Interdepartmental conflict — the neglected dimension of management

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Both the theory and practice of management reflect an overemphasis on the relationships and conflicts within, rather than between such departments as personnel, finance, marketing, and production. The lateral dimension of management which refers to interdepartmental relationships, is not given adequate treatment. This article therefore deals with interdepartmental conflict — its causes and possible solutions. The article is divided into three sections. Firstly, the organizational and behavioural causes of interdepartmental conflict are examined. This refers to the inherent tendency towards conflict created by the balance between autonomy and interdependence of departments in large organizations. Secondly, conflict at departmental interfaces is discussed, i.e. the specific divergences in attitude, perceptions and activities between the most significant pairings of departments, e.g. the relationship between marketing and finance departments. Finally, techniques and imperatives for the minimization of interdepartmental conflict are outlined. Various socio-psychological techniques are described as well as the major elements of management practice needed to resolve conflict at departmental interfaces.

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In beide bestuursteorie en -praktyk word daar gekonsentreer op konflik wat binne departemente aangetref word, terwyl die konflik wat tussen verskillende departemente soos die personeel-, finansiële-, bemarkings- en produksiedepartemente bestaan, minder aandag geniet. As gevolg hiervan word die sydelingse dimensie van bestuur, wat tussendepartementele skakeling omvat, afgeskeep. In hierdie artikel word tussendepartementele konflik behandel, en die oorsake en moontlike oplossings daarvan bespreek. Die artikel bestaan uit drie dele. Ten eerste word die organisatoriese- en gedragsoorsake van tussendepartementele konflik ondersoek. Hier word verwys na die inherente neiging tot konflik wat in groot organisasies ontstaan weens die balans tussen outonomie en interafhanklikheid van departemente. Konflik op die skakelvlakke tussen departemente word hierna bespreek. Dit omvat die verskille in houdings, uitkyk en aktiwiteite van die belangrikste departementpaargroepe, bv. die verhouding tussen die bemarking en die finansiële afdelings. Laastens word die bestuursaksies wat noodsaaklik is om tussendepartementele konflik te verminder, uiteengesit en tegnieke om dit te bereik, bespreek. Verskillende sosio-psigologiese tegnieke word beskryf, asook elemente van bestuurpraktyk wat konflik op departementele skakelvlakke sal uitskakel.

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Introduction

Managerial neglect of interdepartmental issues

In both the theory and practice of management, there is an overemphasis on the vertical dimension, i.e. the relationships and conflicts within, rather than between the departments of personnel, finance, production, and marketing. The horizontal, lateral dimension of these four basic divisions in an enterprise, which refer to interdepartmental relationships, is not given adequate treatment. Management writing tends to over-specialize, focusing on only one aspect of a complex organizational interaction. For this reason, there is an abundance of books dealing with such specialist topics as marketing or financial management on the one hand, or very general works on management processes such as planning and policy, on the other.

However, writers on management do not generally question the ramifications of their discipline on the rest of the organization. A writer on business policy will discuss the importance of objective setting and suggest a very general method for developing objectives. The need for consensus on goals will be stressed, but without investigating why it may be so difficult to attain, by virtue of the differing orientations and priorities of personnel, financial, production, and marketing departments. A related problem is that writers on marketing, for instance, will point out that the marketing concept should permeate the entire enterprise, but the practical difficulties of achieving this ideal will not be analysed. There are certainly many books and journal articles that do refer to interdepartmental implications. For example, a book on finance might include a chapter on financial information for other managers. Nonetheless, although the literature in this category does accept the need for integration, it is not designed specifically or in any way devoted to such an approach.

This article is intended to do just that — to analyse interdepartmental relationships. All aspects of the analysis deal with links between departments — lateral issues. The significance of such issues is clear — as the complexity of modern enterprises increases, the need to understand the full range of impact of any action becomes greater. The escalation of managerial specialization should be accompanied by a greater awareness of the problems and solutions involved in linking together and integrating the specialities.

The rest of this article is divided into three sections. The first two deal with the causes of interdepartmental conflict and the third with possible solutions.

Organizational and behavioural causes of interdepartmental conflict

Departmentalization is a means of obtaining organizational units of a manageable size. The division could be made in relation to product, territory, customer, process, task force or matrix, but the most common separation is in terms of personnel, finance, production, and marketing departments. Some form of departmentalization along these lines is present in the structure of virtually every large scale commercial enterprise. Although such a division is clearly necessary, the balance between autonomy and dependence of departments gives rise to conflict.

Departmental *interdependence* imposes restrictions through defining areas of influence and decision-making authority. Managers may not generally participate in departmental and organizational decisions that have been defined as outside their span of responsibility. A marketing manager could resent having limited control over the way in which a product is manufactured, feeling that these characteristics limit its marketability. Departmental operations bring to the fore conflicting claims on resources, and each manager has his own set of priorities. Ill-defined and vague departmental responsibilities can also create conflict. A lack of knowledge of their own and colleagues' jurisdiction can create much frustration for managers, as well as resulting in duplicated effort. Aggressive managers tend to take on broader and more diversified duties at the expense of others — the classic 'empire builder'. This problem may in fact be the result of a manager trying to do a good job. Departmental goals such as 'good professional engineering' can result in production managers carrying departmental activities beyond the point of maximum productivity. In the words of Drucker (1954:181): 'Every functional manager considers his function the most important one, tries to build it up and is prone to subordinate the welfare of the other functions, if not the entire business to the interests of the unit'.

Suboptimization is the predictable consequence of a departmental rather than an organizational orientation. Decisions aimed at optimization in one area may have negative effects on another. Expanding the sales network is not beneficial to an enterprise if the manufacturing department is already hard-pressed to meet order backlogs. Departmentalization tends to encourage people to do better what they already do, instead of expanding knowledge and techniques into other areas of the organization.

Departmentalization is founded on *specialization*. Departmental managers are experts on a particular subject, having devoted years of study and experience to a skill. As a result, each specialist establishes standards of rationality drawn from his own discipline and perceives matters in these terms. 'If productivity in the factory is low, the mechanical engineer tends to see it as a need for better machinery and conveyors, the industrial engineer thinks that the major problem is the lack of production standards and wage incentives, and the training director sees this as a problem to be solved by better employee training' (Beach, 1975:1970).

Departments are groups in the sociological sense and as a result, various *intergroup processes* may exert an impact on interdepartmental relationships. Janis' concept of 'groupthink' (1972) has much relevance to interdepartmental processes. The independent and rational judgement of group members can be overwhelmed by group evaluations, especially under conditions of strong cohesion. The overzealous personnel department or excessively progressive marketing function may be guilty of carrying out inappropriate actions because of group loyalties which run contrary to organizational goals. A department in an organization forms a reference group which moulds interpretation of a situation. In this context, the 'in-group – out-group' dichotomy is also significant. Each department is a type of in-group to its members and other departments form an out-group. There is a tendency to think the characteristics of one's own group superior to those of another. As a result, the groups may develop stereotyped perceptions of each other. It is not uncommon for production personnel to stereotype marketing men as impractical dreamers who continually demand products that are neither technically feasible nor cost-effective to manufacture.

In theory, the departments of marketing, finance, personnel, and production are approximately equal in authority. Yet, this basically lateral association invariably becomes imbalanced, with struggles to gain preferential treatment on such matters as budgetary allocations, output quotas and priorities for personnel. *Power* is a strong motivator to groups or individuals and the desire to attain it, as well as the fact of having it, can distort intergroup activities. The balance of power hinges on 'strategic contingencies' (Pfeffer & Salancik, 1977:2 – 21). If an organization is currently facing production problems, the production department shifts into the focus of power and status, provided it holds the solution to the problem, rather than having created it in the first place. Thus, power should shift between departments as their activities become more or less vital to organizational success at that point in time. But power may be retained through manipulation. Those in power tend to have the resources to entrench their authority. Power often extends beyond the original bases that created it; the job is not always given to those with the ability to get it done.

Similarly, effective *communication* is essential to the survival of an enterprise and to the productive interaction of the departments within its confines. The perfect organization would resemble the economist's vision of the perfect market, in the sense that information is available to all parties and that no single participant dominates the marketplace. Unfortunately, there are several reasons why information in enterprises is either incomplete, not communicated or comprehended between departments. Because departments are indirectly involved in most, but directly involved in only certain activities, there generally is an imperfect distribution of information about organizational activities. Also, an emphasis both in theory and practice on upward communication has left the horizontal channels relatively undeveloped. Specialization once again rears its head. If, for example, marketing data is collected by a man with psychological training, he may gather excellent information on advertising effectiveness, but neglect the degree of shelf exposure, promotion and sales force distribution, simply because the latter are not of specific interest to him. The influence of the communicator tends to be greater where there is similarity with the recipient. This is precisely what does not occur in interdepartmental relationships. Professional differences in perspective, vocabularies, and methodology hinder the use and dissemination of information.

Conflict at departmental interfaces

Conflict is frequently the result of the specific way in which departments operate and interact. The most practical way to examine this aspect of the problem is to take the departments two at a time and describe the ways in which they relate to each other. (There are many such pairs of departments, but the ones discussed are of primary importance to most large organizations).

Production and finance have diverging orientations towards the productive process. Simple, continuous and limited production processes restrain marketing options. Thus, production departments would ideally use long runs of the same design, while marketing is best suited by a profusion of products of great variety, available at every point of sale. A conflict can develop between the product that the sales department believes the market requires, and production management's views as to the economic and technical feasibility of providing it. Marketing, for example, might accept changes in product specification or delivery dates without due consideration of the impact on production processes and costs. Manufacturing, for its part, can be tempted to overproduce, in its enthusiasm to keep costs low, but the market might be unable to absorb the large quantities of goods produced. As Leavitt (1960:32) pointed out in his classic article 'Marketing Myopia', 'The profit possibilities look spectacular. All effort focuses on production. The result is that marketing gets neglected.' With output so high, effort must be concentrated on getting rid of vast stocks of goods. Thus, mass production generates pressure towards mass selling, but not necessarily marketing in the modern sense of the word. Of course, the opposite error may occur in the production-marketing interaction. 'Over-design' occurs when products are of a higher performance standard, greater reliability or longer life than the user requires or wishes to pay for. Production engineers may be unnecessarily safety or quality conscious, which would raise costs and thus prices. Top management sometimes has a tendency to treat research and development with excessive deference, allowing the relevant department to pursue self-motivated and autonomous courses of action. Yet, the more closely research and development are geared to the needs of the market, the less time and money will be utilized unproductively, and the less the risk will be of the enterprise losing its competitive position.

The basis of the *personnel-production* conflict is the traditional 'production-orientation' which is accompanied by the belief that jobs should contain few tasks, be simple and specialized. If more tasks are allocated to an individual, training time rises and output drops. Production men conventionally hold the view that workers are mechanistically orientated and economically motivated, so that their needs are best suited by giving them a part in an optimally efficient work process. The goal of personnel management would then be to 'concoct the most appropriate incentive system, design the most efficient use of the working machine' (Herzberg, 1976:368). This would be claimed to deliver the highest productivity concomitant with appropriate work attitudes. However, the above represents a mechanistic approach which fails to recognize the human dimension of production management. In general, high technology necessitates lower skill operations. In extreme cases, employees do little more than watch the machinery function. In the words of Wild (1980: 207): 'Behavioural scientists argue that the continuing trend of work rationalization has run against the trend towards increasing educational levels, that the financial and security needs are no longer paramount amongst the majority of the workforce and that an increasing proportion of manual workers are motivated by achievement and recognition needs and consequently seek more interesting, challenging and varied work'.

The *marketing-finance* interaction suffers from similar divergences. The personality, training and experience of marketing men is normally quite different to those involved in finance. This situation, combined with the organizational barriers that often divide the departments, makes communication difficult and can lead to the misconception that budgeting control is a purely financial exercise that has little relevance to marketing. The traditional accounting emphasis is judicious and prudent rather than creative. The primary financial values are precision, objectivity, and reasonable proof of the viability of a particular project or alternative. Marketing accords with such rationality only to a certain degree. Those in the marketing department may feel constrained by strict investment and return criteria. Indeed, innovative marketing approaches may well not be viable within budget constraints — at least not initially. Furthermore, the marketing area is relatively new to financial accountants who do not always understand the needs of the marketer. Barrett (1980:36) warned: 'The temptation to transplant accounting systems from production to marketing may be strong, but should be resisted'. Chadwick (1980:15) concurred that financial systems are primarily geared towards production costs and are only of peripheral help to marketing management. The emphasis is generally on historical data, rather than experimentation and forecasts of future marketing expenditure and its effectiveness. The financial control of marketing is dogged by a lack of precise measurements. The amounts of money needed to build for growth, the optimum sales force, the amount of sales training, expenditure for advertising and so on are all extremely difficult to place in a monetary balance. 'Unlike production, which can be measured in units and costed out by multiplying units times standard cost, most marketing activities have neither uniform units nor standard costs.' (Minkin, 1970:5)

With regard to *finance and production* departments, certain imprudent decisions tend to be made with disturbing frequency. For example, Chadwick (1980:15) explained that for a company with cash-flow problems, the best source of capital can be the productive assets listed in the balance sheet. Yet, there is a tendency to look automatically towards external finance. Enterprises purchase unnecessary additions to plant and machinery (rather than increase efficiency), and find these investments a serious burden in more austere times. Hankinson's experience (1980:27) showed that production managers dislike financial control in general, and particularly methods with which they are unfamiliar. Techniques such as 'exception reporting' to demonstrate deviances often resulted in production departments blatantly rejecting data. As in the case of marketing, accountants have not generally made a special study of engineering, although they do develop some understanding of technical issues through dealing with cost sheets and other directly financial aspects of production.

Personnel and finance is a particularly underrated and underdeveloped interface. Despite the awareness that human assets are so essential a resource, annual financial reports are 'woefully silent on human resources' (Quershi & LoVan, 1975: 161). There is little acceptance of the need to budget for the personnel management function and minimal effort has been made to record and control its cost. However, it is becoming increasingly necessary to make known the full cost of manpower and related expenditure. Manpower costs comprise a variety of direct and indirect elements. These include recruitment, training, manpower planning, career planning, job classification, salary administration and so on. Common personnel-related problems include: increased wages without increased productivity, location of plant in a poor labour market, excessive labour turnover resulting in high training costs, etc. Enterprises need to determine employee costs and develop useful indicators for monitoring progress and developments. Manpower budgets and audits, skills inventories and similar techniques are of primary importance to determining contributions (Lynch, 1968: Ch.6). The above is not to say that managers are unaware of these conflicts and problems, but their failure to deal with them in a comprehensive, rigorous and generally accepted framework is a cause for concern and a source of conflict between personnel and finance departments. Unless the costs of manpower are treated in a viable manner, both departments are likely to experience frustration as personnel utilizes or requests funds, the benefits of which are not sufficiently clear or defined to satisfy financial management.

Minimizing interdepartmental conflict

In view of the proliferation of causes, it is unlikely that interdepartmental conflict could ever be eradicated totally. A realistic aim is therefore minimization. In the same way that the causes can be divided into two groups — organizational and behavioural on the one hand, and conflict at specific interfaces on the other, so too can the solutions. Both approaches to conflict resolution will be examined briefly.

The *socio-psychological approach* involves developing in managers, personal attributes and attitudes conducive to interdepartmental cooperation as well as the use of certain administrative techniques aimed at effective departmental integration. As regards the first aspects, departmental managers need to develop a positive approach to differences. They should not feel threatened by differences in speciality, attitude and perception. After all, the essence of organization is the effective combination of disparate groups. Divergences at the interface need not destroy the potential for productivity. However, for this to be the case, directness and honesty based on trust is necessary between departments. Trust entails moving away from non-negotiable role conceptions and a willingness to take certain risks. This can only prevail where competition is not the pervasive value, the latter tending to set group against group.

Several managerial and related techniques from psychology and sociology are possible means of developing interdepartmental collaboration. 'Sensitivity training' is aimed at minimizing aggressive behaviour. Laboratory training and role-playing have been proposed as ways of increasing knowledge of structures, settings and operations. Role analysis reveals conflicting, ambiguous expectations and the reasons for failure and non-reciprocal behaviour. A member of management can be appointed as an impartial 'specialist integrator' whose task is purely to coordinate interdepartmental efforts, not to perform any specific departmental activity personally. Communication systems can be developed to provide adequate linkages on the horizontal, interdepartmental level. All departments should undertake a programme of internal and external analysis in order to provide each other with all relevant data on a continuing basis. Objective setting, exemplified by the technique of 'Management by Objectives' brings conflicts into the open so that they can be resolved in full awareness of all viable alternatives. Beyond the level of goals, there should be a succession of plans, setting out a clearly defined course of action. Departmental integration can also be encouraged by moving away from unique responsibility (within a department) to financial and other evaluative procedures based on joint accountability. All these techniques have much to offer as ways of ensuring the maximum possible degree of interdepartmental cooperation.

Resolving interdepartmental conflict at the level of *specific interfaces* is a more complex matter, as one is dealing with the potential for intergration between specialist disciplines. None the less, it is possible to outline some of the more fundamental principles behind the process. The essence of an effective interaction between production and marketing is to develop a range of products that accords as closely as possible with existing marketing and productive capabilities. The ideal is for any expansion of a product range to utilize the existing marketing network as well as current technology and capital equipment. The least desirable situation is for an enterprise to diversify into technically dissimilar products for different markets.

The basis of integrating personnel and production departments is to engage in job design and human engineering in an advisory capacity to production management. A personnel emphasis tends to make its presence felt in certain standard ways in enterprises prepared to adopt an enlightened approach towards human resources. For instance, conditions are provided in which employees understand the context of their work, thereby becoming more psychologically involved with their activities. Efforts are made to free people from control by the production rate of individual machines or the functioning of a conveyor belt. Although such motivational techniques are contentious, it is surely necessary for attempts to be made to combine advanced technology with human performance so as to modify the socio-psychological framework of productive activities.

Marketing and finance departments clearly have a need to develop closer ties. The most likely means is for advances in financial control techniques for marketing to be accompanied by a concerted programme of communication and related intergroup activities to improve the mutual understanding between the departments. Similarly, as the methodology for financial control of production advances, so should the degree of cooperation between these two departments, provided that this is accompanied by an awareness of the mutual benefits to be derived. Regarding personnel and finance departments, if human resources are to contribute to increased profitability, management must relate to manpower requirements in realistic economic terms. Enterprises need to determine employee costs of all kinds and develop useful indicators for monitoring progress and developments.

Summary and Conclusions

This article is intended to provide an innovative perspective on the theory and practice of management and a comment on a significant cause of organizational conflict which inevitably lowers efficiency. A possible weakness in much managerial writing is the lack of a common thread of understanding between the different branches of the discipline. As a result both managers and students are frequently unaware of the relationship between such subjects as marketing and finance. Consequently, they tend to perceive these fields of knowledge as independent of each other, whereas the converse is true. In a similar fashion, managers in industry are tempted to view their own particular skill and the departments in which they are practiced, as predominant. Again, the reality is that all parts of an enterprise need to work together cooperatively and in full awareness of mutual needs, preferences and procedures.

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