

## SKILL DEVELOPMENT IN CONFLICT MANAGEMENT IN AUTOMOBILE INDUSTRY THROUGH BUSINESS SIMULATIONS

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**Abstract : Purpose** - The purpose of this article is to elucidate the influence that participation in a simulation experience based on the automobile industry has on the entrepreneurial attitude (entrepreneurship attitude orientation) through conflict management learning.

**Findings** - Results show that the simulation experience increases positive results for personal control and self-esteem indicating that the participants applied the knowledge learned in the simulation improving their perception of control and conflict management approaches.

**Limitations/implications** - The article is focused on a business game based on the automobile industry in order to involve the participants into a realistic business management experience.

**Practical implications** - Results encourage the incorporation of these simulation tools into educational programs related to entrepreneurship. Business simulations improve conflict management within and between groups, especially in the complementary activities and negotiations with real agents, it also fosters motivation and cooperative attitudes.

**value** - This article contributes to increase knowledge in conflict management for workgroups maintaining intensive and relentless relationships over a relatively long period of time in which the simulation develops. At a more practical level, experience on conflict management generates acceptance of the conflict as a part of the decisions making process, which improves the entrepreneurial attitude for all participants.

**Keywords:** Simulation, Conflict management, Learning, Automobile industry, Organizational performance Paper type Study paper.

### I. INTRODUCTION

Conflict is disagreement between employee & employer, between individual & group, between two groups, between individuals. Conflicts are inevitable part of human life. In automobile industry, nature of job is monotonous. (Car assembly, Engine assembly or two wheeler assembly). Blue collar workers will have to achieve specified production targets. Many conflict issues are emerging between blue collar workers and production engineers, production supervisors, management representatives, due to various sources of conflict. Hence we should focus on these conflict issues for effective conflict management.

Strikes, lockouts, tool-downs are recurrently happening in automobile industry. At some point of time, high level of conflict resulted in human loss. Examples: Violence at Maruti Suzuki India Limited, Manesar Plant, Haryana. Avnish Kumar Dev, General Manager-HR, burned to death as violent mob of workers set on fire his office in company. In Maharashtra strike was happened in Bajaj Auto Limited, Chakan Plant, Pune. Mahindra & Mahindra faced strikes, tool-downs in Nashik & Igatpuri plant respectively. These episodes indicate lack of skills in Conflict Management in Automobile Industry which in turn affecting organizational performance in terms of productivity, profitability, sales loss, human capital loss.

The concept of conflict has been object of analysis in diverse studies regarding the decision-making process within the firm. It has been considered as an element that fosters change and evolution in internal firm aspects regarding not only workgroups of functional areas but also relationships between them (Montoya-Weiss et al., 2001). Hence, conflict configures the dynamics of organizational teams for the workgroup members to confront when individual interests differ in situations when common objectives need to be achieved (Desivilya and Eizen, 2005).

The use of simulators in the field of managerial decision-making training in firms is currently widespread in university instruction and business schools (Moratis et al., 2006). Firms are also making increasing use of simulators, applying them not only to their internal decision-making processes but also in internal training of their managers (Thompson and Stappenbeck, 1997; Walters et al., 1997). Entrepreneurship skills and attitudes can be trained through business simulations experiences. Different studies performed on the effectiveness of simulators in teaching-learning processes has shown very encouraging results, not only in what is called absorption and implementation of knowledge but also in the positive repercussions of simulator application on different factors related to motivation, performance and conflict management (see, among others, Thompson and Stappenbeck, 1997; Miles et al., 1986; Lane, 1995; Arbaugh, 2000; Rulke and Galaskiewicz, 2000; Rachman-Moore and Kenett, 2006). The simulated sector plays a fundamental role according to its degree of competitiveness, dynamism or innovativeness. Hence, the automobile industry represents one of the most complex firm structures which enable potential entrepreneurs to manage elaborated decisions to experience realistic strategic management challenges for competition.

This study is designed to elucidate the influence that participation in a simulation experience generates on the entrepreneurial attitude through conflict management. This influence is analyzed through the development and subsequent empirical verification of a model based on the nature of the simulation and the group dynamics to solve internal conflicts. Hence, we attempt to respond to different lines of research suggested in prior studies that show the importance of including conflict management in the study of entrepreneurial attitudes (Jiwa et al., 2005). However, the major contribution of this study is related to the application of business games to analyze such interrelation. The main findings of this research contribute to increase knowledge in conflict management for workgroups maintaining intensive and relentless relationships over a relatively long period of time in which the simulation develops. At a theoretical level, negotiation with external agents in a competitive environment expands the possibilities of experimental research and helps to understand the basis to put previous knowledge into practice in order to solve conflicts in a constructive way in contrast to a destructive approach. At a more practical level, experience on conflict management generates acceptance of the conflict as a part of the decisions-making process, which improves the entrepreneurial attitude for all team members. In this background, the contextualization of this study in the use of new information and communications technologies, specifically in the area of virtual simulators of entrepreneurial decision making in the academic environment constitutes an ideal link to analyze the importance of entrepreneurial attitude as a trigger for the emergence of the entrepreneur (Venkatesh and Davis, 2000; Curry and Moutinho, 1992).

## **2. BACKGROUND OF STUDY:**

Conflict management studies regarding interrelationships among different economic agents tend to focus on experimental negotiations based on simulations. In most cases, all individual interests are oriented towards the achievement of specific goals regarding a determined task. Once the task is finished, there are no further bonds that keep the group together or at least uphold any kind of relationship. However, in simulation games experiences, groups of participants are formed to create virtual firms that compete among them in an emulated environment. In this case, the firm teams share goals, tasks, knowledge and outcomes for a long period of time as the simulation takes place. Hence, interdependence among all members of every team creates a strong group sense of identification fostered by competition (McGrawth, 1984; Ajzen, 2001).

Firm simulators can be used to simulate specific processes (industrial, administrative, etc.) as well as business decisions (Faria, 2001). The latter are usually called business games, as they enable simulation of firm management in its totality, simulating the firm's activity over various periods of times (Segev, 1987). In this respect, the present study develops and verifies a model that includes the factors that influence entrepreneurial attitude and conflict management through participation in a business game based on the specific sector of the automobile industry. Participating in a simulation experience generates a learning process that goes beyond the mere absorption and generation of knowledge in the complex environment of global operations of the automobile sector (Rulke and Galaskiewicz, 2000). The main basis of this is study is that group work, delegation of tasks and conflict management in the framework of the simulation

experience promotes attitudes favouring management and development of an entrepreneurial project. There are different kinds of computer simulators. In this research, it was required that the simulation experiences allows participants to put into practice the teaching-learning processes as well as the knowledge about management of an advanced university undergraduate. The reference of the requirements of the simulation tool was for the body of basic knowledge (CBK) published by the American Assembly of Collegiate Schools of Business (Eldredge and Galloway, 1983). Therefore, the simulator used had to satisfy the following minimum requirements:

- i) Include decision making in all of the functional areas of the firm, so that participants can have a global vision of the decision-making process and the interrelation between the different areas.
- ii) Simulate a specific, real entrepreneurial sector familiar to the participants, in order to make the experience as close as possible to reality in an international context.
- iii) Generate competition between firms and not compete with the simulator, as the simulator is an instrument but does not participate as an agent in the industry or the economy.
- iv) Ensure that the results of the decision-making process come not only from the interrelations between the different functions of each firm but also from the decisions made by the industry as a whole. Thus, each firm depends not only on its own decisions but also, as in real life, on the decisions made by competitors.

Some of the simulators used most widely in European and North American business schools are The Business Strategy Game (Thompson and Stappenbeck, 1997), Corporation (Smith and Golden, 1994), Praxis-MMT (Arias-Aranda, 2007), and Capstone (Mitchell, 2006). In this study, the Praxis-MMT simulator, v. 10 was chosen as it fulfilled the requirements described above for the automobile industry including international markets operations and marketing as well as logistic, financial, operations, and human resources decisions.

The main goal of the current study is to determine the factors that influence the entrepreneurship attitude according to the management of internal conflict through a business game. Consequently, a model that includes the different dimensions of entrepreneurial attitude and conflict management is empirically tested in the context of a business simulation of the automobile industry (Lant and Mezas, 1990; Zantow et al., 2005).

### **3. THEORETICAL REVIEW:**

#### **3.1 Conflict management modes**

Literature on conflict management has identified a variety of behaviours showed by workgroup individuals when managing conflicts (Poole et al., 1991; Sambamurthy and Poole, 1992; Arias-Aranda and Molina-Fernandez, 2002). In this context, Rahim (1992) and Thomas and Kilmann (1974) outline five conflict handling modes that describe conflict management in organizational work groups: avoidance, accommodation, competition, collaboration, and compromise. Individuals with a competitive behaviour in conflicts show criticizing behaviours of those with opposing interest within the conflict, use of threats to gain advantage and defend own interests under a competition framework, information disclosure of strategic information about oneself and suggestion of possible elucidations to the conflict forcing own views on others. On the other hand, those individuals avoiding dispute tend to defer and avoid any confrontation sources of the conflict itself. The collaboration handling mode is associated to a cooperative and collaborative trend in the individuals' behaviour in order to solve the conflict while maintaining and even reinforcing the relationships with the rest of the group by considering the interests of all parties. The compromising behaviour is characterized by a relatively deep analysis of own and other's positioning on the conflict in order to settle a possible solution in an intermediate field which may satisfy the group as a whole. Finally, accommodating individuals feel compelled by the goals and interest of others and tend to agree with the solution adopted by the group, independently of his/her own interests.

#### **3.2 Simulation as a teaching-learning tool**

The use of simulators in teaching firm management has been the subject of numerous studies (see, among others, Curry and Moutinho, 1992; Moratis et al., 2006; Miles et al., 1986; Faria, 2001; Jiwa et al., 2005). As computer-supported cooperative learning tools (Romano et al., 2005), simulators enable decision making in an environment that simulates real environments. They are thus useful for developing

and strengthening managerial abilities. Specific literature has also analyzed how active learning influences motivation of business games participants (Asakawa and Gilbert, 2003). Participants are the only responsible for their decisions so instructors many times become mere observers (Segev, 1987; Arias-Aranda, 2007). The participants thus gain first-hand knowledge of the results of their actions and the extent to which their action-decision guidelines are effective. Many studies find the use of simulators to be more effective than the case method in fostering active learning (Cohen and Ledford Jr, 1994; Lainema and Makkonen, 2003; Abad-Grau and Arias-Aranda, 2006). The simulation experience requires the development of group dynamics in order to generate cohesion in the groups, especially in the early stages of the simulation. It is important that the groups are conscious of belonging to an entrepreneurial project that requires a specific level of effort and responsibility on their part, particularly toward their teammates. Thus, a phenomenon of self-monitoring occurs in the team itself that

will demand responsibility from those members who diverge from the team's general behaviour or reduce their level of effort, acting as "free riders" (Devine, 1999). In this respect, the literature has identified a significant relationship of group performance, among other variables of group character, to the capacity for conflict resolution and degree of trust among the members (Jehn, 1995; Partington and Harris, 1999). In the simulation, learning occurs on the individual level, that is, each participant acquires and generates new knowledge in the course of the simulation experience. This knowledge and learning can be produced differently in each member of the group, although the team's result is the same for all of the components. Further, the team's results are available once the simulation is over and can be compared to those of the other teams. However, to contrast the acquisition of new knowledge, some test to evaluate or measure the knowledge and thus find some indicator that shows that the process has been effective.

#### **4. DISCUSSION AND CONCLUSIONS:**

Individuals belonging to workgroups that participated in the simulation experience score significantly higher in all those conflict management handling modes that reinforce internal relationships within the team (collaboration and compromise) with considerable differences with non-participants. Results show that the simulation experience increases the trend to behave in ways that keep the group in cohesion when managing conflicts. However, the accommodation and competition dimensions score higher in simulation participants as well. The learning process in which simulations participants are immersed allows them to experiment different approaches to conflict resolution. On the other hand, students with no simulation experience tend to position towards the extremes, either avoidance or compromise, as pressure to solve conflicts diminishes in comparison to business simulation. Tasks such like preparing materials involve much less-substantial conflicts than preparing a budget for next year expenditure in the firm communication strategy in the simulation. Only avoidance gets higher scores in groups with no simulation experience. Engagement in a simulation experience of the automobile industry with complex decisions considering financial, operation, marketing, logistics and organizational issues among others requires a high capacity to manage workgroup conflicts. This leaves avoidance little space when the main goal is to apply learned knowledge and winning the simulating competition. Necessary skills can be developed through business simulations to avoid destructive conflicts or high level of conflict in automobile industry. Therefore, Effective Conflict Management will lead to better organizational performance of Automobile Industry.

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