

RECOGNIZING HIDDEN CONFLICTS AND ENHANCING NEGOTIATION IN A CHARISMATIC LEADERSHIP MANAGEMENT SETTING: EXAMPLE OF A SOCIO- ECONOMIC ORGANIZATIONAL DEVELOPMENT PROJECT IN THE MIDDLE EAST

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ABSTRACT:

The present paper addresses the issues raised by hidden conflicts in a charismatic led organization, and the transformation from a management paradigm of charismatic leadership artificially taming conflict to a negotiation paradigm favouring participation, systematicity, the multiplication of innovation sources and synchronization. The paper investigates the capacity of the socio-economic approach to management to reveal the inherently masked conflictive energy into a more sustainable, peaceful and performing construct. The research finds evidence that the socio-economic intervention-research methodology delivered positive results in the conflict transformation within a Middle East subsidiary of an international inspection and certification organization.

Keywords: Conflict management, Conflict Transformation, Organizational development, Socio-economic approach to management, Intervention research, Middle East, Inspection and certification body.

INTRODUCTION

The principles of organizational development and post-modern management are not well-known in companies and organizations in the Middle East. Mentioning that conflicts exist within a company would be perceived quite outrageously by most CEOs and managers. However, our assumption is that hidden conflicts do exist, but that they are ignored or underestimated and may undermine the sustainability of companies and organizations. This paper aims at showing the necessity of unveiling hidden conflicts through an appropriate organizational development process that will be acceptable in the Middle-East cultural context. An experiment has been carried out to test a specific approach to Organizational Development, called the “Socio-Economic Approach to Management”, that brings evidence to leaders on the importance of recognizing conflicts, and orients them towards negotiation and cooperation with employees, as opposed to being autocratic. The pilot project illustrates the socio-economic organizational

development process in a Middle Eastern company managed by a charismatic leader practising and autocratic however dynamic management style.

PROBLEM STATEMENT

Importance of recognizing conflicts in organizations

Globalization, market swings, technological leaps, incremental and disruptive innovations, social evolutions, societal pressures, porous frontiers, political and security factors and challenges of the natural environment (Atalli et al., 2013; Rockström et al., 2009; Wagner and Bloom, 2012) result in an increasingly competitive environment which impacts most companies and organizations in the Middle East. This phenomenon has been amplified by the low price of oil in the past few years, resulting in decreased economic growth. As a result, company leaders discover the necessity for flexibility and adaptability (Worley et al., 2015) and the calls for change protruding from organizational players, including clients, governments, suppliers and other company stakeholders (Kotter, 1996 in Cummings & Worley, 2009; Van de Ven, 1980, 1986). Simultaneously, conflicts among opposing organizational forces, like in other cultural settings, are causing resistance to change (Van de Ven & Poole, 1995; Van de Ven & Sun, 2011), adding to the challenging environment and hindering leaders' efforts. In the same vein, any organization or company can be characterized by specific cultural patterns (Suutari & Brewster, 2001), but many companies in the Middle East experience traditional management practices, such as paternalistic or autocratic, and in most cases very centralized models, without the possibility of challenging the leader. In similar settings, participative approaches to manage change are not the most popular. Approaches to conflict resolution in the context of change management resorting to mutual interest, or negotiation with third party involvement (Bendersky, 2003, 2007 in Van de Ven & Poole, 1995, p.63) are unusual in companies in this region of the world.

From another perspective, the existence of conflicts within organizations can be considered as scary, because of its association with psychopathology, social disorder and war" (Coser, 1967), but postmodern theorists consider that conflicts have to be recognized. Indeed, an aspect of the postmodern theory is that the natural state of any social group, though consensual in theory, is confrontational in practice. In the postmodern view, organizations are regarded relationally in a fragmented world and diverging representations of that world (Boje, Gephart, & Thatchenkery, 1995); identification and actions attributed to the self are identified in opposition to the other (Laing, 1969). This phenomenological and interactive representation (Fisher, 1982) yields conflict. However, conflict in the organizational realm is also considered as a potential source of human energy and social change (Boje et al., 1995; Coser, 1967), greater creativity and a way to release innovation (Adelman, 1993; Argyris et al., 1985). It may also be a basic starting point for the much coveted participation and critical thinking in organizational leadership (Hutton & Liefoghe, 2011). From this perspective, the dialectic of conflict and cooperation (Deutsch, 1991) justifies the existence of management science. Broadly put, the postmodern perspective defines management as being "the activities of social actors and their interventions into organized human processes, particularly actors with discrete formal statuses that provide the legitimate authority to direct and coordinate the behaviour of other

social actors.” (Boje et al., 1995). Consequently, the management practice in the postmodern paradigm addresses the relational of organizational actors (Mauws, 1995; Morrow, 1994), the ethnographic discourse (Bittner, 1974; Gephart, 1978; Boje et al., 1995) and the resource view addressing organisational efficacy. Conflict in organizations is therefore at the core of change (Laing, 1969), and a “medium through which problems can be aired and solutions arrived at. There are many positive functions of conflict” (Coser, 1967); the challenge remains to steer conflict into a “lively controversy” (Deutsch, 1991) away from sterile confrontations.

Charismatic leadership

Although growing powers are deferred to the subordinate levels in today’s organizations (Boje et al., 1995), the discretionary prerogatives of the manager remain omnipotent in the societal microcosm of the company. Moreover, the status of the manager as guardian of the organizational narrative is considerably augmented by the presence of a charismatic leader clouting the shared representation of the organization and dominating the organizational discourse. First coined by Max Weber (1864-1920), the charismatic leader is distinguished from the formal leader by his/her personal endowments capable of inspiring followers (Rumelt, 2011). In management literature, charismatic leadership later transformational leadership (Bennis & Nanu, 1985; Bass, 1985) releases “human energy by creating a vision of a different reality and connecting that vision to people’s values and needs” (Rumelt, 2011, p. 65). The charismatic attributes of a manager are perceived to be an important part of transformational leadership (Bass & Avolio, 1995) “as well as on the way the team cooperates.” (Paulsen et al., 2009, p.513). Charismatic leadership projects “desired identity images (e.g. as trustworthy, credible, morally worthy, innovative, esteemed, and/or powerful) to their audience” (Harvey, 2001, p.256) and exerts substantial influence “during a period of transformational change on the sense of belonging to a team” (Paulsen & al., 2009, p.513), and facilitates the creation of an “environment that fosters innovative behaviours” (Paulsen & al., 2009, p.519). Charismatically led organizations thus promote swift action, a commendable characteristic in the fast moving world. The inspirational leadership of the charismatic style (Keller, 2006 in Paulsen & al., 2009) results in masking the expressions of conflict and their consequent dysfunctions, both at the vertical and horizontal levels. Employees are supposed to adhere to the objectives set by the leader, and will be rewarded according to their involvement in the success of these objectives; the personal strategy of each and every employee has to be put aside. It is, therefore, difficult to reveal conflict in a charismatic led organization. In case the charismatic leader fails or disappears, personal objectives pop up again and hidden conflicts reappear; reactions can be violent, as well as conflict among team members (Lewin, 1946). The roles of the charismatic leadership of envisioning, empowering and energizing, are affected by the leaders’ traits and the followers’ behaviors (Kets de Vries, 1994). The same holds true, when the leader’s character associates to the “individuals who are well balanced, have a positive self-regard, and a secure sense of self-esteem” (Kets de Vries, 1994) coined “constructive narcissism”; and more so when the characteristics of the organization itself fall under the “Dramatic” type (Kets de Vries, 1994)

described by over-centralization obstructing the development of effective information systems and second tier executives retaining too little influence in policy making. The top executive monopolizes the attention in the organization and the subordinates depend overwhelmingly on the leader and “mirror” his aspirations (Ketj de Vries, 1994). The strategy of a “dramatic organization” is impulsive and venturesome and exhibits a non-participative decision making process. Consequently, in an environment of a deliberately receding charismatic leadership it is particularly challenging to unmask and manage conflict.

From another perspective, the absence of a significant body of research in the Middle East extends to the human resource management field in general and specifically to the leadership styles of business managers (Yahchouchi, 2009). Studies addressing the ethnological personality in the Middle East lack substantively, particularly in Lebanon (Messarra, 2013) where the headquarter of ICB is located, and where most of ICB employees come from. Nevertheless, the cultural assessments of the Middle Eastern societies in general places them among the communities that accept the unquestioning of power structures. The Lebanese case, less dogmatic in the social structure as compared to other countries in the Middle East, and developing leadership responsiveness to internal stakeholders (El Haddad & Menassa, 2015), is still positioned high on the “power distance” attribute of cultural assessments. Power distance is “the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally” (Hofstede Centre, 2016). The Hofstede Centre (2016) grades Lebanon’s power distance at 75 placing it in the low bracket of the region compared to Saudi Arabia (95), United Arab Emirates (90), and Syria (80). Paralleled to the United States’ score of 40 and Austria’s 11, the Lebanese context engenders and accepts charismatic leadership.

CORE HYPOTHESIS BASED ON THE SOCIO-ECONOMIC APPROACH TO MANAGEMENT OF CONFLICTS WITHIN CHARISMATIC LED ORGANIZATIONS

Anchored in the postmodern management paradigm, the Socio-Economic Approach to Management (SEAM) upholds the premise that employees in companies have their personal strategies, and that they are naturally disobedient, actors and clever (Savall, 1974). This assumption contradicts the submission paradigm of the scientific management summarized by three iconic contributions: Taylor’s (1865-1915) separation of the thinkers and doers, Fayol’s (1841-1925) specialization of functions and the resulting siloing of organizations, and Weber’s (1864-1920) bureaucracy and depersonalization (Savall et al., 2012), or the excessive reliance on policies and procedures that become sources of conflicting interests, dysfunctions and hidden costs.

The main hypothesis of the socio-economic approach to management is that the organizational performance results from the idiosyncratic quality of negotiations in the dynamic system of conflicts and cooperation experienced in every organization. Meta-analytic research have shown that conflicts in companies and organizations are always underestimated. The managers’ fundamental idea that formal power is sufficient to require obedience from employees, fails to account for their informal power to be absent, to resign and to be at the origin of quality and productivity gaps (Savall et al., 2012; Worley et al., 2015; Buono & Savall,

2015). Calculating the impact of these informal powers, named “hidden costs and performance” because they do not appear in the accounting and financial information systems, both on the short and long runs reveal an average equivalent to more than 50% of the added value, or the margin on variable costs (Savall et al., 2012; Worley et al., 2015; Buono & Savall, 2015; Savall & Zardet, 2008; Savall et al., 2008). Sensitizing the holders of the formal power in companies, i.e. managers and CEOs, to the importance of internal conflict is the first step to lead them to take action and shift from a top-down leadership style to a negotiating and participatory management. The socio-economic interventions starts by presenting a mirror effect of conflicts and associated hidden costs. The conflicts are categorized in six domains, and bring evidence of lack of negotiation in many aspects regarding on the one hand the company objectives that are set by the management and on the other hand, the expected rewards by employees aiming at serving their personal objectives. It should be mentioned that employees’ objectives are multidimensional and depend on their expectations as well as on the interaction with their social and family environments outside the company. The methodology of the mirror-effect in the socio-economic approach to management consists in categorizing conflicts in six domains, also called “dysfunctions”, i.e. gaps between actors’ expectations and the actual situation. The following are examples of conflicts and subsequent hidden costs in companies located in the Middle East and managed by a charismatic and autocratic leader (Yahchouchi, 2009):

- Working conditions: e.g. top managers have designed the lay out of offices, but have not taken into account the employees’ need for a dining room, resulting in absenteeism and productivity gaps.
- Work organization: e.g. no autonomy or empowerment is given to employees in the subsidiaries of the company due to an autocratic management style. The results are poor adaptation to customers’ needs and loss in earnings.
- Communication-Coordination and Cooperation: e.g. in a given subsidiary of the company, employees belonging to various ethnic or religious communities are conflicting and do not communicate with each other. Among the impacts, bottlenecks in the administrative processes are observed, along with delayed service delivery to clients.
- Time management: e.g. top managers often disrupt subordinates or give them contradictory assignments. It proves to be detrimental to development actions required to upgrade products and services.
- Integrated training: e.g. to maintain their power, managers do not train their employees in high added value tasks. Employees consider that they are not recognized and behave accordingly, which slows down the strategy of the company focused on high added value products and services.
- Implementation of the strategy: e.g. strategic planning is only implemented through a top-down process, and focuses on cost cutting and profit increase. Conversely, objectives of the employees are focused on minimizing their efforts and safeguarding their job, resulting in face compliance and poor added value creation.

The above examples are excerpts of hundreds of hidden conflicts and dysfunctions observed in companies in the Middle East, evidencing hidden costs ranging from \$14,000 to \$85,000 per person per year (Savall et al., 2008).

The socio-economic intervention

The socio-economic intervention consists in accompanying the leaders along three main processes implicitly aiming at training them in conflict management:

- The socio-economic change process: A diagnosis is carried out through conducting interviews with all the categories of company actors. Followed by a mirror-effect presented to managers and employees along with the calculation of hidden costs, it consists in recognizing the systemic aspect of the conflict and in enhancing the awareness of the need for negotiation. Unstated ideas on the root causes of conflicts and dysfunctions are then presented and proposed as themes for focus groups in order to train the management in negotiating action plans. Focus groups involve in a structured way all categories of company actors and are assisted by socio-economic experts to prepare economic balances of the proposed solutions, thus demonstrating to top management that solutions are profitable to all stakeholders, including the short and long term financial views.
- Integrated training in negotiation tools: Most companies in the Middle East have adopted traditional American methods of financial and management control, and are reluctant to supplement such management tools with organizational development tools and conflict management methodologies. However, once Management have acknowledged the need for negotiation, they buy in on the need to expand the scope of traditional management tools. In particular, collaborative training includes the implementation of socio-economic tools such as Internal and External Strategic Action Plan, Priority Action Plans and Periodically Negotiable Activity Contracts. The Internal and External Strategic Action Plan consists in upgrading the strategic planning by taking into account all company actors' ideas and expectations, as formalized through the socio-economic project. It enables tapping hidden opportunities, by means of collective intelligence and the enhancement of strategic vigilance. The Priority Action Plans consist in developing actions focused both on preventing dysfunctions and conflicts and on negotiating the implementation of the strategy. This tool is designed in a participative way, as all managers have to negotiate with their team members and come up to an agreement on the development actions and their scheduling. It also implies improving negotiated time management, by safeguarding high quality chunks of time to implement the development actions. Priority Action Plans are also accompanied by socio-economic performance metrics which enable monitoring the qualitative, quantitative and financial impacts of the development actions. Periodically Negotiable Activity Contracts consist in personalized negotiation of objectives between each manager and his/her subordinates. In particular, both parties have to ensure that

each objective is feasible, that time budget is properly allotted, along with other required means and integrated training. Periodically Negotiable Activity Contracts consist in negotiating in advance the objectives of short and long term value creation, and the expected rewards in regards to the pay incentive defined at the company level in order to ensure coherence and synchronization.

- Political and strategic decisions: ground rules have to be accepted and clarified in order to promote alignment and to avoid conflicts and hidden costs. In particular, two main regulations that are often recommended in companies experiencing a charismatic management style: the concerted delegation and the synchronized decentralization. The concerted delegation consists in mapping out four areas of responsibilities where subordinates are empowered: full autonomy, autonomy with regular reporting, delegation with up-front consultation with the superior, and coordination with no delegation. It enables enriching the subordinate's job progressively while enhancing trust and enabling top management to reorient their actions towards more added value activities, resulting in power creation for all. The synchronized decentralization means that all parts of the company have to propose ideas regarding their priority action plans, but that coordination and cooperation have to be enhanced at top management level, in order to enable coherence and synergy with the company strategy.

The three processes and resulting actions gradually shift an autocratic management style, covertly suffering from conflict, to a negotiated management style where all parties, including top management, gain power in order to better serve their stakeholders. Therefore, the core hypothesis can be worded as follows:

Core hypothesis : Charismatic leaders may be performing in the short run, but ignoring conflicts is detrimental to the sustainable performance of organizations. Accompanying charismatic leaders to recognize inherent conflicts and the need for negotiation drives their organizations towards a better performing participatory management.

It is proposed to experiment this transformational process through the implementation of the socio-economic approach to management in the Middle-East subsidiary of an international organization. It is assumed that the socio-economic change process can contribute to a systemic management engineering that enables the negotiation of hidden conflicts to turn them into enhanced cooperation. Such a process can also contribute to build peace dynamically while channeling the conflict energy into innovative cooperation. Worded in the practitioners' language, the core hypothesis becomes: "recognizing conflicts and enhancing negotiation is necessary to enable sustainable performance in a charismatic leadership management setting".

RESEARCH FIELD AND RESEARCH METHOD

The practical aim of this paper is to experiment the socio-economic approach to management in an organization which has a pronounced charismatic leader, and to initiate a metamorphosis towards a systemic management method, engineered

to bring a sustainable peacebuilding and a proliferation of innovations within the organization.

Field of Intervention

The inspection and certification market in Lebanon, particularly in the prevalent construction sector, is dominated by four international companies, and a fifth new-entrant, through their local subsidiaries. The market leader, named Inspection and Certification Body (ICB) for reasons of anonymity, has a substantive market share. ICB is the regional subsidiary of an international inspection and certification body with an employment base of 12,000 mainly engineers and technicians. Inspection and certification bodies are third party interveners exceedingly in demand in the current international environment. Inspection and certification bodies are contracted to assure that parties are complying by the due standards and regulations, or called in as consultants helping in the procedural implementation of standards. The institution of ICB came in line with the strategy to expand the international markets of ICB's mother company. After completing his advanced civil engineering studies, the managing director worked in ICB's mother company for two years, and was mandated to the Middle East in the year 1995 to start ICB. His overly energetic nature, vast network of personal relations, charisma and engineering knowledge allowed him to cut a decisive market share in the construction market; a ratio of 3 out of 4 potential customers regard ICB as their first choice for technical inspection (Independent market study). The present management structure diverges from the legal status of ICB; five companies form the body of ICB (see Appendix 4.4): In Lebanon one limited liability company (LLC) owned 98% by ICB International and a second company chartered as an offshore; a startup limited liability company in Abu-Dhabi owned by ICB International and managed by ICB ; ICB Abu Dhabi was founded to expand in the UAE and is axed on the construction and petroleum industry infrastructure; a startup limited liability company in Doha owned up to 51% by local partners and 49% owned by ICB, concentrating on the construction and hydrocarbon infrastructure; a partnership in KSA with 51% owned by ICB and 49% belonging to local partners; this company has two emphases, the construction and petroleum industry infrastructure, and a promising laboratory for testing and measurement of mainly electrical fixtures. The management structure runs all five entities as only one company with a centralized management based in one of the Middle-East countries, and regional subsidiaries in the other countries as branches; the structure and decision-making are dominated by the general manager.

ICB expanded 10 fold (from 7 to about 70 employees) in as much years, with three leadership defined missions: (1) Maintaining growth and profitability in existing branches, (2) Expanding to new markets in the Middle East and Africa, (3) Forming engineers and managers capable of populating incubated subsidiaries in new markets. The services offered by the ICB companies are grouped in five categories or departments: (1) Technical control: Buildings, (2) Inspection and technical assistance: Electrical and mechanical installations and equipment, (3) Consultancy: Standards and accreditation, (4) Training: Standardized and customized training, and (5) Testing and measurement: Mobile petroleum stations testing, and a laboratory for electrical fixtures tests. The

general manager of ICB also casts in ad'hoc jobs, as owner-representative or as technical expert for construction projects such as large residential apartment projects, hospitals, residential and office towers. The business model of ICB is essentially contracts that require the engineers and consultants to compare the inspected exercises to the applicable standards and norms, and to issue morally and materially weighing reports. The engineers and experts of ICB, in their organizational activity have two organizational anchors, the technical anchor and the administrative superior.

The leader's character likens to "constructive narcissism" of balance, positive self-regard and self-esteem (Kets de Vries, 1994, and the organization is of the "dramatic type" (Kets de Vries, 1994), over-centralized with a monopolizing CEO and employees overly dependent of the leader and reflecting his aspirations (Ketz de Vries, 1986). The personal attributes of the leader, and the organizational and societal structures describe a charismatic led organization.

Issues at stake in the company

The macro-environment challenges facing ICB abound: The widening array of services offered driven by the growing number of national and industry specific regulations, the diversity of cultures and borders, the variety of political and legal systems, and the remoteness of the targeted markets. The geographical and services expansion of the company are extending the distance between the functional operations and the general manager, causing conflicts to emerge in a milieu similar to a post-charismatic leadership context. The relative omnipresence of the leader, traditionally taming and masking conflict, is relatively receding, allowing centrifugal forces to take hold and stress the performance of the company. The proactive leader of ICB welcomed the present intervention to explore ways of organizational development aiming to devolve prerogatives while maintaining the agility and responsiveness of the company.

Methodology

The socio-economic intervention research methods has a clearly delineated methodological positioning. The "qualimetric" methodology (Savall & Zardet, 2004, 2011) is interpretivist, abiding by a post-positivist epistemology and abductive reasoning alternating deduction and induction. The qualitative, quantitative and financial continuum is outlined in the method of research targeting the internal population of internal stakeholders of the organization clustered horizontally (CEO and top managers) and vertically (along department and subsidiary lines) with eventual sub clustering dependent on the size of the organization. Semi-structured interviews, observations and content analysis accompany the experiment strategy (Cappelletti & Baker, 2009; Savall & Zardet, 2004, 2011). The socio-economic intervention started with a negotiation of the intervention-research process (Savall & Zardet, 2003). The CEO accepted the research protocol as he was interested in discovering ways and means of overcoming barriers to the development of the company subsidiaries operating in various cultural settings in the Middle East. The CEO endorsed the diagnosis method based on anonymous interviews, as well as the setting up of project groups to address the dysfunctions, conflicts and hidden costs hindering the

sustainable development of the company operations. It meant that terms and conditions of an agreement on the socio-economic intervention-research methodology was accepted enabling a scientific observation of the conflicts, and the implementation of an internal negotiation process aimed at introducing a “conflict-cooperation” dynamic. The intervention started by clustering the company horizontally and vertically following the socio-economic process, i.e., involving top management first, and then, the various sectors of the company. In the socio-economic methodology, this process is called Hori-Vert, standing for the horizontal part of the organization (top management team) and the vertical levels (departments or subsidiaries) so as to address the multi-level dimensions of conflicts and cooperation. The socio-economic clustering included a steering committee formed by the general manager, deputy general manager and head of the training department that was eyed by the leader for promotion. The top management team was composed of the steering committee members, the heads of departments and subsidiaries; noting that the Technical Control department - the largest in the company- was still headed by the general manager. The members of the top management team had to play a key role to enable the transversal communication and coordination between departments, and therefore weigh in on the company’s strategy.

The conflict management process in the socio-economic approach to conflict management consists of three steps : shedding light on hidden conflicts and measuring their economic impact (descriptive hypotheses), interpreting the root causes of conflicts through the expression of the expert-advice by the intervener-researcher (explicative hypotheses), and accompanying the actors in focus groups to practice negotiating projects. The whole exercise aims at progressively transforming conflicts into cooperation through negotiation (prescriptive hypotheses).

DIAGNOSES AIMED AT SHEDDING LIGHT ON HIDDEN CONFLICTS: DESCRIPTIVE HYPOTHESES

Horizontal diagnosis: Top management level

The horizontal diagnosis was conducted using qualitative semi-structured individual interviews with the members of the horizontal team, starting with the managing director, and all members of the top management team. The interviews were focused on discovering conflicts and dysfunctions in the organization clustered in the six categories: Working conditions, Work organization, Communication-Coordination-Cooperation, Integrated training, Time management, and Implementation of the Strategy. Interviews sought the comprehensive and active participation of organizational parties, promoting their critical reflexivity, and directing their efforts towards shedding light on the phenomena at work of visible and hidden conflict. The interviews were anonymous and depersonalized, registered by written notes, and re-read for the responder’s approval before being finalized. Treatment of data mined in the interviews was based on field note quotes categorized in the families of dysfunctions. The average number of dysfunctions mentioned by interviewees and captured by field note quotes was fifteen for each interview, in line with the average of the socio-economic interventions practice. The mirror effect in the

socio-economic method revolves around three commanding principles: contradictory inter-subjectivity, cognitive interactivity and generic contingency (Savall & Zardet, 2003). The findings of the horizontal were classified into themes, sub-themes, key-ideas and frequency prevalence, and were discussed in the steering committee and horizontal group. The aim of the open discussions was to extract common understandings and to eliminate misunderstandings.

Table 1: Examples of field note quotes raising the issue of conflicts at the horizontal level and caused by charismatic leadership

<i>Domains of dysfunctions and conflicts at horizontal level</i>	<i>Examples of field-note quotes at the horizontal level</i>
Working conditions	<i>“There are clan divisions, Office politics thrive”</i>
Work organization	<i>“Procedures are not well applied, We only have face procedures, everything goes back to managing director, Remarks from quality responsible are not taken into consideration, Remarks from deputy managing director are not taken into consideration, There is a system but is not being followed, Managing director practices an open door policy, anyone can resort to him”</i>
Communication-coordination-Cooperation	<i>“Communication between departments is not efficient”</i>
Time Management	<i>“When assigned to projects, requests to engineers do not go through dept head”</i>
Integrated Training	<i>“There are communication problems between persons, There is an aggressive attitude between some persons”</i>
Implementation of the strategy	<i>“There is no clear job description for managing director, there is no clear job description for deputy managing director, Our management is built on persons, not systems”</i>

The excerpts exhibit the charismatic and autocratic leadership style, and the nature of dysfunctions at the top level of the company. The field quote notes demonstrate that although cooperation is rather efficient under the charismatic leader, conflict underlies the organizational dysfunctions and behavior. During the horizontal mirror-effect presentation, the CEO expressed interest and demanded further investigation and better understand the phenomenon.

Vertical diagnosis: Department level

The horizontal intervention had addressed the key strategic elements of dysfunctions, and the resulting conflictive coordination-cooperation-communication between departments organized in silos. The vertical intervention complemented the horizontal and introduced the quantitative and financial dimensions of the method. The vertical diagnosis was therefore

broached in two rounds of interviews, the first round of qualitative interviews allowed the identification of the dysfunctions and bottlenecks affecting the organizational operations, as shown in table 2

Table 2: Examples of dysfunctions and conflicts at the vertical level

Domains of dysfunctions at vertical level	Examples of field-note quotes at the vertical level
Working conditions	<i>“Gossip creates stress”</i>
Work organization	<i>“Engineers do not consider sending reports to accounting department as their responsibility”</i> <i>“Engineers are being asked work and reports to many team leaders and department heads”</i>
Communication- Coordination- Cooperation	<i>“Cooperation between engineers and secretarial staff needs improvement”</i>
Time Management	<i>“I spend a lot of effort to try to communicate with my department head”</i>
Integrated Training	<i>“Deontological issues in communication method from some staff”</i>
Implementation of the strategy	<i>“There is no clear strategy for the company”</i>

The vertical diagnosis excerpts show similar dysfunctions and conflict patterns compared to the horizontal diagnosis, but the emphasis is understandably more operational. The omnipresence of the charismatic leader is visible at the departmental level and causes dysfunctions and conflict. Conflicts are created because the CEO bypasses the company procedures, and therefore encourages the others to bypass the formal system. Every employee is comforted by his relation with the CEO and therefore is not motivated to alleviate his relation with his peers causing further conflicts. Furthermore, the strong character of the CEO and his management style tames conflicts that were uncovered in the diagnosis. In the vertical diagnosis, a second round of interviews was conducted with the managers of the departments to help them translate the qualitative information on dysfunctions and conflicts into quantitative and financial results. The quantification consists in calculating the hidden costs of the conflicts. An example of hidden costs calculations caused by the dysfunctions in the Inspection and Technical Assistance Department of the company is presented in table 3.

Table 3: Example of hidden cost caused by conflicts and dysfunctions in one of the Technical Assistance Departments

Indicator of hidden cost	Frequency	Dysfunctions and conflicts at the origin of hidden cost	Economic impact
Lack of Managerial Skills	On going	The lack of managerial skills at the department head level, omitted because of the centralized decision-making, cause demotivation and unstated conflict among engineers, leading to direct productivity gaps.	\$75,000

This example of hidden costs is one out of 41 that have been calculated in the company. As a result, one can now map out the main descriptive hypotheses concerning conflicts and dysfunctions related to charismatic management in this company. Overall, hidden costs that have been calculated in the department amounted to \$382,000 representing an equivalent of \$31,000 per person and per year. Those hidden costs were mainly the result of non quality costs and productivity gaps: 29% of hidden costs were overcharges, such as excess salaries and overconsumptions, 51% were losses in earnings consisting in excess time and non production, and 20% were future costs stemming from non creation of potential (confirmed future costs) and risks (future costs with a certain probability of occurrence). These diagnoses lead us to extract the descriptive hypotheses related to the impacts of the charismatic management style in the company as shown below:

- Descriptive hypothesis # 1: *The organizational chart does not reflect the functioning of the company, and department heads are not empowered.*
Often expressed by the company actors on the horizontal and vertical levels, the organization chart is a concern reflecting an “organizational structure that is not clear for internal actors”, and where “there is no acknowledgment of statuses for the group chiefs”, resulting in a “system” [organizational chart] that “is not respected” and an “administrative routing that is not clear” and “that needs reviewing”. The respondents reflected on the mode of management saying that “authority is not clear” and that the “managing director does not delegate” though “he is not sufficiently available in the office”.
- Descriptive hypothesis # 2: *Evaluation and Incentives seem random to employees and are not affected by department heads’ appraisals.*

This second descriptive hypothesis addressed the human resource management from the viewpoint of systematicity and department heads' empowerment perception. Indeed, company actors have expressed dysfunctions in terms of "remuneration not related to workload", and that the "appraisal and evaluation system is not clear" because the "managing director takes decisions without having enough information". The lack of systematicity and empowerment were uttered by phrasing that "incentives allocation do not depend on the head of department", more precisely that "employee remuneration is not tied to the department head" nor does "yearly evaluations have [no] consequences". More often than not, the distribution of tasks and the application of internal rules and regulation were the source of demotivation as expressed in the third descriptive hypothesis.

- Descriptive hypothesis DH-3: *Unapplied job descriptions and procedures protruding from not respecting the middle management role cause demotivation.*

Expressions of untapped potential emerge from the fact that "sometimes, junior engineers have to take on senior engineers jobs and sometimes senior engineers take on junior jobs, sometimes engineers are over-qualified relative to missions they are assigned", and "work is not well organized in the company to benefit from the existing competencies". Similarly, "allocating a job to an engineer or a consultant does not go through the department head" is seconded by the perception that "procedures are not well applied, [because] we only have face procedures" and because "everything goes back to managing director...there is a system but is not being followed, managing director practices an open door policy, anyone can resort to him" which transpires the demand for clear prerogatives and expresses the need to abide by them.

Expert advice and explicative hypotheses

The expert advice includes the presentation of interpretations of the root causes of organizational dysfunctions. Such causes may be considered as explicative hypotheses. Three main explicative hypotheses have been presented, and are all connected with the lack of recognition of conflict and lack of negotiation in the context of charismatic management style:

- Explicative hypothesis #1 : *Lack of delegation and decentralization is considered as lack of trust and recognition, and results in conflicts and hidden costs.*
- Explicative hypothesis # 2: *Lack of cross-departmental coordination and cooperation is an hindrance to manage overwhelming complexity that can be dealt with only by top management .*
- Explicative hypothesis #3: *Actors are not fully involved in the implementation of strategic objectives, because objectives are conflicting with their own objectives and constraints.*

The three above mentioned hypotheses are prepared and expressed by the external intervener-researcher, in pursuance to the intervention-research protocols (Savall & Zardet, 2003). They are presented to company actors at the

top management team level and the departmental level, in order to enhance awareness and reflexivity on the root problems and enhance the will to design innovative management practices. In the case of ICB, the CEO and top managers accepted to move forward and to initiate a socio-economic projects.

Projects and prescriptive hypotheses

The socio-economic projects were implemented at the top management level and at the departmental level. Focus groups were set up to implement the projects. The focus groups were composed of top managers and frontline managers at the departmental level, and were assigned the task to prepare concrete and realistic action plans. Economic balances supporting the action plans were required, in order to estimate the impact of actions on costs and performance.

The ICB intervention-research process delineated the following socio-economic projects, in line with the explicative hypotheses. At the top management level, the themes of the focus groups were categorized according to three prescriptive hypotheses, corresponding to the three explicative hypotheses:

- Prescriptive hypothesis #1: *Decentralized synchronization enables effective empowerment that is nonconflictive with the charismatic leader.*
 - o Three focus groups had to work out action plans on:
 - o Instituting a synchronized decentralization structure with clear rule of concerted delegation of powers.
 - o Instituting new processes of strategy elaboration and implementation through both top-down and bottom-up processes.
 - o Adapting procedures to the concerted delegation of powers
- Prescriptive hypothesis #2: *Enhancing cross-departmental coordination to avoid overwhelming arbitration processes by the charismatic leader.*
 - o Two focus groups had to work on related aspects:
 - o Producing a human resource strategy integrating the concerted delegation of powers in all departments and company growth goals.
 - o Coupling technology innovations with procedures of concerted delegation of powers and reporting in all departments.
- Prescriptive hypothesis #3: *Negotiating the implementation of the strategy with company actors in order to take into account their objectives and constraints.*
 - o Two themes were addressed by focus groups:
 - o Negotiating clear employee objectives and guidelines.
 - o Negotiating multi-dimensional incentives and linking them with performance evaluation.

An example of actions proposed in the case of prescriptive hypothesis #1 illustrates the course of action adopted by the focus group working on synchronized decentralization. In particular, the executives of the company and the managers met and inter-subjectively agreed and adopted the “*Instituting a synchronized decentralization structure with clear rules of concerted delegation of powers*” as primary front of attack. In the same meeting adopting the socio-

economic projects, the focus group and its coordinator (leader) were named to carry out the project, starting with setting a deadline to produce a set of bylaws, objectives and a timeline to present and defend with top management. The focus group was required to ask questions like ‘what are the yearly objectives of the company?’ And ‘what is the company strategy?’; ‘besides the obvious growth goal, is there a document where the strategic guidance of the company is written?’ And ‘what are the values of the company beyond the obvious maintenance of moral credibility, profitability and customer satisfaction?’. More critically in light of the delegation of powers, the questions asked were: ‘are the competencies of the actors relevant or sufficient for their powers?’ and ‘do actors have the necessary time to address the powers delegated to them?’

Here are examples to illustrate the participatory nature of the focus groups, and what objectives did they set for themselves:

- Bylaws:
 - o The committee is a consultative committee
 - o The group will remain active for around four months
 - o A meeting will be set during the first of week of each month
 - o One week before the meeting the coordinator will send the agenda of the meeting
 - o Deputy director will act as president of the meeting
 - o Resolutions are taken by simple majority vote
 - o In case of equality, the deputy director takes the vote
 - o Deputy director will communicate all the decisions taken to the CEO

- Objectives:
 - o Review and graphically illustrate the actual delegation of powers within ICB
 - o Propose a new span of concerted delegation of powers

The vertical intervention adopted socio-economic projects similar to the projects at top management level, and drew on the same three prescriptive hypotheses. However, the wording used by focus groups were expressed in the language of their operational functions: *“Drawing a concerted delegation span that formalizes (a) Job allocation and feedback, (b) Relationship with other departments, (c) Information sharing vertically and horizontally including projects’ financial info, and (d) Role of engineers in collection, the latter reflecting a major concern of the organization’s top management. The other adopted socio-economic projects were expressed as “Adapting the procedures to the delegation span including introducing new measures to improve collection” and “Adapting technology to the concerted delegation and relevant procedures”.*

The results of the vertical intervention were sensible, multi-faceted and spilled into the whole organization. Examples of outcomes are inclusive of, but not limited to, the formalization of the organizational strategy and its communication

across the company, and the improvement of the collection of receivables. Formalizing the strategy and communicating it across the organization, reduced conflict levels horizontally intra and inter-departments, and vertically between the CEO and department heads, and between the latter and front line managers and lower in the echelon. The collection of receivables was a critical problem identified earlier by the CEO and echoed in the diagnosis conducted in the Inspection and technical assistance department. The corresponding socio-economic project outlined a cooperation procedure including the department's engineers, secretariat, accounting, and other departments, which improved substantially the collection of outdated receivables, and improved the overall quality of communication between company constituents. The immediate result was enhanced cooperation and the reduction of conflict levels across the organization. The ripple effect encompassed enhancing the ownership and acknowledgement sentiments among engineer at basic managerial levels, improving the collection of receivables in other departments, and the reduction of nonperforming procedures related to invoicing and reporting.

RESULTS AND DISCUSSION

At the beginning of the intervention-research process, the charismatic leadership of ICB enabled growth, increased market share and profitability, and constantly exceeded competitors by comfortable margins. However, the result came at the price of masking conflict and taming innovation in the company, endangering the sustainability of the performance. The research quantified the financial implications of conflict taming. The experiment introduced a dynamic management system based on negotiation, protruding conflicts and channelling them into cooperation, innovation and initiative taking at all the organizational levels. Consequently, the reclaimed hidden costs are progressively transformed into potential. It is necessary to clarify the learning and limits of the intervention-research process carried out in the company located in the Middle East and managed by a charismatic leader. The following paragraph discusses three aspects: the outcomes of the intervention on conflicts, the limitations of the research, and the comparison with literature.

Outcomes of the intervention-research process

Findings

The research confirms the literature on resistance to change (Van de Ven & Poole, 1995) due to the disregard of negotiating mutual interest in the approach of conflict resolution (Bendersky, 2003, 2007 in Van de Ven & Poole, 1995). The results also confirm that the phenomenological and interactive representation of the company yields conflict (Fischer, 1982), and that harnessing this conflict into source of potential for social change (Boje et al., 1995; Coser, 1967) yields creativity as illustrated through the innovative solutions produced by the focus groups (Argyris, 1985; Adelman, 1993). The participation of the internal community of the organization led to critical thinking on behalf of the organizational leadership (Hutton & Lifehooghe, 2011), concerning specifically the delegation and synchronization.

Specificities

The intervention showed that steering conflicts into lively controversy (Deutsch, 1991) in the context of a charismatic leadership is not a natural process. It requires a specific organizational development methodology to address the whole system, not solely the charismatic leader. In the case study, the intervention-research process has resulted in sensitizing the leader and the management to the need of dealing with hidden costs and hidden conflicts. It enabled managers and employees to progressively move from a parent/child attitude (Rogers, 2012) consisting in hiding conflicts to a more adult/adult relationship, through proposing innovative solutions to the conflicts and dysfunctions. The post-modern approaches to conflicts (Mauws, 1995) need to be supplemented by a method that demonstrates the relationship between unaddressed conflicts and the short and long term economic performance. The specificity of the socio-economic approach is in the measurement of the impacts of conflicts on hidden costs both in terms of overcharges and opportunity costs (Savall & Zardet, 1987). Another difference with the literature on change management (Van de Ven & Sun, 2011) is that conflicts in a charismatic led organization should be brought to light through a maieutic process, as opposed to being directly put at the forefront of an organizational development and change intervention. The consequence is that a dramatic change in the leader himself, or a threat of destitution is not needed, rather an evolutionary process facilitated through the intervener-researcher accompanying the company constituents to progressively engage in dialogue and negotiation which is expressly more compatible with the Middle East cultural context. In the intervention-research case study, the impact of addressing the hidden conflicts through socio-economic management has resulted in blending the charismatic and autocratic leadership with a practice of participation in the management system and tools. This case may be inspiring to many company leaders in the Middle-East who might think that there is no other alternative to charismatic leadership than chaos.

Limitations

The time constraints of the experiment limited the implementation of the socio-economic approach to management tools, particularly the implementation of the Internal and External Strategic Action Plan tool, the Priority Action Plan tool and the Periodically negotiable Activity Contract that formalize the internal negotiation outcomes into actionable goals and objectives, and the link between the objective and reward. Longitudinal observation in the organization would shed light on the idiosyncratic sustainability of the socio-economic approach to management. Further research target Middle East companies and organizations is equally warranted.

CONCLUSION

This paper shows the importance of intervention-research as a integrated negotiation process of hidden conflicts in companies managed by charismatic leaders. The experiment demonstrated that bringing to light hidden conflicts in a structured process shouldn't be considered as scary, nor avoided, even by charismatic leaders. Conversely, the paper also contributes to showing that not

shedding light on hidden conflicts is risky for all company actors, including the charismatic leaders, taking into account all the dysfunctions and hidden costs resulting from the lack of negotiation of the objectives, and the lack of decentralization and communication. The hypotheses have to be tested on a larger number of companies and organizations, both in Middle East countries as well as in companies located in other countries and experiencing charismatic leadership. Experimenting the same kind of socio-economic intervention-research processes in a variety of contexts will enable a better validity of the hypotheses, in order to reach “generic contingency” knowledge on socio-economic conflict management.

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