THE RELATIONSHIP BETWEEN MANAGERS’ ETHICAL VALUES AND
CONFLICT MANAGEMENT STRATEGIES: EVIDENCE FROM TEHRAN STOCK
EXCHANGE

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Abstract

The aim of this study is to investigate the relationship between ethical values and conflict management strategies among managers of companies in Tehran Stock Exchange. The research methods, was descriptive and correlation is based on structural equation. The population of study was the Tehran stock exchange directors and 213 member sample was selected randomly. To measuring ethical values Schuartz’s questionnaire (1995) and to measuring conflict management strategies Robin’s questionnaire (2006) was used. Results showed that there is significant relationship between managers’ ethical values and conflict management strategies. Other research findings also indicate that there is inverse relationship between avoidance strategy and communitarian values and between conflict strategies and individualism values.

Keywords: ETHICAL VALUES, CONFLICT MANAGEMENT STRATEGIES

1. Introduction

In the present world conflict is inevitable and this fact should be accepted that at the best form of teamwork and the best of the working groups, there will be conflict and disagreement. During a successful teamwork, people can freely express their opinions and ideas, on the one hand it leads to the development of individual creativity an on the other hand the exchange of ideas make conflict to emerge. The art of normative dealing with the phenomenon of conflict and manage it effectively, can bring conflict as a threat into opportunities for emergence of talents and actualize the potential creativity. Many financial scandals in recent years due to illegal acts and ethical neglect suffered by managers that subsequently, has imposed large costs to the organization. This has led to a greater focus in commercial affair on ethical principles and values. Values are the fundamental aspects of personality in working life and shape our current behavior and mood and treatment in the future and had severe impact on one's professional choices and behaviors. Complexities of human psychology on the one hand and innate and trained difference between him in terms of hobbies, interests, values, personal interests and differences of insight and vision, makes it natural and unavoidable to presence of conflicts and disputes in the workplace, working groups and relations between people. Research suggests that individual, relational and structural differences are the most important causes of conflicts. The main research question is: whether there is significant relationship between the ethical values of Tehran Exchange administrators and strategies to deal with conflict?

2. Literature

2.1 Conflict management

Organization is fertile environment for the growth of conflicts and disagreements. People with different personality traits, needs, beliefs, values, expectations, causing inevitable conflict in organizations. On the other hand organizational structures and rigid systems, making them more susceptible to conflicts and incompatibility. Fullett (1924) was the first who note the concept of conflict in organization. According to him, the conflict itself is not a problem but which is problematic is our inability to deal with this phenomenon (Balay, 2006). At the beginning of 1970, organizational behavior experts found that the conflict in terms of its nature and intensity, has positive and
negative effects(Kreitner, R. & Kinicki,2006). Although many people are considered conflict as a negative phenomenon, but precise control and proper supervision on it leads to becomes constructive and positive phenomenon(Mullins,2002). Researchers have concluded that at higher levels of organization, the importance of conflict management is equal or even greater than the case of planning, organizing, communication, motivation and decision making(Schermerhorn, et al,1998).

According to Dubrin(2004) conflict of individuals and groups is natural and because of competitive environment, and occurs when the needs, desires, goals, beliefs, or values of two or more individuals are associated with feelings such as anger, frustration, anxiety, etc.

In some viewpoint, conflict is communication or interaction process in which one party feels that other party doing the activities that hinder them to achieve their goals and interests(Greenberg & Baron,1997:1,Conrad and Scott,2002; Daft,2007: Gray, et al,2007; Gelfand & Dreu,2008). According to Robbins’ definition (2006), conflict is a process in which a conscious attempt by the “A” effort shall be made to neutralize “B” effort, as a result the “B” in the course of their goal was desperate, or “A” increases its interest rate.In another definition,conflict is defined as direct expression of one's views (thoughts and feelings) about conflict situation and invite another party to express their views(Machado,2001). Conflict show that people are interested in their comments, moreover, a reasonable amount of it seems to be necessary for personal and organizational growth(Furumo,2009).

As a comprehensive definition can say “process in which one party perceives that its interests are being opposed or negatively affected by another party”( Walls, et al,1995). Putnam & Pool(1987) believe that conflict is difference among individuals in terms of main goals, sub-goals and values.

With regard to the progress of management schools of thought, there is three different theories about conflict. According to traditional theory, we should avoid conflicts because it will have harmful functions within the organization. In human relations theory, conflict is ordinary and had inevitable outcomes in any organizational that is certainly harmless and provides potentially positive force to improve organizational performance.According to third and most important theory perspective (interactive theory), conflict not also can be a positive force in the organization, but also is necessary to consider for conflict among organizational activities(Schermerhorn, et al,1994: Robbins .2006)

Conflict can be classified in two categories of constructive conflict and destructive conflict. Constructive or functional conflict stimulate people to do more work, cooperation and creativity. Very low and very high levels of conflict is ineffective and non-functional. Too much conflict is misleading and can disrupt the tasks. Conflict at very low level may increase efforts, but reduces creativity and high performance level(Cetin & Hacifazlioglu,2007).

The process of conflict consists of five stages : 1-Potential objections that will provide conflict;2- Emergence of conflict as perceived conflict.Because of misperception individual and organization can affects by unintended consequences, it is important to accurately identify this stage. 3-The intention, at this stage, individual decides to work in specific manner. Since this stage showed the individual response so correct identification of used styles can help the true resolution of conflict. 4- Behavior including dissent, action and reaction that engaged and will show opposite parties.5- Outcomes of conflict can be constructive (performance improvement) or destructive(decreased performance)/(durbin,2006). Kenneth Thomas identified five main styles of conflict management: competitive, accommodative, compromise , collaborative, and avoidance(Cann, 2008). Each of these styles is based on the combination of two aspect of attention to self and attention to others(durbin,2004). Understanding these styles help us to resolve conflicts effectively and efficient management.

Literature of Conflict management is a very extensive. In addition to management the conflict has been addressed in the areas of sociology, psychology, culture, economics, labor relations and negotiation(Song, et al,2006). According to Desler (1986), conflict is an important aspect of work life. He showed that the effective management of conflict,lead to increasing motivation, morale and organizational and personal growth(Rahim,1986).Machado’s work(2001) approved that managers and employees can use conflicts to problem solving, improving efficiency and strengthening relations. Kulman (2003), identified more than 50 variables affecting the conflicts. These factors are include various aspects of the environment, relationships, processes and outcomes. Sorenson, et al(1995) showed that gender and personality type, affects their preferences in choosing the right style for handling conflict. Research has shown that personal conflicts between individuals in groups, have destructive effects on group performance more than functional conflicts (Jehn & Mannix,2001). According to Reich, et al (2007), adaptation, and avoidance are the most useful styles among 176 employees that has been studied. They showed that depression and occupational fatigue are not associated with conflict styles. Pushuma, et al (2006), showed that in both the U.S. and Mexican cultures using conflict styles is a cultural phenomenon and vary from culture to culture.

Conflict management in the new century is as one of the essential skills of leadership. Conflict is inevitable and occurs due to the different goals and ideas and it must be guided and minimize. The following major trends have led to conflict inevitable: continuous change, more diversity in composition of employees, more teamwork, fewer face to face communication (further electronic interaction) the world economy with more inter-cultural exchanges(Robert & Kinicki,2004). Undoubtedly, the most important skill that managers need is the ability to overcome conflicts. Studies show that top and middle level managers are spent with an average of twenty percent of their time on resolving conflicts. Conflict management is more important than , decision making, leadership and communication skills and organizations and individuals can improve their overall effectiveness by managing conflicts(Robbins,2000).

In a standard questionnaire of conflict management that Putnam and Wilson have designed at Robbins’s book (2006) organizational behavior, five styles of conflict management are summarized in three strategy: solve – orientation strategy(the parties want to cooperate with each other), encounterless strategy

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(both sides are willing to withdraw or avoid conflicts) control strategy, (individuals only considering their individual interests that ultimately will lead to a conflicts) therefore understanding the different views help us to choose appropriate strategies for conflict resolution. It seems obvious that despite the inevitability of conflict and numerous reasons in its formation, this phenomenon can be best managed and solved. Thus it seems necessary to knowledge about the skills of conflict management. Conflict management is a manner that brought interpersonal relationships and conflicts under control of interaction between the individual, and reduces the efficiency of non-functional aspects and adds to its functional aspects(Ting - Toomey,1999). Conflict management is the process of identifying an appropriate role of conflict between groups and using the appropriate techniques to eliminate or stimulate to effectiveness of organization(Thomas,1976).

Mi-liang, et al(2009) in study entitled “The effects of personality traits and conflict management on organizational commitment” concluded that personality characteristics of bank managers are partly related to conflict management. Moberg(2001) in a study of relationship between the five personality dimensions and coping styles with conflict, came to this conclusion that avoidance style have direct relation with neuroticism, and negatively related to extraversion and conscientiousness. Tezer (1996) in a study of conflict management styles between men and married women in Turkey came to the conclusion that there are significant differences between them is use of conflict management strategies.Yi,feng,et.al (2005) in study of conflict management for effective leader relationships in China on employees of Chinese companies that have Japanese and American managers, concluded that the use of solve-orientation strategy of conflict management (cooperation and compromise) in case of employee, make them stronger in their relationship and increase the efficiency of them rather than other strategies (competition, avoidance). Banu, Cingoz-ululu. &et.al in study entitled “The role of culture and relation context in interpersonal conflict do turkeys and canadians use different conflict management strategies?” reached the conclusion that there were significant interaction between sex, type of relationships and the culture of the people in conflict management techniques. Susan Sportsman &et.al in study entitled “Conflict management styles in the health profession” that conducted on students of nursing and non-nursing concluded that there was no significant difference between conflict management strategies that were used by the students.

Dijkstra, et al(2005) in a study of conflict and health at work, balancing the role of of personality, concluded that conflict is negatively associated with work in health care, especially when people have little compatibility, emotional stability and extraversion.

Park & Antonioni(2007) in study entitled "Personality, reciprocity, and strength of conflict resolution strategy" found that extraversion and compatibility was significantly related to most conflict strategies used by students. McIntosh and steven(2008) in research entitled"Personality, motives, and conflict strategies in everyday service encounters" concluded that there is no direct relationship between personality and choice of conflict resolution.valerie and paul(2008) in a study entitled "Predicting interpersonal conflict resolution styles from personality characteristics” found that personality size is an important predictor for conflict resolution methods.

2.2 Ethical values

Ethical principles have great values such as mutual trust, and plays a significant role in observance of social norms. Deviation of ethics, can make mutual trust difficult to continue or even impossible(Marcella,1995). Until all sectors of society not ruled by mutual trust, social functions will not performed properly. In addition, professionals such as managers, must be done their social functions in such a way that minimize the potential damage arising from their work, which is disrupt the community(williams,2004). This requires a good understanding of the ethical principles.Watson (1996) argues that management actions stem from one set of beliefs and practices that combines the goals of business and ethical principles(lowton,2009).

Ethics is defined as a system of values that determined the advantages and disadvantages of organization and good and bad action. In fact, based on ethics, the directors are able to recognize the difference between right and wrong actions that it also depends on understanding of ethics among managers. From financial perspective, the accounting profession, is structured and disciplined and because of type and nature of the services provided, must obtained the credibility and confidence of community. Achieving to credit, and trust and strengthen it, depends upon its members intellectual and practical adherence to professional standards. Therefore, accounting ethics for professional accountants and those who rely on accounting services is too important, and members in this profession must be required to follow ethical principles until get to a level of restraint that go beyond the legal requirements and regulations.

Managerial ethic has a significant impact on business succes. Values system is a reference factor that affects managers on ethical principles that improve their relationships with employees, customers, suppliers, shareholders, labor unions, and foreign investors and etc.

Most of managers tend to condone or ignore the effects of behavior, ethics and social responsibility in critical situations(Pettrisor,1998).

Hunt et al(1989) created the concept of ethical values in organization and that ethical values, describes cultural characteristics of an ethical environment. Studies show that people perception about this values are positively related to particular moral beliefs and ethical management. Employees, prefer the organizational environment whit ethical atmosphere. Ethical values of organization increases public response of staff to work.

Unethical decisions are frequently affects performance of many organizations.Bamhart(1961) in a study has submitted preliminary evidence of the importance of ethical environment. He studied many managers and concluded that the main factors influencing unethical behavior includes the successful behavior, behavior of
colleagues and formal ethical standards of organization. In order to study the ethical environment of an organization, various studies have distinguished between the ethical culture and ethical values. For example, Hunt and colleagues conducted a study to distinguish between ethical culture and ethical values and concluded that the ethical values of the organization, is the key aspect of organizational culture. They considered ethical values of organization as a combination of individualism values of managers and the organization formal and informal policies and define it as an ethics of organization (Hunt, 1989). Several important researches has been conducted to investigate the effects of positive ethical values. Deal and Kennedy (1982) have noted values transmitted a sense of identity to members of the organization, increase the stability of the social system and guide management decisions. Eliass (2005) examined the relationship between ethical values and understanding the importance of corporate social responsibilities. His findings suggest that the official accountants that are working in organization with high ethical values have considered (bottom) corporate social responsibility on profitability and long term success, more important (less important) and in the short term success of the company less important (more important). He showed that there are positive relationship between organizational ethical values and organizational commitment and behavioral intentions.

Hypotheses:
1. There is positive and significant relationship between communitarian ethical values of managers and solve-orientation strategy.
2. There is positive and significant relationship between communitarian ethical values of managers and encounterless strategy.
3. There is positive and significant relationship between communitarian ethical values of managers and control strategy.
4. There is positive and significant relationship between individualism ethical values of managers and solve-orientation strategy.
5. There is positive and significant relationship between individualism ethical values of managers and encounterless strategy.
6. There is positive and significant relationship between individualism ethical values of managers and control strategy.

3. Methodology
Purpose of the research is practical and the method was descriptive correlation based on structural equations and has been conducted as field study. The research has practical consequences that can be used for organizations that are attempting to hiring managers. Research hypotheses were tested at the 95% confidence level. The research population included all executives of companies operating in the Tehran Stock Exchange that due to the limited population, according to Morgan, a total of 213 people were selected using random sampling and questionnaires sent to them.

4. Tools of Data Collection and Analysis
Measuring instruments included two questionnaires. The first, questionnaire of the estimated value of the Schwartz values consisted of 15 questions that was measure ethical values and responses are rated based on Likert 5point scale (1 totally disagree, 2 disagree 3 neither disagree nor agree, 4 agree, 5 strongly agree). To explore ways of dealing with conflict, Robbins’ conflict management questionnaire (2006) was used which consisted of 30 questions and responses are rated based on Likert Point scale (1 totally disagree, 2 disagree 3 neither disagree nor agree, 4 agree, 5 strongly agree). In the questionnaire, solve-orientation strategy (7 items), encounterless strategy (7 items), control strategies (6 items), communitarian ethical values (8 questions), and individualism ethical values (7 questions) are allocated. For analyzing data derived from questionnaire path analysis in structural equation model, cohesive test has been used and the software’s which have been used for analyzing the data are LISREL 8/52 & SPSS 18.

5. Reliability of the Study
For determining reliability of the study Cronbach’s Alpha method has been used. Followings have been resulted from this analysis:
- For questions related to Ethical Values the Cronbach’s Alpha coefficient of 0/77 has been calculated.
- For question related to conflict management Cronbach’s Alpha coefficient of 0/83 has been calculated.

6. Confirmatory factor analysis (validity of the study)
Two questionnaires designed to measure managers’ assessments of their Ethical Values and measure managers’ perceptions of conflict management with respect to the items identified during the qualitative phase of the study. In this study Ethical Values and conflict management items were transformed into Likert-scales and the respondents were asked to indicate their perception on each item using a five point. Scale ranging from “5 strongly agree” to “1 strongly disagree”.

Confirmatory factor analysis using LISREL (Joreskog and Sorbom, 1993) was then applied to the four factor measurement model to further test dimensionality as well as convergent and discriminant validity. As shown in Table 1, Ethical Values results of the confirmatory factor analysis demonstrated a moderate fit of the five-factor measurement model to the data on the basis of a number of fit statistics (Chi-Square= 540/89, df =242, p-value=0/000, RMSEA= 0/59, GFI= 0/92, AGFI=0/88), and Table 2, conflict management results of the confirmatory factor analysis demonstrated a moderate fit of the seven-factor measurement model to the data on the basis of a number of fit statistics (Chi-Square=234.75, df=144, p-value=0/0001, RMSEA= 0/62, GFI= 0/93, AGFI=0/91). In section of Ethical Values (table 1), magnitudes of the standardized loadings ranged from 0/41 to 0/87 and t-values were higher than 1/96, indicating convergence of items with their respective underlying dimensions. In section of conflict management (table 2), magnitudes of the standardized loadings ranged from 0/43 to 0/89 and t-values were higher than 1/96.
6. Research sub-hypothesis testing

To examine the relationship between variables in the study correlation test was used and the results have been showed in tables 3 and 4.

Table 3: Correlation matrix of ethical values and strategies to deal with conflict

<table>
<thead>
<tr>
<th>Scale items</th>
<th>Standardized loadings</th>
<th>T-values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individualism values</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>0.72</td>
<td>9.73</td>
</tr>
<tr>
<td>Q2</td>
<td>0.58</td>
<td>7.22</td>
</tr>
<tr>
<td>Q3</td>
<td>0.77</td>
<td>8.31</td>
</tr>
<tr>
<td>Q4</td>
<td>0.47</td>
<td>4.35</td>
</tr>
<tr>
<td>Q5</td>
<td>0.71</td>
<td>9.63</td>
</tr>
<tr>
<td>Q6</td>
<td>0.67</td>
<td>8.61</td>
</tr>
<tr>
<td>Q7</td>
<td>0.55</td>
<td>10.11</td>
</tr>
<tr>
<td><strong>Communitarian values</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q8</td>
<td>0.66</td>
<td>10.53</td>
</tr>
<tr>
<td>Q9</td>
<td>0.69</td>
<td>12.61</td>
</tr>
<tr>
<td>Q10</td>
<td>0.48</td>
<td>3.07</td>
</tr>
<tr>
<td>Q11</td>
<td>0.60</td>
<td>5.27</td>
</tr>
<tr>
<td>Q12</td>
<td>0.53</td>
<td>9.81</td>
</tr>
<tr>
<td>Q13</td>
<td>0.68</td>
<td>10.51</td>
</tr>
<tr>
<td>Q14</td>
<td>0.51</td>
<td>8.53</td>
</tr>
<tr>
<td>Q15</td>
<td>0.86</td>
<td>10.35</td>
</tr>
</tbody>
</table>

Model fit statistics: Chi-Square = 540.89, df = 424, p-value = 0.000, RMSEA = 0.59, GFI = 0.92, AGFI = 0.88

Note: Each item is measured on a five-point scale ranging from “5 = strongly agree” to “1 = strongly disagree”. All loadings are significant at the 0.05 level.

As can be seen in Table 3, there are significant correlation between all variables. But despite being significant, there was inverse relationship between communitarian ethical values and encounterless strategy, and between individualism ethical values and solve–orientation strategy.
Table 4: Results of correlation test of research hypotheses

<table>
<thead>
<tr>
<th>Result</th>
<th>Hypotheses</th>
<th>Row</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepted</td>
<td>There is positive and significant relationship between communitarian ethical</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>values of managers and solve-orientation strategy</td>
<td></td>
</tr>
<tr>
<td>Rejected</td>
<td>There is positive and significant relationship between communitarian ethical</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>values of managers and encounterless strategy</td>
<td></td>
</tr>
<tr>
<td>Accepted</td>
<td>There is positive and significant relationship between communitarian ethical</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>values of managers and control strategy</td>
<td></td>
</tr>
<tr>
<td>Rejected</td>
<td>There is positive and significant relationship between individualism ethical</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>values of managers and solve-orientation strategy</td>
<td></td>
</tr>
<tr>
<td>Accepted</td>
<td>There is positive and significant relationship between individualism ethical</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>values of managers and encounterless strategy</td>
<td></td>
</tr>
<tr>
<td>Accepted</td>
<td>There is positive and significant relationship between individualism ethical</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>values of managers and control strategy</td>
<td></td>
</tr>
</tbody>
</table>

7. Testing main Hypotheses using Structural Equation Model

The results in Fig. 2 indicate that the model fits the rather well (Chi-Square=108/62, df= 56, p-value= 0/005, RMSEA= 0/061, GFI= 0/92, AGFI= 0/91) this results with Measure scale show in table 5. And results show that significant relationship between Ethical Values and conflict management because t-values were higher than 1/96. That is, the standardized regression coefficient from: Ethical Values to conflict management (β= 0/33 t= 5/42).

Figure 1: Structural model of study for confirming thread primary hypothesis

<table>
<thead>
<tr>
<th>Table 5: Model fit statistics for thread primary hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>indicator</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>$\chi^2$</td>
</tr>
<tr>
<td>df</td>
</tr>
<tr>
<td>$\chi^2/df$</td>
</tr>
<tr>
<td>Value - p</td>
</tr>
<tr>
<td>RMSEA</td>
</tr>
<tr>
<td>GFI</td>
</tr>
<tr>
<td>AGFI</td>
</tr>
</tbody>
</table>
8. Discussion and conclusions

In the present world conflict is inevitable and this fact should be accepted that at the best form of teamwork and the best of the working groups, there will be conflict and disagreement. During a successful teamwork, people can freely express their opinions and ideas, on the one hand it leads to the development of individual creativity and on the other hand the exchange of ideas make conflict to emerge. The art of normative dealing with the phenomenon of conflict and manage it effectively, can bring conflict as a threat into opportunities for emergence of talents and actualize the potential creativity.

This study shows that the ethical values of managers influences on conflict management. Comparing these results with previous research findings showed that are consistent with some of them and are rather inconsistent with others. Also investigation about relationship between ethical values components of managers and conflict management strategies showed that there is a significant and positive relationship between communitarian values and solve-orientation and control strategies. Also there is a significant and positive relationship between values of individualism and avoidance and control strategies.

Research findings indicate that there is a significant and positive relationship between solve-orientation and communitarian characteristics. This finding is consistent with Wood (2008), Park (2007), Osuch (2006) Ma (2005) and Antonioni (2000). This finding can be explained by saying that collectivist people are social people, decisive, active, energetic and optimistic, and when conflict occurs they try to recognize the main reason, and solve it by analysis, in other words, they are most often used solve-orientation strategy. Research findings showed a significant negative relationship between communitarian ethical values with avoidance strategy. This results is consistent with Antonioni' (2000) study.

On the other hand as much managers individualistic ethical values increased they used more control strategy and less solve-oriented strategy is used. Managers with individualistic ethical values, primarily concerned with their own interests. Given that the control strategy is the way that people want to meet their individual interests, and may be the reason for these results is features of individualist managers, have led to the creation of the results of this study.

It is suggested that the ethical values of managers are examined by using the other measurement models and is compared with the results of the present study. It also recommended that research be conducted on public and private company executives, and the results are compared with the results of this study. In this regard, we can examined the relationship between ethical orientation and conflict management strategies used by the managers.
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