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## THE NEGATIVE EFFECTS OF CONFLICT TO CONSTRUCTION INDUSTRY: A MALAYSIAN PERSPECTIVE

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### Abstract

*Conflict is a reality especially in today's complex construction projects fraught with too many uncertainties. The main goal of this paper is to highlight the negative effects of conflict in the Malaysian construction industry. Data was obtained by conducting questionnaire surveys among private clients and contractors. Five topmost negative effects of conflict identified were: increasing project costs or claims, project delay, increase in managerial costs, some projects require expensive and time-consuming litigation; and breakdowns in continuing business relationships. This paper hopes to contribute towards a better understanding on the negative effects of conflict, which will result in better conflict management.*

**Keywords:** Conflict, Construction industry, Negative effects.

## 1. Introduction

Conflict is a reality in every construction project and without the means to address them, minor issues can fester and grow into huge negative consequences for project participants. Referring to Vorster (1993), "a dispute is defined as an argument about an issue concerning project operations, usually resulting from a debate over differences in two or more parties' understanding of situation." This statement is supported by another statement by Deutsch (1973) that defines conflict as "incompatible activities; conflict occurs when the behavior of one person is interfering or obstructing the actions of another."

Disputes or conflict seems to be very synonym with construction projects and normally giving the impressions of problems. Smith (1992) describes conflict and disputes as an endemic problem in the construction industry. Conflict may difficulties communications between individuals, breaks personal and professional relationships and reduces effectiveness. In other situation, conflict may produces tension and distracts team members from performing their task. According to Cheung & Suen (2002), if dispute are not properly managed, they may cause project delays, undetermined team spirit, increase project costs and above all, damage continuing business relationships.

Thus it is not surprising that many construction stakeholders still overwhelmingly view conflict as negative and something to be avoided or resolved as soon as possible.

## 2. Negative Effects of Conflict on the Construction Project

Studies and research on the problems of the construction has pointed to some fundamental causes of project failure, one of which is disputes in the industry. Vecchio et al. (1992) summarize most of the literature in suggesting that conflict is not necessarily good or bad but inevitable. Conflict implication can lead to positive or negative impact. However, this paper highlighted only on the negative effects.

### 2.1 Stress

Anticipating or being in conflict is stressful and affects the individual's well-being, peoples emotional and cognitive evaluations of their lives (Diener et al., 2003; Rainey, 1995; Richardsen & Burke, 1992) sometimes considered as the most potent stressor in working life ( Bolger et al., 1989).

Conflict is stressful and physically and psychologically draining and the emotional cost can be substantial. “There is no doubt about it, people can become so emotionally involved in the dispute, rather than focusing in on it, they have a real personal problem with the people in dealing with it. It’s hard to isolate it and look at it outside the picture of the relationships of the parties. And if you’re in charge for instance in the running of the project, this can become a real deterrent to you. Relationship starts to deteriorate; people around the jobs see and know the problem.”(Kathleen, 2003). It impacts the project teams and their progress and it can devastate to a job.

## 2.2 *Project delay/delay progress*

Unresolved dispute are counterproductive to the progress of construction. According to Frank an attorney in the study of Kathleen (2003) disputes creates a lot of lingering problems beyond the dispute itself for the completion of a project. It may sour the relationship among the people and makes it more difficult to resolve other problem that comes up during the course of the project. If all the disputes are not resolved promptly, they tend to drag on and escalate and can cause project delays (Ock & Seung, 2003).

Disputes may delay the project progress if it arises during the execution stage. “The frequency of disputes over ‘Time delay and extension’ has greater implications in terms of the cost and time of the project. Every delay, be it regarding payment, or site handing over, or temporary stoppage of work leads to time loss” (Iyer et al., 2007).

## 2.3 *Reduce a team’s effectiveness*

Conflict, which had become the overriding consideration in all decisions, was paralysing the organization and crippling its ability to function (Lewis et al., 1997). Many researches reported conflict difficulties communications between individuals, breaks personal and professional relationships and reduces effectiveness because it produces tension and distracts team members from performing the task (Hackman & Morris, 1975) Conflict adversely affects the parties’ relationship. An unsettled dispute inhibits communication and fosters an adversarial relationship between Owner and Contractor, often resulting in even more disputes (Thompson et al., 2000). Quoted from a respondent in Kathleen (2003) study, “Relationship are strained at best. Conflict limits communications. It raises suspicion and it can easily bog a project down unless somebody is willing to go out o a limb”. “Normally unresolved dispute foster hard feelings, can cause lack of communication between the contractor and the owner and in the direct cases can result in financial instability for the contractor,” comment by Bret in Kathleen (2003) study.

## 2.4 *Increase project cost*

99% of respondents in a study by Kathleen (2003) agreed that disputes occurring during construction result in additional financial costs and sometimes hidden cost also may be incurred due to unresolved disputes.

Disputes usually involve money, either bills that haven't been paid or additional work that requires compensation (Bennet, 2003). “Ignoring the problems as they occur causes even more problems later on which can require expensive and time consuming litigation” (Cheung & Suen, 2002). A study by Kathleen (2003) reported, nearly all her respondents (95%) were concerned with the high cost and time consuming litigation. Not every dispute can be resolve through negotiation that normally need more complicated resolution such as Alternative Disputes Resolution (ADR) or litigation to resolve the problem especially in large scale project.

## 2.5 *Damage continuing business relationships*

“If disputes are not resolved promptly, they tend to drag on and escalate and can cause project delays, lead to claims, require litigation proceedings for resolution, and ultimately destroy business relationships”(Ock & Seung, 2003). “Going to court over a dispute will harm the relationship between the accused and the complainant” (Koolwijk, 2006). It involves legal expenses. The best way is by implementing alternative disputes resolution method to reduce the cost and also prevent the parties from falling into disagreement with each other.

An unsettled dispute inhibits communication and fosters an adversarial relationship between owner and contractor and often resulting in even more disputes (Thompson et al., 2000). According to (Cheung & Suen, 2002), if disputed are not properly managed, they may cause project delays, undetermined team spirit, increase project costs and above all, damage continuing business relationships.

## 2.6 *Damage in reputation*

Kathleen (2003) reported conflict may cost hidden cost that includes reduction in bonding capacity and damage to reputation. Conflicting parties will stand to their right and fight either to win-lose or win-win. In cases when one or the disputant lose, they will lose their reputation to the other party and probably they will lose the opportunity in continuing the business for future projects.

#### 2.7 *Difficult to resolve other coming problems or conflict displacement*

The emotional effects of a conflict may lead to “conflict displacement,” whereby conflicts on one project carry over to another project. Reported by Kathleen (2003) construction disputes that are not promptly resolved encourage “an adversarial relationship that will fester for a long, long time” and that festering will carry over onto other jobs “like a virus.”

#### 2.8 *Lost of profit or project viability*

The main goals of any projects are to perform as a successful project. The important keyword from the planning until completion of any project is the matter of “is the project profitable?” and “is it viable?” Every owner will make sure every cent they invested will be profitable to them. The engaging contractor in any projects also has their own target of business profit. The increase of project cost due to disputes will affect their targeted profitability.

#### 2.9 *Hinders consensus and commitment between group members*

According to Medina (2005) it is possible for one dimension of conflict to enhance effectiveness whereas another hinders consensus and commitment between group members as many research has shown conflict to be multidimensional ( Amason, 1996; Jehn, 1995; Van de Vliert & De Dreu, 1994).

### **3. Methodology**

This study adopted quantitative approach of research. Quantitative research is empirical research where the data in the form of numbers and qualitative research is empirical research where the data are not in the form of numbers (Punch, 1998). Statement by (Sambasivan & Soon, 2007) “ Most of the disputes that arise in the construction industry in Malaysia are between clients and contractor, most often one party blaming the other” strengthen the reason this study to focused on client and contractor only which the population comprised in the study consisted of two groups of contract manager, general manager, or project manager from private client and Class G7 building contractor in Klang Valley area.

A self-administered questionnaire was use to collect all the data. After an in-depth literature review, the questionnaire was designed by incorporating aspects from the literature reviewed. Likert scales was adopted to all questions as it was a straightforward scale. Research on causes and effect of delay by (Sambasivan & Soon, 2007) and problems of partnering projects in Hong Kong by ( Chan et al., 2003) also adopted Likert scale in their study. This itemised rating scale uses six response categories, which required the respondent to indicate the degree of significant with a series of statements such as scale 1 = extremely not significant, scale 2 = not significant, scale 3 = fairly not significant, scale 4 = fairly significant, scale 5 = significant, and scale 6 = extremely significant.

Quantitative data obtained by analysing responses presented on the Likert scale were analysed by by using the Statistical Package Social Sciences (SPSS) which provides a comprehensive range of statistical programs suitable for the chosen techniques of analysis.

### **4. Result and Analysis**

The survey yielded a total of 58 responses out of 200 distributed questionnaires and the response rate was 29%. Respondents represented different roles in the construction industry that are 27.6% were clients and 72.4% main Class G7 contractors. Generally, most of the respondents were well experienced professionals in construction practice who could give reliable data as 96% of them had gained over 5 years of experience in the construction industry.

The primary data collected from the questionnaire was analysed and the results are tabulated in the Table 1.1 and Table 1.2.

Table 1.1 : Ranking of negative effect

Negative effect of conflict	Mean	Std.Deviation	Rank
<b>Negative effect</b>			
Stress	4.26	0.947	15
Reduced of productivity	4.74	0.870	8
Project delay	5.05	0.804	2
Reduce project team's effectiveness	4.83	0.841	6
Increase project cost/claims	5.10	0.810	1
Increase managerial cost	5.05	0.887	2
Damage continuing business relationships	4.88	1.244	5
Require expensive and time consuming litigation	4.90	0.968	4
Difficulties of communication	4.38	1.023	14
Breaks personal and professional relationships & interaction	4.48	1.246	12
Damage in reputation	4.66	1.018	9
Difficult to resolve other coming problems (conflict displacement)	4.62	0.970	10
Loss profit or project viability	4.79	0.951	7
Total abandonment	4.50	1.218	11
Hinders consensus and commitment between group member	4.48	0.843	12
<i>Overall means for negative effect</i>	4.715	0.736	-

Table 1.2 : Five (5) most important negative effects of conflict

Negative effect of conflict	Mean	Std. Deviation	Rank
Increase project cost/claims	5.10	0.81	1
Project delay	5.05	0.804	2
Increase managerial cost	5.05	0.887	2
Require expensive and time consuming litigation	4.90	0.968	4
Damage continuing business relationships	4.88	1.244	5

The results of the ranking shows the most significant negative effect of conflict is increasing project cost and claims with the highest mean score of 5.10 that is significant effect based on the Likert scale 1 to 6. The other two significant negative effect of conflict are increase in managerial cost and project delay with both mean score of 5.05. Expensive and time consuming litigation were found to be among the top five negative effect of conflict with mean score 4.90 that were fairly significant. This was supported by Kathleen (2003) in her findings that nearly 95% of the respondents were concerned with the high cost of litigation. While 75% of the respondents of her study were concerned that preparing for litigation or arbitration will consume too much time. Conflicts also were found as negative effect as it may damage in continuing business relationships with the mean score of 4.88.

## 5. Conclusion

Unresolved conflict are recognise as a drain on productivity and effectiveness in the organisation. According to Carl & Gilbert (2005), conflict also is a significance source of unproductive stress that may decrease human resource capability. Besides that, disputes may lead to project disruption, loss in money and time, and detrimental relationship between contractual parties. It can be concluded that conflict or disputes may cause negative impacts that it should always be the subject of prevention, prediction, avoidance and resolution in most of construction projects.

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