Directions of strategic conflict management that contribute to increasing the economic efficiency of enterprises

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Abstract. The article explores the areas of strategic conflict management that contribute to improving the efficiency of enterprises operating in the agro-industrial complex. There have been used methods of cognition during the study: analysis, synthesis, concretization and abstraction, classification, grouping, and others. There have been given some definitions of the terms based on the study: strategy, conflict and its elements. There have been studied the stages of conflict development at the enterprise and the main causes of the conflicts. We have compared the approaches to conflicts in the organization, developed a matrix of risks that affect the economic efficiency of the enterprise and selected the main types of interpersonal conflicts at the enterprises for the study. During the study, a direct relationship has been revealed between the frequency of occurrence of conflict situations and the economic efficiency of the enterprise, as a result of which styles of behavior have been developed for the management personnel of economic entities in case of conflict situations. The study has allowed to identify the following problems in conflict management at pilot enterprises: an increase in the number of conflicts between departments; the cause of conflicts is often connected with the shift in areas of responsibility in the performance of duties; ignoring the psychological incompatibility of employees when hiring; selection of compromise or adaptive resolution options. To eliminate the identified problems, the directions of strategic conflict management for pilot enterprises were outlined: the formation of a checklist for diagnosing conflicts; development of a conflict management matrix; use of all styles of behavior in conflict situations; timely response to the emerging conflict situation.

1 Introduction

The agro-industrial complex is a strategically important element in ensuring economic security at any level of management.

Sustainable agricultural development is mainly characterized by the economic processes taking place in the industry. Today the agro-industrial complex is a system functioning in

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harsh conditions of sanctions, limited resources, time which must be managed, but remains extremely unstable. [1].

Modern conditions of management at enterprises cause a high socio-psychological tension, leading to an aggravation of relations between employees, components of the human capital of any enterprise [2] and an increase in the level of conflict. This is reflected in the process of labor activity of employees and is interconnected with the economic efficiency of the activity of an economic entity.

In order to choose the correct course of action in specific conflict situations and maintain the desired economic efficiency of the enterprise, one should develop directions for managing them [3]. This knowledge improves the culture of communication, and makes the psychological climate at the enterprise not only calmer but also more psychologically stable, which has a positive effect on the financial position of the organization, its financial stability and economic efficiency. [4,5].

However, the theory of strategic conflict management is not yet fully understood. [6].

It must be remembered that the conflict between the personnel of the enterprise does not always and necessarily lead to fatal consequences. Under certain conditions, conflicts can contribute to the viability and sustainability of the organization. The conflict should not be perceived as a definitely destructive phenomenon and should not be assessed in the same definite way, since it also contains potential positive opportunities. The value of conflicts is that it is an incentive for change, it is a challenge that requires immediate management decisions [7].

The workers of organizations are different. So, they perceive the situation differently, which accordingly leads to the fact that people do not agree with each other. This disagreement is exacerbated when the situation is really of a conflict nature [8].

The conflict is determined by the fact that the conscious behavior of one of the parties conflicts with the interests of the other party [9] So that the protracted conflict does not entail negative economic consequences that affect the financial stability of the enterprise, management personnel should quickly respond and resolve the conflict situation in all possible ways.

Thus, conflict management, ultimately aimed at improving the financial stability of the enterprise, is one of the most important functions of a manager.

2 Research methodology (methods)

During the study, there have been used the following methods of scientific knowledge: statistical, dynamic, comparative, logical, functional, inductive and deductive, as well as specific research methods: analysis and synthesis [10], modeling, concretization and abstraction, classification, grouping and others.

To study the state of the psychological climate at the enterprises selected for the study, the following methods were used: interviewing; document analysis; analysis of reviews, complaints; testing.

An analysis of the works of prominent scientists who have made a significant contribution to the study of the direction of strategic conflict management, contributing to the increase in the efficiency of the enterprises of the agro-industrial complex, allowed us to conclude that the psychological climate in the team has a direct impact on the frequency of conflicts at the enterprise. And the development of directions for strategic conflict management and their faster implementation at enterprises helps to increase the economic efficiency of the latter.

3 Research results

The term «strategy» as an economic category has been used relatively recently. Its founder is an American economist A. Chandler who first used this term in the economic projection in his work «Strategy and Structure». The course of further scientific research has defined the establishment of many schools, approaches and definitions of the term «strategy» as a tool for enterprise management, as well as an area of economic research.

At the present stage of development of economic science, the strategy is considered as a set of «five Ps»:

1. a plan, that is, a «strategy» is a kind of consciously developed sequence of actions, a guiding line (or a set of lines) that is followed in a particular situation»;
2. procedure – the strategy is presented as a technique by which an enterprise deceives its competitors, and in some cases uses it when concluding transactions;
3. pattern – «strategy» is previously thought out, and corrected depending on the scenario;
4. position – «strategy» is the ratio of the enterprise with ... «external environment»;
5. perspective – «strategy» is a perspective, and its essence is determined by the chosen economic position.

The definition of strategy as a position and perspective is combined with its definition as a plan and/or pattern of action. The concept of spontaneous strategy suggests that the schema spontaneously arises on its own, and is recognized in the same way.

Thus, a strategy is a specific plan of action that combines a description of the company's goals in the form of prospects for its market position and internal state, as well as the principles or behavior patterns that the company adheres to on the way to achieving these goals [11].

The carried-out analysis allows us to draw several conclusions.

1. It is necessary to distinguish between enterprise strategy, management strategy and activity (business) strategy (**Fig. 1**). The enterprise strategy performs the following functions:
   - innovative – the formation of new demand based on new products and technologies, organizational forms of production and marketing of products;
   - development (creation) of new sales markets;
   - cost minimization.

The management strategy is a tool for implementing the enterprise strategy. It is directly determined and developed by the management of the enterprise for a period of 3 to 5 years. If the strategy of the enterprise determines the life cycle of the latter, then the management strategy, implementing the strategy of the enterprise, ensures its viability and development.

A business strategy is developed for a specific type of enterprise activity. If an enterprise carries out only one type of activity, then the business strategy and management strategy will coincide.

2. Any strategy has two directions:
   - market development. This direction can be implemented through substrategies - marketing, pricing, investment, etc.;
   - development of elements of the internal environment of the enterprise personnel, research and development, operational and other substrategies.

Modern economic conditions require constant development from economic entities, improvement of the enterprise management system as a whole, and in particular the system of managing their personnel.

Employees of an economic entity are a community of people in which conflicts of various levels constantly occur. Therefore, the main indicator of the effectiveness of its management personnel is the ability of the latter to resolve conflict contradictions that have arisen.

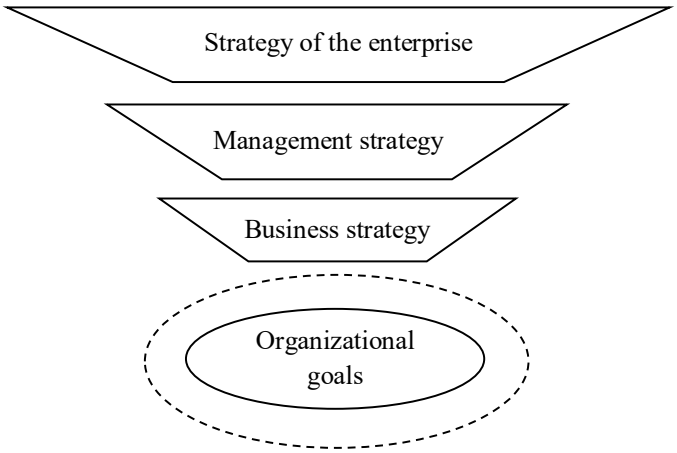


Fig. 1. Pyramid of strategies

A conflict is any contradiction between people related to the solution of certain issues in their social or personal life. Conflict has historically been conceptualized and operationalized as a static team state [12].

According to the scientific literature, not every contradiction is a conflict [13]. Contradictions lead to conflicts when they affect the social status of a group or individual, the material or spiritual interests of people, their prestige and moral dignity. Any conflict has the same elements (**Fig.2**).

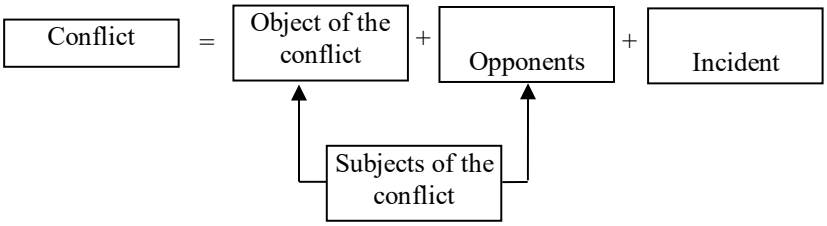


Fig. 2. Elements of conflict a

Each conflict goes through the following stages of development:

1. The origin of the conflict is characterized by the universal involvement of subjects in all diverse relationships. Contradictions at this stage exist potentially.
2. maturation of the conflict: The subject begins to choose those connections that he considers acceptable for himself.
3. an incident before which there may be some waiting, a lull.
4. direct conflict.
5. development of the conflict - a change in some of the characteristics that are present in the situation, as well as factors influencing the conflict.
6. post-conflict situation.

The main causes of conflicts are limited resources, interdependence of tasks, differences in goals and values, differences in behavior, in education, poor communication, imbalance of jobs, lack of motivation.

Conflict resolution is the most favorable way to resolve contradictions. It implies a complete solution to the problem. Both parties should be interested in its resolution and one of the opponents should be ready to compromise.

The settlement of the conflict also means the complete resolution of contradictions, but, unlike the previous one, it also requires the participation of a third party. This can happen both voluntarily and against the will of opponents.

Elimination of the conflict is the elimination of at least one component of the conflict. It is not the best way because it does not solve the problem of the dispute, but only «separates» the elements of the conflict.

The attenuation of the conflict is not its full resolution. It is rather a temporary cessation of an explicit dispute, and the conflict flows into a latent form. Contradictions between opponents remain.

It is also possible to escalate into another conflict. This happens when the object of the conflict changes to a new one, more serious and significant for opponents.

Research on conflict management has established that individuals tend to prefer some approaches to handling interpersonal conflict over others [14].

To end the conflict, one should use one of the following strategies:

1. Concession. Complete renunciation of the claims of the first party and acceptance of the position of the second party.
2. Compromise. It is used if the opponents are ready to make concessions for the sake of reaching a consensus, if they see reasonable thoughts in each other's positions.
3. Rivalry. Imposing your opinion on your opponent. It is used if one of the parties has an absolutely reasoned, constructive position and does not want to give in in any way, if the situation is fundamental, if there is a possibility of dangerous consequences.
4. Avoidance. Avoiding solving the problem with a minimum of losses leads not to the resolution, but to the attenuation of the conflict.
5. Cooperation. Constructive consideration of the problem by both parties, search for the best solution. The most effective behavior of opponents. It is used if the participants are tolerant of each other's positions.

There are several points of view on the role of conflict in the organization. Some scientists suggest that conflict should be avoided, as it indicates a malfunction in the group. This approach is called traditional. [15]. The others argue that conflict can not only be a driving force for successful and effective group work, but is also a necessary condition for it. This point of view is designated as interactionist (**Tabl. 1**).

Thus, we can conclude that most conflicts have both destructive and positive consequences, and can also seriously reduce work efficiency, and since they are inevitable, it is necessary to be able to cope with them.

Table 1. Comparison of approaches to conflicts in the organization

Criteria for comparison	Traditional approach	Interactionist approach
Main provisions	Conflicts are caused by conflicting individuals; this is a negative phenomenon; they should be avoided; they are necessary	Conflicts arise as a result of commitment to the goal; they are often helpful; they should be encouraged; they should be aimed at increasing creative activity
Impact of conflict on performance	As conflict escalates, performance decreases.	A certain level of conflict is necessary to improve work efficiency. As the conflict escalates, work efficiency increases to a certain level, and then if the conflict intensifies or remains unresolved.
Recommended actions	Do nothing if a=d; resolve conflict if a>d (d- 0)	Do nothing if a=d; resolve conflict if a > d; stimulate conflict if a<d

Note: **a** is the actual level of development of the conflict between members of the group; **d** is the desired level of conflict that does not prevent group members from continuing to work actively.

The economic efficiency of an enterprise is usually achieved under several conditions. One of which is the sufficiency of financial resources for current activities and development.

To ensure a decent level of financial stability, the management personnel of an enterprise should strive for a stable increase in income over expenses while maintaining a healthy microclimate in the team by warning and preventing any conflict situations.

To develop directions for strategic conflict management, it is necessary to compile a matrix of risks that affect the economic efficiency of the enterprise, where the occurrence of conflict situations plays a rather significant role (**Tabl. 2**).

Table 2. Matrix of risks affecting the economic efficiency of the enterprise

Occurrence of conflict situations	Degree of impact on economic efficiency		
	low	medium	high
low	Loss of profitability leads to loss of reputation	Decrease in sales volumes leads to the violation of the terms of the contract	Loss of qualified personnel, reduction in production and leads to high competition
medium	Decline in profits leads to inflation processes	The occurrence of additional costs leads to changes in legislation, competitors, inflation	Decline in purchasing power of legal entities and individuals, reduced demand for products
high	Losses lead to new technologies, force majeure circumstances	Reduction in production - use of outdated equipment	Change in exchange rates, increase in accounts receivable, loss of liquidity

To study the strategy and policy of the organization in the field of conflict management and its impact on financial stability, we have selected enterprises operating in the same territorial zone with the same business conditions, having the same specialization but different forms of ownership.

As you know, the efficiency of any economic entity is influenced by its size: the larger the enterprise, the easier it is for it to neutralize the impact of negative factors on the results of its activities.

At the first stage of the study, the types of conflicts characteristic of each of the enterprises have been identified. To perform the task, a short interview has been conducted with the heads of departments at each of the enterprises. The key questions were the following:

1. How often do conflicts occur in your department?
2. What most often causes conflicts in the department?
3. What decisions do you make as a leader to resolve conflict situations?

16 heads of departments of Enterprise №1, 9 heads of departments of Enterprise №2 and 6 heads of departments of Enterprise №3 have been interviewed.

Studies have shown that most often conflict situations in departments occur at Enterprise №2 (33%), least of all - at Enterprise №3.

According to the heads of departments, a greater number of conflict situations are caused by production issues - 38%, 44% and 33% for enterprises, respectively. Therefore, they can be solved by optimizing the work of production departments of enterprises.

The main way to resolve conflicts for the heads of departments of Enterprises №1 and 3 is cooperation, while rivalry is the main way to resolve conflicts for Enterprise №2.

At the enterprises under study, intergroup and conflict between the individual and the group manifests itself in different ways. Conflicts most often happen as a result of a struggle

for resources: material assets, production space, time of equipment usage, labor force, etc. Conflicts often arise between leaders and subordinates.

Types of interpersonal conflicts at pilot enterprises are presented in **Table. 3**.

Table 3. Types of interpersonal conflicts at pilot enterprises

Participants	Reasons	Consequences	Solutions
Managers and subordinates	Violation of the hierarchy, lack of responsibility, overstated requirements	Declining confidence in management, staff turnover, decrease in productivity	Rivalry
Ordinary employees	Personal problems, psychological characteristics	Staff stress, decrease in performance	Compromise
Managers of the same level	Production issues, communications between departments	Overload, possible combination of work schedules	Collaboration

Thus, ways out of conflict situations differ in levels and causes of their occurrence.

To analyze the conflicts that arise at the enterprises selected for the study, as well as to assess the psychological climate in the team, there has been conducted a study in which the labor collective of each enterprise took part.

The results of the observation indicate that employees of Enterprise №1 – 40%, the ones of Enterprise №2 – 57%, and Enterprise №3 – 33% are able to create conflict situations.

At all the enterprises studied, the majority of employees like to work in an established team. The largest percentage of dissatisfied with the existing team of workers at Enterprise №2 amounts to 10% of respondents.

An analysis of the psychological climate at pilot enterprises has shown that the main cause of conflict situations is «personal qualities of employees» and «compatibility of characters».

The causes of conflicts between heads of departments are the following: insufficiently clear separation of duties, the formal nature of the responsibility matrix; duplication of functions.

As a result, the uncoordinated work of department heads is manifested in the inefficient work of subordinates, thereby causing a decrease in performance and in production volumes, which adversely affects the economic efficiency of enterprises.

To change the current situation, it is necessary to take organizational measures.

4 Conclusion

As a result of the study, we can conclude that Enterprise No. 2 has the lowest level of economic efficiency among all the enterprises under study. One of the reasons for this lies in the tense psychological climate at the enterprise, leading to more frequent conflicts.

To prevent emerging conflict situations at the enterprises selected for the study, the following styles of behavior can be recommended (**Tabl. 4**).

Table 4. Styles of behavior in conflict situations recommended to the management personnel of pilot enterprises for their pay off

Style name	Situations in which style is recommended
Compliance, adaptation	The losses of the conceder are less compared to the ones of the opponent; if it is more important to maintain good relations than to defend your own interests; If there is little chance of winning, a lack of power, authority, etc.

Evasion, avoidance, withdrawal	If the situation is too complicated and the resolution of the conflict will require a lot of effort; There is little power (powers) to resolve the conflict in their favor.
Compulsion	In a complex exceptional situation where there is significant power over the other party. Lack of style: suppresses the initiative of subordinates; can provoke the indignation especially of a younger and more educated employee.
Cooperation	An open exchange of points of views with the participation of all parties for whom the resolution of the conflict is equally important; The parties are ready to resolve the disagreements that have arisen and work out a common solution that respects the interests of all participants in the conflict.
Compromise	Opponents own the same powers, have mutually exclusive interests, lack time to find the best solution; there emerges a temporary intermediate solution when no one wins, but no one loses either.
Solution of the problem	Recognition of differences of opinion, readiness to get acquainted with other points of view in order to find ways to resolve the conflict acceptable to all parties; the parties do not try to achieve their goal at the expense of others, they are looking for the best solution to the conflict situation.

Based on the study, the following problems have been identified in conflict management at pilot enterprises.

1. One should increase in the number of conflicts between departments;
2. Causes of conflicts are often due to shifting areas of responsibility when performing duties;
3. Ignoring the psychological incompatibility of employees when hiring;
4. Choice of compromise or adaptable resolution options.

These problems have a negative impact on the economic efficiency of enterprises.

To eliminate the identified problems, the directions of strategic conflict management for pilot enterprises have been outlined: the formation of a checklist for diagnosing conflicts; development of a conflict management matrix; use of all styles of behavior in conflict situations; timely response to the emerging conflict situation.

The proposed ways to resolve conflict situations will contribute to: improving the atmosphere in the team, increasing labor productivity, reducing operational risks, raising the status of the manager as a leader, strengthening the position in the «we are a team» competence.

When implementing the proposed directions of strategic conflict management at Enterprise No. 2, their negative consequences can be neutralized (**Fig. 3**).

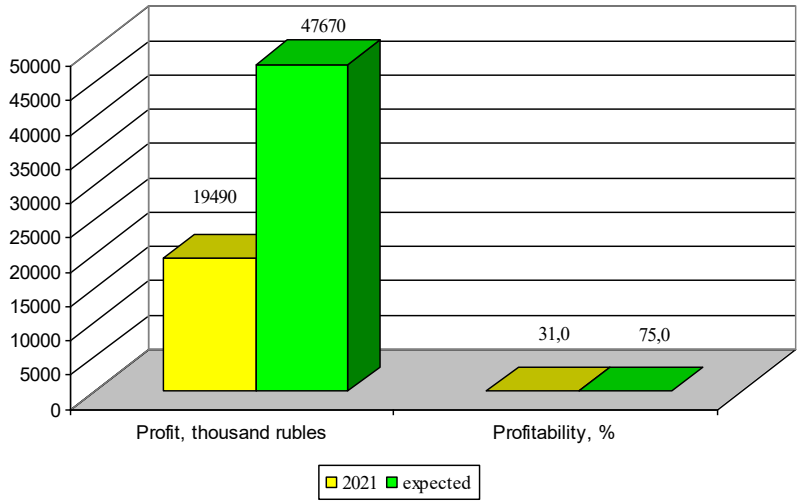


Fig. 3. Reserve for increasing the economic efficiency of activity for Enterprise№2.

Thus, the developed areas of conflict management will allow enterprises to receive a reserve for increasing profits from the sale of products, thereby increasing the economic efficiency of their activities.

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