationship between process conflict and employee performance is average and positively significant. Therefore, process conflict have positive relation with employee performance in commercial banks of Nepal.

Hypothesis Results

Hypothesis	Regression Weights	B	T	p-value	Result
H1	RC→EP	-.193	-2.961	.003	Negatively significant
H2	TC→EP	-.113	-2.005	.046	Negatively significant
H3	PC→EP	.570	8.216	.000	Positively significant
R ²	.626				
F(3, 332)	30.470				

Note: *p<0.05. RC: Role Conflict, TC=Task Conflict, PC=Process Conflict, EP=Employees Conflict

The dependent variable (Employees Performance) was regressed on predicting variables of role conflict, relationship conflict, and process conflict. The independent variables significantly predict Employees performance, $F(3,332)=30.470$, $p<0.001$, which indicates that the three factors under study have a significant impact on employees performance. Moreover, the $R^2=.626$ depicts that model explains 62.6% of the variance in employee's performance.

Additionally, coefficients were further assessed to the ascertain the influence of each factor on the criterion variables (employees' performance). Hypothesis one (H1: There is a significant relationship between task conflicts and employees' performance). The result revealed that there is a statistically significant negative relationship between role conflict and employee's performance. ($B=-.193$, $t=-2.961$, $p < 0.05$). Hence, H1 is accepted. H2: evaluates whether there is relationship between task conflict and employee's performance. The result show that there is statistically significant negative relationship between task conflict and employee's performance. ($B=-.113$, $t=-2.961$, $p>.001$), consequently, H2 is accepted. H3 evaluates whether there is positive relationship between process conflict and employee's performance. The result show that there is significant positive relationship between process conflict and employee's performance ($B=.570$, $t = 8.216$, $P<.0001$). Hence H3 is accepted.

CONCLUSION

In conclusion, the findings of the study suggest that task conflicts, relationship conflicts, and process conflicts have a significant impact on employees' performance in Nepalese commercial banks. The research highlights the importance of understanding and managing these types of conflicts within the organizational context.

Firstly, task conflicts, which arise due to disagreements about work goals, procedures, or resources, were found to have a negative impact on employees' performance. Such conflicts can lead to decreased collaboration, coordination difficulties, and reduced productivity among team members. Therefore, it is crucial for organizations to foster a culture that promotes effective communication, problem-solving, and mutual understanding to minimize the adverse effects of task conflicts.

Secondly, relationship conflicts, which involve personal disagreements, tension, or animosity between individuals, were found to have a detrimental impact on employees' performance. These conflicts can lead to decreased motivation, increased stress levels, and a breakdown in teamwork. To mitigate relationship conflicts, organizations should focus on fostering positive work relationships, promoting open and respectful communication, and providing conflict resolution training to employees.

Lastly, process conflicts, which arise from differences in opinions regarding task-related decision-making, were also found to have a negative influence on employees' performance. These conflicts can lead to delays, inefficiencies, and confusion within the work processes, ultimately hindering employees' ability to perform at their best. Organizations should emphasize clear communication channels, well-defined decision-making processes, and encourage employee involvement in decision-making to minimize the impact of process conflicts.

Overall, the study highlights the significance of managing and resolving conflicts within Nepalese commercial banks to enhance employees' performance. By implementing effective conflict management strategies, organizations can create a positive work environment that fosters collaboration, teamwork, and productivity. Additionally, ongoing training programs and workshops can equip employees with the necessary skills to identify and address conflicts constructively, leading to improved overall organizational performance.

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