Peerless Electric & Gas Company

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ABSTRACT

This case, based on a real situation, illustrates how interdepartmental conflict can affect company performance and is a prelude for a thorough discussion of the antecedents and management of interdepartmental conflict. The case is appropriate for MBA and upper-level undergraduate business students. At Peerless Electric & Gas Company, sales personnel in the Marketing department are responsible for the sale of new commercial and industrial lighting, a very profitable business. The extent to which sales is successful depends on the work of another Peerless department - Engineering and Installation (E/I) - which is responsible for designing, pricing, and installing lighting systems. The departments report to different managers and each operates under a different set of performance expectations. Currently, neither the planning and pricing nor the installation of new systems is done in a customer-focused, timely fashion, which jeopardizes the sales of new systems.

Keywords: interdepartmental, inter-group, antecedents, conflict

LEARNING OBJECTIVES

The two-part case gradually introduces students to the relationship of two company departments and its organizational consequences. As currently used, Case (A) is distributed and students work alone to answer the discussion question. Students then share and discuss answers in small groups of three. Finally, the question is discussed by the class as a whole. Case (B) is then distributed and the same process is followed.

The specific learning objectives for the case are:

1. To introduce students to the topic of interdepartmental conflict in organizations and increase student interest in this topic.
2. To make students aware of how interdepartmental conflict can affect customer relations and organization performance.
3. To increase student awareness of how organizational-level decisions – for example, in this case decisions concerning organization structure and performance expectations for departments – influence and impact interdepartmental relations.
4. To establish that interdepartmental conflict may arise from factors other than the personal skills, personalities, and traits of department members.
5. To increase student knowledge of the antecedents and management of interdepartmental conflict by requiring the application of learning from an assigned reading on this topic.
6. To prepare students to analyze and improve the relationships of organization departments now, if they are employed, or in the future.

PEERLESS ELECTRIC & GAS COMPANY (A)

At Peerless Electric and Gas Company (PE&G), a prominent state utility, the Marketing Department is responsible, in part, for the sale of new commercial and industrial lighting. The sale of lighting to businesses and industrial organizations is a very profitable business for Peerless. Sales personnel in Marketing work under sales quotas, are assigned to particular geographic areas, work mainly out of their homes, and are paid, in large part, on a commission basis. Acquiring and keeping customers, then, is very important to sales personnel.

The degree to which sales is successful in selling lighting fixtures depends a great deal on the work performed by another PE&G department, Engineering and Installation (E/I). Personnel in sales and E/I do not report to a common manager.

Engineers in E/I are responsible for designing and pricing a lighting system during negotiations with a customer in advance of a sale. They provide this information to the sales representative who shares it with the customer. Revising these plans and developing new cost figures during sales negotiations is also a responsibility of E/I. Often, early discussions with customers require that plans and pricing be reworked. After a sale is made, E/I is responsible for installing the new lighting system.

Discussion Question

1. Given the situation described, what issues might arise in the sales and installation of commercial and industrial lighting?

PEERLESS ELECTRIC & GAS COMPANY (B)

At Peerless, neither pricing nor the installation of a new lighting system is done in a customer-focused, timely fashion. For example, E/I is slow in responding to requests for installation designs and pricing information, and E/I installation teams on site will seldom seek out and work closely with a customer during this most important phase.

The Marketing and E/I departments operate under different performance expectations. Sales personnel in Marketing are responsible for generating signed sales contracts. Personnel in E/I, on the other hand, are primarily held accountable for **the reliability of customers' complete electrical and gas systems, not just PE&G-installed lighting systems**. The ability of customers' systems to operate continuously without breakdowns is very important to PE&G. E/I is also closely monitored on **problem response time for metered services – gas and electric**. The E/I Department has no goals related to the sale of new lighting systems, providing quick turnaround on installation designs and pricing information and revisions in plans and pricing, and installing new lighting systems in a timely and customer-focused or customer-sensitive fashion.

Discussion Questions

1. What antecedents to interdepartmental conflict are present in the relationship between sales personnel in the Marketing Department and E/I?
2. What actions could be taken to improve this situation?

Peerless Electric & Gas Company

TEACHING NOTES

INTRODUCTION

Peerless Electric and Gas Company (A) and (B) introduce students to the topic of interdepartmental conflict. “Peerless” is a pseudonym for a real utility operating in the northeastern United States, and the case reports on the actual relationship of two of the utility’s departments.

The antecedents and management of interdepartmental conflict are topics in courses in organizational behavior, management, and organization theory. Current texts in these subject areas cover these topics (e.g., Gibson, Ivancevich, et al, 2009; McShane & Von Glinow, 2008; Luthans, 2008; Schermerhorn, 2010; Jones, 2010; Daft, 2007; Lester & Parnell, 2007). The treatment of these issues in contemporary texts typically relies on the seminal thinking and work of Pondy (1969, 1964), Litterer (1966), and Walton (1969, 1967). Contemporary texts are sometimes also informed by more recent thinking, research, and writing on the antecedents and management of interdepartmental conflict (e.g., Hinds & Mortensen, 2005; Jetten, Spears & Postmes, 2004; Brock, Barry & Thomas, 2000; Wood & Gray, 1991; Earley & Northcraft, 1989).

CASE SYNOPSIS

At Peerless Electric & Gas Company sales personnel in the Marketing department are responsible for the sale of new commercial and industrial lighting, a very profitable business. The extent to which sales is successful depends on the work of another Peerless department, Engineering and Installation (E/I), which is responsible for designing, pricing, and installing lighting systems. The departments report to different managers and each operates under a different set of performance expectations. Currently, neither the planning and pricing nor the installation of new systems is done in a customer-focused, timely fashion, which jeopardizes the sales of new systems.

CASE AUDIENCE

Peerless Electric & Gas can be used in any Master of Business Administration (MBA) or upper-level undergraduate business course covering the topic of interdepartmental conflict. To date the case has been used with MBA students in two required courses, Advanced Organizational Behavior and its predecessor, Customer-Focused Management. Customer-Focused Management was a team-taught course that paired management and marketing faculty. Its purpose was to show the relevance of management theory and practice in solving marketing problems. In the Peerless case, management thinking, in this instance, about the causes of and cures for interdepartmental conflict, is vital in resolving the problems faced by the company’s marketing department.

LEARNING OBJECTIVES

The two-part case gradually introduces students to the relationship of the two departments and its organizational consequences. The specific learning objectives for the case are:

1. To introduce students to the topic of interdepartmental conflict in organizations and increase student interest in this topic.
2. To make students aware of how interdepartmental conflict can affect customer relations and organization performance.
3. To increase student awareness of how organizational-level decisions – for example, in this case decisions concerning organization structure and performance expectations for departments – influence and impact interdepartmental relations.

4. To establish that interdepartmental conflict may arise from factors other than the personal skills, personalities, and traits of department members.
5. To increase student knowledge of the antecedents and management of interdepartmental conflict by requiring the application of learning from an assigned reading on this topic.
6. To prepare students to analyze and improve the relationships of organization departments now, if they are employed, or in the future.

PROCEDURE

As currently used, the case is part of an approximately three hour class discussion of interdepartmental relations and conflict. In advance of this discussion students are assigned reading that includes the antecedents of interdepartmental conflict. After briefly introducing these topics and the plan for class discussion Case (A) is distributed and students work alone to answer the discussion question. Students then share and discuss answers in small groups of three. In these groups students benefit from the insights of other students, and they have the opportunity to test their understanding of particular antecedents to intergroup conflict. Groups of three will permit students to participate – to have “air time” – and minimize “social loafing” (Latané, Williams & Harkins, 1979). Following small group discussion the question is then discussed by the class as a whole. I start by asking each group to offer one of its answers, which I write on the board. Groups continue to be polled until all answers are posted. The answers are then evaluated by the class employing the facts of the case. Case (B) is then distributed and the same process is followed.

TIME REQUIREMENTS

Part A

Individual work followed by group discussion: 15 minutes.
Class discussion: 10 minutes.

Part B

Individual work followed by group discussion: 20 minutes.
Class discussion: 20 minutes.

CASE QUESTIONS AND ANSWERS

Peerless Electric & Gas Company (A)

Question 1. Given the situation described, what issues might arise in the sales and installation of commercial and industrial lighting?

Case (A) reveals that customer service and satisfaction depends on the work performed by the two organizationally distinct departments, each operating under its own manager. Using the information in Case (A) the issues that are likely to arise are the following:

1. Because sales personnel work directly with customers, they will be more sensitive to the state of customer satisfaction than E/I personnel, who work through sales personnel.
2. Because sales and E/I personnel report to different managers there may be differences in the priorities assigned to work in each department.
3. The work in E/I, including initial designs and pricing and the reworking of plans and pricing, may not be performed in a timely fashion from the point of view of sales personnel. Commission compensation will cause sales personnel to want fast turnaround on system designs and pricing.
4. The workflow creates a communication channel where communication breakdowns are possible. Sales personnel may not be accurate in communicating the needs of customers to E/I or may not be sufficiently clear, and E/I can misunderstand what is required.

5. In their conversations with customers sales personnel may propose designs and products, and provide estimates of cost and time, that are in E/I's view unworkable or suboptimal (designs and products), inaccurate (cost), or unrealistic (time).
6. At the installation stage E/I may discover a site feature or features not reported by sales that significantly affect system design, system cost and/or the installation schedule.

Peerless Electric & Gas Company (B)

Question 1. What antecedents to interdepartmental conflict are present in the relationship between sales personnel in the Marketing Department and E/I?

The following are the most prominent antecedents to interdepartmental conflict in this case:

1. **Asymmetrical Dependence.** Sales personnel in marketing depend far more on the assistance of E/I personnel in their work than E/I depends on sales. This unbalanced dependence is often a source of interdepartmental conflict.
2. **Differing Performance Expectations and Rewards.** Performance expectations, and therefore department priorities, are different for each department. Sales personnel in marketing are responsible for generating signed sales contracts. Personnel in E/I are held accountable for the overall reliability of customer electric and gas systems and quick response to gas and electric problems.
3. **Organizational Differentiation.** The members of each department, by virtue of their specialized training and primary focus on certain organization issues, may not fully appreciate the work, contributions, and needs of the other department. Also, when a department knows relatively little about another department's work and its work cycles it is possible for it to make requests and hold expectations that are unreasonable. Finally, orientations towards time and interpersonal relationships may be different for the two departments. Research has indicated that sales personnel have a shorter time orientation and are more concerned with interpersonal relationships than those in applied research such as engineering, who have a longer time orientation and are more concerned with task demands than interpersonal relationships (Lawrence & Lorsch, 1967a, b).
4. **Communication Obstacles.** There are different kinds of communication obstacles present and potentially present in this case. Geographical separation of departments and department members can lead to difficulties, delays, and misunderstandings in communication. At Peerless sales personnel are field-based while E/I personnel are not. Difficulties in interdepartmental contact and communication are also caused by the functional separation of departments. Each department reports to a different manager and are very likely located in different reporting chains in the organization. Semantic difficulties may also arise by virtue of the separate training and socialization of personnel in sales and E/I.

A case can be made that there may be other antecedents present in the relationship between sales and E/I, as well. There may be *scarce resources* or *work overload* in E/I that prevents timely response to requests from sales. Others are another asymmetry, *the one-way flow of requests from one unit to another* (sales to E/I), and *the personal qualities and skills of department members and leaders*, which, when poor, can create conflict in any interdepartmental relationship.

Question 2. What actions could be taken to improve this situation?

The following actions could be taken to improve this situation, and some of these, such as the third strategy and either the fourth or fifth strategy, could be implemented together:

1. Convene an off-site meeting organized and led by a skilled facilitator to surface, discuss, and resolve the issues between sales and E/I personnel. Assuming this meeting is successful, schedule additional future meetings to permit on-going assessment of the relationship of the two departments.
2. Introduce new performance expectations in E/I. Make E/I personnel accountable as well for timely response to sales requests and the satisfaction of customers in the new-lighting business. Forms and procedures would be developed to track E/I performance on these criteria.

3. Tie part of the compensation or rewards of E/I personnel to commercial and industrial lighting sales. This creates an incentive for E/I to work more closely with sales and to provide installation designs, pricing, and revisions in a more timely fashion.
4. Structurally, form a sub-group in E/I that works exclusively or primarily with sales on commercial and industrial lighting sales and installation. The remainder of the E/I Department would be responsible for the traditional work of the department, that is, for insuring the reliability of customer electrical and gas systems and responding to problems in metered services.
5. Create sales teams consisting of a salesperson and one or more members of E/I. One option would be to have E/I personnel involved in lighting sales from the initial contact with a potential customer onward. Sales teams would report to a sales manager.
6. Create matrix organizational arrangements that would permit sales and E/I personnel to remain in their present departments. With matrix arrangements specific E/I personnel are tasked or linked to each salesperson and are expected to work closely with and to support the salesperson in his or her work. E/I personnel may be assigned other work to perform in E/I, as well. Under matrix arrangements, the salesperson, sales manager, and E/I manager may all be involved in evaluating the work performance of a particular E/I member. Similarly, members of E/I may be involved in evaluating the performance of sales personnel.

ASSESSMENT

The Peerless case has been used over perhaps a ten-year period. The case engages students in the topics of interdepartmental relations and conflict and generates student thinking and discussion. Working first alone and then together, a class typically is able to provide answers to the assigned questions that match the answers above. Subsequent and full discussion of the antecedents of interdepartmental conflict and the management and prevention of conflict is often lively and spirited, with students who are working part- or full-time providing good examples from their experiences.

In the MBA course where the case is used, students are responsible for preparing four brief (three to four page) papers, each done in response to a different course topic. Students are encouraged to use their papers to analyze a present or past employer and to recommend desirable organizational change. Perhaps a third to half of the students in a course section elect to prepare a paper on the topic of interdepartmental conflict. Their papers tend to be thorough, often on the long side (five to seven pages), and accurate in labeling the antecedents present in their organizations. The changes students recommend for organizations are typically well-argued and seem practicable. Illustrating the settings and issues explored in student papers on interdepartmental conflict are the excerpts from four student papers in Appendix A.

A comprehensive final exam was added to this course the last time it was taught. Students had considerable latitude in selecting the questions to be answered and there were questions in many topic areas. The students who elected to answer questions pertaining to interdepartmental conflict, a third of the students, did very good work on these questions.

AUTHOR INFORMATION

Dr. Klein is Professor of Organizational Behavior and Management in the Department of Management and Human Resources at Rider University. He teaches in both the undergraduate and MBA programs and is a former Department Chair. Dr. Klein's work experience includes project management for a consulting and training organization, and workshop design and leadership. He is a co-editor of two books on building and leading collaborative work systems and author of articles on work design, self-managed work teams, performance management, employee-centered practices benefiting the organization, and other topics. Dr. Klein is a recipient of the Rider University's Distinguished Teaching Award.

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APPENDIX A**EXCERPTS FROM FOUR STUDENT PAPERS ON INTERDEPARTMENTAL CONFLICT**

“As an employee of (name of an insurance company) I am in a unique position to discuss conflict in this large, rather complex organization. I will bypass the individual conflicts and disputes between coworkers and analyze conflict between departments and divisions. I will discuss my experience as part of a unit that faces conflict on a daily basis. I will incorporate recommendations throughout this brief to assist management in dealing with these matters...The most common antecedents that occur in (name of the author’s division) revolve around the sharing of limited resources, mutual task dependence, jurisdictional and procedural ambiguity, and task overload...I recall countless instances when the regional offices in my division had to compete for scarce legal resources...My recommendation is to create a more organized system that allows each regional unit to have equal access to the legal department...”

“Organizational conflict exists in most companies, no matter the size of the organization...What is key is to understand what causes the conflict and to develop strategies to effectively minimize or manage the conflict. (Name of a pharmaceutical firm) is not devoid of conflict. While I can give examples for many of the antecedents to conflict described in the readings and discussed in class, this paper will focus on conflict arising from mutual task dependence, organizational differentiation, communication obstacles, and shared resources...Marketing and Sales depend on each other for information, compliance, and assistance but each department is not as familiar as they should be with each other’s role and work and conflict arises between the two...I am surprised by the minimal amount of interaction there actually is between the two departments...I recommend that product managers and others in marketing go out in the field and work with the sales force several times a year...”

“The purpose of this paper is to present some recommendations for managing conflicts that continue to exist between certain service groups and the research groups at (name of an engineering research center). Specifically, these recommendations apply to the conflict that exists between research and the purchasing and plant services groups. There are at least eight types of contextual antecedents to inter-group conflict, of which I believe three are most relevant: different performance criteria for groups that are interdependent, asymmetrical dependence, and communication obstacles...Asymmetrical conditions exist and are related to the fact that one group lacks incentive to coordinate with another group to accomplish the group’s tasks. This situation is clearly evident between the purchasing department and the research groups who require and depend upon the complete and speedy ordering of materials and equipment by the purchasing group. The common complaints from the research groups are that purchase requests are processed slowly and the wrong materials have been ordered...I recommend that symmetrical relationships between the groups be formed whenever it is possible. By allowing purchasing to get involved in the many research tasks that require equipment and materials they will have a better understanding of the precise materials that are required and the need to process orders as quickly as possible...Also, since the research groups are constantly applauded for their efforts, there should be at least some recognition for the efforts of purchasing when their activities have contributed to the achievements of the research groups.”

“This paper will address intergroup and interdepartmental conflicts at (name of a financial services firm). A number of conflicts are detrimental to doing business with our clients. The primary source of the conflicts are dependencies on common resources, heavy reliance of one unit on other units, work overload in units, jurisdictional ambiguities, and communication obstacles. I will focus on conflicts that arise because of these factors and then suggest solutions to reduce or eliminate the problems we are experiencing...Work overload exists in the Trade Processing Department. Trade Processing is frequently unable to book trades in a timely manner and sometimes trades are booked incorrectly because personnel are rushing to handle the workload...Management has not been involved in resolving an important issue, one that has a significant impact on other units and is a source of conflict. Management needs to quickly move to resolve this issue by permitting Trade Processing to acquire additional or temporary staff members to deal with the overload.”