

# Conflict Management Dynamics: Examining the Impact of Organizational Flexibility and Integrity Capacity

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**Abstract:** *In the evolving landscape of rapid technological advancements and global competition, organizational flexibility has become imperative for responding to market changes and introducing innovative products and services. This study explores the relationship between organizational flexibility and integrity capacity, focusing on conflict management. Grounded in the theory of Structural Cognitive Modifiability, the research investigates the interplay between process, judgment, developmental, and system integrity capacities and organizational flexibility. A conceptual framework is presented on organizational flexibility and organizational integrity capacity. The study hypothesizes no significant correlation between the mean score on organizational flexibility and integrity capacity. Specific research questions are formulated to examine these relationships. The literature review provides a theoretical foundation, dimensions of integrity capacity, and empirical studies exploring the connections between organizational flexibility, integrity capacity, and organizational performance. The study contributes to the existing body of knowledge by addressing a gap in understanding the relationship between organizational flexibility and integrity capacity, with implications for conflict management in contemporary business organizations.*

**Keywords:** *Judgement integrity capacity, Organizational flexibility, Organizational integrity capacity, Operational flexibility, Process integrity capacity, Strategies flexibility.*

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## INTRODUCTION

Traditionally, organizational structures have been designed to create a rigid framework where strict adherence to predefined procedures and activities is paramount. This rigid structure, characterized by clearly defined and specialized job positions, was aimed at ensuring efficiency, economies of scale, and the ability to standardize and mass produce. While this approach provided advantages, such as operational smoothness and strong chains of command, it also came with drawbacks, including a lack of flexibility and responsiveness.

In the current landscape marked by rapid technological advancements, heightened competition, and globalization, organizational flexibility has become imperative. Flexibility, defined as the ability to respond quickly and efficiently to market changes and technological advancements, is crucial for introducing new products and services promptly (Dias & Escoval, 2016). A truly flexible organization goes beyond mere adaptation; it actively contributes to market evolution by creating innovative products and services.

Organizations embracing flexible structures aim to exchange some of the benefits of traditional structures for increased responsiveness. This adaptability is closely tied to the organization's integrity capacity, a key factor in corporate reputational sustainability. Building and sustaining high integrity capacity involve enhancing employee skills and competencies aligned with organizational goals (Owhorji, 2021). This approach fosters integrity in both personal and professional aspects, contributing to a coherent unity of purpose and action within the organization. Firms with high integrity capacity are more likely to navigate moral complexity and conflicting values effectively, avoiding administrative pitfalls and irresponsible decision-making. Conversely, those with low integrity capacity risk eroding their reputational capital and facing strategic disadvantages. Neglecting integrity capacity enhancement poses risks that internal and external stakeholders may exact a price for. Contemporary business organizations are increasingly held accountable for such expanded strategic responsibilities.

The concept of flexibility extends across various organizational functions, including strategy, competitiveness, HR management, information systems, finance, and risk management (Nondakumar, 2014). This study hypothesizes that there is no significant correlation between the mean score on organizational flexibility and integrity capacity. The study's purpose is to investigate the relationship between organizational flexibility and integrity capacity, with a focus on conflict management. The literature review aims to achieve the following objectives:

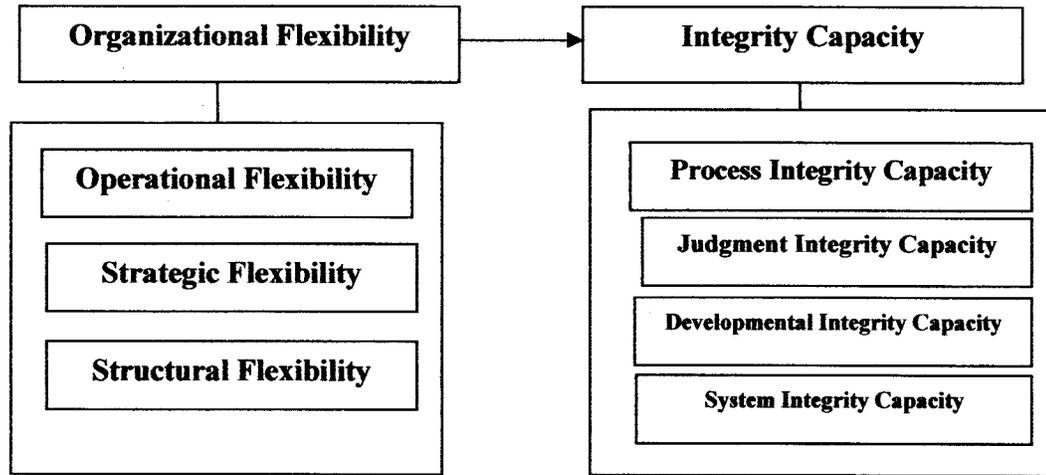
- i. Examine the relationship between process integrity capacity and organizational flexibility.
- ii. Assess the relationship between judgment integrity capacity and organizational flexibility.
- iii. Evaluate the relationship between developmental integrity capacity and organizational flexibility.
- iv. Measure the relationship between system integrity capacity and organizational flexibility.

To address these objectives, the study formulates specific research questions:

- i. What is the relationship between process integrity capacity and organizational flexibility?
- ii. What is the relationship between judgment integrity capacity and organizational flexibility?
- iii. What is the relationship between developmental integrity capacity and organizational flexibility?

- iv. What is the relationship between system integrity capacity and organizational flexibility?

**Conceptual Framework**



**Figure 1:** Conceptual Framework Depicting the Relationship Between Organizational Flexibility and Integrity Capacity

**Source:** (Glueck & Volberda 1999) for organizational flexibility and Patrick & Quinn (1997 & 1998) for organizational integrity capacity.

**LITERATURE REVIEW**

**Theoretical Foundation**

This study is grounded in the theory of Structural Cognitive Modifiability, conceptualized by Professor Reuven Feuerstein in 1990. Structural Cognitive Modifiability (SCM) elucidates the inherent capacity of human beings to alter the structure of their cognitive functioning, adapting to the evolving demands of life situations. It encompasses both external stimuli and changes in internal conditions, emphasizing an active engagement in the learning and transformative process. This adaptability extends to organizations, characterized as structural change when alterations in one-part impact the entire entity, transforming the rhythm, amplitude, and direction of the change, exhibiting self-perpetuating and autonomous characteristics. Structural cognitive modifiability is marked by changes that are permanent, pervasive, and generalizable. Recognizing that managerial flexibility influences organizational flexibility in a directly proportional manner, this understanding becomes a crucial tool for ensuring organizational survival. Hence, organizational leaders advocating flexibility should invest strategically to anticipate tangible organizational and business outcomes. (Feuerstein, 1990).

### **Concept of Organizational Flexibility**

Organizational flexibility pertains to an organization's ability to respond to both internal and external environmental dynamics. In the current era of globalization and rapid business evolution, companies must prioritize agile responses alongside efficiency (Volberda, 1999). Flexibility in this context denotes a manufacturing system's capability to adapt to diverse production tasks while maintaining economic efficiency over an extended period with minimal structural changes. This flexibility plays a central role in ensuring organizational survival and success amid turbulent circumstances.

### **Concept of Integrity Capacity**

Integrity is defined as the quality of moral self-governance at individual and collective levels. The construct of integrity capacity extends these principles to the collective realm, emphasizing the capability for repeated alignment of processes at moral awareness, deliberation, character, and conduct. Integrity capacity, defined as the quality of moral self-governance at individual and collective levels, extends the tradition of integrity literature in philosophy and psychology (Petrick & Quinn, 2000). The four key dimensions of integrity capacity-process, judgment, development, and system-constitute intangible strategic assets for organizations. High integrity capacity ensures a coherent unity of purpose and action in the face of moral complexity, safeguarding against reputational damage and strategic disadvantage. This construct encompasses repeated alignment of processes at moral awareness, deliberation, character, and conduct, promoting sustained moral development and supporting moral decision-making systems.

### **Dimensions of Integrity Capacity**

#### **1. Process Integrity Capacity**

Process integrity capacity involves the sustained alignment of individual and collective moral awareness, deliberation, character, and conduct, resulting in reputational capital (Rest, 1986; Fombrun, 1996; Petrick & Quinn, 2000). The need to address lapses in process integrity capacity arises from the routine fragmentation of business leadership's moral attention and behavior. Firms are encouraged to demonstrate conscientiousness and discernment in moral processes, fostering shared pride and strategic readiness.

#### **2. Judgment Integrity Capacity**

Judgment integrity capacity is the ability to balance the inclusive use of key ethics theories in the analysis and resolution of moral issues (Petrick & Quinn, 2000). The strategic asset of judgment integrity capacity is shaped by the degree of managerial, economic, and moral complexity handled by collective business leadership teams. Distorted judgment integrity capacity risks diminishing the environmental context for business, eroding the aggregate strategic asset of integrity capacity.

#### **3. Developmental Integrity Capacity**

Developmental integrity capacity entails the cognitive improvement of individual and collective moral reasoning capabilities, progressing from self-interested regard to collective commitment to universal ethical principles (Petrick, 1998). The highest cumulative achievement of individual

developmental integrity capacity forms an optimal ethical work culture, supporting collective commitment to enhancing integrity capacity as a strategic asset.

#### **4. System Integrity Capacity**

System integrity capacity involves aligning organizational processes and extra-organizational infrastructure to provide a supportive context for sound moral decision-making (Petrick & Quinn, 2000). The extent to which leaders continually improve internal ethical processes and the external moral environment determines the operationalization of aggregate integrity capacity as a strategic asset. Organizations must decide between a compliance-directed system and an integrity-directed system, with the latter involving collective commitment and institutionalized improvement beyond external compliance. Business leaders must be role models for process, judgment, and developmental integrity, and also build and sustain system integrity capacity to protect and enhance the firm's strategic assets.

#### **Relationship between Organizational Flexibility and Integrity Capacity**

The relationship between organizational flexibility and integrity capacity has not received comprehensive exploration in previous studies. Guokum and Yungan (2016) delved into this connection by examining the relationship between executive integrity and enterprise dynamic ability. In their empirical investigation, various indicators of organizational capacities were assessed, revealing distinct impacts on executive integrity:

- i. The marketing strength of adaptive capacity, the R&D intensity of innovation capacity, and the fulfillment of organizational flexibility goals exhibit a significant negative effect on executive integrity.
- ii. Conversely, the density and diversity of capital in adaptive capacity have a significant positive effect on executive integrity.

The study concludes that executives with poorer integrity tend to increase enterprise capital expenditure, expand production scale, and diversify product offerings. However, they allocate fewer resources to R&D, leading to diminished organizational performance. Given the limited availability of literature on the relationship between organizational flexibility and integrity capacity, the following section reviews relevant related studies.

#### **Empirical Studies**

Han (2005) conducted a seminal study aiming to investigate the influence of organizational size on flexibility and whether organizations exhibiting higher degrees of flexibility perform more effectively in rapidly changing environments. The study sought to shed light on the intricate and reciprocal relationships among organizational size, flexibility, and performance by constructing a dynamic model. The goal was to address the conflicting findings in existing theories. The results of the model analysis suggested that organizational flexibility is a multifaceted construct with multiple attributions that has often been overlooked in previous studies. The study argued that resolving debates about whether large or small organizations are more flexible, and whether flexible organizations outperform less flexible ones, hinges on clarifying the nuanced meaning of flexibility.

### **Relationship between Integrity Capacity and Organizational Size**

Building on this, Dias and Escovel (2014) delved into the internal and external dimensions of organizational flexibility and their impact on hospital performance. Their findings underscored the significance of aligning internal and external flexibilities for developing capabilities to embrace new strategic options. The study revealed that a cluster of dynamic hospitals, characterized by elevated levels of both internal and external flexibilities, exhibited double the level of performance compared to other clusters. In particular, the research emphasized the pivotal role of such interactions in influencing hospital performance. Notably, Dias and Escovel's investigation provided valuable insights into the relationship between integrity capacity and organizational size, and found a significant connection between these two factors.

### **Relationship between Integrity Capacity and Firm Performance**

Rogers (2015) conducted an empirical investigation that delved into four key research questions pertaining to manufacturing flexibility. The study sought to answer: (1) What comprises the components of manufacturing flexibility? (2) Is there a discernible relationship between manufacturing integrity capacity and organizational performance? (3) Does the implementation of integrated strategies reinforce the correlation between manufacturing integrity capacity and organizational performance? (4) Do certain organizational characteristics enhance the connection between manufacturing integrity capacity and organizational performance? Employing a cross-sectional survey design, data were collected from diverse manufacturing organizations spanning multiple industries. Common manufacturing metrics were utilized to quantify organizational performance, while measures for strategic integration and organizational infrastructure were also assessed. The findings of the study affirmed the hypothesized existence of the variables and their expected relationships. The research significantly contributes to the body of knowledge on manufacturing integrity capacity by unveiling correlations between its components, organizational performance, strategic integration, and organizational infrastructure (Rogers, 2015).

### **Relationship between Integrity Capacity and Organizational Strategic Integration**

Kozjek and Ferjan (2015) conducted a comprehensive examination of the correlation between various forms of flexibility and job security, and their impact on organizational efficiency. The research findings revealed a low positive correlation between different types of flexibility and security in the workplace. Additionally, a similar low positive correlation was observed between different types of flexibility in work and organizational efficiency.

In contrast, the study identified a positive and medium-strong correlation between various forms of job security and organizational efficiency. These results suggest that a higher level of security in the workplace is associated with increased organizational efficiency. As a practical recommendation, the authors advocate for legislators to be cognizant of these correlations when formulating legislative amendments related to the introduction of flexibility and security measures in the realm of employment. It is imperative that policymakers recognize the interplay between flexibility, security, and organizational efficiency to create effective and balanced legislative frameworks.

### **Relationship between Integrity Capacity and Organizational Efficiency**

Uslu (2015) conducted a comprehensive analysis of organizational flexibility within Turkish universities. The study revealed that the overall organizational flexibility in Turkish public universities is not notably high, mirroring the level of institutional autonomy calculated by the European University Association (EUA). Notably, financial autonomy emerges as a catalyst for fostering strategic flexibility within these institutions. Furthermore, the adherence to accommodating rules and regulations within the national higher education framework affords universities the latitude for both prescriptive and managerial flexibility.

In light of these findings, it becomes evident that heightened organizational flexibility is intricately linked to increased university autonomy across various dimensions, encompassing financial, managerial, employment, and academic spheres. The study underscores the dynamic interplay between organizational flexibility and the broader autonomy landscape, shedding light on the nuanced factors influencing the adaptive capacity of Turkish universities.

### **Relationship between Integrity Capacity and Organizational Autonomy**

Broekaert and Debackere (2016) aim to enhance our comprehension of the processes contributing to successful innovation within family firms. Their study delves beyond the traditional focus on Research and Development (R&D), encompassing organizational flexibility as a pivotal factor influencing innovation performance. Notably, the findings indicate that family firms, while exhibiting lower engagement in R&D activities, showcase heightened organizational flexibility. This flexibility, in turn, empowers them to adeptly develop novel products and surpass non-family owned businesses in the realm of process innovation.

### **Relationship between Integrity Capacity and Process Innovation**

Anastassiou, Santoro, Reeker, and Roseman (2016) proposed a method aimed at identifying contextual information relevant to business processes, with a focus on its potential impact on the process goal. Their research presents compelling evidence supporting the practical application of this method within the specified context. This contribution enhances the existing body of knowledge on business process flexibility, offering a novel approach to context identification that has the potential for integration with contemporary business process modeling techniques. Furthermore, it serves as a foundational element for existing strategies aimed at enhancing the adaptability of business processes. The findings of this study have strategic implications for organizational management, providing decision-makers with valuable informational support regarding the when, where, and why of adapting business processes.

### **Relationship between Integrity Capacity and Business Process**

Joseph and Quinn (1999) asserted that leaders in international organizations have a responsibility to enhance the intangible strategic asset of integrity capacity to promote global organizational excellence (Joseph & Quinn, 1999). To rectify the neglect of this crucial aspect, the authors intricately connected the four dimensions of integrity capacity with challenges in leadership development. Furthermore, they advocated for four specific management practices aimed at better preparing leaders to be accountable for the enhancement of integrity capacity as a strategic organizational asset (Joseph & Quinn, 1999).

### **Relationship between Organizational Flexibility and Integrity Capacity**

Cheng and Lin (2016) developed an exploitative framework, investigating the determinants of customer satisfaction and financial performance. Within this model, three key constructs were identified: supplier capability, organizational flexibility, and operational performance. Through structural equation method analyses, it was revealed that supplier capability exerted the most significant influence on operational performance (Cheng & Lin, 2016).

### **Relationship between Integrity Capacity and Organizational Performance: Implication for Conflict Management**

Flexible organizations, characterized by their responsiveness, exhibit a swift reaction to both internal dynamics and external challenges. This responsiveness is particularly evident in addressing anticipated conflicts among organizational members and competitors. Such proactive measures aim to enhance the organization's integrity capacity and safeguard its reputational capital.

In conflict resolution, accommodation emerges as a strategic approach readily embraced by flexible organizations. This strategy is implemented when the organization recognizes the necessity to accommodate the opposing party to establish peace and safeguard its reputational capital.

Furthermore, flexible organizations may consider collaboration as an alternative to address conflict-prone issues, thereby protecting their reputational capital. A practical illustration of this approach is evident in the telecommunications sector, where companies such as MTN and GLO may collaborate by sharing the same transmitter in disputed locations to mitigate conflicts. Ultimately, in situations where conflicts are anticipated to escalate, flexible organizations may opt for compromise on a decision that may not be entirely favorable. This cautious approach is taken with the overarching goal of preventing conflicts that could potentially damage the organization's reputation.

### **Conclusion**

The paper conducts a comprehensive review of the literature pertaining to two pivotal constructs within Organizational Studies: Organizational Flexibility and Organizational Integrity Capacity. A notable observation in the course of this review is the scarcity of empirical works examining the relationship between organizational flexibility and various other variables. These variables encompass Organizational Size, Organizational Infrastructure, Organizational Autonomy, Process Innovation, Business Process, Integrity Capacity, and Organizational Performance. The paper formulates alternative hypotheses based on the findings derived from the reviewed studies, highlighting the need for further empirical investigations to either substantiate or challenge these hypotheses.

The review underscores the paramount importance of organizational flexibility and integrity capacity within the organizational context. It convincingly establishes that both organizational integrity capacity and organizational flexibility serve as intangible strategic assets crucial for

positioning organizations competitively, particularly in periods of economic recession where dynamic operational models are imperative. The paper emphasizes the strategic significance of awareness among managers and other stakeholders regarding the nature and importance of integrity capacity as a strategic asset, emphasizing that such awareness is pivotal in averting the adverse consequences of neglecting integrity capacity. Moreover, the paper posits that a nuanced understanding of the ways in which diverse leadership approaches contribute to the components of integrity capacity, such as process, judgment, development, and system aspects, empowers managers and stakeholders to tangibly enhance this strategic asset comprehensively and with greater flexibility. Consequently, this knowledge equips them to navigate organizational challenges more effectively. The implications of these insights are profound, pointing towards the need for strategic investments in both organizational flexibility and integrity capacity to fortify an organization's competitive stance and resilience.

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