



South East European University

Faculty of Business Administration and Economics

Department of Management

MASTER THESIS

Topic: The role of conflict management in fostering creativity and innovation in small and medium enterprises

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Tetovo, 2018



Declaration

I hereby declare that this Master's thesis is my own personal effort and work, and it does not contain other people's work without it being stated and that the bibliography contains all the literature that I have used in writing the thesis, and that all references refer to this bibliography. I understand that any violation of these rules will be considered cheating and will have legal consequences.

Acknowledgment

This thesis became a reality with the kind and unconditional support of many individuals. I would like to express and extend my sincere thanks to all of them.

The first gratitude I owe is to **God Almighty** for giving me good health, strength and will in order to finish this master thesis.

My deepest thanks goes to my family who have always supported me in any possible ways during all my levels of studies and my life journey. Without their love and support over the years none of this would have been possible. They have always been there for me and I am thankful for everything they have helped me achieve.

I would like to express my special gratitude and thanks to Professor Doctor Gadaf Rexhepi for accepting to supervise my research, for his constant supervision as well as for all the advice, guidance, comments and direction he provided me since the beginning, starting from selecting and preparing the topic of the research. It has been always great pleasure to work with Prof. Dr. Gadaf and to benefit from his expertise and knowledge.

Acknowledgment also goes to my friends and colleagues for their support in distribution of questionnaires in different private and public organizations.

Abstract

The research aim is to identify the role of Conflict Management in fostering creativity and innovation in small and medium enterprises .This research studies the causes, effects, and impact of conflict management on employee creativity and innovation process in the company that comes as a result of conflicts in a business organization.

Taking into consideration that conflict in most worldwide enterprises is seen as negative phenomenon, which when out of context and badly managed, it can lead to lower productivity or lower delivery of organization's products and services, in this research we aim to prove the benefits and advantages of constructive conflict within enterprises.

The study concludes at the same time that conflicts sometimes can produce positive results but always if properly managed and therefore states that not all conflict situations are bad and result in negative results. Efforts should always be directed towards the causes of conflict and be solved immediately in order to give a positive understanding of any conflict that arises in the organization.

Based on research result from respondents of questionnaires within different positions from different private and public institutions we concluded that conflict management plays significant role in fostering creativity and innovation in small and medium enterprises in Macedonia and that the implementation of good conflict management strategies fosters the creativity and innovation within SME in Macedonia.

Based on the correlation coefficient and the regression coefficient supported are all hypothesis that we have set regarding the role of conflict management in fostering creativity and innovation.

The results are good proof for research recommendation, such as the idea that conflicts should be resolved from the early stages and attention should be paid to conflicting parties in order to foster creativity through conflict and conflict-making ideas in small and medium-sized organizations in Macedonia.

Abstrakt

Qëllimi i hulumtimit është identifikimi i rolit të Menaxhimit të Konfliktit në nxitjen e kreativitetit dhe inovacionit në ndërmarrjet e vogla dhe të mesme. Ky hulumtim studjon shkaqet, efektet dhe ndikimin e menaxhimit të konfliktit në kreativitetin e punonjësve dhe procesin e inovacionit në kompani që vjen si rezultat i konflikteve në një organizatë biznesi.

Duke marrë parasysh se konflikti në shumicën e ndërmarrjeve mbarëbotërore shihet si fenomen negativ, i cili nëse është jashtë kontekstit dhe menaxhohet keq, mund të çojë në një produktivitet më të ulët ose në ofrimin më të ulët të produkteve dhe shërbimeve të organizatës, në këtë hulumtim synojmë të dëshmojmë përfitimet dhe përparësitë e konfliktit konstruktiv brenda ndërmarrjeve.

Studimi konkludon në të njëjtën kohë që konfliktet nganjëherë mund të japin rezultate pozitive por gjithnjë nëse menaxhohen siç duhet dhe prandaj thekson se jo të gjitha situatat e konfliktit janë të këqija dhe rezultojnë në rezultate negative. Përpjekjet dhe synimet gjithmonë duhet të drejtohen ndaj shkaqeve të konfliktit dhe të zgjidhen menjëherë në mënyrë që të japin një kuptim pozitiv të çdo konflikti që del në organizatë.

Bazuar në rezultatet e hulumtimit nga të anketuarit e pyetësorëve në pozicione të ndryshme nga institucione të ndryshme private dhe publike, ne kemi konstatuar se menaxhimi i konfliktit luan një rol të rëndësishëm në nxitjen e kreativitetit dhe inovacionit në ndërmarrjet e vogla dhe të mesme në Maqedoni dhe se zbatimi i strategjive të mira të menaxhimit të konfliktit nxit kreativitetin dhe risi në NVM në Maqedoni.

Bazuar në koeficientin e korrelacionit dhe koeficientin e regresionit të vërtetuara janë të gjitha hipotezat që kemi vendosur në lidhje me rolin e menaxhimit të konfliktit në nxitjen e kreativitetit dhe inovacionit.

Rezultatet janë një provë e mirë për rekomandimet e hulumtimit, siç është ideja që konfliktet duhet të zgjidhen nga fazat e hershme dhe vëmendja duhet t'i kushtohet palëve në konflikt me qëllim që të nxisë kreativitetin përmes konflikteve dhe ideve të krijimit të konflikteve në organizatat e vogla dhe të mesme në Maqedoni.

Абстракт

Целта на истражувањето е да се идентификува улогата на Управување со Конфликти во поттикнување на креативноста и иновациите во малите и средните претпријатија. Ова истражување ги проучува причините, ефектите и влијанието на управувањето со конфликти врз креативноста на вработените и процесот на иновации во компанијата што доаѓа како резултат на конфликти во деловна организација.

Имајќи предвид дека конфликтот во повеќето светски претпријатија се смета за негативен феномен, кој ако е надвор од контекст и лошо управуван, тоа може да доведе до пониска продуктивност или пониска испорака на производи и услуги на организацијата, во ова истражување сакаме да ги докажеме придобивките и предностите на конструктивен конфликт во претпријатијата.

Студијата заклучува истовремено дека конфликтите понекогаш може да создадат позитивни резултати, но секогаш ако се соодветно управувани и затоа се наведува дека не сите конфликтни ситуации се лоши и резултираат со негативни резултати. Напорите секогаш треба да бидат насочени кон причините за конфликтот и веднаш да се решат, со цел да се даде позитивно разбирање за секој конфликт што се јавува во организацијата.

Врз основа на резултатите од истражувањето на испитаниците од прашалниците на различни позиции од различни приватни и јавни институции, констатиравме дека управувањето со конфликти игра значајна улога во поттикнување на креативноста и иновациите во малите и средни претпријатија во Македонија и дека спроведувањето на добри стратегии за управување со конфликти ја поттикнува креативноста и иновациите во МСП во Македонија.

Врз основа на коефициентот на корелација и коефициент на регресија сите хипотези се потврдуват што ги поставивме во врска со улогата на управувањето со конфликти во поттикнување на креативноста и иновативноста.

Резултатите се добар доказ за препораките за истражување, како што е идејата дека конфликтите треба да се решат од раните фази и внимание треба да се посвети на конфликтните страни, со цел да се поттикне креативноста преку конфликтни идеи и идеи за конфликти во малите и средни организации во Македонија.

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FIRST CHAPTER: Study Frame Work

Introduction

In nowadays life we face conflict everywhere regardless where we are. We face conflict within work place, within families, within friendships. Knowledge about it is closely related to life experiences. In carrying out our duties or services, we are bound to associate with other individuals. Conflict is part of life. It is difficult to describe a life situation without its conflagration elements. The main question is “How to manage conflict effectively and efficiency so it won’t evolve further in negative scenarios and cases? What are the best strategies used for conflict management from which all sides benefit? How a conflict can be beneficial?”

One of the biggest challenges that managers are facing today is the management of conflict in organizations. Therefore a lot of authors and researchers have tried to analyze conflict from different aspects and a lot of books and papers have been published on this topic. Hellriegel et al. (1992) defines conflict a state that includes in it a lot of contradictory thoughts, ideas, arguments and feelings within groups or individuals that in the later stage becomes the rout of potential conflict. Other authors, such as (Thompson, 1998, p. 4) defines conflict as the perception of varieties of interests between people.

While most of authors of conflict management books and research papers see conflict as a threat for job performance, according to Boddy (2002, p. 110) conflicts when managed and organized properly and accordingly within organization, can be captured as a chance for potential improvement and productivity .Boddy (2002, p. 114) describes a “A high performance team is a team where all the members are intensely focused toward personal growth of each team participants and care for each other personal thoughts and ideas so in the end they come up with one collective purpose”

Based on research paper: Leslie A. DeChurch, Michelle A. Marks, (2001) "MAXIMIZING THE BENEFITS OF TASK CONFLICT: THE ROLE OF CONFLICT MANAGEMENT", International Journal of Conflict Management, Vol. 12 Issue: 1, pp.4-22 a conclusion of the study is that active conflict management encourages good performance while agreeable conflict management encourages group satisfaction. So in the end is it important how the group as an entire entity together handles the conflict, despite the facts that inside the group disagreements exist.

Research Goals and Objective

The main goals of the research are to explore the role that Conflict Management plays in working life and the importance of using the right conflict management strategies in order to foster creativity and innovation within SME-s and success in competitive and dynamic world. Everyone has its own way of doing things and performing tasks, therefore in the moment when this process is disturbed by a third part in that moment conflict occurs. Protecting our own ideas and thoughts in everyday life is a human act and is inevitable therefore the conflict in a working place and in an overall business is unavoidable also. The concern here is how the company will be able to manage the conflict effectively during working progress properly and with a high level of effectiveness!

The objective of our research is to identify if the role of Conflict Management is important in successfully fostering the employee's creativity and innovation within different SME in Macedonia. Also we will identify the role of conflict management strategies in fostering the creativity and innovation and if a company has to be concerned about implementing the right conflict management strategies and right conflict management training programmes in their organization.

Research variables

According to questionnaires that were distributed to 150 respondents, we have different variables. Below we will show all variables divided on dependent variables and independent variables.

1. Dependent Variables:

- The index of conflict management ability to foster successfully creativity within SMS
- The index of conflict management ability to foster successfully innovation within SMS
- The index of success of implementing negotiation as conflict management strategy
- The index of success of implementing cooperation conflict management strategy

2. Independent Variables:

- Main Variable: CCIC- Sub Variables:

- Gender
- Experience
- Education
- Organization Profile (Public vs. Private)
- Age of Respondent.

Research Question

The general purpose of this study is first to analyze the role of Conflict Management over the employee's creativity and innovation, respectively the impact of Conflict Management in successfully fostering creativity and innovation within organizations. Conflict Management is having impact in different field of professional working and also the impact is significant in private life. But in this study we have to focus only in professional work. Except of the research of linkage of Conflict Management in fostering creativity and innovation within SME, in this study we have studied also the implementation of conflict management strategies in fostering employees 'creativity and innovation.. The main reason to the last point of research is to find if it is necessary every SME to implement good conflict management strategies and tools in order to have employees who would be creative and innovative as long as to understand the importance of conflict management training within the SME.

Our study involves four main research questions, on which are based our further analyzes. Four research hypotheses are:

H1-Innovations in the enterprise result from the existence of a constructive conflict within the enterprise

H2-The implementation of negotiation strategy as a conflict management strategy by managers, fosters the creativity and performance of the employees

H3-The implementation of cooperation strategy as a conflict management strategy by managers, fosters the innovation process in SME

H4-Right treatment of employees within the enterprise encourages their involvement of in the process of innovation and creativity

The reason why we are going to analyze above mentioned hypothesis is the role of conflict management which plays changes in today's dynamic business life. In one hand, the presence of conflict within SME-s is a sign that there are movements within organizations, that everyone is showing their thoughts and ideas.

But in other hand also, if the conflict is not managed well in continuity the consequences of the conflict can be negative. So every time we need to be preoccupied for finding the right conflict management strategies which will improve the management of conflict and in the same time foster the employee's creativity and innovation. According to some international journal papers conflict management plays very important role in creativity and innovation with SME-s. As a result of this we are interested the same to be tested in employees in Macedonia and to analyze the correlation between index of conflict management and index of creativity and innovation.

So the first hypothesis aims to show that in fact the innovations within the enterprise result from the existence of a constructive conflict within the enterprise. As we are focused in constructive conflict management we aim to emphasize the benefits of constructive conflict within SME.

As conflict management strategies are very important and if implemented correctly within the SME, the same foster the employee's creativity and innovation. Therefore we have seen as very important and we have chosen negotiation and collaboration as conflict management strategies to analyze their impact in fostering creativity and innovation that will be tested through the second and third hypotheses.

The last hypothesis is linked with the right treatment of employees and aims to analyze when the employees feel that are treated right how creative and innovative they can be.

SECOND CHAPTER: Literature Review
Conflict Management
Introduction to Conflict Management

Term conflict was used and analyzed long time ago, since the ancient times. Though it was referred with another term. Going back to the history of philosophy of conflict management, the classical philosophers Plato (427–347 B.C.) and Aristotle (384–322 B.C.) were close to explain the term of conflict management even though they did not wrote a separate writing on social conflict; each of them mentioned very well the requirement for order within the society.

Plato’s opinion was that tension within society is natural, and therefore some conflict is inevitable. “However, he stated that if a proper balance of the parts could be obtained, social conflict would be at a minimum. Each segment of society must know the part it must play and be guided in such a fashion that all segments work together in harmony” (Schellenberg, 1996, p. 89). Plato suggested that such a balance of the parts could be obtained only with appropriate leadership.

Basically the term of conflict management has been defined long time ago even though referring or relating the same with similar term that in that time was used for conflict management.

However in the modern literature the term of conflict management was elaborated later and we have first early conflict management models as below:

Blake and Mouton's (1964) managerial grid has in fact created a putting comeback as a principal one thesis within the literature of conflict management (Blake, R. R.. & Mouton. J. S. 1964)

Most authors have treated the managerial grid as a five-category theme for classifying behavioral designs or modes of handling social conflict. This managerial grid defines styles for handling interpersonal conflicts in five types: forcing, withdrawing, smoothing, compromising, and problem solving. However this model was later criticized from many other authors stating that this model was defining those five styles based on two components and dimension: based on people and based on production. However this model was the basic model for later

authors to extend and analyze the same further. Thomas and Kilmann (1974) and Rahim (1983) have published the two best-known questionnaires that people can use to describe their perceived use of the grid's five styles of conflict management (for a critique of the exhaustiveness and representativeness of the styles measured, Knapp, Putnam, and Davis, 1988)

Khun and Poole's model (2000) created a similar conflict management model that captured conflict in two main components: distributive and integrative.

- Distributive – Here conflict is approached as a distribution of a fixed amount of positive outcomes or resources, where one side will end up winning and the other losing, even if they do win some concessions.
- Integrative – Teams using this model use conflict as constructive conflict and see the same as a possibility to include and take into consideration the needs, ideas and thoughts of both groups so in the end the outcome is beneficial for all sides, so this model is focused in compromising and collaborating in opposite to the distributive model where only one side is the winner and

Groups utilizing the integrative model see conflict as a chance to integrate the needs and concerns of both groups and make the best outcome possible. This model has a heavier emphasis on compromise than the distributive model. Khun and Poole found that the model resulted in consistently better task related outcomes than those using the distributive model.

DeChurch and Marks's meta-taxonomy (2001) reviewed and summarized the literature available on conflict management at the time and established what they claimed was a "meta-taxonomy" that encompasses all other models. They in contrary to other authors of conflict management which were focused only on negative consequences, they captured the idea and “the extent to which conflict behaviors make a pleasant and relaxed rather than unpleasant and strainful impression”). The idea of this model is that everyone should freely express their own thoughts and opinions by always protecting their own interest. This model aims to satisfy all parties involved in conflict.

Rahim's Meta-Model- Rahim, M. A. (2002) according to this model there does not exist an unique model that defines how to handle and manage conflict. Based on this opinion Rahim created a Meta Model which model included to base

dimensions: concern for self and concern for others. Including those five management component: integrating, obliging, dominating, avoiding, and compromising the author thinks that the process of managing is easier as integration helps all the parties included in conflict to openly exchange their ideas, then avoiding helps unneeded situations and conflict to be avoided and obliging fosters all the participants to be engaged in solving the problem.

Beside the above mentioned conflict management there are some other authors that define conflict differently. The positive contribution through task-based conflicts is according to Kurtzberg et al. (2005) the promotion and unveiling of different perspectives which could stimulate innovation and creative thinking. The possible negative effects of a conflict are thus always a threat, according to Kurtzberg et al. (2005) psychological affects and team member relationships are at all times very vulnerable. Kurtzberg et al. (2005) argues that „it is tremendously difficult for individuals to remain objective about a situation when they feel that others are disagreeing, or even disapproving, of their point of view“ Ohbuchi *et al.* (2003) claims that research points out that gain/loss issues encourages “conflict of interest” while correct/incorrect issues demands collaboration and right/wrong issues encourages participants to confront the problem.

Approaches

Conflict Management patterns are often according to Desivilya *et al.* (2005) related to a dual concern model divided into concern for self and concern for others. Further different conflict management approaches are based on these two components, some focusing more on concern for self or concern for others. From these motives Desivilya *et al.* (2005) brings forward five main conflict management patterns:

Dominating - „High concern for self and low concern for the other“

Obliging - „Low concern for self and high concern for the other“

Avoiding - „Low concern for self and low concern for the other“

Integrating - „High concern for self and high concern for the other“

Compromising - „Moderate concern for self and moderate concern for the other“

(Desivilya *et al.* 2005)

Another approach that aims to look at the conflict at different aspect is the one of authors: Hughes, Ginnett and Curphy (2009) who claim that conflict resolution can be divided into two independent dimensions, cooperativeness/uncooperativeness and assertiveness/unassertiveness. From this point of view Hughes, Ginnett and Curphy (2009) have described five common approaches to managing conflict:

Competition - „Reflects a desire to achieve one’s own ends at the expense of someone else. This is domination, also known as a win-lose orientation“.

Accommodation - „Reflects a mirror image of competition, entirely giving in to someone else’s concerns without making any effort to achieve one’s own ends. This is a tactic of appeasement“.

Sharing - „Is an approach that represents a compromise between domination and appeasement. Both parties give up something, yet both parties get something. Both parties are moderately, but incompletely, satisfied“.

Collaboration - „Reflects an effort to fully satisfy both parties. This is a problem-solving approach that requires the integration of each party’s concerns“.

Avoidance - „Involves indifference to the concerns of both parties. It reflects a withdrawal from or neglect of any party’s interests“.

(Hughes, Ginnett and Curphy, 2009)

The definition of two authors that analyze two aspect of conflict as below and the opposing viewpoints on the outcome of conflict were presented. A combination of these viewpoints regarding the functionality of conflict is necessary. One practical view of conflict is that it has productive as well as destructive potentials (Assael, 1969; Deutsch, 1969; Jehn, 1997a; de Dreu & van de Vliert, 1997; Introduction 7 Kelly & Kelly, 1998; Pelled, Eisenhardt, & Xin, 1999). The functional and dysfunctional outcomes of conflict in organizations are as following:

Functional Outcomes

- Conflict may stimulate innovation, creativity, and growth.
- Organizational decision making may be improved.
- Alternative solutions to a problem may be found.
- Conflict may lead to synergistic solutions to common problems.

- Individual and group performance may be enhanced.
- Individuals and groups may be forced to search for new approaches.
- Individuals and groups may be required to articulate and clarify their positions.

Dysfunctional Outcomes

- Conflict may cause job stress, burnout, and dissatisfaction.
- Communication between individuals and groups may be reduced.
- A climate of distrust and suspicion can be developed.
- Relationships may be damaged.
- Job performance may be reduced.
- Resistance to change can increase.
- Organizational commitment and loyalty may be affected.

The role of Conflict Management in Small and Medium Enterprises

Organizational conflict

After realizing the importance conflict as a social concept, we can then look deeper into the special case of organizational conflict and its effects within enterprises. Conflict is certainly one of the major organizational phenomena. Pondy (1967) observed that organization theories “that do not admit conflict provide poor guidance in dealing with problems of organizational efficiency, stability, governance, and change, for conflict within and between organizations is intimately related as either symptom, cause, or effect, to each of these problems” (p. 504).

One of classical view of conflict management within organization is the one of Frederick Taylor (1911) and his associates believed that the functioning of an organization would improve if the principles of scientific management were implemented. Some of these principles involved the following:

- The development of a true science of work that involves determining a fair day’s work.
- Scientific selection and progressive development of workers.
- Fitting of workers to their respective tasks.
- Constant and intimate cooperation of managers and workers.
- Provision of means to encourage each person to the utmost utilization of his or her capacity.

- Development of organization structures to control the various phases of production.

While the author of the neoclassical view of organizational conflict Elton Mayo (1933) during the 1920s and 1930s, which led to the human relations movement, also emphasized the need for minimization or elimination of conflict for increasing organizational effectiveness.

“Conflict to Mayo was neither inevitable nor economic. It was a result of the maladjustment of a few men on the labor side of the picture. Even after Hawthorne forced Mayo to grow, he remained firm in his conviction that conflict was an evil, a symptom of the lack of social skills. Cooperation, for him, was symptomatic of health. (Baritz, 1960,p. 203)”

According to the classicist conflict was seen as negative phenomena within the enterprise, clearly stating that conflict should be eliminated from organizations. They, of course, implicitly assumed that conflict was threat for an organization and should be minimized.

This approach to organization and management dominated the literature during the first half of this century.

Opposite of this modern views of organization conflict consider conflict as legitimate and inevitable and a positive indicator of effective organizational management.

It is now identified that conflict within certain limits and managed properly is essential to productivity. Conflict can be useful and practical to the extent to which it results in the creative solution to problems or the effective attainment of subsystem organizational objectives that otherwise would not have been possible. Little or no conflict in organizations may lead to stagnation, poor decisions, and ineffectiveness and to daily routines within organizations that result to the status quo state when there is not any change occurring.

“A moderate amount of conflict, handled in a constructive manner, is essential for attaining and maintaining an optimum level of organizational effectiveness (Rahim & Bonoma, 1979).”

Nature of Conflict

Taking into consideration that conflict nowadays is inevitable, it is clearly necessary for managers to be able to recognize the source of the conflict, to view it's constructive as well as destructive potential, to learn how to manage conflict and to implement conflict resolution technique in a practical way (Fleetwood, 1987). However, in the last years of conflict management evolution, many scholars, authors have changed their views concerning conflict. Conflict is now seen as having the potential for positive growth. Deetz and Stevenson (1986), list three assumptions that indicate that conflict can be positive. Their belief is that management of conflict serves as a more useful conception of the process of conflict resolution. Their assumptions are as follows:

- Conflict is natural
- Conflict is good and necessary
- Most conflicts are based on real differences.

The first assumption supports the idea that conflict is natural and comes within inside and has a natural flow. That conflict is good and necessary because new ideas and thoughts are expressed and is suggested because conflict can stimulate innovative thinking when managed accordingly. Conflict occurs not because people want to argue but because everyone likes and defends its own idea and belief.

Forms/Classification of Conflict

Different authors have tried to categorize conflict into various forms. The first classification is the relationship, task and process conflict. There is, however, considerable conceptual overlap between these different forms of conflict (Dirks and Parks, 2003).

- **Relationship Conflict:** this type of conflict occurs when there are inter-personal differences among group members, including personality confrontations, pressure, animosity and irritation (Jehn, 1995). This is the type of conflict that produces negative individual emotions, such as worry, distrust, or dissatisfaction (Jehn, 1995), frustration, tension and fear of being rejected by other team members (Murnighan and Conlon, 1991).

Task Conflicts: These are lack of consensus about the content of a task and work goals, such as sharing of resources, procedures, and perception of facts (John, 1995; 1997). Task conflicts explains differences in belief ideas and opinions, and may concur with enthusiastic discussions and personal excitement. Contrary to relationship conflict, researches concerning task conflict are not so decisive. Task conflict has been related with several beneficial effects such as improving the use of debate within a team (Jehn, et al, 1999), which results in quality ideas and innovation (Amason, 1996; West & Anderson, 1996) and leads to better service delivery (Tjosvold, Dann & Wong, 1992).

Process Conflicts: This refers to discrepancy about how a task should be performed, individuals' task and work deputation (Jehn & Mannix, 2001), e.g. when group members fail to agree about whose responsibility it is to complete a certain task. Process conflict has been related with lower enthusiasm, decreased productivity (Jehn, 1997) and poor team performance (Jehn, 1999).

Types of Conflict

As long as now, it is very hard to determine whether conflict is all good or bad and when it is unprofessional and naïve. Whether a conflict is good or bad depends on the type of conflict. Specifically, it's necessary to differentiate between functional and dysfunctional conflicts:

Functional or Constructive Conflict: The interactionist view does not propose that all conflicts are good. Rather, some conflicts encourage the goals of the group and improve its performance; these are functional, constructive forms of conflict.

According to Robbin (2001) functional conflict supports the goals of the group and improves its (group's) performance. The logic is that if conflict fosters competition among groups and the groups engage harder in working produce more, it is beneficial to the group and the institution.

Dysfunctional/Destructive Conflict: There are conflicts that obstruct group performance; these are dysfunctional or destructive forms of conflict. Conflict is unavoidable and attractive in organizations, but when not properly managed, conflict can damage relationships and, thus, prevent the exchange of ideas, information and resources in groups and between departments. Dysfunctional conflict hinders and prevents organizational goals from being achieved. Dysfunctional conflict usually

hinders organizational performance and leads to decreased productivity. This conflict orientation is characterized by competing individual interests overriding the overall interest of the business. Managers withhold information from one another. Employees sabotage others' work, either intentionally or through subtle, conflict motivated disinterest in team work (Kinicki and Kreitner, 2008).

The Conflict Process

Conflict may appear from the non-acceptance of a person as it is, the alienation of trust and discrimination by other employees or management (Cohen, 2006). Basically conflict arises because of people different perception, ideas and thoughts. So it is important to understand how the conflicts arises and what are the reasons. The conflict process can be seen as consisting five stages:

- Potential opposition or incompatibility-this is the basic stage when conflict occurs due to misunderstandings and lack of communication
- Cognition and personalization-the stage when parties involved understand that there is conflict and conflict is felt
- Intentions –the way conflict is perceived
- Behavior - The behavior stage includes the statements, actions, a reactions made by the conflicting parties
- Outcome-the results of handling conflict

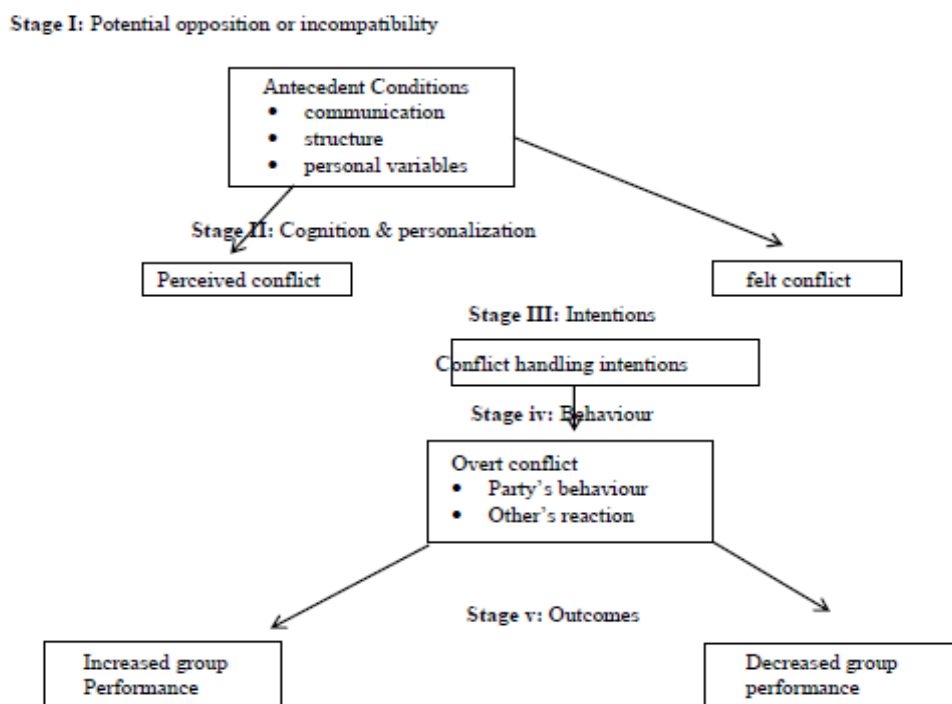


Figure 1 The Conflict Process

Source: The Conflict Process (Robbins, 2005)

Conflict Management Strategies

Depending on the nature of the conflict, the degree to which the conflict is and the fact that the purpose is to reduce, diminish or mitigate conflict, different strategies have varying degrees of benefit. Identifying the most convenient strategy is the science of conflict management; skillful application is art. (Hassan Jorfi, Saeid Jorfi and Sirous Karahi, 2010)

According to Petkovic (2008), conflict management involves obtaining skills related to conflict resolution, building structures of conflict models, putting strategic measures as well as approaches in place. The models of conflict management are tools used to assess the appropriate action required in a conflict situation. These include Blake and Mouton model, Thomas Kilman model and Holton model, (Newell, 2008)

Approaches to conflict management, focus on the principle that conflicts cannot necessarily be resolved but can be managed using appropriate actions such as accommodating, avoiding, collaborating, compromise and competing.

- Accommodating- is one of sacrifice, selflessness and low assertiveness. This strategy focuses on maintaining relationships even if it means to give up just about everything in order to preserve the relationship with the other party. It is certainly reasonable to use this strategy when the issue at hand is something of little importance to you
- Avoiding-is one of the most common strategies to face the conflict. Avoiding is a valid strategy when you need to be quiet when there is no benefit from the confrontational situation when power is significantly uneven when you want to distance yourself from another person or when it takes time to prepare
- Collaborating- implies joint work on conflict resolution, and enables information gathering as well as some sort of solution to the problem. To cooperate, you and your opponent must be able and willing to contribute time, energy and resources to finding and applying the solution.
- Compromise -is the "middle of the way" strategy, which encourages everyone to talk about issues by placing the parties closer to each other and resolving the issue. In compromise, each person has to give and take something. Compromise is more effective when issues are complex and balanced power. Compromise can

be selected when other methods fail and when you and your opponent have non-persistent positions, and accept mutual omissions.

- Competing –is a strategy that encourages the individuals and groups involved in conflict to strongly win and therefore improves the performance of the same in order to achieve best results than the competitors

Negotiation is the most common strategy of solving conflicts and it is successful when the interests of the opposite sides are partly common and partly different (Shalley et al., 2004). Negotiation is a process by which compromise or agreement is achieved while avoiding argument and dispute. (Verma, 2006) Since the essence of negotiation involves the ability to move beyond existing ideas and create alternatives, it can help an organization come up with a good performance plan by setting objectives that will in turn drive organizational performance (LeBaron, 2003) for instance a study on conflict management strategies used in secondary schools (Okoth 2013) concluded that the conflict management strategies of negotiation used in secondary schools in Kisumu municipality are effective in increasing performance.

According to Petkovic (2008) there are several negotiation tactics that can be applied. These include Face-to-face tactic whereby a mutual confidence as a foundation for negotiation can be established, Persuading tactic which assumes using different methods and manners to win over partners and to reach a better negotiating position, Deceitfulness tactic which assumes presenting false data and arguments, Threat tactic based on deterrence from the side which holds a better position, or has more power. Promise tactic based on having a better position and more power, with the stronger side persuading the weaker that it will keep its promises and Concession tactic which is the most important tactic in the negotiation strategy.

The other strategy in conflict management is **collaboration**. In general, collaboration demands that parties recognize different aspects of problems, communicate with each other and constructively explore their differences in search of solutions that go beyond each party's own limited vision of what is possible (Gray, 1989)

Creativity within enterprise

“There is no doubt that creativity is the most important human resource of all. Without creativity, there would be no progress, and we would be forever repeating the same patterns”

Edward de Bono

To survive in today’s rapidly changing environment, organizations are obliged to continuously re-evaluate their products, services, and their market edge in comparison with other organizations and the emerging trends. In such an environment, creativity and efficiency are crucial elements for public and private organizations (Cankar, 2013; Manzoor, 2014; Serrat, 2009). Organizations increasingly try to find ways to improve creativity and efficiency in terms of the performance of individuals (their employees) and the organization as a whole in order to achieve and maintain a competitive advantage (Foster & Kaplan, 2011). Creativity can be defined as “the interaction among aptitude, process, and environment by which an individual or group produces a perceptible product that is both novel and useful as defined within a social context” (Plucker, Beghetto, & Dow, 2004), and organizational creativity is considered as a function of the creative outputs of its component and contextual effects such as organizational culture, rewards, resources (Woodman, Sawyer, & Griffin, 1993).

On the other hand, a creative organization is characterized as “any business entity whose main source of profit comes from the production of novel and appropriate ideas, processes, products or services to tackle clients’ problems or opportunities identified” (Andriopoulos, 2000, p. 16).

Creative behavior is the generation of novel and useful ideas, and the adoption of others’ ideas that are new to the organization and can bring about innovative behavior (Yuan & Woodman, 2010). Organizational creativity happens as a group function consisting of the interaction of creative individuals within an organization (Woodman et al., 1993). Thus, the creative behaviors of individuals and groups determine the level of organizational creativity.

The figure below shows that creative-thinking skills are one part of creativity but that expertise and motivation are also essential. Managers can influence the first two, but doing so is costly and takes time.¹³ They can make a more effective difference by boosting the intrinsic motivation of personnel. To manage for creativity and innovation in ways that keep clients, audiences, and partners satisfied, they have five levers: (i) the amount of challenge

they give to personnel to stimulate minds, (ii) the degree of freedom they grant around procedures and processes to minimize hassle, (iii) the way they design work groups to tap ideas from all ranks, (iv) the encouragement and incentives they give, which should include rewards and recognition, and (v) the nature of organizational support. Needless to say, managers must themselves be motivated.

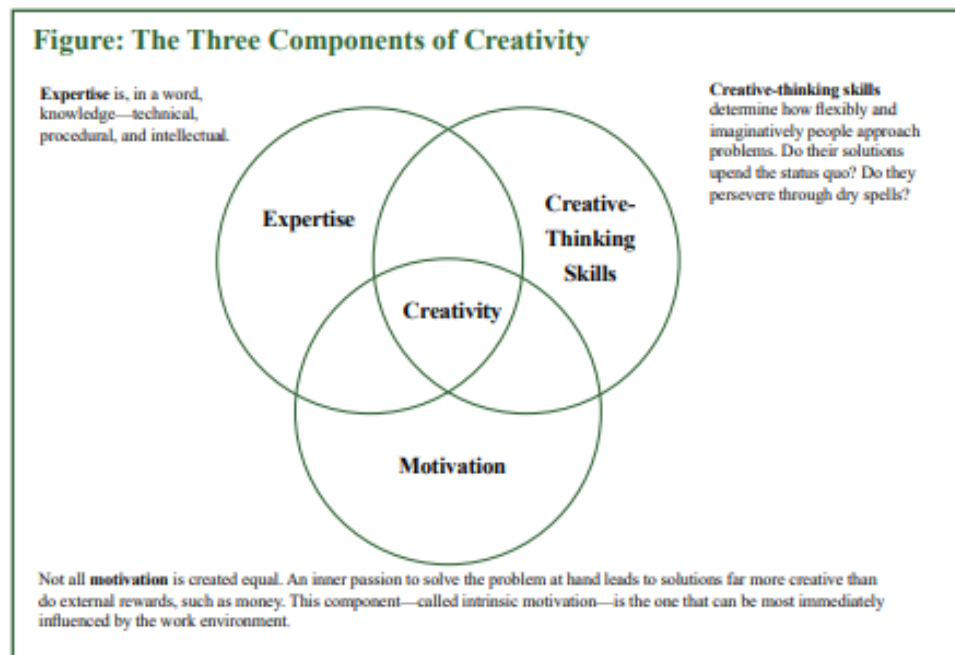


Figure 2: Three Components of Creativity

Source: Teresa Amabile(1998):Components of Creativity

Four problematic prescriptions for creativity

The review of the creativity literature reveals four prescriptions for fostering creativity that raise serious ethical issues. These four prescriptions include: breaking the rules or avoiding standard approaches to problems; (2) challenging authority and avoiding traditions; (3) creating conflict, competition and stress; and (4) taking risks.

A rigid, bureaucratic structure and rigid norms can inhibit creativity (Alencar and Bruno-Faria, 1997) to the point where creative employees adhere to the motto, “Better to ask forgiveness than permission” (Winslow and Solomon, 1993: 77). Often, employees become discouraged as they try to acquire resources to support their creative activities. Some

innovative organizations have successfully streamlined these processes, but most firms underestimate the negative impact that extant rules and procedures have on creativity.

Evidence suggests that organizations allowing or enabling employees to break the rules may be more creative. Winslow and Solomon (1993) suggest that highly innovative individuals “break from accepted practices” (p. 80) and adapt to develop new solutions for conventional problems. Sutton’s (2001, 2002) 102 Melissa S. Baucus et al. work shows that some highly creative firms consciously hire employees who are “slow learners” of the organizational code or set of rules; these employees resist learning and following rules and standard operational procedures within the firm.

The role of conflict management in fostering creativity

Create conflict, competition and stress in order to foster the creativity within enterprises

How creating conflict, competition and stress can foster creativity

Employees often comply with group pressure expressly to get along with one another and maintain the status quo (von Oech, 1998). Consensus as both process and outcome may have great value. Cohesion is a social construct that becomes manifest when individuals subordinate self-interest for the good of the group (Hogg, 1992). Indeed, most of us would want to belong to cohesive groups.

The creativity literature encourages conflict, debate and open competition in searching for the best ideas or most novel approaches. At one extreme is the recommendation that instructs managers to find happy or contented employees and provoke them to fight with one another (Sutton, 2002); the objective involves shaking up overly agreeable or complacent employees by engineering interactions that trigger debate of opposing ideas or perspectives. At the other extreme, managers and employees may view conflict as a failure to find collaborative solutions as they seek to enact “either-or” or “win-lose” solutions (Ricchiuto, 1997).

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conflict as a failure to find collaborative solutions as they seek to enact “either-or” or “win-lose” solutions (Ricchiuto, 1997).

Clearly, conflict may be used to foster creativity and innovation and could result in novel solutions that benefit both a corporation and its stakeholders, but there is dissensus on its value.

Another perspective holds that creativity may be enhanced through “competitive play.” Researchers argue that play can increase flexibility, new ideas, and liveliness (Amabile, 1996; Ricchiuto, 1997), something managers can accomplish by encouraging gags, tricks, games, and one-upmanship between employees (Kelley, 2001). Managers and employees may also behave foolishly or do the opposite of that which is expected (von Oech, 1998). Research shows that some creative companies deliberately hire people who seem disagreeable or objectionable in the belief these new employees add conflict to decision-making processes, spur competition for fresh ideas, and force current employees to think and behave differently (Sutton, 2001, 2002). These approaches, designed to introduce new viewpoints, illustrate a variety of strategies that can be used to enhance creativity by increasing conflict, competition and stress among employees.

Innovation within enterprises

Increasing market changes resulting in increased competition in traditional small- to medium-sized enterprise (SME) markets has led to a need for increased innovation and, therefore, programmes of innovation in organizations (Tidd et al., 2001). Effective innovation implementation resulting in increased competitiveness, involves intervention programmes with underpinning theory, rather than relying solely on natural progression or “innovation under the gun” (Amabile et al., 2002).

Westphal et al. (1997) states that innovation implementation concerns an in-depth study of the definition and implementation of innovation as opposed to issues such as: will the organization implement innovation, which is more of an innovation diffusion issue, usually associated with the sigmoid curve (Guler et al., 2002; Bass, 1969).

The process of innovation implementation, in organizations is often phenomenological based, non-linear, fuzzy and suffers from lack of connectedness (Dougherty and Hardy, 1996; Ford, 2000). This complexity is compounded in organizations where there are issues such as scarce resources, lack of skills, skepticism towards formal training, the need for flexibility and lack of systematic measurement (Findlay et al., 2000; Vossen, 1999).

If understanding about the longitudinal incorporation of innovation within organizations can be increased then there will be a contribution to the areas of theoretical understanding and that of designing creativity and innovation programmes to increase competitiveness (Klein and Sorra, 1996). As suggested by Gorton (2000), organizational learning and competitiveness will be increased through defining the underpinning theory of innovation implementation more consistently and applying supportive measures.

Innovation and Conflict Management

The role of conflict management in fostering innovation

Current organizations face a highly competitive and dynamic environment, which necessitate flexibility and fast adaptation to new situations and changing contexts. Hence, innovation has become a vital asset in order to ensure organizational sustainability (DeDreu, 2006; Jansenn, Van de Vliert, & West, 2004; West, 2002; West & Hirst, 2003). In an effort to attain innovation, organizations often resort to collaborative work arrangements, particularly work teams.

Innovation in a team setting has been defined as: “the intentional introduction and application within a team, of ideas, processes, products or procedures new to the team, designed to significantly benefit the individual, the team, the organization, or wider society” (West & Wallace, 1991, p. 303). The concept of innovation emphasizes the element of deliberate effort by team members and the application aspect which distinguishes it from sporadic creativity of talented individuals (Amabile, Conti, Coon, Lazenby, & Herron, 1996). Innovation generally emerges as an outcome of continuous interaction processes within a team (West & Hirst, 2003).

Conflict constitutes one of the central processes associated with the teams’ internal dynamics (Tjosvold, 2006; West & Hirst, 2003). Hence understanding the mechanisms underlying innovation requires a thorough examination of this phenomenon. Research on the effects of conflict on innovation in work teams addressed by and large the relationships between the prevalence of conflict and innovation, however, empirical investigations addressing the function of conflict management processes in team innovation, have been scarce (DeDreu, 2006; Nemeth, Personnaz, Personnaz, & Goncalo, 2004).

Beyond the contribution of team-identity to constructive-cooperative conflict management, previous research has suggested that a prosocial atmosphere directly affects team-innovation.

It allows team members to openly discuss their views concerning group goals, tasks and missions, promotes creativity, learning and innovation (Amabile et al., 2001; Standifer & Bluedorn, 2006; Swan & Scarbrough, 2005; West & Hirst, 2003).

The Role of Constructive Conflict Management in Team Innovation

Conflict constitutes an inevitable and commonplace element in the dynamics of organizational work teams (Alper, Tjosvold, & Law, 2000; DeDreu, 2006; Desivilya & Eizen, 2005; Desivilya & Yagil, 2005; Tjosvold, 2006).

De Dreu and Weingart (2003) define intragroup conflict as a process emanating from interpersonal tensions among team members owing to real or perceived disparities. Members of work groups within organizations experience and manage conflict with their counterparts on an everyday basis. Work teams as increasingly popular organizational structures serve to improve quality, increase efficiency and ensure organizational sustainability (Tomlinson, 2005; Vangen & Huxham, 2003a). We embrace the fundamental assumption, advanced by conflict and organization scholars that effectiveness of work teams, including their capacity for innovation, stems to a large extent from the quality of their internal relationships (Amabile et al., 2001; Ayoko, Hartel, & Callan, 2002; Chen, Liu, & Tjosvold, 2005; Mohammed & Angell, 2004).

Below workflow diagram describes

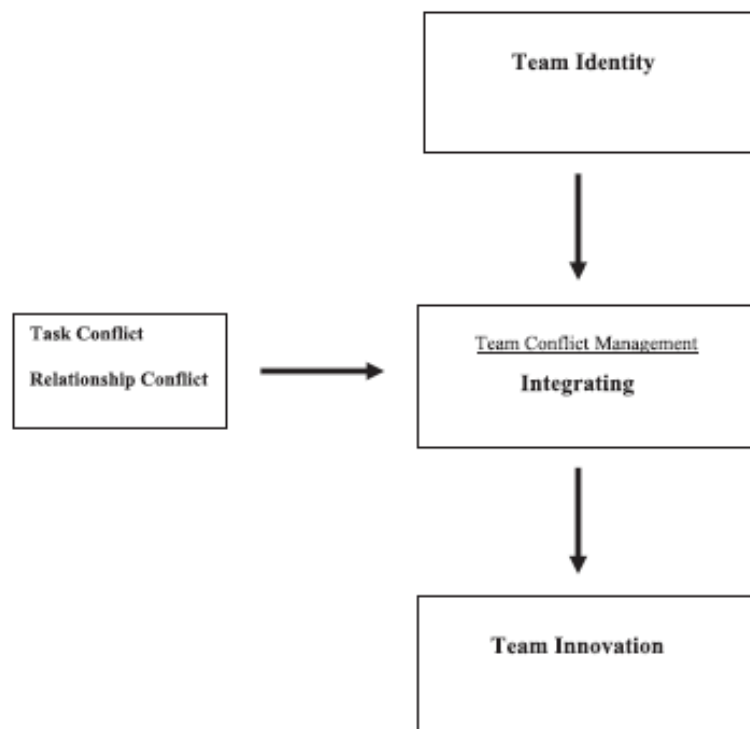


Figure 3: Innovation and conflict management diagram

Source: The Study Model. Desivilya et al.

Team members' approach and the actual ways they handle internal conflicts have a considerable impact on the attributes of their internal bonds. Moreover, modes of handling disagreements in work teams constitute critical determinants of conflict outcomes (DeDreu, 2006; Hinds & Mortenson, 2005; Jehn & Bendersky, 2003). Hence, thorough understanding of orientations, approaches and actual conflict management behaviors in work teams deems essential.

Accordingly, Tjosvold (2006) has argued that conflict can provide motivation for engaging intra-team discords, and that competent management of these internal conflicts, despite transient disruption, strengthens relationships among team members. This researcher showed in several studies (e.g., Chen et al., 2005; Tjosvold et al., 2005) that confidence in a team's relationships and faith in its capability to manage conflicts, both from the managers and members' perspectives, contributed to team effectiveness, including innovation.

Thus, the usefulness of conflicts for work teams depends to a large extent on team members' motivational orientation, in particular on the strength of their concern about the team's internal relations. Such an orientation in turn enhances constructive-cooperative actions while dealing with internal conflicts.

Conceivably, the positive effect of the constructive-cooperative patterns of conflict management on team innovation stems from prosocial motivation coupled with effective utilization of cognitive resources (Chen et al., 2005; Cornish, Zittoun, & Gillespie, 2007; DeDreu, 2006; Gratton, 2005). Effective use of cognitive resources means that team members are capable of learning, developing insights and deep understanding.

In line with this contention, DeDreu (2006) showed that moderate levels of task conflict in work teams which were managed by collaborative problem solving fostered innovation.

The constructive-cooperative conflict management pattern of integrating constitutes a crucial component in the conceptual causal chain, linking team-identity with team-innovation. A team's actual integrating behaviors utilize the advantages—such as tolerance for divergence, openness to others' ideas, willingness to share information, knowledge and skills—provided by prosocial team-orientation, as expressed in team-identity.

Rentsch and Zelno (2003) argued that greater correspondence among team members' interpretations of action intentions (especially about positive team orientation) fosters more

effective and efficient conflict management interactions. Such congruent cognitions enhance mutual understanding among team members, encourage convergent and inclusive communication, and foster successful coordination.

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Research papers conclusions and summaries upon the conflict management

Based on research paper of E.C. Martins, F. Terblanche, (2003) "Building organizational culture that stimulates creativity and innovation", European Journal of Innovation Management conclusion is as following: one of the best approaches in order to foster the creativity and innovation within the origination is to implement the open approach of managing conflicts and that components as values, norms and benefits play an important role in fostering creativity and innovation within enterprises.

According to another research: Leslie A. DeChurch, Michelle A. Marks, (2001) "MAXIMIZING THE BENEFITS OF TASK CONFLICT:THE ROLE OF CONFLICT MANAGEMENT", International Journal of Conflict Management, one of conclusion is that the use of agreeable task conflict management, however, did positively predict satisfaction. The group conflict literature has suggested that groups openly handle and even encourage task conflict. The results of this study go a step further, indicating that active conflict management promotes performance while agreeable conflict management promotes group satisfaction.

A research paper Innovation and Conflict Management in Work Teams: The Effects of Team Identification and Task and Relationship Conflict Helena Syna Desivilya,¹ Anit Somech,² and Helena Lidgoster², indicates that the integrating pattern of a team's conflict management meaningfully predicted the outcome of team-innovation (Chen et al.,2005; Cornish et al., 2007; DeDreu, 2006; Gratton, 2005; Tjosvold, 2006). The current study lends further support

to the contention that teams' proclivities with respect to conflict management play a pivotal role in their capacity to function in an innovative manner.

One of this study's practical considerations is that developing effective ways of managing conflict may have a marked benevolent effect on teams' capacity to function in an innovative fashion. Organizational teams that tend to employ cooperative approaches to conflict, as suggested by our findings, presumably would be capable of generating new knowledge and novel outcomes. Accordingly, training, especially for teams evincing poor integrating conflict management skills, deems extremely important in fostering the use of a cooperative approach (Tjosvold, 2006).

THIRD CHAPTER: METHODOLOGY

In this chapter we will try to describe the methodology that was used in this master research. The main point that we would like to focus on are research methods which will help to achieve a conclusion, type of the data and the method of data selection, analyzing and interpretation of data, population etc.

Research Methodology and data collection

Our master research is descriptive research which is based on primary source data collection. The method which was used in our research is deduction method, according to the same from existing theory we have built our hypothesis and we have done the observation in order to achieve the confirmation. The primary source was collected by using questionnaire on Google surveys forms which was developed specially for this purpose. The questionnaire was built based on our master thesis requirement. The direct link to Google survey questionnaire is as following:
<https://goo.gl/forms/pggINIQaJZCxtZIo1>

Main parts of questionnaire

The questionnaire was developed through 6 sections. The first section includes the general questions for respondent such as: gender, the company for which is working for, working years, education, company type etc. The second section of questioner is the section where the respondents give their opinion about the concept of conflict management; if in their companies is implemented proper code of conduct, if the company has a clear approach for resolving conflicts, conflict management strategies of companies, conflict type that occur in organizations, etc.

The third part of questionnaire includes question regarding the concept of innovation and the role of conflict management in fostering innovation within organization. With these questions are discovered if the innovations are important for employees, if employees consider constructive conflict as opportunity for fostering creativity, conflict management strategies used to foster the innovation , etc.

Fourth part of questionnaire includes questions regarding the concept of innovation and the role of conflict management in fostering creativity within organization, how employees perceive creativity, cases when during constructive conflict the creativity within organization has been increased, if employees are more creative when treated fairly by managers, and the conflict management strategies used to foster creativity within organization.

And the fifth and sixth parts of questionnaire employees are asked to rate their opinion according to Likert scale from 1 to 5 as below, for conflict management and the role in fostering creativity and innovation, if their company have trained the employees for handling conflict, express their own ideas and statements about conflict, their opinion for conflict management strategies, the way they perceive constructive conflict.

1. Strongly disagree
2. Disagree
3. Neither agree nor disagree
4. Agree
5. Strongly agree

Population and sample size

Primary source of data was collected with distribution of electronic questionnaire through **Google surveys** to private and public organization in the Republic of Macedonia. We have used the electronically methods for distribution of questionnaire, so the link of Google questionnaire was sent to private and public organization and we have asked to fill the questionnaire electronically. One benefit of this methods was that the data were collected automatically and generated in excel spreadsheet so it was easier to be processed further.

Another advantage was that the link could be accessed easily in all electronic devised from PC, laptops, mobile phone making the process of fulfilling to the respondents very easy.

So we have sent questionnaire in three different languages English, Albanian and Macedonian via email to most known companies in Macedonia.

We have sent approximately 200 questionnaires in three different languages and we have received respond from 150 respondent.

Finally our research is realized with totally 150 numbers of questionnaires. Also based on gender we have 71 female responds and 79 male responds, based on organization we have 94 private organizations and 56 public organizations.

Pilot Questionnaire Distribution

Before finalizing the questionnaire on making the final distribution to employees we have done pilot distribution to some employees. The point of this distribution was to see if all questions are understandable and all of them have sense to respond. The responded was asked only to read the question and take note if he or she understands it and is ready to answer it.

This action helped us to make some correction in some of the questions. Correction was done to the questions in which respondent wasn't able to understand the point of the question.

FOURTH CHAPTER RESEARCH RESULT AND DATA ANALYSIS

Research Result

In this part is represented the own research result, gained from the questionnaire distributed to 150 private and public organizations in Macedonia.

Results of General Information of Questionnaire

Gender

From 150 respondents we have 79 males and 71 female, divided in percent 53 % male and 47 % female.

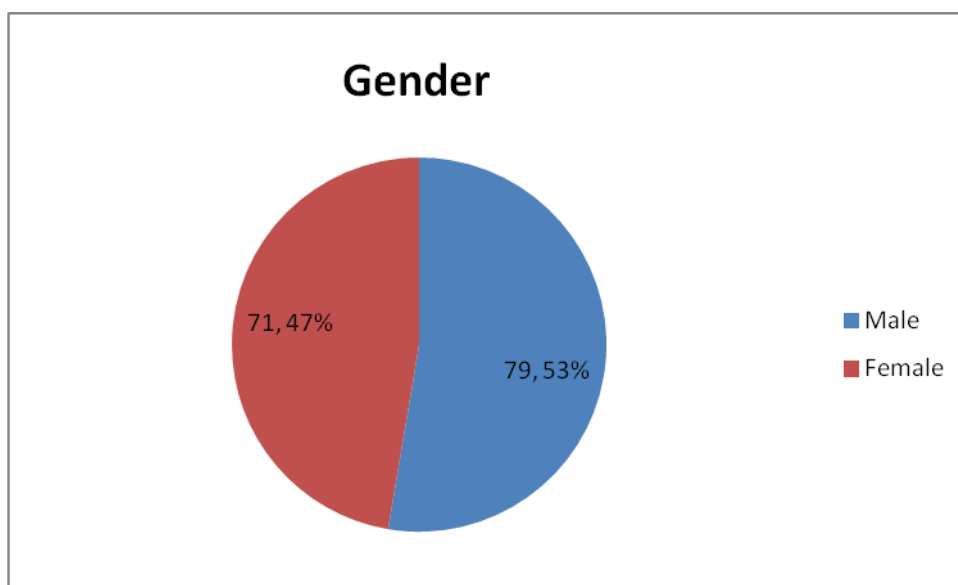


Figure 4: Gender

University Degree

Based on the answers that we have from respondents we have this evidence regarding their educational degree:

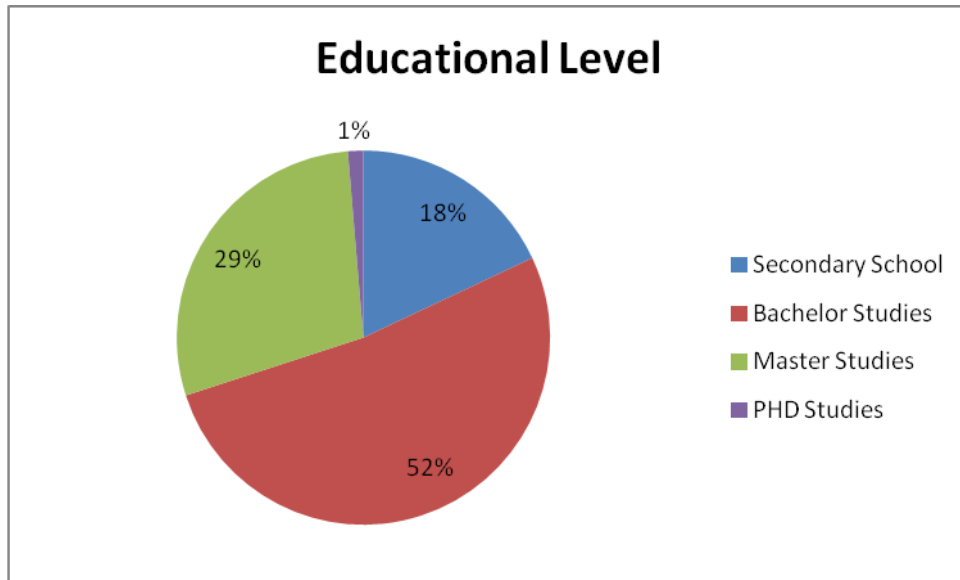


Figure 5: Educational Level

So out of 150 respondents of the questionnaires presented in value for Educational Level, 27 of them have secondary school as educational degree, 78 have bachelor degree, 43 of respondents have master degree and only 2 of respondents have PHD studies.

The age of respondents

The age of respondents was in between 20 to 60, and the same we have grouped as below:

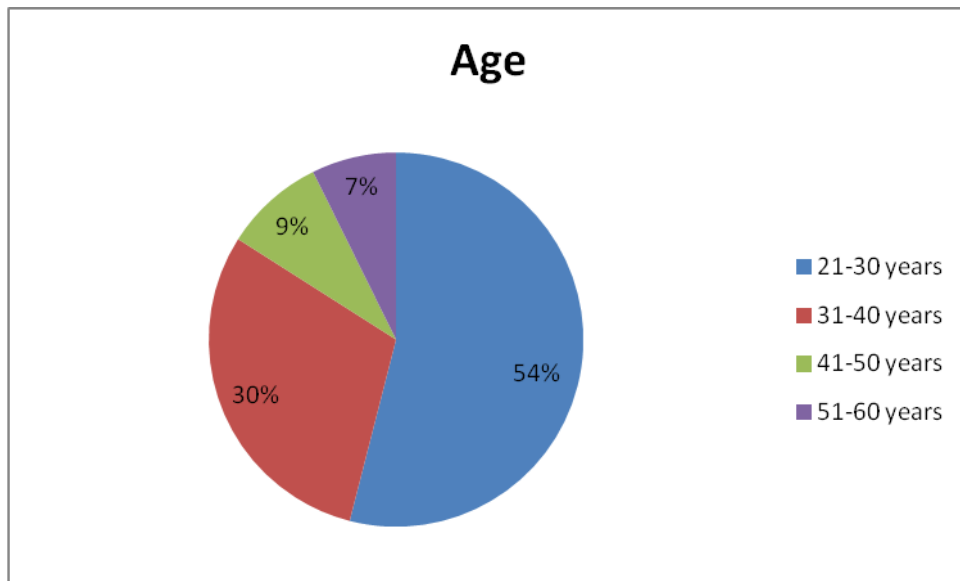


Figure 6: Age of Respondents

According to the result we have this range of respondents grouped as the above groups: 81 of respondents or 54 % are between 21 - 30 years, 45 of respondents or 30 % are between 31 and 40,13 of them or 9 % are in a range between 41 and 50 years. 11 of respondents are in a range between 51 and 60 years respectively 7 %.

Company Profile

The questionnaires were distributed in two different company profiles, public organization and private organization.

According to responds, we have:

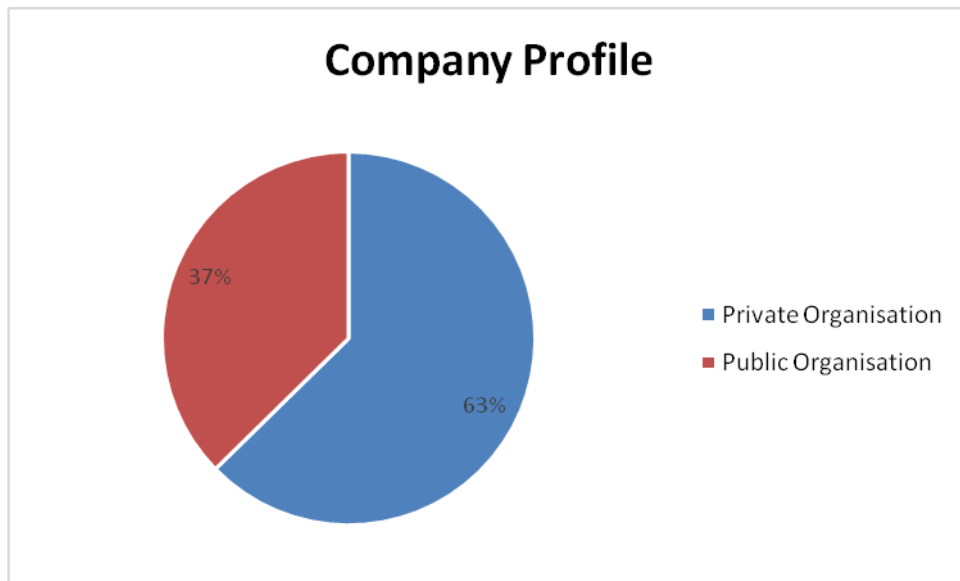


Figure 7: Company Profile

Based on questionnaire result, 94 of respondents from 150 are working in private organization or 63 % of them and 56 from 150 are working in public organization or 37 %.

Experience in current work

Regarding the question of the years of experience in the current job we have these answers:

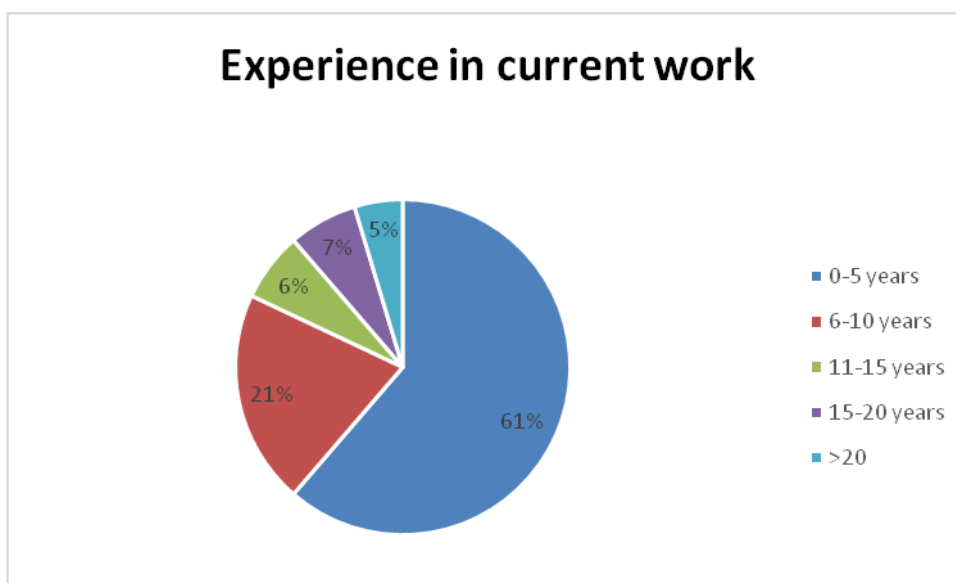


Figure 8: Experience in current work

From 150 respondents, in the range of 0-5 years of experience we have 92 respondents, respectively 61% of total respondents, in the range of 6-10 years of experience we have 31 employees 21% in percentage, in the range of 11-15 years of experience we have 10 respondents respectively 6%, range 15-20 years includes 10 respondents 7% and more than 20 years of experience there are 7 respondents, 5% of the total percentage.

Section 1 results of the Questionnaire (Concept of Conflict Management)

Code of Conduct inside Organization

This section of questionnaire was designed with the aim of collecting information if the employees have a basic idea about the concept of conflict management, if their organizations implement any code of conduct or conflict management strategies, or if organizations have a clear approach of resolving conflicts.

In the question asked in questionnaire “*Does your organization have a code of conduct that defines acceptable behaviors?*” answers were as following:



Figure 9: Code of Conduct in Organizations

Out of 150 employees, 107 employees, respectively 71% of them answered that their companies have a code of conduct that defines acceptable behaviors, while 43 of the same, 29% answered that their companies don't have a code of conduct that defines acceptable behaviors.

In the question “Does your organization have a process of managing destructive and inappropriate behaviors?” we have these results:



Figure 10: Process of Managing Inappropriate Behaviors

96 or 64% employees out of 150 have responded that their organizations have a process of managing destructive and inappropriate behaviors, while 54 of them or 36% have responded that their organizations don't have a process of managing destructive and inappropriate behaviors.

In the other question:” *Does your organization have a clear approach to resolving conflicts?*”, 59% or 88 of employees answered that their organization have a clear approach of resolving conflicts, while 41% of them or 62 employees answered that their companies don't have a clear approach of resolving conflicts, which means that organizations in Republic of Macedonia need to implement adequate conflict management programs and in the same time they need to train the employees how to manage a conflict.

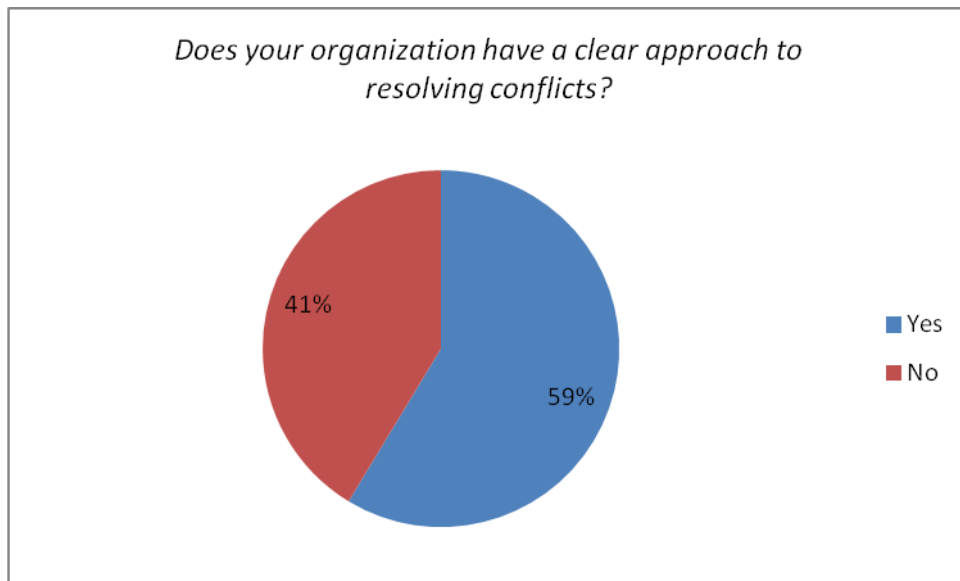


Figure 11: Clear approach of resolving conflicts

In the next question of section 1 of understanding the concept of conflict management: ” *In your opinion do your organization, leaders and staffs are competent in dealing with the conflict?* ” we have answers as below:

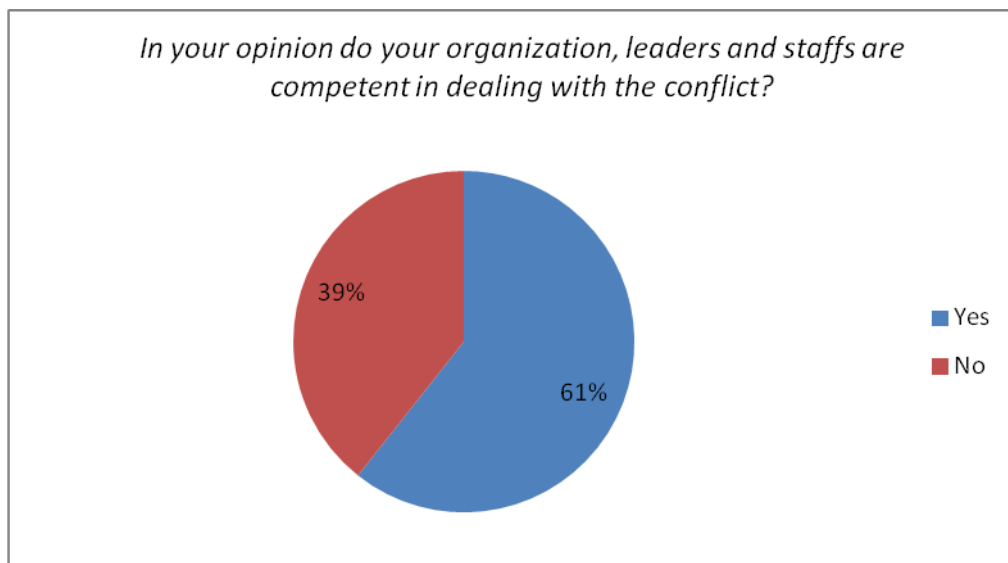


Figure 12: Staff and Leaders Competence for resolving conflicts

According to the opinion of employees, 88 of employees or 61% of them think that their leaders and staff are competent in dealing with conflict, while 62 of employees or 39% think that their staff and leaders are not competent in resolving conflicts.

While in the question “*Does your organization have conflict management strategies?*” we have collected results as below:



Figure 13: Conflict Management Strategies

The results of this question is very important for our research, since in this question we have results 50:50.75 of employees or 50 % answered that their organizations have conflict management strategies, while 75 employees or other 50 % of respondents answered that their companies don't have conflict management strategies.

This question is another important question of our research. It shows that most of the organizations don't have conflict management strategies and that the same should understand the importance of conflict management strategies and implement the same in their organizations.

In the question:” How often do conflicts occur in your company?”, 96 employees or 64% have stated that not often conflicts occur in their organizations,50 employees or 33% stated that conflicts occur often in their organizations, while only 4 or 3% have stated that in their companies conflict never occurred.

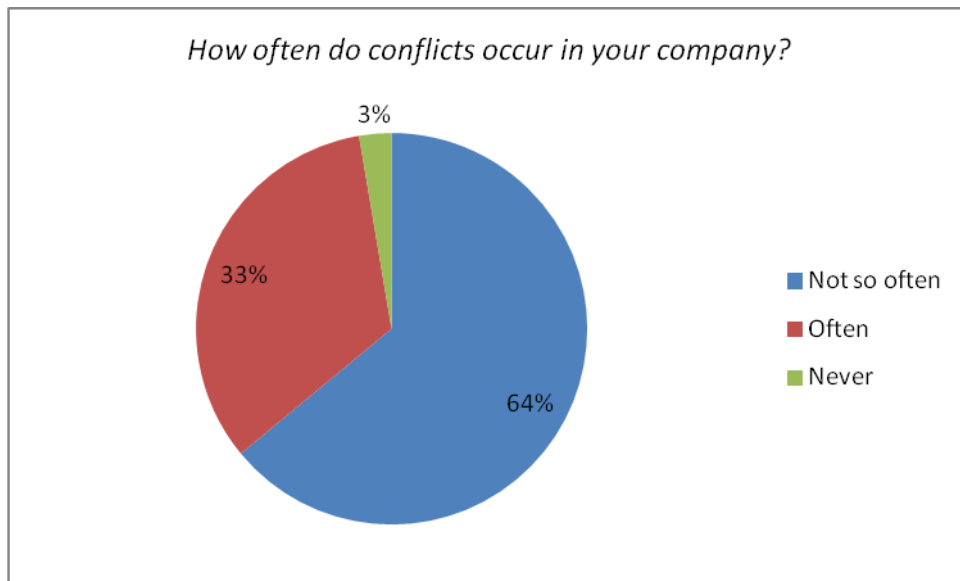


Figure 14: Occurrence of conflict inside organizations

Section 2 results of the Questionnaire (Innovation within organization)

This section of questionnaire was design with the aim of collecting information from the respondents about the concept of innovation, how they perceive innovation within organization, are they innovative, do they think that during constructive conflict phase the innovation increases, how they relate constructive conflict and innovation.

In the question:” *Are important to you the innovative ideas within organization?*”,148 employees or 99% answered that innovative ideas are very important to them, while only 2 of them or 1% answered that the innovative ideas are not important.



Figure 15: Importance of innovative ideas

In one of supportive question to one of the hypothesis:” Do you think that during constructive conflicts the opportunity of innovation increases?” 137 employees or 91% consider that during constructive conflicts the opportunity of innovation increases, whereas only 13 respondents or 9% don’t consider constructive conflict as opportunity for increasing the innovation within organizations.

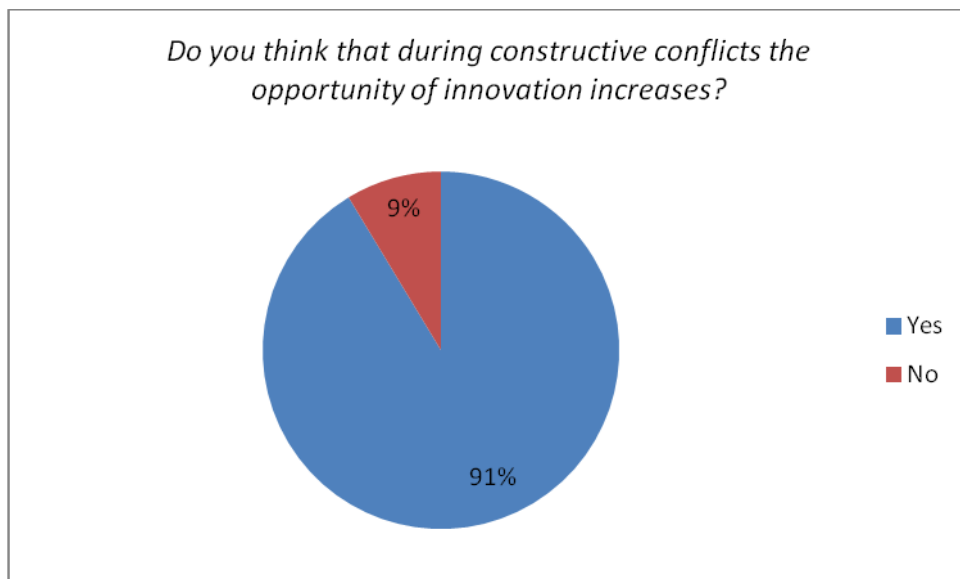


Figure 16:”Do you think that during constructive conflicts the opportunity of innovation increases”

Another supporting question for one of hypothesis is: "Have you encountered cases in which during the constructive conflict phase you have come up with the ideal idea and solution of different challenges?" to which question we have below results: 121 or 81% employees have stated that during constructive conflict phase they have encountered cases when they have come up with ideal idea and solutions of different challenges while 29 employees or 19% have stated the opposite.

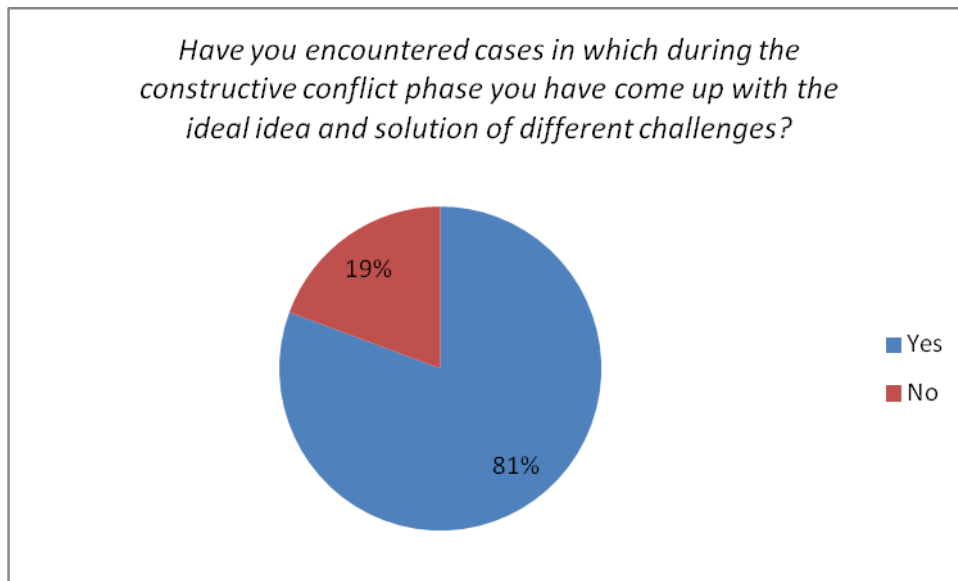


Figure 17: Have you encountered cases in which during the constructive conflict phase you have come up with the ideal idea and solution of different challenges"

Also to one other supporting question of Probit model for one of hypothesis "Do you consider constructive conflicts within the enterprise as an opportunity to foster innovation within the enterprise?" 134 or 89 % have answered that they consider constructive conflicts as opportunity for fostering the innovation, while only 16 or 19% have stated the contrary.

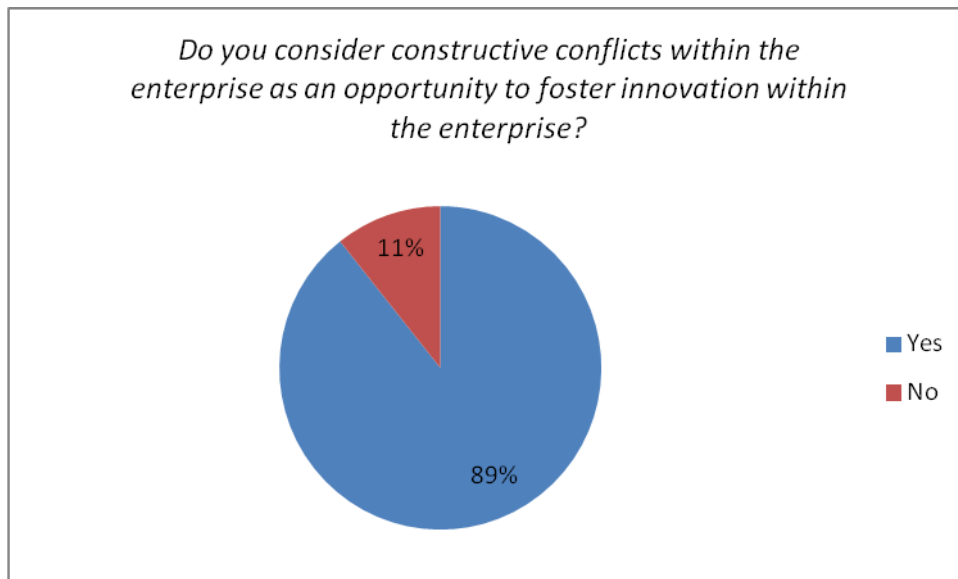


Figure 18: *“Do you consider constructive conflicts within the enterprise as an opportunity to foster innovation within the enterprise”*

Yet, we have another important supportive question for our hypothesis *“Do you believe that fair treatment by managers would have encouraged you to get more involved in the innovation process?”* to which answers were as below:



Figure 19: *“Do you believe that fair treatment by managers would have encouraged you to get more involved in the innovation process”*

143 of employees or 95% believe that they would get involved more in innovation process if they are treated fairly by managers, only 5% or 7 of them think the contrary.

This is one of the questions that fully supports our hypothesis which states that employees tend to be more involved in innovation process when they feel or believe that they are treated fairly by managers.

“Do you think that through the strategy of cooperation as a conflict management strategy you would have the opportunity to engage in the innovation process?” is another question that supports our third hypothesis which states that the implementation of cooperation strategy as conflict management strategy by managers fosters the innovation process in organizations. Respondents have answered as below:

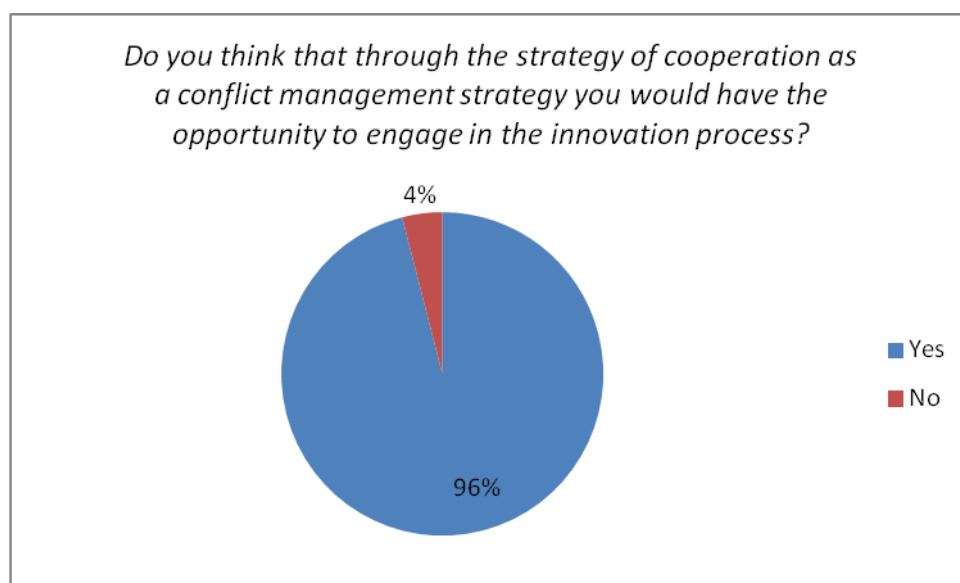


Figure 20: *“Do you think that through the strategy of cooperation as a conflict management strategy you would have the opportunity to engage in the innovation process”*

144 of respondents or 96% think that through strategy of cooperation as conflict management strategy they would have the opportunity to be engaged in innovation process in organizations. While only 4% of the respondents or 6 of them don't consider the cooperation strategy as opportunity to engage in the innovation process.

Section 3 results of the Questionnaire (Creativity within organization)

This section of questionnaire was design with the aim of collecting information from the respondents about the concept of creativity, how they perceive creativity within organization, are they creative, do they think that when they are treated fairly by managers they are more creative, how they relate constructive conflict and creativity.

In this section we will analyze the results of supportive questions of hypothesis as below.

”Do you think that you are more creative when you are treated fairly by the managers?”

to which question we have answers as below:

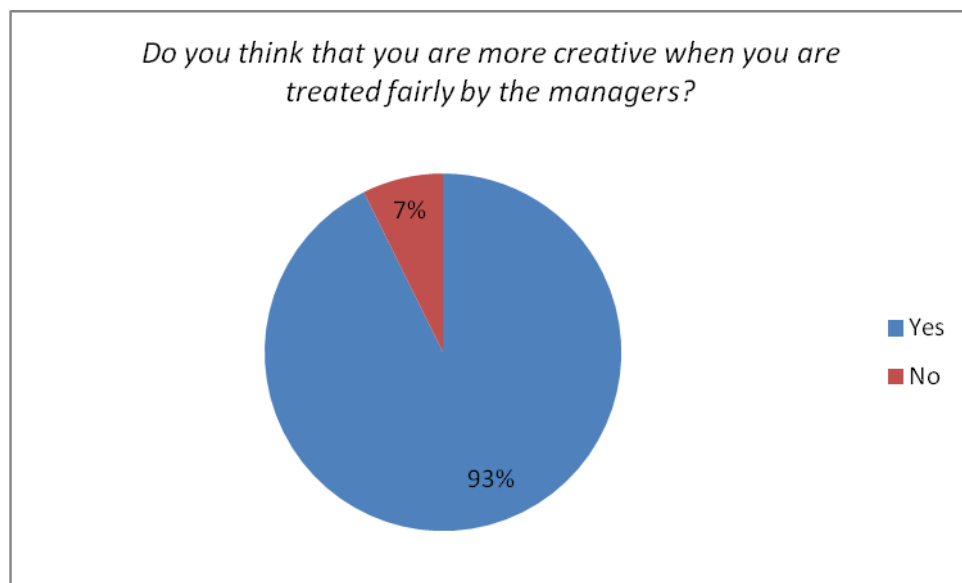


Figure 21: “Do you think that you are more creative when you are treated fairly by the managers”

139 of employees or 93% they confirmed that they are more creative when treated fairly by managers in cases of conflict, while only 7% or 11 employees don't think that they are more creative when treated fairly by managers.

Another supportive question of second hypothesis for our Probit statistical model is:”
Do you think that the negotiation strategy implemented by managers fosters the creativity in you?” to which respondents have answered as below:



Figure 22: *“Do you think that the negotiation strategy implemented by managers fosters the creativity in you”*

141 employees or 94% of them think that negotiation strategy fosters the creativity in them, while only 4 % or 9 of employees don’t think that the negotiation strategy fosters the creativity in them.

“Do you think that in the process of cooperation you would be more creative and would have generated more ideas within your organization?” question that supports our hypothesis that the implementation of cooperation strategy as conflict management strategy fosters the creativity in organization to which we have below answers:

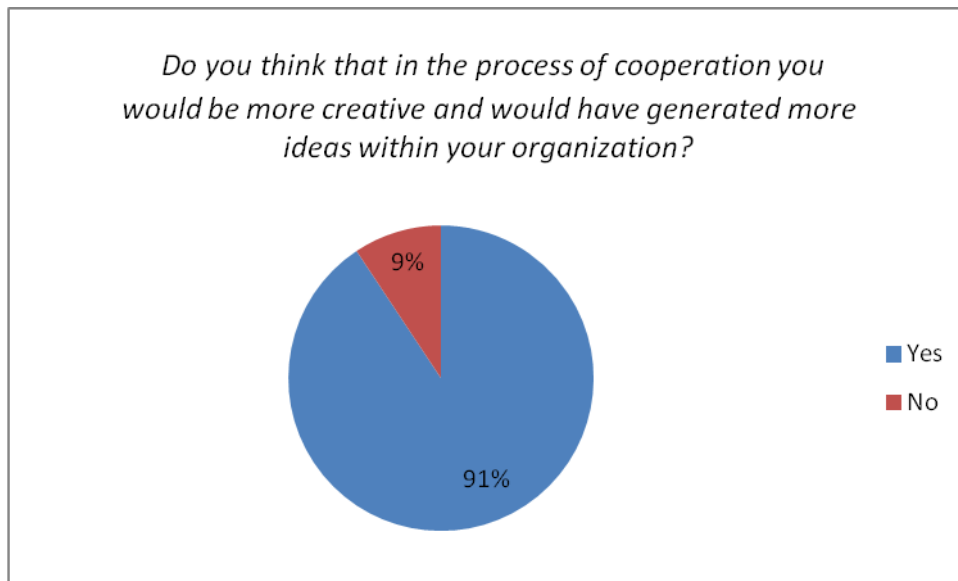


Figure 23: *"Do you think that in the process of cooperation you would be more creative and would have generated more ideas within your organization"*

91% or 136 of employees think that in the process of cooperation they would be more creative and would have generated more ideas within the organization. While only 9% think the opposite.

Section 4 results of the Questionnaire (The role of conflict management in fostering creativity and innovation in enterprises)

In the fourth part of questionnaire employees are asked to rate their opinion according to Likert scale from 1 to 5 as below, for conflict management and the role in fostering creativity and innovation, if their company have trained the employees for handling conflict, express their own ideas and statements about conflict, their opinion for conflict management strategies, the way they perceive constructive conflict.

1. Strongly disagree
2. Disagree
3. Neither agree nor disagree
4. Agree
5. Strongly agree

In this section we will show the results of only main questions that support our hypothesis:

“I consider that positive or constructive conflicts are very useful for the organization and as a result new ideas and challenges are born” in this question from 1 to 5 rating scale we have results as below:

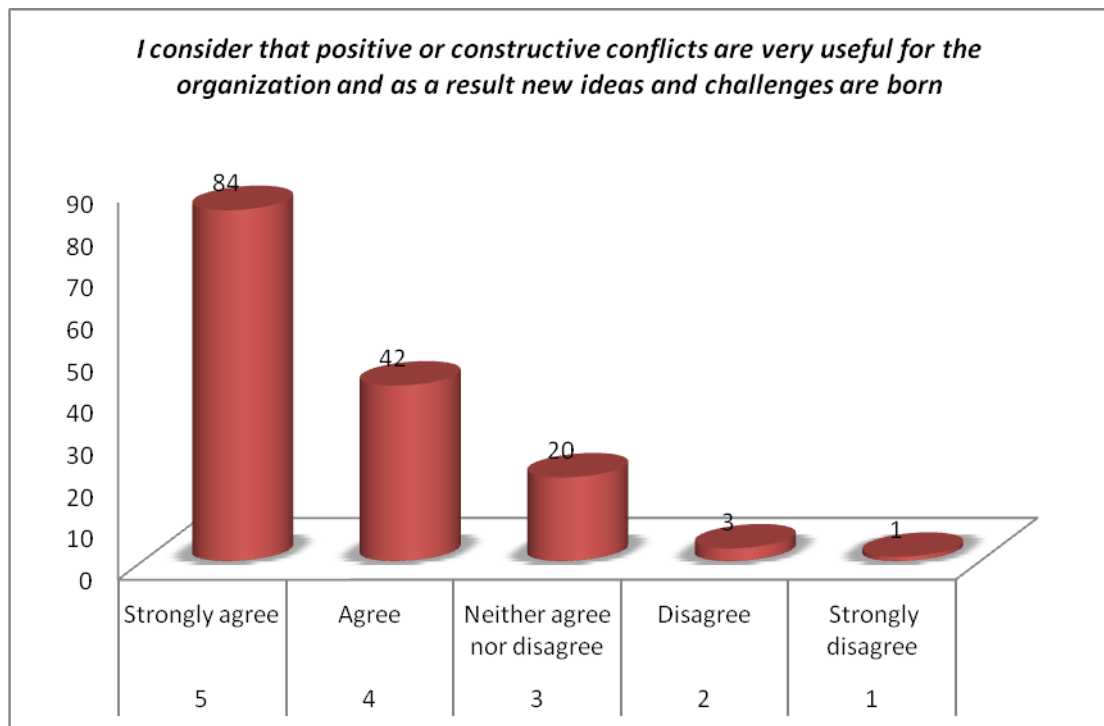


Figure 24: *“I consider that positive or constructive conflicts are very useful for the organization and as a result new ideas and challenges are born”*

84 of employees strongly agree that positive or constructive conflicts are very useful for the organization and as a result new ideas ne challenges are born, 42 of employees agree, 20 of employees neither agree nor disagree, 2 of employees disagree and only one of employees strongly disagrees.

“I think that with negotiating different conflicts are solved and all sides benefit” to this question from 1 to 5 according to Likert scale we have below results:

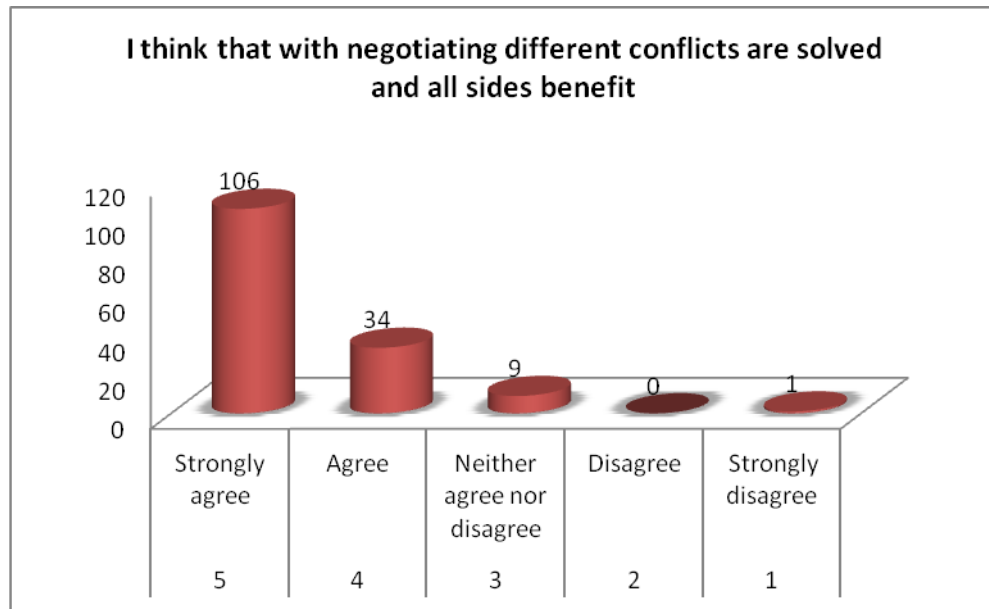


Figure 25: "I think that with negotiating different conflicts are solved and all sides benefit"

106 of employees strongly agree that with negotiating different conflicts are solved and all sides benefit, 34 of employees agree with above question, 9 of them neither agree or disagree and only 1 of them strongly disagree.

“The cooperation strategy would encourage me to be more creative and more involved in the innovation process” this question’s results are as below:

92 of employees strongly agree that the cooperation strategy would encourage them to be more creative and involved in the innovation process, 38 agree, 15 neither agree nor disagree, 3 disagree and 2 strongly agree.

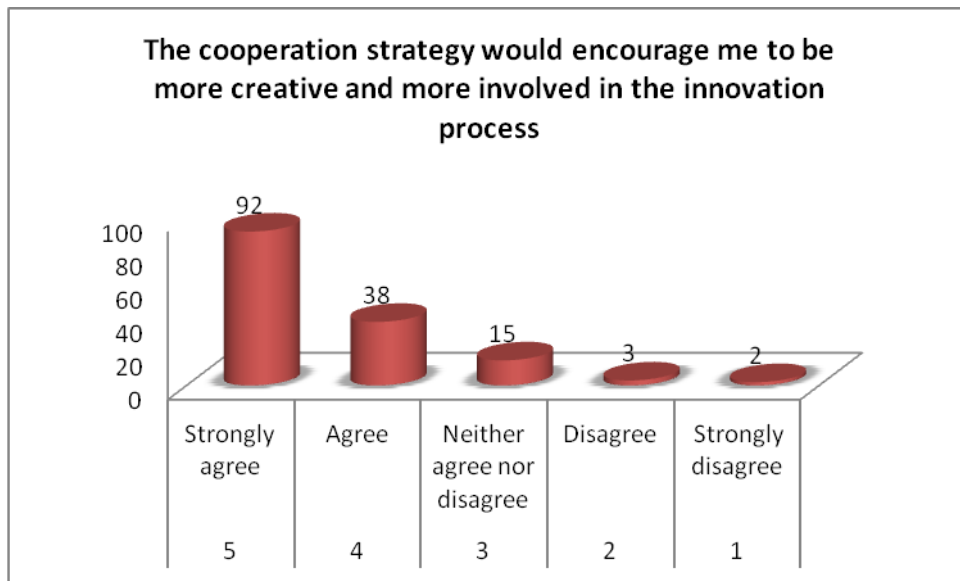


Figure 26: "The cooperation strategy would encourage me to be more creative and more involved in the innovation process"

"I think I'm more creative when I feel that I am treated fairly and equally as all employees within organization" to this question we have results as below: 111 of employees strongly believe that they are more creative when they feel that are treated fairly by managers in conflict cases within organizations,30 employees agree,5 neither agree or disagree,2 disagree and 1 strongly disagree.

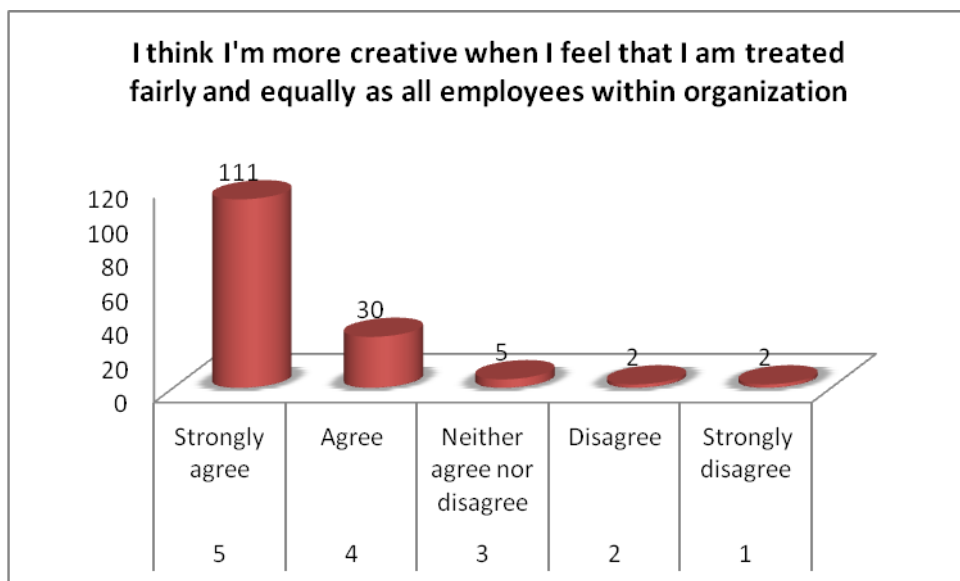


Figure 27: "I think I'm more creative when I feel that I am treated fairly and equally as all employees within organization"

Section 4.1 results of the Questionnaire (Conflict management implementation within organization, training programs and conflict management strategies).

In this section of questionnaires our aim was to collect information on implementation of conflict management programs, trainings and strategies within companies are the leaders and managers implementing any conflict management strategies, do they train their employees about managing conflicts accordingly.

In the question *“You have received training on conflict management in your company”* we have results as below: 17 of employees strongly agree that they have received training on conflict management, 14 agree, 19 neither agree or disagree, 51 disagree and 49 strongly disagree which means that organizations within Republic of Macedonia don’t implement enough trainings on conflict management and this would be one of suggestion and recommendation of this research to organizations.



Figure 28: *“You have received training on conflict management in your company”*

“Leaders have shown you how to deal with a company conflict” to this question we have results as below: only 16 of employees agree that their leaders have shown them how to deal with a company conflict, 15 of them agree, 40 of them neither agree or disagree, 41 of them disagree and 38 of them strongly disagree. From this result we can conclude that leaders and managers in organization in Macedonia don’t implement

conflict management accordingly and do not communicate and talk with their employees on how to improve the process of managing conflict within organization.

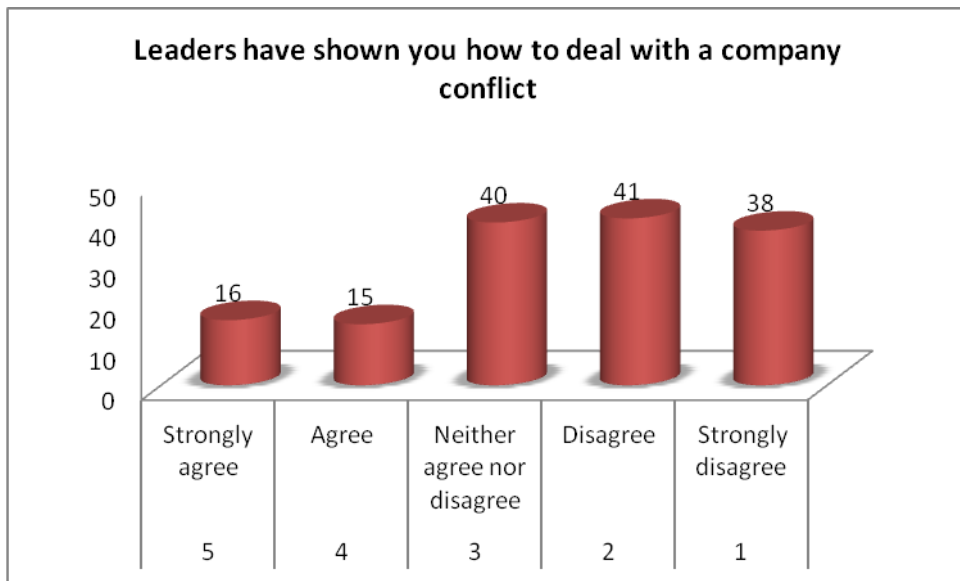


Figure 29: "Leaders have shown you how to deal with a company conflict"

And in the question "Management should try to find out the cause and nature of the conflict" we have below results:



Figure 30: "Management should try to find out the cause and nature of the conflict"

107 of employees think that management should try to find out the cause and nature of conflict and strongly agree, 30 of them agree, 13 neither agree nor disagree and 1 of them strongly disagrees.

Model specification and data measurement

This section presents the empirical model for examining the role of conflict management in fostering creativity and innovation in different industries in Macedonia. The effect of potential determinants identified in the theoretical review on conflict management will be estimated using a Probit model. The Probit model is based on the assumption that there is an unobserved variable (latent variable) Y , the value of which is determined by the explanatory variables X_i (Gujarati, 2004):

$$Y_i = \beta_0 + \beta_i X_i$$

In the context of this research Y_i can be thought of as the utility of constructive conflicts within the enterprise i as an opportunity to foster innovation and X_i are the explanatory variables. Although the utility level itself is not observable, if it is assumed that there is a critical level of this unobserved utility, Y , such that constructive conflicts will foster innovation only if $Y > Y^*$, then the actual observed outcome, i.e. whether constructive conflicts results in innovation, can be used as the dependent variable in a regression analysis. If it is assumed that the error term, u_i , follows a standard normal distribution (with a mean of 0 and variance of 1), the probability (Pr) of the constructive conflicts within the enterprise as an opportunity to foster innovation can be explained by the following model:

$$\text{Pr}(Y = 1|X_i) = \Phi(\beta_i X_i)$$

Where $Y=1$ if constructive conflicts within the enterprise fosters innovation and 0 otherwise; Φ is the Cumulative Distribution Function of the standard normal distribution and β_i are the parameters of the explanatory variables X_i that will be estimated by maximum likelihood.

Accordingly, the dependent variable in this research is a dummy variable indicating whether constructive conflict within the enterprise fosters innovation. According to the definition, this would include enterprises that are either undertaking innovation activities, or aiming at undertaking innovation.

The explanatory variables used in this model include a range of individuals responses on several questions related to constructive conflict.

Education: Education is considered as determinant factor in successful performance of employees in their job in many researches concluding that as higher as the level of education of the employee is, the higher is the employee's performance in the

workplace. It is widely recognized in the literature that the level of education is a very important determinant of whether constructive conflicts within the enterprise fosters innovation and creativity (CCFIC). Taking into consideration the importance of education in job performance, our research aimed to consider the education as very important variable in the data measurement and its effect in conflict management, though trying to identify if the employees with higher educational levels handle conflicts properly and benefit from constructive conflicts in the way that they foster creativity and innovation within enterprise.

Age: Age is usually important factor for CCFIC .Taking into consideration the psychology aspects of age and its effects on job performance our research aims to link how employees of different age perceive conflict and which group age of employees considers constructive conflict as an opportunity to foster the creativity and innovation within the enterprise.

Are the young employees more opened toward the constructive conflict and more innovative and creative, or in the other hand, are older employees more tolerant during conflict cases taking into consideration the fact that they have more experience and have been involved in more conflict cases. Moreover, it is expected that the relationship between age and CCFI to be non-linear.

Location: In business world location is important in every aspect, therefore in our research we have divided the enterprises that are in rural and urban areas and see which enterprises have implemented conflict management strategies and training.

Company Type: Significant variable in this research is also the company type which we have divided into two groups: private organizations and public organization from which we can conclude how public and private organizations handle conflict, which organization consider constructive conflict as factor for fostering creativity and innovation and which organization type uses more conflict management strategies and trainings.

Experience: Experience years in certain organizations are seen as considerable factor to determine either employee with more years of experience in the company handle accordingly the conflict and if the same are included more in constructive conflict and if the employees with more years of experience perceive the constructive conflict as factor of increasing creativity and innovation.

Additional variables: We include several variables such as Constructive Conflict solution, resolving approach, conflict types in SME in Macedonia. A list of available explanatory variables for Macedonia and their expected signs are presented in Table 1.

Table 1 Description of the variables

Variable	Expected sign	Notes
Have you encountered cases in which during the constructive conflict phase you have come up with the ideal idea and solution of different challenges	+	This variable describes cases of positive outcome of constructive conflict
Level of Education	+	How level of education influences CC
Does your organization have a clear approach to resolving conflicts?	-	Existence of clear approaches
Age	+	How people from different group age handle conflict
Does your organization have conflict management strategies?	-	Implementation of conflict management strategies
Do you think that during constructive conflicts the opportunity of innovation increases?	+	Influence of Constructive conflict over innovation in SME
Do you consider constructive conflicts within the enterprise as an opportunity to foster innovation within the enterprise?	+	CC and its influence over innovation
Do you think that without the existence of constructive conflicts	+	Presence of CC and innovation

there would be no invitations within the enterprise?		
Do you think that through the strategy of cooperation as a conflict management strategy you would have the opportunity to engage in the innovation process? *	+	Role of cooperation strategy of CC in fostering innovation
Do you believe that fair treatment by managers would have encouraged you to get more involved in the innovation process?	+	Fair treatment during conflicts encouraged employees to get involved in innovation process
Do you think that the negotiation strategy implemented by managers fosters the creativity in you?	+	Negotiation strategy of CC and creativity
Do you think that in the process of cooperation you would be more creative and would have generated more ideas within your organization?	+	Cooperation strategy of CC and creativity
I consider that positive or constructive conflicts are very useful for the organization and as a result new ideas and challenges are born	+	CC useful, new ideas and challenges
I think that with negotiating different conflicts are solved and all sides benefit	+	Negotiation and its benefits
You have received training on conflict management in your company.	-	Implementation of conflict management programs and trainings in SME

Table 1 "Description of variables"

The general model we aim to estimate can be written as follows:

$$CCFIC2_i = \beta_0 + \beta_1CCCS_i + \beta_2edu_i + \beta_3ResApproach_i + \beta_4age_i + \beta_5agesq_i + \beta_6CO_i + \beta_7Ctype_i + \beta_8InnCC_i + \beta_9Conflictencounter_i + \beta_{10}Neg_str_ben + \beta_{11}Neg_str_comp_i + \beta_{12}NS_creativity2_i + \beta_{13}Coop_str_cr_i + \beta_{14}Type_comp_i + \beta_{15}fairtreatINNi + u_i$$

The dependent variable in the model used is (*CCFIC*), which is equal to one if the constructive conflicts within the enterprise foster innovation and creativity and 0 otherwise; whereas the independent variables are as following: cases when during constructive conflicts ideal solutions are found for different challenges, education variable which determines the level of education of employees, age variable and age square variable, conflict occurrence within organizations, type of conflict, how constructive conflict fosters innovation within organization, conflict encounter cases when expressing creativity, the impact of how with negotiation strategy benefit all parties involved in conflict, negotiation strategy as conflict management strategy fostering creativity, negotiation strategy fostering innovation, cooperation strategy fostering creativity, company type and the role of fair treatment of employees in fostering creativity and innovation.

The following section presents the summary statistics for the variables.

Data and variable description

Dependent Variable: The dependent variable (CCFIC) in the model is the probability of constructive conflict fostering creativity and innovation within small and medium enterprises.

The available variable in the dataset is based on different questions designed in questionnaire regarding the role of conflict management fostering creativity and innovation within organizations. Different questions are designed as independent variable to help us define if probability of conflict management fostering creativity and innovation. The same are later processed and converted accordingly so those question become a measurement data and a considerable independent variable in the model. CCFIC is equal to one if the answer to either question is 'yes' and zero otherwise. According to the survey data 137 respondents receptively 91% consider constructive conflicts as an opportunity of fostering creativity and innovation within enterprise.

Independent Variables

CCCS variable which was derived from the question in questionnaire asking if during constructive conflicts phase employees have come up with the ideal idea and solution of different challenges, it was processed and converted accordingly in the measurement data for our research so the same can be considered as important independent variable in the model. Out of 150 respondents, 121 employees answered that they have come up with ideal solution of different challenges, respectively 81% of them, while only 29 respondents stated that during constructive conflicts they haven't come to ideal solutions, 19% of them in percentage.

Edu is the independent variable that was derived from the questionnaire by grouping the respondent's educational level from elementary school to PHD level. This variable is significant in this research as it aims to test if the respondents' with higher education level are more involved in constructive conflicts and in innovation process and if they

are more creative, and if employees with higher education handle better conflict situations.

Out of 150 respondents of the questionnaires presented in value for Educational Level, 27 of them have secondary school as educational degree respectively 18%, 78 have bachelor degree 52%, 43 of respondents, 29% have master degree and only 2 of respondents have PHD studies,1% converted in percentage .Interesting results was the fact that out of 150 respondents to the question if they consider constructive conflicts as opportunity for innovation and creativity,13 of respondents, respectively 9% who don't consider constructive conflicts as opportunity for innovation and creativity have lower level of education (secondary education)

ResApproach is another independent variable derived from the questionnaire question if the organizations have clear approach for resolving conflicts and estimate how SME in Macedonia deal in conflict cases and resolve conflicts. According to the results of this question out of 150 respondents 91 of employees 61% answered that their organization have clear approach for resolving conflicts, while 59 respondents 39% answered that their organizations don't have clear approach of resolving conflicts.

Age age as independent variable derived from the questionnaire. It is considered as important variable as it determines which group age perceives better the constructive conflict within the organization and which group age is focused toward innovation and creativity.

According to the result we have this range of respondents grouped as the above groups: 81 of respondents or 54 % are between 21 - 30 years, 45 of respondents or 30 % are between 31 and 40,13 of them or 9 % are in a range between 41 and 50 years. 11 of respondents are in a range between 51 and 60 years respectively 7 %.

Agesq Age squares is used as an independent variable used to indicate the non-linear relationship between age and CCFI.

CO is the variable derived from the question in questionnaire asking the employees how often do conflicts occur in their company, giving following results, 50 respondents out of 150, respectively 33% responded that conflict occur often in the company, 96

employees, in percentage 64% responded that conflict occurrence is not so often, while 4 respondents out of 150, respectively 3% stated that conflicts have never occurred in their company. When converted in measurement data occurrence never was referred with 0, occurrence not often was referred with 1, and occurrence often was referred with 2.

Ctype is the variable derived from the question " *What kind of conflicts happen in the company where you work*" and according to survey most usual conflict types are: Between two employees, between an employee and supervisor, between a group of employees and supervisor and between two group of employees within organization

InnCC this variable is derived from the question in the questionnaire " *Do you think that during constructive conflicts the opportunity of innovation increases*", to which 137 out of 150 respondents, 91% considered that constructive conflicts within organization fosters innovation within organization, while only 13 respondents, respectively 9% don't consider constructive conflicts as opportunity for fostering innovation within enterprises.

Conflictencounter this variable is derived from the questionnaire question " *During the expression of your creativity, have you encountered a conflict on the other side*", to which 126 out of 150 respondents 84%, have stated that they have encountered conflict when trying to express their own thoughts and ideas, while 24 respondents 16% out of 150 have stated that they haven't encounter any conflict cases during the expression of their creativity.

Neg_str_ben this variable is derived from the question " *I think that with negotiating different conflicts are solved and all sides benefit* " to which question respondents were requested to rate their opinion according to Likert scale from 1 to 5 where (1) Strongly disagree (2) Disagree, (3) Neither agree nor disagree, (4) Agree, (5) Strongly agree giving results as following and the results are following: 106 of respondents out of 150, 70% strongly agree that negotiation strategy solves different conflict and that all parties

benefit, 34 employees, 23% agree with above question, 10 respondents neither agree nor disagree 7%, and in disagree and strongly disagree we don't have response meaning that this variable is considerable to conclude that negotiation strategy as conflict management strategy fosters creativity and innovation.

Neg_str_comp is a variable derived from the question "Your company implements the negotiation strategy in conflict management", "to which question respondents were requested to rate their opinion according to Likert scale from 1 to 5 where (1) Strongly disagree (2) Disagree, (3) Neither agree nor disagree, (4) Agree, (5) Strongly agree giving results as following and the results are following: Strongly agree 24 respondents 16% out of 150, Agree 31 respondents 21%, Neither agree nor disagree-51 respondents 34%, Disagree 25 respondents 17%, Strongly disagree 19 respondents 13%.

NS_creativity2 is a variable derived from the question "Do you think that the negotiation strategy implemented by managers fosters the creativity in you" to which question 141 out of 15 employees 94% responded with yes, considering conflict management strategy as very important in fostering creativity and only 9 respondents respectively 6% don't consider negotiation strategy important in fostering creativity.

Coop_str_cr is a variable derived from the question "Do you think that in the process of cooperation you would be more creative and would have generated more ideas within your organization" to which question 136 respondents out of 150, 91% responded with yes, considering the cooperation conflict strategy as the opportunity of fostering the creativity of employees where employees feel creative and generate new ideas, while only 14 respondents, 9% don't consider important cooperation strategy in fostering creativity.

Type_comp Is a variable that describes the organizational type if the organization is public or private one. It is very important variable which describes how public and private organizations handle conflict, which one uses the best methods and strategies of conflict management, how public organizations consider and perceive conflict, how private one perceive conflicts, which of them considers conflict management as an opportunity for fostering creativity and innovation and which of them implements

conflict management programs and trainings. Out of 150 respondents 94 of employees were from private organizations respectively 63%, while 56 of respondents were from public organization 37% respectively.

One interesting fact is that public organizations and private organizations don't implement conflict management strategies, according to the results of question "Does your organization have conflict management strategies" private organizations answer and public organization answer was that only half of the organizations implement conflict management strategies

fairtreatINN is a variable derived from the question "Do you believe that fair treatment by managers would have encouraged you to get more involved in the innovation process", to which question 143 respondents 95% answered with yes considering fair treatment by managers as very important factor in fostering creativity and innovation during conflict management, while only 7 of respondents 5% don't consider fair treatment important.

Empirical results

For the model specification outlined above probit estimation technique is employed and the regression results are as presented in the following table.

Table 2 Probit model regression results

<i>Independent Variables</i>	<i>Probit regression</i>		<i>Marginal effects</i>	
	<i>Coefficient</i>	<i>Std. Err</i>	<i>dF/dx</i>	<i>Std. Err</i>
<i>CCCS</i>	3.16**	1.574	.152**	.149
<i>edu</i>	1.290*	.798	.001*	.0032
<i>ResApproach</i>	-2.769**	.1.450	-.00755**	.0173
<i>Age</i>	-.674*	.462	-.004*	.0016
<i>Agesq</i>	.0060*	.005	.000*	.0002
<i>CO</i>	1.898**	.873	.0012**	.0050
<i>CType</i>	-0.871	0.235	-.0001	.0029
<i>InnCC</i>	5.794***	2.253	-.9570**	.1199
<i>Conflictencounter</i>	2.130*	1.404	.0370*	.0646
<i>Neg_str_ben</i>	-0.546	.549	-.0004	.0014
<i>Neg_str_comp</i>	0.699**	0.364	.0004*	.0018
<i>NS_creativity</i>	1.793	1.444	.0293	.0750
<i>Coop_str_cr</i>	-2.879*	2.327	-.0004*	.0017
<i>Type_comp</i>	.456	1.003	.0004	.0018
<i>fairtreatINN</i>	-1.760	2.048	-.0002	.0010
<i>Cons</i>	6.394	8.077		
<i>Observations</i>	150			
<i>LR chi2(16)</i>	75.22			
<i>Prob > chi2</i>	0.000			
<i>Pseudo R-squared</i>	0.7386			

Table 2''Probit model regression results''

After generating the probit model for CCFI the marginal effects coefficients are calculated. The following section provides interpretation of the statistically significant coefficients found in the estimated model.

The coefficient of the variable *CCCS* is positive and statistically significant at 1% level of significance suggesting that, if during constructive conflicts phase employees come up with the ideal idea and solution the probability of constructive conflict fostering creativity and innovation is 15% higher. Considering the education level, the coefficient is positive and statistically significant indicating that the educational level increases the probability of constructive conflicts within the enterprise to foster innovation and creativity by 1 percent.

Contrary to our expectations, the coefficient of the variable if the organization have clear approach for resolving conflicts is negative and statistically significant, indicating that organizations that do not have a clear approach for resolving conflicts have higher probability for constructive conflicts to foster innovation for 0.7%.

The relationship between CCFI and age is found to be statistically significant and non-linear, in particular CCFI initially decreases with age and reaches a minimum at the turning point where it starts to increase. As suggested by the positive and significant sign of conflict occurrence, the more often the conflict occur in the company the higher the probability for constructive conflicts to foster innovation for 18 percent.

The coefficient of the variable *InnCC* is positive and statistically significant at 1% level of significance suggesting that, if during constructive conflicts the opportunity of innovation increases the probability of constructive conflict to foster creativity and innovation is 58% higher. The coefficient of the variable *Neg_str_comp* is also positive and statistically significant at 5% level of significance, which indicates that companies implementing the negotiation strategy in conflict management have higher probability of constructive conflict in fostering creativity and innovation for 0.4%.

Contrary to our expectation the relationship between CCFI and cooperation is found to be negative and statistically significant, suggesting lower probability of constructive conflicts fostering innovation in companies that have cooperation for 0.4% percent. Furthermore, *fairtreatINN* is significantly and negatively associated with constructive conflict in fostering creativity and innovation. In other words, companies with fair

treatment by managers have a 0.02 percent lower probability of constructive conflicts fostering innovation.

As per the variables conflict type, negotiation strategy benefits, negotiation strategy creativity and type of company, they are statistically insignificant and thus their impact is not interpreted.

HYPOTHESIS

According to Probit model results we can conclude hypothesis as below:

$$CCFIC2_i = \beta_0 + \beta_1CCCS_i + \beta_2edu_i + \beta_3ResApproach_i + \beta_4age_i + \beta_5agesq_i + \beta_6CO_i + \beta_7Ctype_i + \beta_8InnCC_i + \beta_9Conflictencounter_i + \beta_{10}Neg_str_ben + \beta_{11}Neg_str_comp_i + \beta_{12}NS_creativity2_i + \beta_{13}Coop_str_cr_i + \beta_{14}Type_comp_i + \beta_{15}fairtreatINNi + u_i$$

H1-Innovations in the enterprise result from the existence of a constructive conflict within the enterprise

According to Probit model results in which constructive conflict fosters creativity and innovation is dependents variable $CCFIC2_i$, the independent variable of this hypothesis which was *InnCC*. The coefficient of the variable *InnCC* is positive and statistically significant at 1% level of significance suggesting that, if during constructive conflicts the opportunity of innovation increases the probability of constructive conflict to foster creativity and innovation is 58% higher. So H1 stating that **Innovations in the enterprise result from the existence of a constructive conflict within the enterprise** is proved and confirmed.

H2-The implementation of negotiation strategy as a conflict management strategy by managers, fosters the creativity and performance of the employees

According to Probit model results in which constructive conflict fosters creativity and innovation is dependents variable $CCFIC2_i$, the independent variable of this hypothesis which was *Neg_str_comp*. The coefficient of the variable *Neg_str_comp* is also positive and statistically significant at 5% level of significance, which indicates that companies implementing the negotiation strategy in conflict management have higher probability of constructive conflict in fostering creativity and innovation for 0.4%. So H2 stating that **implementation of negotiation strategy as a conflict management strategy by managers fosters the creativity and performance of the employees** is proved and confirmed.

H3-The implementation of cooperation strategy as a conflict management strategy by managers, fosters the innovation process in SME

According to the supporting questions for cooperation strategy in the questionnaire and its relation with constructive conflict management fostering creativity and innovation” *Do you think that through the strategy of cooperation as a conflict management strategy you would have the opportunity to engage in the innovation process”* 144 of respondents or 96% think that through strategy of cooperation as conflict management strategy they would have the opportunity to be engaged in innovation process in organizations. While only 4% of the respondents or 6 of them don’t consider the cooperation strategy as opportunity to engage in the innovation process. So H3 stating that **implementation of cooperation strategy as a conflict management strategy by managers, fosters the innovation process in SME** is proved and confirmed.

H4-Right treatment of employees within the enterprise encourages their involvement of in the process of innovation and creativity

According to the supporting questions for fair treatment in the questionnaire and its relation with constructive conflict management fostering creativity and innovation “”*Do you think that you are more creative when you are treated fairly by the managers?”* to which question 139 of employees or 93% they confirmed that they are more creative when treated fairly by managers in cases of conflict, while only 7% or 11 employees don’t think that they are more creative when treated fairly by managers. And to the other supporting question” *Do you believe that fair treatment by managers would have encouraged you to get more involved in the innovation process?”* to which answers were as below: 143 of employees or 95% believe that they would get involved more in innovation process if they are treated fairly by managers, only 5% or 7 of them think the contrary. So H4 stating that **right treatment of employees within the enterprise encourages their involvement of in the process of innovation and creativity** is proved and confirmed.

Conclusion

According to our research that was based on primary source of data collection where primary source of data was collected with distribution of electronic questionnaire through Google surveys to 150 private and public organization in the Republic of Macedonia and after processing the data through using different methods, analyzing tools and statistics models we came to below conclusions:

- Constructive conflicts when handled properly and accordingly foster the creativity and innovation within the organization and the same wake up the status “quo” of processes initiating new challenges and ideas .Therefore innovations result from the existence of a constructive conflict in the enterprise, where during constructive conflicts the opportunity of innovation increases considering the fact that employees come up with ideal ideas and solution of different challenges. Also during the conflict phases employees feel more creative taking into consideration the fact that they can freely express their own thoughts and statements. Respondents considered constructive conflict as very useful for the organization and as a result of it new ideas and challenges are born .Also respondents felt to be more creative when they are involved in constructive conflicts.

- Conflict management strategies are very important and play a crucial role in fostering creativity and innovation within organization. Implementing the adequate and appropriate conflict management’s strategies encourages employees to take part in constructive conflicts and to perceive conflict positively. It is very important the way employees define conflict, and how conflict is handled is a crucial factor for fostering innovation and creativity. Therefore the right implemented methods and techniques of conflict management can be very beneficial.

Negotiation strategy as conflict management strategy according to our research is one of the best conflict management strategy used to foster the innovation and creativity. Employee consider negotiation strategy implemented by managers as opportunity to foster the creativity as with negotiation strategy all ideas and thoughts of everyone are considered, everyone feels involved correctly and state that with negotiating different conflicts are solved and all parties included in conflict benefit. Negotiation strategy

helps the best solution to be found for certain conflict and aims all the parties involved to be satisfied.

Another important conflict management strategy according to our research that fosters creativity and innovation is the cooperation strategy, with which strategy all the parties involved in the conflict have the opportunity to collaborate with each other, to listen to each other's opinion and ideas and to come up with best idea and solution that everyone agrees for and supports. This management strategy allows people involved in conflict to interact with each other and though collaborate on the same goal. In our research employees consider the strategy of cooperation as an opportunity to engage in the innovation process, and think that during the cooperation process they would be more creative and would have generated more ideas within the enterprise and the same would encourage them to be engaged in the innovation process.

- Fair treatment of employees with the enterprise is considered as an important technique of managers that encourages involvement of employees in the process of innovation and creativity. According to our research employees strongly believe that fair treatment by managers would have encouraged them to get involved in the innovation process and in the same time they think that they are more creative when they are treated fairly by the managers. So during the conflict it is very important for managers to be careful and understand the reason of conflict, what caused the conflict, the parties involved and above all to treat fairly each employee involved in the conflict so the constructive conflict is beneficial and it can foster creativity and innovation within organizations.

Recommendation

According to our research results below suggestion are derived that would help the future improvement of role of conflict management in fostering creativity and innovation:

- Management should try to find out the cause and nature of conflict-as conflict management should be handled accordingly and properly it is very important managers to find out the cause and nature of conflict and manage it accordingly. In our surveys all participants strongly agree and believe that management should be aware of all conflict stages, define the conflict, understand the conflict and manage in the best possible way so it can be functional conflict fostering creativity and innovation. Management should use appropriate conflict management strategies, tools, methods, techniques to identify the conflict, manage it accordingly and taking all the benefits that constructive conflict has.
- Proper conflict management encourages creativity and innovation-Organizations should aim in implementing adequate conflict management tools and approaches in order to foster creativity and innovation within enterprise.
- Training programs on conflict management- According to our research, most of the organizations don't implement training programs on conflict management. The level of training programs in organizations in Macedonia is low according to our research. Therefore the organizations should aim to build training programs on conflict management within their enterprise, to hire experts and professionals on this field so the employees are well trained and have the knowledge needed in cases of conflict and act accordingly.
- Implement negotiation and cooperation strategy as conflict management strategy- Even though in our research those two conflict management strategies are considered as best strategies from the employees for fostering creativity and innovation, in questions asked if the same are already implemented in their organizations the result was that those strategies are not sufficiently and very often implemented and used during conflict.

As both strategies are very favorable by employees our suggestion is that higher management implements those strategies more often in conflict cases.

Restrictions

From all 300 distributed questionnaires we have received response from 150 respondents, not all companies were ready and able to collaborate with us, even that we have guaranteed that all response will be used with strict confidentiality.

Since the topic was for conflict, in a first sight to managers it was not a favorable topic and it was hard for managers to convince to let employees fill out the questionnaires.

Even when the same were asked to fulfill the questionnaire they were not fully willing to do so. Some of managers preferred to stay with employees while the questionnaire was fulfilled even though the questionnaires were distributed electronically.

Even we have done pilot questionnaire distribution to some of employees, to check if all question were clear and understandable. But again, in some of questions respondents' required additional information, to make them clear about the questions that they were asked to answer.

Public organizations somehow were more opened toward the topic and the same fulfilled questionnaires without asking many questions. While in contrary private organizations tended to ask more, especially managers about the purpose of the questionnaire, the purpose of research, where the data are supposed to be exposed and etc.

Suggestion for future research

Suggestion for future plans regarding the role of constructive conflict management in fostering creativity and innovation is to extend the research over other Balkans countries and comparing the results with Macedonian results.

In the future we are also interested to make a research on other related conflict management topic, like the way entrepreneurs negotiate, which conflict management strategies are most used, which organizations implement more training programs about conflict management.

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APPENDIX
SURVEY QUESTIONNAIRE
THE ROLE OF CONFLICT MANAGEMENT IN FOSTERING CREATIVITY AND
INNOVATION IN SMALL AND MEDIUM ENTERPRISES

Thank you for accepting to become a part of this research. I am Jehona Uka, a master student of postgraduate studies at the South East European University, Faculty of Business Administration. This questionnaire is part of my master's thesis aiming to identify the role of conflict management in fostering creativity and innovation in the industry. I would be very grateful for you to answer the questions below and I would like to emphasize that the data will be strictly secured and will not be exposed. The same will be held in anonymity. We appreciate your participation very much. The information you provide will be kept confidential and used for research purposes only

General Information:

Company's name (optional): _____

Location _____

Position: _____ (Administrator, Supervisor, Manager, Director, CEO.etc)

Department _____

Years of experience in this company: _____

Employee number in the company: _____

Gender:

Male

Female

Age:

Less than 20 years

21 – 30 years

31 – 40 years

41 – 50 years

51 – 60 years

More than 60 years

Education level:

Elementary School

Secondary School

Bachelor Studies

Master Studies

PHD Studies

Company Type:

Public Organization

Private Organization

Section 1: (Concept of Conflict Management)

1. Does your organization have a code of conduct that defines acceptable behaviors?

YES NO

2. Does your organization have a process of managing destructive and inappropriate behaviors?

YES NO

3. Does your organization have a clear approach to resolving conflicts?

YES NO

4. In your opinion do your organization, leaders and staffs are competent in dealing with the conflict?

YES NO

5. Does your organization have conflict management strategies?

YES NO

6. How often do conflicts occur in your company?

Often Rare Never

7. What kind of conflicts happen in the company where you work?

Between two workers

Between a group and the company

Between an employee and the company

Between two groups of employees within the company

Between an employee and a supervisor

Between a group of employees and a supervisor

Other

There is no conflict in my company

Section 2(Innovation within enterprise)

1. Are important to you the innovative ideas within organization?

YES NO

2. Do you think that during constructive conflicts the opportunity of innovation increases?

YES NO

3. Have you encountered cases in which during the constructive conflict phase you have come up with the ideal idea and solution of different challenges?

YES NO

4. Do you consider constructive conflicts within the enterprise as an opportunity to foster innovation within the enterprise?

YES NO

5. Do you think that without the existence of constructive conflicts there would be no invitations within the enterprise?

YES NO

6. Do you believe that fair treatment by managers would have encouraged you to get more involved in the innovation process?

YES NO

7. Do you think that through the strategy of cooperation as a conflict management strategy you would have the opportunity to engage in the innovation process?

YES NO

Section 3(Creativity within organization)

1. Are important to you the innovative ideas within organization?

YES NO

2. Do you think that you are creative employee and that you contribute with creative ideas within your organization?

YES NO

3. During the expression of your creativity, have you encountered a conflict on the other side?

YES NO

4. Do you mind if someone does not accept your idea and encounter a conflict:

YES NO

5. Do you think that you are more creative when you are treated fairly by the managers?

YES NO

6. Do you think that the negotiation strategy implemented by managers fosters the creativity in you?

YES NO

7. Do you think that in the process of cooperation you would be more creative and would have generated more ideas within your organization?

YES NO

Section 4. (The role of conflict management in fostering creativity and innovation in enterprises)

Regarding your feelings toward your organization at during a conflict, indicate the extent to which you disagree with or agree with each of these statements, marking a rating from 1 very bad to 5 very good.

Nr.		1	2	3	4	5
1	When someone tries encounters me I usually engage in debate and clarify and defend my idea					
2	I always express my ideas and thoughts regardless of whether they are implemented or taken into account by the company					
3	I consider innovations very important and I try to engage in the innovation process					
4	I consider that positive or constructive conflicts are very useful for the organization and as a result new ideas and challenges are born					
5	I think that with negotiating different conflicts are solved and all sides benefit					
6	The cooperation strategy would encourage me to be more creative and more involved in the innovation process					
7	I think I'm more creative when I'm involved in constructive conflict					
8	I think I'm more creative when I feel that I am treated fairly and equally as all employees within organization					
9	I prefer to stay in a constructive conflict and to clarify my ideas and opinions until these ideas are understood by all					
10	I do not like the avoidance of conflict at all since I consider that the problems remain open and unresolved					

Section 4.1

	1	2	3	4	5
1	You have received training on conflict management in your				

company.

- 2 Leaders have shown you how to deal with a company conflict.
- 3 Your company implements the negotiation strategy in conflict management
- 4 You are able to differ whether a conflict is good or bad
- 5 In the event of a conflict in the company your personal interests are threatened
- 6 You are able to avoid conflict in order not to create unpleasant situations in the enterprise
- 7 You think that proper conflict management encourages creativity to workers
- 8 Do you think that the organization needs a constructive conflict in order of involving all workers in the innovation process
- 9 Constructive conflict enables all workers to express their thoughts and ideas
- 10 Management should try to find out the cause and nature of the conflict.

13. As a member of this company and as a person you have been part of some conflict, what communication strategy would you suggest to employees and managers in order to reach the best solution to a conflict?

PYETËSOR

ROLI I MENAXHIMIT TË KONFLIKTIT NË NXITJEN E KREATIVITETIT DHE INOVACIONIT NË NDËRMARRJET E VOGLA DHE TË MESME

Ju faleminderit që pranuat të bëheni pjesë e këtij hulumtimi. Unë jam Jehona Uka, master studente në studime post-diplomike në Univerzitetin e Evropës Juglindore, Fakulteti i Administrimit të Biznesit. Ky pyetësor është pjesë e hulumtimit tim të magistratures që ka të bëjë me identifikimin e rolit të menaxhimit të konflikteve në nxitjen e kreativitetit dhe inovacionit në ndërmarrjet. Do të isha shumë mirënjohëse që ju të tu përgjigjeni pyetjeve të më poshtme dhe dëshiroj të theksoj se të dhënat do të sigurohen në mënyrë strikte dhe nuk do të ekspozohen personave të tjerë. Të njëjtat do të mbahen në anonimitet. Në e vlerësojmë shumë pjesëmarrjen tuaj. Informacioni që jepni do të mbahet konfidencial dhe përdoret vetëm për qëllime kërkimore

Informacione gjenerale:

Emri i kompanisë (opcionale): _____

Lokacioni _____

Pozicioni: _____ (Administrator, Mbikëqyrës, Menaxher, Drejtor, etc)

Departamenti _____

Vitet e punës në kompaninë _____

Numri i punëtorëve në kompani: _____

Gjinia:

Mashkull

Femër

Vitet:

Më pak se 20 vite

21 – 30 vite

31 – 40 vite

41 – 50 vite

51 – 60 years

Me shume se 60 vjet

Niveli i arsimimit:

Shkollim fillor

Shkollim I mesëm

Shkollim deridiplomik

Shkollim Master

Studime doktorature

Lloji i kompanisë:

Ndërmarrje shtetërore

Ndërmarrje private

Sektori 1(Nocioni i Menaxhimit të Konfliktëve)

1. A ka organizata juaj një kod sjelljeje që përcakton sjelljet e pranueshme?
 PO JO Nuk e di
2. A ka organizata juaj një proces për menaxhimin e sjelljeve destruktive dhe të papërshtatshme?
 PO JO Nuk e di
3. A ka organizata juaj një qasje të qartë për zgjidhjen e konflikteve?
 PO JO Nuk e di
4. Sipas mendimit tuaj organizata juaj, udhëheqësit dhe stafi i saj janë kompetentë në trajtimin e konfliktit?
 PO JO Nuk e di
5. A ka organizata juaj strategji për menaxhimin e konflikteve?
 PO JO Nuk e di
6. Sa shpesh ndodhin konflikte në kompaninë tuaj?
 Shpesh Rrallë Kurrë
7. Çfarë lloj konfliktesh ndodhin në kompaninë ku ju punoni?
mes dy punonjësve_____
- mes një grupi dhe kompanisë_____
- mes një punonjësi dhe kompanisë_____
- mes dy grupesh punonjësish brenda kompanisë_____
- mes një punonjësi dhe një eprori_____
- mes një grupi punonjësish dhe eprorit_____
- të ndryshme_____
- nuk ka konflikt ne organizaten tone

Sektori 2(Inovacioni brenda ndërmarrjes)

1. A jane te rëndesishme për ju idete inovative brenda ndërmarrjes:

PO JO Nuk e di

2. A mendoni se gjate konflikteve konsrutkive (positive) rritet mundesia per inovacione brenda ndërmarrjes:

PO JO Nuk e di

3. A keni hasur ne raste ne te cilat gjate fazes se konfliktit konstruktiv keni aritur ne ideja dhe zgjidhje ideale te sfidave te ndryshme:

PO JO Nuk e di

4. Konfliktet brenda ndermarjes a i konsideroni edhe si mundesi per tu nxitur inovacioni brenda ndërmarrjes:

PO JO Nuk e di

5.A mendoni se pa ekzistimin e konflikteve desktruktive nuk do te kishte inovacione brenda ndërmarrjes:

PO JO Nuk e di

6.A besoni se trajtimi i drejtë nga ana e menaxherëve do të ju kishtë nxitur të ikuadroheni me teper në procesin e inovacionit:

PO JO Nuk e di

7.A mendoni se nëprëmjet strategjisë së bashkëpunimit si strategji e menaxhimit të konflikteve ju do të kishit mundësi për tu inkudruar ne procesin e inovacionit:

PO JO Nuk e di

Sektori 3(Kreativiteti brenda ndërmarrjes)

1. A jane te rëndesishme për ju idete keative brenda ndërmarrjes:

PO JO Nuk e di

2.A mendoni se jeni punëtorë kreativ dhe se kontriboni me ide kreative brenda ndërmarrjes tuaj:

PO JO Nuk e di

3.Gjatë shprehjes së kreativitetit tuaj a keni hasur në ndonjë konflikt nga pala tjetër:

PO JO Nuk e di

4.A ju pengon nëse dikush nuk e pranon idenë tuaj dhe haseni ne konflikt:

PO JO Nuk e di

5.A mendoni se ju jeni me kreativ kur ju trajtoheni në mënyrë të drejtë nga ana e menaxherëve:

PO JO Nuk e di

6.A mendoni se strategjia e negocimit nga ana e menaxherëve nxit kreativitetin te ju:

PO JO Nuk e di

7.A mendoni se në procesin e bashkëpunimit ju do të ishit më kreativ dhe do të kishit gjeneruar ideja të rreja në ndërmarrje:

PO JO Nuk e di

Sektori 4(Roli I menaxhimit të konfliktit në kreativitetin dhe inovacionin në ndërmarje)

Lidhur me ndjenjat tuaja ndaj organizatës suaj në fillim të një konflikti, tregoni masën në të cilën ju nuk pajtoheni ose pajtoheni me secilën nga këto deklaratata duke shënuar vlerësimin nga 1 shumë i keq deri në 5 shumë i mirë.

Nr.	1	2	3	4	5
1	Kur dikush tenton të me kundërvihet une zakonisht kyqem në debat dhe e sqaroj dhe mbroj iden time				
2	Une gjithmone shprehi idete dhe mendimet e mia pavarësisht a implementohen ato apo a miren parasysh nga ana e ndërmarjes				
3	Une i konsideroj shumë të rëndësishme inovacionet dhe mundohem te inkuadrohem në procesin e inovacionit				
4	Une konsideroj se konfliktet positive apo konstruktive janë të dobishme për ndërmajren dhe këtu lindin idetë dhe sfidat				
5	Unë mendoj se me anë të negociimit zgjdhen konflikte të ndryshme dhe përfitojnë të gjitha palët				
6	Strategjia e bashkëpunimit do të më nxiste të jem më kreativ dhe më I inkuadruar në procesin e inovacionit				
7	Une mendoj se jam më kreativ kur jam i involvuar në konflikt konstruktiv				
8	Une mendoj se jam më kreativ kur e verëj se trajtohem në mënyrë te barabartë dhe të drejtë si të gjithë punëtorët				
9	Une preferoj të qëndroj ne konflikt konsruktiv dhe të sqarojë idetë dhe mendimet e mia deri sa këto ide të kuptohen nga të gjithë				
10	Mua nuk më pelqen aspak shmangja e konfliktit pasi konsideroj se problemet kanë mbetur të hapura dhe të pazgjidhura				

Sektori 4.1

	1	2	3	4	5
1	Ju keni marrë një trajnim mbi menaxhimin e konflikteve në kompaninë tuaj				
2	Udhëheqësit ju kanë treguar sesi duhet të trajtoni një konflikt në kompani.				
3	Ne kompaninë e juaj implementohet strategjia e konkurimit dhe e negocimit gjatë menaxhimit të konflikteve				
4	Ju jeni në gjendje të dalloni nëse një konflikt është i mirë ose i keq.				
5	Në rast të një konflikti në kompani juve ju janë cënuar interesat personale				
6	Ju jeni në gjendje të shmangeni konfliktin që të mos krijohen situata të palakmueshme në ndërmarje				
7	Ju mendoni se një menaxhim i duhur i konflikteve nxit kreativitetin tek punëtorët				
8	Ju mendoni se ndërmarja ka nevojë për konflikt konstruktiv me qëllim të ikuadrimit të të gjithë punëtorëve në procesin e inovacionit				
9	Nje konflikt konstruktiv mundëson që të gjithë punëtrët të shfaqin mendimet dhe idetë e tyre				
10	Menaxhmenti duhet të përpiqet të zbulojë shkakun dhe natyrën e konfliktit.				

13. Si pjestar i kësaj kompanie dhe si një person që keni qënë pjesë e disa konflikteve çfarë strategjie komunikimi do ti sugjeronit punonjësve dhe menaxherëve në mënyrë që të arrijnë zgjidhjen më të mirë të një konflikti?
