

THE RESOLUTION OF THE CONFLICTS ARISING BETWEEN EMPLOYEES AS A RESULT OF DELOCALIZATION

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Abstract:

Many large companies delocalize their production and services due to low labour costs, low taxation, low cost of raw materials, etc. After the 90's more and more American and Western European companies have found in Romania and in other Eastern countries, but also in Asia, investment opportunities and fertile ground for the relocation of their production and services. Romania's integration into the European Union contributed to this phenomenon. While the delocalization is equivalent with the creation of new jobs for East European and Asian countries, it is similar with the job cuts and layoffs for Western countries. The paper aims to study what the impact of delocalization is on the working relationships between the employees from Western countries that lose their jobs and the new employees from Romania, analyzing the actual situation of a transnational IT company. The article provides also methods for the resolution of the conflicts arising in the relationship between the mentioned employees.

Keywords: conflict resolution, labour relations, labour disputes, delocalization, cultural negotiation

JEL Classification: D₂, D₇₄, E₂, J₅₂, J₆, J₇₁

1. Introduction

The 90's were a favourable period for foreign investments. The foreign firms have considered the former communist countries as potential markets and countries with well-trained and cheap workforce. Romania's EU integration has encouraged many multinational companies (particularly those in Europe) to relocate their production and services in our country due to the elimination of customs duties. According to the National Institute of Statistics, in 2009, have been identified in Romania 15,258 multinational enterprise groups, of which 33 internally controlled and 15 225 foreign controlled. In the multinational groups were also included foreign individuals, which control at least two companies in Romania (National Institute of Statistics, 2011). The relocation of the production is made both through *outsourcing* (or *inter-company*

relocation) by outsourcing production to companies in Romania and by *offshoring* (or relocation of such *intra-firm*) that involves the transfer of the activities by opening branches. The cheap and well prepared labour force has led multinational companies to move many departments such as production, sales, help desk, credit collection, account management, IT programming department, etc. in Romania, in other Eastern European and also in Asian countries such as India, and in South-eastern Asia. The multinational companies have maintained their strategic departments such as the strategic management or research and development department in the country of origin.

The relocation of the departments brings to Romania benefits such as the creation of new jobs and the decrease of the number of unemployed people. What is an advantage for Romanian citizens, especially in conditions of crisis, has negative effects for the citizens from the countries from which the departments have been translocated. The relocation of the departments involves the loss of jobs for them. Even if they are notified in advance, even a year before about the transfer of the departments, it is quite difficult for them to find a job taking into account the actual crisis.

This paper aims to highlight the impact that such a decision, the relocation, has on the human factor in the companies subjected to such a managerial decision.

2. A study on a multinational company

2.1 General presentation

The study was conducted at the level of a department of a multinational company in 2009. The department was on the delocalization process and the process took more than half year. The knowledge transfer is a lengthy process that requires time and patience, and collaboration between those who transfer knowledge, i.e. those who make the transfer process, and those who receive knowledge, i.e. those who take over the process. I wanted to know what the delocalization impact is, i.e. the process transfer itself, on the employees of the transferred department and if the Romanian employees have encountered unpleasant situations in the relationship with the employees from the countries which have translocated the process and who lose their jobs on behalf of the Romanian workers.

In this paper only two cases are presented, because they are the most relevant for the studied topic.

The first case is interesting due to the fact that there were involved a foreign manager from Italy, which had to transfer the process, and several Romanian employees who had to receive the knowledge. The method used for the knowledge transfer was the mentoring. One of this method's characteristics is the reciprocal trust and respect between the mentor and the mentee. In a mentoring relationship the mentor is encouraging the mentee to analyze the performance of the tasks underdone and to identify the strengths and the weaknesses of those tasks. Once the strengths and the weaknesses are identified the mentee is given feedback and guidance in order to improve the tasks and to eliminate the weaknesses (Naftanaila, I., 2011, p. 99). The knowledge transfer has proven to be a fairly difficult task, and the mentor-mentee relationship was not based on reciprocal trust and interest, and this fact made the knowledge transfer difficult. The employees complained that the foreign manager has not been quite cooperative and that he has made the transfer only because it was forced, and he had no motivation. Also, according to the employees, the manager did not hesitate to express in a very diplomatic way his dissatisfaction with the employees, even though most times he was not entitled to make such assessments and even if some errors occurred in part because of his lack of motivation. The foreign manager did not hesitate to state that the employees have to be more involved, because the foreign employees lost their jobs in favour of them. Moreover, after the knowledge transfer, the manager continued to closely supervise the work of the Romanian workers until the end of the process transfer, and moreover, he asked for an extension of the transfer period. The foreign manager complained to the Romanian manager about the employees. The last one has called a meeting and asked the employees to resolve the problem and to fulfil their responsibilities. Then, the employees explained the situation to the manager. This time the manager acted firmly explaining to the foreign manager that the employees are not wrong and they are still in the learning period, and if it is necessary to prolong the transfer process, he agrees with that.

In the second case, the conflict took place between a Romanian employee and a Spanish employee. The first was sent by the company in an experience exchange to the foreign department that had to be relocated in our country. Having reached the destination, the Romanian employee installed himself in an office which had been indicated by an employee of the department and was free at that moment, because the occupant was on vacation. The experience exchange lasted several days, and when the Spanish employee returned from the vacation, he was very surprised that someone else had occupied his office. He said to the Romanian employee "you've taken our jobs, and now you take our offices too?". It is a typical conflict erupted as a result of the delocalization and of the process transfer from one country to another.

2.2 Conflict analysis

In analyzing any type of conflict we must find first the source. "In dealing with these situations (with the conflicts) we should start from identifying the source of the blockage: the positional conflict between the parties or the rational deficiencies" (Popa, I., 2006, p. 231). In both cases above there are two positional conflicts. According to the classification of the barriers made by Ion Haineş (1998, p. 23-25), we can say that these conflicts have as main because the barriers caused by the issuer's or to the receiver's position. We can also consider conflicts as being caused by endemic fears, according to the classification made by Edouard Limbos (1988, p. 43).

I will analyze first the second conflict presented, because it is somewhat less complex than the first conflict, as number of involved parties, as well as causes and duration.

The conflict developed between the two employees with apparently diametrically opposed interests. The Romanian employee will take one of the jobs located in the foreign department due to the delocalization in our country. The foreign employee is one of those who will leave the department, and he feels the presence of the Romanian employee as a threat, even if the Romanian employee is not just the person who will replace him, but one of his colleagues. The foreign worker sees the Romanian employee as a potential competitor, transforming the situation into a positional conflict. So if we analyze the conflict from this perspective, the source is a barrier caused by the position of the issuer. The generator factor of the conflict is the foreign employee, the one which wants this confrontation, rising from his frustration and discontent. The foreign employee's reaction is understandable. The job loss is one of the most delicate situations the employees of a company face. It has not only material implications, as not receiving a salary for a time period, but also emotional, which can lead to stress, frustration, depression, etc., and finally to effects on mental health of individuals. From this point of view I categorize the conflict as having as source the endemic fears of the foreign employee. The employee chose the wrong culprit. His complaints were directed against a person which did not directly attempt to his job, and which wasn't guilty of the situation, because somebody else had taken the decision to delocalize the department. The Romanian employee is then a simple scapegoat. The only moral author is the company leadership that made the decision of relocation, but it was decided what seemed to be the best for the company. Each company takes decisions which they consider the best for obtaining the bigger profit as possible. The conflict is a minor, a low intensity one. The involved parties are only two, and the conflict duration is reduced, the conflict is reflected by a

brief reply from the part of the Spanish employee. The importance of the relationship is reduced because it is not likely that after this episode the parties will meet and they will be forced to cooperate. In this case the interests are prevailing.

In the other case, the conflict takes place at the department level. The number of people involved and affected by conflict is relatively high (approximately 10 people). The foreign manager is in my opinion, the main person who is guilty of creating a conflictual situation. He failed in refraining his feelings and he did not treat every situation with sufficient detachment. From a certain point of view the situation is understandable. The manager tried, perhaps without realizing, to take the part of his own team from abroad. It is natural that the long-term relationship with the team creates a strong attachment to it. However the affective bonding should not influence and jeopardize the process transfer. This conflict is perceived as a positional conflict too; on the one hand the foreign manager of the foreign team and, on the other hand, the Romanian employees and manager who must take the process. As in the other presented case, this conflict is based on endemic fear too, namely the fear of job loss. If the first conflict is considered an asymmetric one, because the Romanian employee is an advantage and the foreign employee is risking the lose of his job, in the second conflict the situation is changing, the relationship is symmetrical, the foreign manager and the team will lose their jobs, which is a major disadvantage for them, but the foreign manager have to make the knowledge transfer, which the Romanian employees need. The foreign manager has no interest to transfer the process, but he is forced by the company management to do so. Moreover, if the foreign employees would leave the company for another job, there would remain very few people who know the process and who can transfer it. On the other hand, The Romanian employees have all the incentives to assimilate as much information. So for foreign employees the constraint factor is the company's management and for Romanian employees the need to receive information. I do not consider this case a classic case of horizontal interdependence, where the parties influence each other and depend on the other part's decisions. I consider it a case of atypical interdependence imposed by a higher authority, vertically, in this situation the company's management, similar to the cases of arranged marriages.

Given that the two presented conflicts developed between Romanian employees and employees from countries in which have migrated many compatriots, Italy and Spain respectively, the question is whether the foreign workers attitude was influenced in some way by the acts committed by some Romanian immigrants abroad. It is unlikely to achieve a specific response from foreign employees. If the assumption is true, the foreign employees may not

realize that they have misconceptions. However, a study I conducted at the same company on the Romanian employees working with Italians, demonstrates that Romanian employees believe that conflicts appeared in relation with the Italians are largely determined by prejudice (45% of the Romanian respondents). The Romanian employees also believe that conflicts were influenced by the events appeared in mass-media in which were involved Romanian citizens (60% of the Romanian respondents). Till now no study was done on the perception of Romanian employees within a multinational company on their colleagues, managers or clients from Spain. It is possible that the data obtained should be similar to those from the study on Italian colleagues and managers mentioned above, given the large number of Romanian immigrants in Spain and some of their offences.

2.3 The cultural component

Although "it appears that the organizations exert a so strong influence on people, that they become, by excellence organizational, borrowing the ideology, education and even its defects" (Neagu, C., Udrescu, M., 2008, p. 13), in any negotiation or business relationship the culture of the involved persons must be considered. Taking into account that the manager involved in one of the two conflicts was Italian, the Romanian workers should address to family issues, and should try to establish a relationship, and even to give small gifts with symbolic value. It should be noted that giving gifts is not just a normal business custom, but a very important step in establishing a relationship especially for Italians. Both the Italian and the Spanish cultures give great importance to emotional factors. Those who belong to these cultures are expansive and very talkative, which was another factor that led to conflict in the both situations. In the case in which was involved the Italian manager, the cause of the conflict could be the spirit of family and the importance of relation with the Italian team. The manager considers his team as being his second family and he tries to defend the rights of the employees. In this situation the Romanian employees should try to establish a close relationship with the Italian manager, which could lead to the extinction of the conflict or at least to the reduction of its intensity. Also, the Italians and the Spaniards belong to nations which have a relatively high aversion to risk. Therefore the job lose is a threat for them more than for other nations, such as the American nation.

2.4 Conflict resolution

The settlement of the conflict described above involving only two people is easier. As for the power balance in this conflict, I believe that although it takes place between two employees located on the same hierarchical position, it is an asymmetric conflict. The Romanian employee has a clear advantage to the foreign employee, because the situation is favourable in the sense that he was employed by the company to the disadvantage of the other. "A person may have a legitimate power in several ways, as a result of the position s/he holds" (Caraiani, G., Potecea, V., 2010, p. 174). The legitimate power of the Romanian employee results from the department relocation in Romania and his hiring to the company. In this case the Romanian employee does not want to maintain the conflict, because it is not favourable for him, and it brings no benefit to him. This conflict situation is perceived by the Romanian employee as a waste of time and a distraction from the responsibilities and duties. On the other hand, the foreign employee got free of his frustrations through his reply. If he would be given the opportunity to enter into an exchange of replies certainly he would not have hesitated. But the Romanian employee remained astonished to his foreign colleague's reply and did not have time to react. He apologized and said he will shift to another office.

The style approached by the employees is the accommodation one and it is specific for the loss/gain situation. The style is used usually when (Sustac, Z., Ignat, C., 2010, pp. 117-118):

- the individual realizes that he is wrong;
- when the issue is more important for the other person than for the individual;
- the individual wishes to establish a social credit for later issues which are important to him;
- when peace is more important, more valuable than earnings;
- to help managerial develop of the subordinates, allowing them to experience and learn from their mistakes;
- when the individual is in a position to exploit later the favour that he makes.

In the presented case the Romanian employee has taken this decision (the accommodation style), because he considered that the peace is more valuable than winning and that the involvement in conflict does not benefit.

Does the Romanian employee acted correctly? I think so. He avoided a harsh exchange of words and the increasing of the conflict. It is true that in this case the justification and attempts to replicate would have been a possible factor in the widening of the conflict, and could determine the foreign employee to believe that he is entitled to take revenge on his colleague. A more

serious situation that could escalate into a conflict that would have required the intervention of managers or specialized persons in mediation was avoided. I do not consider necessary additional explanations from the part of the Romanian employee and his attempt to change foreign employee's opinion, because the relationship between the two is not of major importance and it will not affect the parties in the future, and in this case the effort to explain would be useless.

The resolution of the other case is more difficult, because there are more people involved. And one of the most important factors determining the choice of negotiation strategy or style required for settlement is the interdependence of the parties. They are obliged to cooperate; the foreign manager because the management impose to him the transfer of the process, and the Romanian workers because they have to take over the process. The parties need each other to achieve the goals. Neither can succeed without the other. Therefore the most appropriate strategies in this situation are the structural strategy, which aims to change basic attitudes of the parties, and even the cooperation strategy. The attitude must be *we against the problem*. This is the unique way for the problem solving and for the settlement of the conflict. The parties should be aware that the maintenance of the tension will harm to both parties, making them unable to fulfil their goals. It is recommended to the Romanian employees to ask the foreign manager what is the reason of his discontent and what can be done to improve the situation. Depending on the manager's response, they have to find the best resolution method. If the conflict has a relevant reason, the employees shall comply. Otherwise, if the reason seems excessive and it is untrue, the employees have to make the manager to understand, even to convince him to take a new position. In the presented case, the reason of the misunderstanding did not comply with the reality, and it was driven by frustrations due to the delocalization of the department. The employees have not acted, although they should. By the clarifying of the situation and the finding of the the real reason for the conflict, the Romanian manager surveyed the employees and asked them to meet their targets properly. Only on this time the employees have expressed their opinion about the real reasons that led to the tense situation. They explained that they were asked to do too much without being clearly explained what and how to do. When the foreign manager complained to the Romanian manager about the achievement of the Romanian employees, he had the opportunity to work with all data available. He explained to the foreign manager, that he sees no real problem and that the employees will certainly comply with the requirements. If the problem would have been discussed from the beginning by the employees and the foreign manager, the conflict situation would have being resolved without involving temporary resources and stress. That is why I encourage the discussion of the problems, even of the minor ones, to prevent their

degeneration in wider conflicts. If the conflict can not be solved by parties, they have to ask the intervention of the manager as a mediator. And if the manager fails too in the problem solving, a specialized mediator should be called.

3. Conclusions

I proved that at the level of the studied department there have been conflicts arising from the delocalization. Although it has many advantages for the company, there are problems that the company has not given sufficient importance when it decided to delocalize the department. The most important problem is the conflict between the foreign workers that lose their jobs and the Romanian employees that take their jobs. I noticed that the sources of the conflicts are the frustrations and the grievances of the employees who remain without jobs. I think that they behave normally given the situation, but they should not be a barrier to the knowledge transfer. Depending on the situation, on the importance of the conflict, on the relations between the involved persons, on the duration, I made recommendations on their resolution, amiably through simple negotiation or through intermediated negotiation (with the help of a mediator). If the conflict is mild and does not make problems to those involved, they will try to resolve it by negotiation. If the conflict is worsening or the skills of the involved persons are exceeded, it is better to call a manager, as a mediator of the conflict. I showed that one case was solved by applying the accommodation style, without creating the impression of an avoiding attitude.

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