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The Politics of Organizing and the Organization of Politics: Managing Power, Interests and Conflicts in Organizations

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Abstract:
This paper is a discourse of conflict management within the context of organization theory, using the stakeholder perspective as a theoretical framework. For this purpose, the paper critically examines the three dominant schools in organizational theorizing: the rational, the natural, and the open system perspectives in relation to conflict management. The idea of viewing the organization from rational school of thought is seen as an inadequate analytical tool for understanding the dynamics of conflict in an organization. The natural system approach with its emphasis on organization as consisting of members with diverse and multiple interests and the open system perspective with its focus on the organization's relationship with its environment are seen as appropriate for studying the relationship between stakeholder management and conflict management. As conclusion and recommendation, the paper suggests nine guiding precepts regarding how stakeholders should be treated in a conflict resolution and conflict management process. The key words in the principles suggest the kind of cooperative spirit that should be used in building stakeholder relations: acknowledge, monitor, listen, communicate, adopt, recognize, work, avoid, and acknowledge conflict.

Keywords: *Conflict management, stakeholder perspective, interests, power relationships, conflict resolution*

1. Introduction

Today, nearly all organizations spend most of their time in resolving conflicts among its members (employees) and other external stakeholders such as customers, suppliers, legislative bodies, the government and its regulatory agencies, the local community in which it does business, opinion leaders and other interest-based organizations and parties. Thus, in order to understand the role of organizations in society it is important that we understand how organizations manage conflicts which arise from disparate and conflicting interests and demands from its various stakeholders. To understand the relationship between conflicts and the relevance of a stakeholder perspective in managing conflict it is also necessary that we see organizations not only as rational entities consciously designed to produce goods and service by passive on-looking employees and society, but more importantly as an arena where conflicts and diverse interests are managed.

Most organization researchers from a pluralist perspective (Pfeffer, 1981, 1981; Kennedy, 1980; Graham, 1995; Lips, 1981) see organizations as systems of political activities – where the management of diverse and competing interests is seen as one of the reasons for the existence of organizations (Clegg and Dunkerly, 1987; Clegg and Stewart, 1996). Others in this tradition, working primarily from a pluralistic point of departure, argue that 'We can analyze organizational politics in a systematic way by focusing on relations between interests, conflict, and power' (Morgan, 1997, p. 160). Thus, organizational politics arise when people think differently and want to act differently. This diversity in *interests* creates a tension that must be resolved through political means.

Interests, in this context, refer to predispositions embracing goals, values, desires, expectations, and other orientations and inclinations that lead a person to act in one way rather another (Morgan, 1997). In everyday life, we tend to think of interests in a spatial way: as areas of concern that we wish to preserve or enlarge or as positions that we wish to protect or achieve. We live 'in' our interests, often see others as 'encroaching' on them, and readily engage in defences or attacks designed to sustain or improve our position. Thus, Perrow (2002) asserts that the flow of politics is intimately connected with the way organizations and societies are run.

The idea of viewing organizations with a focus on the political actions of organizational members has become increasingly popular since the early sixties (Burns and Stalker, 1961; Crozier, 1964; Pettigrew, 1973; Pfeffer, 1981). These earlier studies gave birth to the idea that organizational politics hinges on the relationship between interests, conflict, and power. Thus, it has been frequently argued that by simply following one's personal inclinations, the drama of organizational life is shaped by a political script (Culbert and McDonough, 1980). However, the political content increases manifold when we begin to recognize the existence of other players, each with interest-based agendas to pursue. The politicking to which this gives rise becomes particularly visible in situations that present choices between different avenues for future development and in other transitional contexts such as the influx of new people or the succession of one person by another.

Particularly in organizational studies with a focus on conflict, the idea of power relationships as constituting the dynamics of organizational life has received increased attention in recent years. By moving away from the unitary frame of reference which underlies the rational school of thought, the pluralist see organization as a fragmented terrain or arena where each member has his or her own interest to purse, using the organization as an instrument for the pursuance of individual interests (Brunsson, 1989, Nkomo, 1992; Townley, 1994).

2. Organizational Discourses as Rational, Natural and Open Systems

The discourses on organizations have indeed produced a multiplicity of perspectives on how we understand the phenomenon called an organization (e.g., Burrell and Morgan, 1978; Scott, 1998; Morgan, 1997). Society and, indeed, organizations can rarely be described within a unitary frame of reference. Our understanding of organizations and their role in society predisposes that we understand them on the basis of our values and ideological predisposition. Thus, in this section, we examine how these pluralities in values and dispositions provides us with three frames of references when theorizing about organizations, especially the impact of perspectives on the meaning of conflict and how to manage conflict effectively.

We also argue that although organizations are set up with some defined goals and objectives, these can only be achieved when the diverse interests of the organization's stakeholders are effectively managed. Thus, organizations can successfully produce their products or services overtime while managing the different stakes and interests upon which they are founded. The three perspectives discussed in this section deals with the rational school of thought which sees the organizational as a rational system. This is followed by the perspective which sees organization as natural system, and finally, we examined the open system perspective.

The first school of thought sees an organization from a rational system perspective. Thus, 'O*rganizations are social units (or collectivities) deliberately constructed, reconstructed and oriented to the pursuit of relatively specific goals and exhibiting relatively high formalized social structures*' (Scott, 1998, p. 26). From the rational system perspective, organizations are instruments designed to attain specified goals. The term rationality refers to the extent to which a series of actions is organized in such a way as to lead to predetermined goals for maximum efficiency. Long ago, Gouldner (1958) reminds us that the distinguishing features of a phenomenon are not only its characteristics and indeed, may not be the most important ones. Although organizations often espouse specific goals, the behaviour of participants is frequently not guided by them, nor can they be safely used to predict organizational actions. Similarly, formal role definitions and written roles may have been developed, but they sometimes exhibit little or no influence on the behaviour of members. It is on this assumption that Scott (1998) argues that 'if the behavioural structure is attended to, rather than the normative structure – if we focus on what participants actually do rather than on what they are supposed to do – the first definition of organizations can be quite misleading' (p. 26).

Divergent interests and conflicts are always present in organizational life hence power differences exist in organizations and that the use of power is necessary to establish objectives and to secure contributions to them. Conflicts theorists have long argued that much of the power generated by organizations is not placed in the service of achieving espoused goals but is used to perpetuate an exploitative system, to preserve class privilege, and to secure narrow, private gain (Frost, 1987). This line of argumentation resonates well among those who have observed the increasing disparity between the compensation of executives and pay levels of rank-and-file employees and between expatriates and local employees and the extent to which certain ethnic groups remain in segregated jobs and lower-paying, less-secured jobs while more relevant strategic positions in both public and private enterprises are exclusively reserved for a particular ethnic group. It is on this basis that Perrow (1986) suggests that 'Organizations generate power; it is the inescapable accompaniment of the production of goods and services; it comes in many forms from many sources; it is contested; and it is certainly used.'

Although conventional texts on management often define organizations as groups of people who come together to pursue a common goal, studies with critical theory foundation have argued that such conceptualization of organizations eliminates almost all the interesting features of organizations in practice (Pfeffer and Salancik, 1978; Buroway, 1979; Bowles, 1991). More often than not, goals diverge as much as they converge, making the rationality of the overall organization no more than an elusive ideal. In a diverse and pluralistic society such as ours, where individuals and groups in the society (managers, employees, investors or stockholders, political parties, legislators, government agencies, unions, pressure groups, human rights activists, etc) exert considerable influence on how organizations should function, organizations are rarely so rational and so united as the conventional definition presupposes

This brings us to a second definition of organizations, useful for viewing them as natural system, proposed by Scott (1998, p.26) as: 'Organizations are collectivities whose participants are pursuing multiple interests, both disparate and common, but recognize the value of perpetuating the organization as an important resource. The informal structure of relations that develops among participants provides a more informative and accurate guide to understanding organizational behaviour.'

In fact, organizations are nothing but political systems, coalitions of interests involving the management of divergent interests (Ogbor, 1994; Wildavsky, 1964). In a pluralistic society as ours, everyone has a stake in the organization and these stakes or interests are rarely unilateral. Whenever individuals or groups find themselves in situations where their interests diverge, some kind of politicking almost always results and organizational 'success' depends on how successfully the dominant coalition (management) is able to manage the different stakes thrust upon the organization. On this basis, Pfeffer and Salancik (1978, p. 36) posit that '*The organization is a coalition of groups and interests, each attempting to obtain something from the collection by interacting with others, and each with its own preferences and objectives*.'

Thus, the natural system view emphasizes that organizations are social collectivities – just one among many forms that socially structured behaviour assumes (e.g., a bank, a university, a church, a charity organization, a multinational corporation, a city, a local government, a nation-state, and the comity of nations). In this collectivity, social conflict is the norm. This perspective traces its origin most directly to the writings of Marx (1963 trans.). Conflict theorist (e.g., Clegg and Dunkerly, 1977; Burawoy, 1983; Edwards, 1979) emphasize the extent to which participants' interests diverge and values conflict. Change is seen to be as natural and common as is stability, and much of the stability of social order results from the dominance of one group or coalition of interests over others. From the perspectives of conflict theorists, order results not from consensus, but from coercion, the dominance of weaker by more powerful groups. And analytic attention needs to be devoted not to the appearance of consensus, but to the reality of underlying conflicts, which provide a basis for understanding instability and change.

A third definition of organizations, for our purpose here, derives from open system perspective. Whereas the rational and the natural systems view perceive the organization as a closed system separate from its environment and encompassing a set of stable and easily identifiable participants (Scott, 1998), there is a view which posits that organizations are not closed systems, sealed off from their environments. This is the system theory which argues that organizations are open to and dependent on flows of personnel, resources, and information from outside. Thus, from an open system perspective, environments shape, support, and infiltrate organizations. According to Perrow (1991), connections with 'external' elements or constituencies can be more critical than those with 'internal' components or constituencies; indeed, for many functions the distinction between organization and environment may be shifting, ambiguous, and arbitrary.

All three perspectives agree that if an organization is to survive, it must induce a variety of participants to contribute their time and energy to it. However, open system theorists emphasize that individuals have multiple loyalty and identities (Rose, 2008). They join and leave or engage in ongoing exchanges with the organization depending on the bargains they can strike, i.e., the relative advantage to be had from maintaining or ending the relation. Viewed from this perspective members of an organization cannot be assumed to hold common goals or even to routinely seek the survival of the organization. Because, individuals have multiple stakes, loyalty and identities, including conflicting goals, conflict is always embedded in the working of most organizations. Not only that individuals and organizations have different stakes from an organization, the organization also has some many stakes thrust upon it. Thus, the management of stakeholder interests is paramount to an effective conflict management system.

Thus, we arrive at a third definition, useful for viewing organizations as open systems: *Organizations are systems of interdependent activities linking shifting coalitions of participants; the system is embedded in – dependent on continuing exchanges with and constituted by – the environment in which they operate* (Scott, 1998).

Thus, much of the work of organizing entails hard bargaining and 'horse trading' – as well as creating effective ties and common interpretative systems – as participants attempt to form and reform transitory coalitions. As pointed out by a number of theorists (e.g., Lawrence, 1993; McNeil, 1978; Orton and Weick, 1990), an open system perspective is less concerned with distinguishing formal from informal structures; instead, organizations are viewed as a system of interdependent activities. Some of these activities are tightly coupled while others are loosely coupled (Weick, 1976).

From the open system perspective, no longer is the organization the privileged unit of analysis. Rather, analysis recognize that many organizational phenomena are better understood and explained by seeing individual organizations as representatives of a given type of structure or by viewing organizations as components in larger systems of relations. The open system perspective is associated with the development of studies aimed at understanding organization's relationship with its stakeholders, conflicts arising from interactions among organization and its various stakeholders, etc.

3. A Stakeholder Approach for Managing Interests and Conflicts

To appreciate why the subject or concept of stakeholder management is important, it is useful to understand the idea of a stake. A *stake* is an interest or a share in an undertaking. For example, the village fisherman in the Niger Delta has an interest or stake in how Shell is managed. In a similar manner, labor union has a stake in how Shell should be managed in a way that does not infringe on the rights of its members. Thus, a stake is also a claim. A claim is an assertion to a title or a right to something. A claim is also a demand for something due or believed to be due. Thus, we can see clearly that an owner or a stockholder has an interest in and an ownership of a share of a business. Secondly, a competitor of an organization also has an interest in the manner in which its competitor is run. For example, a competitor will fight against unethical advertisement that unduly places it at a disadvantageous strategic position vis-à-vis that of the competitor.

The idea of a stake, therefore, can range from simply an interest in an undertaking at one extreme to a legal claim of ownership at the other extreme. In between these two extremes is having a 'right' to something.

This right might be *legal right* to certain treatment rather than a legal claim of ownership, such as that of a shareholder. According to Ewing (1997), legal rights might include the right to fair treatment (e.g., not to be discriminated against) or the right to privacy (not to have one's privacy invaded or abridged). Example of legal right includes when employees expect due process and privacy. In a similar manner, customers or creditors have certain legal rights.

The right might be thought of as a *moral right*, such as that expressed by an employee: 'I've got a right not to be fired because I've worked here 30 years, and I've given this firm the best years of my life.' Or a consumer might say, 'I've got a right to a safe product after all I've paid for this.' Another example of moral right includes when a person or group thinks it has a moral right to be protected (e.g., the right to earn a legitimate living, the right to fairness, justice, equity, etc). There is also what one might call *ownership right*. An example of ownership right is when someone asserts that: 'This business is mine, I founded it, and I own it,' or 'I own 1,000 shares of this company.'

> A *stakeholder*, then, is an individual or a group that has one or more of the various kinds of stakes in a business. Just as stakeholders may be affected by the actions, decisions, policies, or practices of the business firm, these stakeholders also may affect the organization's actions, decisions, policies, or practices. With stakeholders, therefore, there is a potential two-way interaction or exchange of influence. In short, a stakeholder may be thought of as *'any individual or group who can affect or is affected by the actions, decisions, policies, practices, or goals of the organization'* (Carroll and Buchholtz, 2006, p. 78).

In today's competitive, global business environment, there are many individuals and groups who are business's stakeholders. From the business point of view, there are certain individuals and groups that have legitimacy in the eyes of management. That is, they have a legitimate interest in, or claim on, the operations of the firm. The most obvious of these groups are stockholders, employees, and customers. From the point of view of a highly pluralistic society, stakeholders include not only these groups, but other groups as well. These other groups include competitors, suppliers, the community, special-interest groups, the media, government and its agencies, and society or the public at large. Many observers, such as Starik (1993), have argued that the natural environment and future generations should also be considered among business's important stakeholders.

The concept of a stakeholder highlights the fact that the activities of the business organization are not limited to a series of market transactions, but also include a cooperative endeavor involving large numbers of people organized in various ways. A firm is an organizational entity through which many different individuals and groups attempt to achieve their ends. The firm interacts continually with its stakeholder groups, and much of its success depends on how well all of these stakeholder relations are managed. Managing stakeholder relations, rather than managing inputs and outputs, may provide a more adequate model for understanding organizational conflicts and what generates them.

4. Stakeholders, Sources Of Power and Legitimacy

The subjects of stakes, power and legitimacy have recurred frequently enough in this paper that their importance in conflict management must now be established. It has also been established that organizations are composed of coalitions – groups of individuals pursuing certain interests. It has also been pointed out that organizations exist as arena for the exercise of power and this power is exercised in the pursuance of individual or group goals. The argument here is simple: We cannot understand the mechanisms shaping conflicts in an organization without understanding the various sources of power opened to the stakeholders and how each mobilizes and makes use of power within his/her disposal in the process of managing conflict.

Morgan (1997), provides the following as among the most important sources of power:
formal authority, control of scarce resources, use of organizational structure, rules, and regulations, control of decision processes, control of knowledge and information, control of boundaries, ability to cope with uncertainty, control of technology, interpersonal alliances, networks, and control of 'informal organization', control of counter-organizations, symbolism and the management of meaning, gender and the management of gender relations, structural factors that define the stage of action and the power one already has.

We now examine how these sources of power are used by the major stakeholders of a typical organization and their implication for conflict resolution and management. Naturally, we should start from the major stakeholders, namely, the owners, stockholders or shareholders of the business firm.

4.1. Owners/Shareholders/Investors

As pointed out by Scott (1998), there are many potential sources of power in modern organizations. Those who own property, whether in the form of capital, land, machinery, or disposable goods, have a socially defensible right to make a decision on how to use these resources. Thus, ownership is an important basis of power in most economic systems and in organizations. The shareholders of a corporation and its investors constitute the prime ownership of a typical corporation especially when that corporation is publicly quoted. There are many ways in which this group exercises its power: It has the power to hire and fire the management of the organization; the decision on executive compensation also lies in the hands of the owners so also as the direction to which the organization should be managed. Their power is derived from formal authority, control of scarce resources, control of decision processes, and control of counter-organizations in the sense that many major share-holders in one company also have controlling votes in other companies.

4.2. Managers/Board of Directors

Owners delegate control over resources to *managers*, who are expected to act on their behalf, that is, to serve as their agents. This is the basis of the Agency Theory (Jessen and Meckling, 1976). When two or more people contribute to a common activity, how can each be certain that the other is doing his fair share? The language employs by agency theory pertains to the situation in which one party, termed the 'principal,' seeks to achieve some outcome but requires the assistance of another, the 'agent,' to carry out the necessary activities. Stockholder-board of director/management is an example of principal-agent relations. According to Pratt and Zeckhauser (1985), it is assumed that both parties are motivated by self-interest, and that these interests may diverge. Thus, the challenge in the agency relationship arises whenever the principal cannot perfectly and costly monitor the agent's action and information. The problem of inducement and enforcement then come to the fore (Scott, 1998).

4.3. Employees

The organization also depends on the energies and skills of employees or labor who carry out the work of transforming resources. Although, as individuals, they may exercise little power or influence, collectively employees are often able to acquire and exert considerable power by engaging in or threatening strikes, slowdowns, or sabotage and expressing their demands through collective bargaining or other forms of negotiation in the process of conflict resolution. Employees, as stakeholders of the firm, must be treated fairly. Many firms in Nigeria exist in industries that are regulated by trade associations (e.g., the Manufacturing Association of Nigeria, the Nigerian Bar Association) with their own code of conduct. These trade associations are there to protect both the interests of the firm and those of its employees. In turn, management is expected to abide by the code of conduct established by the association or regulatory agency. In general, the sources of employees' power range from the control of knowledge and information, control of technology, interpersonal alliances, networks, and control of informal organizations which they can effectively use in the process of conflict resolution.

4.4. The Customers

The most important stakeholder group outside the organization's boundary is the customer or client group. In for-profit organizations, the duty and obligation to the customer is the de facto reason the organization is in business (Maynard, 1995). Customers must be provided with what they expected from the firm. A major theme of recent, popular business literature is the central, and often overlooked, importance of the customer. Levitt (2006, 12) asserts that: 'The purpose of a business is to get and keep a customer.' Peters and Waterman (1982) emphasize that 'excellent' companies are those who stay 'close to the customer.' Especially for customers, their most important source of power is control of scarce resources (monetary) and control of counter organizations.

4.5. The Community

The community in which an organization exists (town, state or country) demands that the activities of the business are in sync with their best interest. In this community, there are various pressure groups in addition to the organization's customer, including, for example, market women, labour union, professional bodies, youth movements, environmental groups, etc. Attention has increasingly been drawn in recent times to the responsiveness of private organizations to the interests of not only their clients, but more importantly to the immediate community and the larger public. For example, most private organizations have responded to these various demands from their communities by connecting their activities to corporate social responsibility programmes.

4.6. The Government and Its Agencies

The nation-state is the prime sovereign in the modern world, the major source of legitimate order, and the agent defining, managing, and overseeing the legal framework of society. In our system, the character of the federal government is that which divides power between national, state, and local government units. From the perspective of stakeholder and conflict management, each of these units has its own legitimate claim on how the organization should function.

Thus, the government and its agencies constitute an important stakeholder group. The government and its agencies (as important stakeholder group) exercise extensive powers over economic and other types of exchange processes, playing a central role in enforcing the general rules governing economic transactions (Block, 1994). Lindblom (1977, p.67) has pointed out that 'an easy way to acknowledge the special character of government as an organization is simply to say that governments exercise authority over other organization.' Morgan (1997) terms such sources of power as 'control of boundaries' and 'control of counter-organizations.' Agencies or departments of government in general exercise considerable authority over many aspects of the functioning of organizations. Government agencies and departments affect economic sectors (e.g., the banking sector) through their allocation decisions – for example, supplying government-guaranteed loans and also by their power to define and enforce property rights – for example, regulatory and labour policies. Through such the government helps in defining 'the balance of power' among competing corporations as clearly evidenced in the Central Bank of Nigeria's consolidation and 'sanitization' process of the banking industry.

Governments and their agencies also place special constraints on the transactions of certain categories of organizations. Many types of organizations confront governmental regulatory bodies that monitor closely the quality of their products or services or their transactions with exchange partners or competitors. Utility providers (energy, telecommunications, and water), transportation, banks, insurance, education and pharmaceutical companies, for example, have long operated under the close scrutiny of public regulatory agencies. Such surveillance not only help to protect the public interest, but also protect the interest of the organization being regulated – by restraining competitive pressures – in the case of anti-trust laws and managing prices. By making firms to pay their taxes and other fees, government is able to provide not only the necessary infrastructural environment in which the organization functions effectively, but more importantly, to exercise its power in periods of conflict resolution as a result of its power to sanction errant organizations.

4.7. Suppliers and Distributors

These are individuals or groups that provide the organization with its critical resources outside of its boundary and help in distributing its finished products or services to the consumers. Individuals and groups that connect the organization with important resource suppliers have considerable influence on how the firm functions. This understanding is based on resource dependence approach, which says 'No organization is self-sufficient; all must engage in exchanges within the environment as a condition of their survival' (Scott, 1998, p. 24). The need to acquire resources from suppliers creates dependencies between organizations and external units. How important and how scarce these resources are determined the nature and extent of organizational dependency, which will in turn the outcome of conflict resolution.

4.8. Competitors

The firm's competitors are also seen as an important stakeholder group. Effective stakeholder management suggests that the organization, that is, its management, seriously consider its obligations to its competitor stakeholders and their rights and expectations with respect to their products and/or services. Particularly in the area of advertisement, the organization is expected to use due diligence and avoid adverts that directly hurt the competitor.

4.9. The Natural Environment

An important stakeholder of the organization is the natural environment or its ecosystem. The natural environment comprises all living and non-living things that occur naturally on planet. The natural environment includes all ecological units that function as natural systems without massive human intervention, including all vegetation, animals, micro-organisms, rocks, atmosphere, natural resources and physical phenomena that lack clear-cut boundaries, such as air, water, and climate, as well as energy, radiation, electric charge, and magnetism, not originating from human activity.

Unfortunately, virtually, every sector of business is responsible for consuming significant amounts of materials and energy and causing waste accumulation and resource degradation. For instance, forestry firms and companies that process raw materials have caused major air, water, and land pollution problems in their extraction, transportation and processing. From meat processing factories, to restaurants and oil refineries, the natural environment has been a victim of business activities. Although manufacturing and operations processes are the most visible contributors to air, water, and land pollution, virtually every other business activity in all sectors potentially plays some role in affecting the natural environment. Thus, in order to act responsibly with the natural environment, an organization must have a strict environmental policy.

5. Conclusion: The Challenges and Key Questions in Conflict Management from a Stakeholder Perspective

As a way of concluding this article, I present some of the challenges confronting conflict management from a stakeholder perspective and some possible solutions. The challenge of conflict management from a stakeholder perspective, therefore, is to seek to it that the firm's primary stakeholders achieve their objectives and that other stakeholders are dealt with ethically and are also satisfied, while at the same time, the firm is expected to be profitable. Although the reality of most conflict resolution systems does not always occur in that direction, it is nevertheless a legitimate goal for management to pursue in order to protect its long-term best interests. Management's second-best alternative is to meet the goals of its primary stakeholders, keeping in mind the important role of its owner-investors. Without economic viability, all other stakeholders' interests are lost. This is the foundation for an effective conflict management system.

With these perspectives in mind, let us approach conflict management with the idea that managers can become successful stewards of their stakeholders' resources by gaining knowledge about stakeholders and using this knowledge to predict and deal with conflicts. Ultimately, managers should manage a conflict situation in such a way that they achieve their objectives ethically and effectively.

The quest for stakeholder management in the process of conflict resolution or management embraces social, ethical, legal, and economic considerations. From the foregoing discussion, we recommend nine major questions that must be answered in order to manage a conflict effectively from a stakeholder perspective:

- Is there a conflict in the system and what evidence there is to indicate the presence of a conflict in the system?
- Who are the organization's stakeholders and which of the stakeholders are primarily involved in and affected by the conflict?
- What are their positions and sources of power in their relationship with the organization?
- How would they mobilize their power in relation to the conflict?
- What are the core concerns and interest and aspirations of those directly affected?
- What opportunities and challenges do the stakeholders present to the organization?
- What responsibilities (economic, legal, ethical, and philanthropic) does the organization have to its stakeholders?
- What strategies or actions should the organization take to best handle stakeholder challenges, opportunities and the conflict?
- What are the costs and benefits of each proposed action?

5.1. Knowing the Presence of a Conflict in the System

This first stage is where management or any members of the organization observes an anomaly or a departure from what is expected. This could be a symptom to a more serious problem leading to dispute and conflict. Is there a looming strike by employees of the organization? Are the organization's sales not where they are supposed to be? Is the local community restive about the ways the organization conducts its business? Employee high rate of absenteeism might be a symptom of an adverse working condition.

5.2. Who Are the Organization's Stakeholders and Which of the Stakeholders Are Primarily involved in and Affected by the Conflict?

To manage conflict effectively, each organization and its management group must ask and answer this question for it: *Who are our stakeholders*? To answer this question fully, management must identify not only generic stakeholder groups but also the specific subgroups. A generic stakeholder group is simply a broad grouping, such as employees, shareholders, environmental groups, the community or consumers. Within each of these generic categories, there may be a few or many specific subgroups that are directly affected by the conflict.

Stakeholder identification is an unfolding process. It is better to start from identifying a generic group and go down to specific group. The problem, however, is that many of those who try to manage stakeholder demands focus their attention on the generic group, rather than on specific stakeholder groups. This point is readily apparent in an examination of the dilemma of stakeholder management faced by Nigerian oil exploration companies. For example, it is theoretically and practically wrong to pick 'Niger Delta People' and assumed this classification to be a distinct stakeholder group for the purpose of managing their interests. This classification or categorization is wrong because among the people of Niger Delta, there are subgroups with divergent interests. In a similar manner, the youths of the Niger Delta region are simply a generic group because within this group there are subgroups with divergent interest.

5.3. What Are the Core Concerns and Interests of the Stakeholder Group Primarily Involved in and Affected by the Conflict?

At this stage, the organization's focus is on the interests and aspirations of the key stakeholder group(s). It implies that this major stage in organizational conflict management becomes the statement, clarification, and illumination of the issue at hand from the perspective of the needs and concerns from the interest or stakeholder group. In other words, rather than initially seeking various means to cover up the core concerns that give rise to dispute or conflict through position and other strategies to mask the real problem or concern, the conflict management system is designed to provide processes at the outset that promote and support the identification of such core concerns.

5.4. What Are the Positions and Sources of Power in Their Relationship with the Organization?

At the stage in the process of designing the conflict management system, the organization must know the positions occupied by each of the stakeholder groups or the positions occupied by each member in a particular group. The key players must be identified and their bases of power ascertained. For example, in a conflict or dispute situation between university authorities and lecturers, the former derives its position and power as employers who could mobilize support from the state. The lecturers, on the other hand, derive their position and power from the fact that they are the knowledge providers and could seek sympathy from the students.

5.5. How Would They Mobilize Their Power in Relation to the Conflict?

The mobilization of power in situations of dispute or conflict management can take several forms, depending on the relative power of the stakeholders concerned. Power could be mobilized in the form of declaration of strikes by employees or the withholding of salaries, remunerations and promotions by the employer of labour. Students may decide not to go to classes as a way of making their grievances known. The labour union may mobilize a cross-section of the citizenry (particularly, the market women) to support their cause. Shareholders and investors may decide to sack CEOs as a way of demonstrating their power and positions.

5.6. What Opportunities and Challenges Do Our Stakeholders Present to the Organization?

In many respects, opportunities and challenges represent opposite sides of the coin when it comes to stakeholder management. Essentially, the opportunities are to build good, productive working relationships with the stakeholders. Challenges, on the other hand, usually present themselves in such a way that the firm must handle the stakeholders well or be hurt in some way – financially (short term or long term) or in terms of its public image or reputation in the community. Therefore, it is understandable why organizations should place more emphasis on challenges rather than on opportunities posed by stakeholders. These challenges typically take the form of varying degrees of expectations or demands. In most instances, they arise because stakeholders think or believe that their needs are not being met adequately. The challenges also arise when stakeholder groups think that any crisis that occurs is the responsibility of the firm or that the firm caused the crisis in some way.

What responsibilities (economic, legal, ethical, and philanthropic) does the organization have to its stakeholders: Once threats and opportunities of stakeholders have been identified and understood, the next logical question is, 'What responsibilities does the firm have in its relationships with all stakeholders?' What economic, legal, ethical, and philanthropic responsibilities does management have to each stakeholder? Because most of the firm's economic responsibilities are principally to itself, the analysis really begins to focus on legal, ethical, and philanthropic questions. The most pressing threats present themselves as legal and ethical questions.

What strategies or actions should the organization take to best handle stakeholder challenges and opportunities: Once responsibilities have been assessed, the organization must contemplate strategies and actions for dealing with its stakeholders involved in the conflict. In every decision situation, a multitude of alternative courses of action are available, and management must choose one or several that seem best. Important questions or decision choices include:

- Do we deal directly or indirectly with stakeholders?
- Do we take the offense or the defence in dealing with stakeholders?
- Do we accommodate, negotiate, or resist stakeholder overtures?
- Do we employ a combination of the above strategies or pursue a singular course of actions?

What are the Costs and Benefits of each Proposed Strategy or Action? As the organization moves on in the process of designing a conflict management system, it is important that several alternative strategies or action plans be formulated. This exercise should be followed weighing the cost and benefits in terms of financial, human, image and long-term costs to the organization in choosing one form of action over the other.

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