

## Effects of a Political conflict on Management Activities

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### Abstract

*Trade and conflict are as old as the civilization. Studying their relationship has become one of the foremost research subjects in this international age. Our basic argument is how does a conflict affect various activities of business management? We have taken the services sector as our focal point, selected three industries viz., hospitality, hospitals, and educational institutions. Identified various management activities and assessed the effect of conflict on them. Our study reached the conclusion that conflict has an adverse effect on all the management activities as a whole and the effect varies within the various activities. This study can be helpful in making active decisions in a business working in a conflict zone.*

**Keywords:** *Conflict in Kashmir, effects of a conflict, management, and political conflict, management activities, adverse effects of conflict, service sector and conflict.*

### Introduction

The present paper is part of my thesis titled, "Trade Practices in a Conflict Zone-An Empirical Study". There is a nexus between trade and conflict (Barbieri & Schneider, 1999). Normally trade has a positive impact on conflict, whereas conflict has a negative impact on trade (Mutsvangwa, 2016). In this paper, we have identified the management activities and evaluated the effect of conflict on them. Activities like sales, operations, finance, purchasing, and human resource. A management of a business may be involved in more than these activities, but these activities are prioritized. Through this study, we hope to shed some light on the relationship between the management and conflict, observe the effect of conflict on the service sector, and understand the effect of conflict on individual activities of management.

In this research, we study the link between management and conflict through the prism of the service sector. Although the service sector is dominant in the economies of most industrialized nations, it is the most poorly understood part of the economy (Metters & Maruchek, 2007). As we found from a review of literature that there exists a dearth of literature related to the conflict studies on the sector. This is an opportunity to expand on the current knowledge of trade conflict studies especially with regard to the service sector. We follow a monadic approach and study the effect on a single state, because in most of the studies conducted on trade conflict relationship inherently involves two or more states (Bayer & Rupert, 2004).

This study is very important due to the fact that a large number of people depend upon the service sector for their livelihood (Nayyar, 2009). The conflict has many effects on trade and this study is carried out to shed some light on those effects. The research will be confined to management

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and its activities in the services sector. This sector is growing very rapidly with new services coming up day by day. We need to have an understanding of how conflict affects these services in order to manage them better in a conflict zone. We have focused on three industries within the overall services sector in the state of Jammu Kashmir, namely: hospitality which represents the hotel industry, private hospitals in the valley and private educational institutions. This would add to the knowledge base on the effects of conflict on trade. This information will be very helpful for policy makers to formulate policies keeping in view the conflict and its effect on trade. Furthermore, this would pave way for future researchers to conduct research on this topic or on related fields. Businesses can gain an insight into the understanding of a conflict and make necessary changes in order to cope with the conflict.

Identification of primary management activities was the first step in this study. Using the “deductive method” (Goel, 2007) and discussions with experts (Goossens & Cooke, 2005), various variables were identified. Like Operations, Sales, Finance, Human resource, Purchasing. Various tests were also employed to check the reliability and validity of the scale. Management activities are defined as the generally recognized activity areas required to operate an organization. Some of these activities are traditional like finance, marketing, production, sales while others are contemporary like research and development, quality, technology (Larson & Halldorsson, 2004). For the purpose of this study, we have limited management activities to traditional only as they are common among businesses from any industry.

Various activities, which we have identified for the study as variables are also supported by the literature as activities are undertaken by businesses in their day-to-day working. Production and operations function is about applying business organization and management concepts in the creation of goods and services. In order to understand the effect on these variable respondents were asked about the overall working of their business, day to day activities, the effect from regular strikes and curfews, their ability to make/operationalize products and delivering quality service to customers (Panneerselvam, 2012). In any business organization, sales/marketing is the activity that generates income, deals with customers of the business. No matter how good your manufacturing process is, how cutting-edge your technology is, how good your financial objectives are or how broadminded and forward-looking your management practices are, you must still have a sales/marketing mechanism in place, or the whole thing is useless (Dalrymple, et al., 2004). Financial activity is one of the main function of business organizations, which forms the eternal and continuous process of any business unit. Investment decisions are closely knitted together with this function. Presently, every business concentrates more on the field of finance because, it is a very emerging, which reflects the entire operational and profitability position (Brigham & Ehrhardt, 2013). Personnel or human resource is a business activity concerned with hiring, motivating, and maintaining employees in an organization. Human resource function is concerned with issues related to employees for example hiring, training, development, compensation, motivation, communication, and administration. Human resource activity confirms the satisfaction of employees and determined contribution of employees to the attainment of organizational goals (Bratton & Gold, 2012). Purchasing means obtaining goods and services from some outside vendors. The object of purchase activity is to organize the supply of materials, spare parts, and services or semi-finished goods that are required by the organization to produce the desired merchandise (Benton Jr, 2010).

An economy can be divided into three sectors viz., Agriculture, Manufacturing, and Services (Das & Raut, 2014). This research is carried out only on the service sector part of an economy. There are a number of industries within the service sector. We have identified three industries namely, Hospitality, Hospitals and Educational Institutions for carrying out the research. The reason we selected these

three is that they are organized, tax paying, registered and at the same time data is available. Furthermore, our research focuses only on privately owned businesses. As public owned services may not show the full effect of conflict due to the presence of government shield.

### **1.1 Objectives of the Study**

- To understand the nexus between management activities and conflict.
- To observe the effect of conflict on the service sector.
- To understand the effect of conflict on individual management activities.

### **1.2 Hypothesis of the study**

Hypothesis, which we want to test in this paper, are as under:

**H1:** Conflict has an adverse effect on all management activities as a whole.

**H2:** In a conflict, some management activities get more affected than others.

## **2. Research Methodology**

The study is mainly based on the primary data which was collected with the help of a structured questionnaire from the privately-owned services business in Kashmir. The questionnaire addressed comprised of 43 items after purification of scale. The overall response rate was good from the respondents. We went with the sample size of 396 respondents which was reached with the help of a formula (Yamane, 1967). This study also uses the Likert scale to measure the effect of conflict on trade practices (Likert, 1932). The pilot test was conducted with an idea of testing the reliability and validity of the questionnaire designed and to understand the respondents' ease in answering the questionnaire. The primary concern regarding the length of the questionnaire, since it has 48 questions to measure 8 variables.

### **2.1 Purification of the Scale items**

Both qualitative and quantitative purification of the scale was carried out. Respondents were required to mention the time required to complete the questionnaire, items that were difficult to understand and answer any other general remarks. Respondents to pilot testing identified some statements as difficult to understand and answer. While some which gave the same meaning. This step involved checking the inter-item and item to total correlation. In our case, we have selected the value of .30 as critical. Items having less than .30 correlation will be removed. The correlation was followed by Exploratory Factor Analysis.

Inter-item and Item to total correlation were carried out. Items SCMV19 and FIV24 have a correlation of .22 and .24, respectively. As we have decided .30 as the critical value for our study. These two items are removed as the correlation is below 0.3 (<0.3). Inter-item correlations are an indispensable component in showing an item analysis of a set of questions from a test. Inter-item correlations study the degree to which scores from one item are associated with scores from all other items in a test. It is a way to access the redundancy in items. In other words, it checks the degree to which items on a scale are measuring similar things (Cohen & Swerdlik, 2005).

The result of the exploratory factor analysis for the different scale items used in the questionnaire. The sampling adequacy (KMO) for the overall construct is 0.517 and Bartlett's Test of Sphericity is significant at 0.000 which indicates that factor analysis is good for further analysis. While examining the rotated component matrix it was found that all the items loaded on their respective factors have good loading (>0.60) and commonalities (>0.5).

The tendency towards consistency found in repeated measurements of the same phenomenon is referred to as reliability (Carmines & Zeller, 1979). Internal consistency refers to the extent to which all of the items in a scale measure the different aspects of the same attribute. Cronbach's alpha is often used in assessing the reliability of tests. Cronbach's alpha ranges from  $r=0$  to 1, with  $r=0.70$  or greater considered as sufficiently reliable. In our case values for all the variables came up to be  $>.80$  which is within the acceptable limits. However, some items have poor loading below 0.60 were deleted in the final component matrix. The items SCMV15, SCMV18, SCMV22 from the component SCMV; item OPV6 from component OPV, and FIV23 from FIV have been deleted because of their poor loading (below 0.60). After conducting both qualitative and quantitative purification of items, it leads to the selection of final questions for the study.

## 2.2 Sampling

For achieving the purpose of the study 396 businesses from three service industries were selected. The owners or employees connected with these businesses were considered with the following criteria:

- The organizations selected for the study should be at least 5 years old.
- If an employee of the organization was present to fill the questionnaire he/ she should have an experience of at least 1 year.
- If an owner was present to fill the questionnaire no criteria was used.
- We used probabilistic stratified sampling in this study to select respondents for data collection.

The study carried out in the state of Jammu Kashmir. We have focused only on the Kashmir region as it is the feasible choice. The area (geographical) Kashmir, where there are around 1000 hotels, 47 hospitals and 91. As one of the criteria, all the business are privately owned. The target population was selected from the service sector in the state of Jammu and Kashmir.

## 2.3 Sample Size Determination

A sample size was determined on the basis of the following criterion:

- Most researchers consider a sample size of 200-500 respondents adequate for most of the management researches (Hill and Alexander, 2000).
- The sample size can be determined on the basis of the number of items in the questionnaire, for each item on the scale 5 to 10 respondents are adequate (Hair et al., 1998).
- The sample size was calculated using the sample size calculation formula.

The sample size was determined by a sampling population method using the following formula:

For finite population (Yamane, 1967):

$$n = \frac{N}{1 + N(e)^2}$$

For current study significance level 0.05,  $n$  stands for sample and  $N$  represents the population. The overall population of hotels was around 1000, hospitals were 47 and that of education institutes was 91. In the context of the above criterion, a sample size of 280 hotels, 42 hospitals, and 74 educational institutions was determined. To carry out the present study, a stratified sampling technique has been used for drawing the sample out of the defined population. The sample consisting of 396 privately owned service business organizations. Employees or owners were administered

questionnaires through the survey method. However, the industry wise distribution of the sample is depicted in the table as under:

### 3. Analysis and Discussion

In the first glance table 4, shows an obvious shift in pattern towards one side. When you ask people about the effect of conflict on their businesses. They all have responded with affirmation. With most selecting 5 on the Likert scale in almost all the questions which denoted “Strongly Agree”, that there is an effect of conflict on that particular management activity. Reason being while conducting the research, we observed that there are a lot of sentiments involved in this topic. Individually people sometimes may not have suffered due to conflict at all or may have suffered a little. But, they respond as per their perception of conflict. Which tells them that a conflict has an adverse effect on all the scenarios of life and trade, their businesses are no exception to it.

Taking an individual view of various variables investigated in the study reveals that the highest mean is scored in OPV1 at  $(4.64 \pm .655)$  i.e., *Conflict has affected the overall working of your business*. Whereas the lowest is scored in OPV5 at  $(4.47 \pm .875)$  i.e., *Your business has suffered from delivering quality service to customers*. In the case of sales/ customers/ marketing variable the highest mean is scored in SCMV13  $(4.61 \pm .648)$  i.e., *Your sales or revenues have decreased due to the conflict*. Whereas the lowest mean is scored in SCMV16  $(4.53 \pm .740)$  i.e., *You have lost customers or market share due to the conflict*. In case of finance/ investment variable the highest mean is scored in FIV26 and FIV29, at  $(4.56 \pm .742)$  and  $(4.56 \pm .678)$  respectively i.e., *Due to the conflict, you had to close your business / lose your capital and Costs of doing business in the state have increased due to the conflict*. Whereas the lowest mean for the variable is scored in FIV25 at  $(4.52 \pm .764)$  i.e., *Conflict has affected your decision to invest in a new business*. In the case of personnel/human resource/ employee variable the highest mean is scored in PHEV34  $(4.51 \pm .801)$  i.e., *Conflict acts as a hindrance to employee training and development*. Whereas lowest mean for the variable is scored in PHEV30  $(4.43 \pm .832)$  i.e., *Conflict hinders you from employing more people*. In case of purchasing/ vendor variable the highest mean is scored in PVV39  $(4.52 \pm .775)$  i.e., *Conflict affects your ability to switch vendors for being competitive*. Whereas the lowest mean for the variable is scored in PVV36  $(4.44 \pm .863)$  i.e., *Conflict has affected your relationship with your vendors*.

While looking at the results in the table taking an aggregate view of variables it reveals that SCMV has got the highest average score  $(4.57 \pm .414)$  indicating that this practice gets more affected in a conflict situation than any other practice followed by FIV  $(4.54 \pm .464)$  and OPV  $(4.53 \pm .475)$ . The highest mean for the sales/marketing/customer variable is in accordance with the fact that this activity or a function has a strategic value for a business in terms of its survival. So, respondents see this getting more affected than any other practice in today's highly competitive business environment. In particular, this leads us to the understanding that there is a concern for the alignment of the firm's SCMV strategy with the external business environment in such a way that they are able to keep their business running even in conflict situations.

#### 3.1 Hypothesis 1: *Conflict has an adverse effect on all management activities as a whole.*

Here we would test the claim that has to do with the nexus between business and conflict, to understand how conflict affects management activities as a whole. A management of a business is made up of various function and whether a conflict has an adverse effect on all of them or not? The overall effect of conflict on management is dependent on how various activities that make up the management are affected by a conflict in general and various individual actions

that make up these activities in particular. Thus, in order to understand the effect of conflict on management, we have examined it through the analysis of various activities that make up the management of a business in the services sector. For this purpose mean, standard deviation and t-test have been employed to test the hypothesis framed in this regard. Based on the literature review of the various trade and conflict studies, the following hypothesis was framed. *H1: Conflict has an adverse effect on all management activities as a whole.* The hypothesis stems from the findings which various previous studies have claimed that conflict has an adverse impact on trade (Barbieri & Schneider, 1999); (Hiscox, 2002); (Hegre, et al., 2010) besides these there are others who support the view that conflict has an adverse effect on trade. However, as we have pointed out that a business is made up of various functions coming together to achieve an objective. So we are asking whether a conflict has an adverse effect on all the management activities or not?

From table 1, a significant difference at 5% level of significance between average score and all the

**Table 1: Assessing the effect of conflict on management activities**

Variables	Mean	SD	T-values	Sig.	p-value	Status
OPV	4.53	.474	190.300	.000	<.00001	Accepted
SCMV	4.57	.414	219.330	.000	<.00001	Accepted
FIV	4.54	.464	194.361	.000	<.00001	Accepted
PHEV	4.46	.480	184.697	.000	<.00001	Accepted
PPV	4.47	.522	170.153	.000	<.00001	Accepted

*Df=395, Significant at 0.05 level*

variables considered assessing the stakeholders' response about the effect of conflict on management activities. On observing this the mean values, the highest mean score is witnessed for all the variables, which were tested, but respondents feel that some get affected more than others get. Like we see SCMV at 4.57 (i.e., Sales/ customers/ Marketing), OPV at 4.53 (Operation / production) and FIV at 4.54 (Finance / Investment). Different mean values indicate that there is a difference in the responses of various respondents when asked to evaluate the effect of conflict on their respective managements. We also conducted T-test to find out the t-value to show that there exists a link between management and conflict in the first place before checking the effect on individual activities. The large t-value with the Sig. level of 0.000 way below the significant value of 5% for all the variables indicates that the t-values are significant (Mir, 2015). This is an important predictor for the understanding effect of conflict on management activities and as such, the hypothesis H1 i.e., Conflict has an adverse effect on all management activities as a whole is accepted.

**3.2 Hypothesis 2:** *In a conflict, some management activities get more affected than others.*

To understand the effect of conflict on individual management activities. In total, it can be assumed that a conflict has an adverse effect on the general working of a business. Our hypothesis would be that a conflict does not affect all the management activities uniformly. Different activities require a

different environment to function. Some are internal to the business and some are external. Some are directly influenced by the environment some are indirect. Based on this view we have made a claim that the activities should not be uniformly affected, in other words, one should get more affected than others. This will depend upon the level of involvement with the external environment.

The comparison between the mean score of various management activities is presented in Table

**Table 2: Mean and SD comparison of different trade practices**

Codes	Description	Mean	Std. D	Status
SCMV	Sales/ Customer/ Marketing	4.5724	.41485	Accepted
FIV	Financial / investment	4.5475	.46559	Accepted
OPV	Operation / production	4.5338	.47411	Accepted
PVV	Purchasing / Vendor	4.4770	.52293	Accepted
PHEV	Personnel/ employees/ human resource	4.4675	.48073	Accepted

2. Mean comparison is used for investigation into the inclusive standard and change trend in data evaluation and its difference in the aspect of demographics (Qin & Fan, 2014). The results in the table show that the overall mean score of SCMV is higher than the rest of the activities, which depicts respondents, believe that Sales/ Customers/ Marketing getting more affected by conflict than any other activities. The Mean score in the table presented in descending order indicate that respondents have responded differently towards various management dimensions SCMV, FIV, OPV, PVV, and PHEV. Starting from the highest mean score to lowest respondents see that external activities or those which are more affected by external environment directly get more affected by conflict than activities, which are internal to the business. In our case, we asked respondents to rate their response to the effect of conflict on management activities on a 5-point scale. The mean for a group of 396 respondents for SCMV was highest at 4.57 with an SD of 0.414. Observing the mean alone communicates only part of the story, yet all too often; this is what we should focus on. The distribution of responses is important to consider and the SD provides a valuable descriptive measure of this. Hence based on the above discussion our second hypothesis, which is, H2: *In a conflict, some management activities get more affected than others*, is accepted.

**4. Findings**

Summarized major findings from the study are mentioned below:

- The conflict has an adverse effect and on all management activities. This finding is in conformity with various earlier works like (Barbieri & Schneider, 1999); (Hiscox, 2002); (Hegre, et al., 2010) who reached the same conclusion of the conflict having an adverse effect on trade. We have broken down management of a business into various activities and checked them individually. We found that the effect of each and every activity of a management is adverse.
- The conflict has an adverse effect on the service sector as well. Most of the studies on trade conflict relationship always target manufacturing data or data from the balance of trade between countries. Rarely individual sectors are isolated and checked for impact. In our study, we accomplished this task.
- Conflict affects various management activities like SCMV, FIV, OPV, PVV, and PHEV differently. Various studies support the findings that a conflict has an adverse impact on trade. We also found that it has an adverse effect on management. But, at the same time, it is not uniform. Some business functions get more affected than others.
- The conflict has a more adverse effect on Sales / Customers / Marketing functions of a business than

on any other functions. This function is where business generates revenues by serving its customers. This is also the point of contact between a business and its customers.

## **5. Conclusion**

Trade and conflict studies have rapidly become one of the leading research topics in the new millennium. It is about equipping management with tools and techniques in a conflict zone to manage businesses day to day interactions with the environment it operates in. Our basic argument was how does a conflict affect different activities of management especially, in the service sector? In this study, we have broken down management into various functions and evaluated the effect of conflict individually on each one of them. We have come to the conclusion from this research study that conflict has an adverse impact on management as a whole which includes its various practices/functions. The level of impact varies from one function to another. Making conflict one of the key factors for businesses to consider while working in a conflict zone. This study provides insight into the minute effects of the conflict on management giving us the opportunity to further our research on the topic in the future. As we found out that the conflict has a more adverse effect on Sales / Customers / Marketing function of a business than on any other functions.

## **6. Limitations**

The study adds a meaningful contribution in the field of trade conflict relationship, but it still suffers from certain limitations. We collected the data from the respondents with the help of a questionnaire from Kashmir valley only. This affects the findings as they are limited to the valley and a caution should be adopted while generalizing them to other locations. When asking about the conflict and its effects, emotions have a role to play. There might be some biases from the respondents towards the conflict situation. The respondent may have felt insecure while replying to some of the questions even though they were given full surety of anonymity. The study is based on a new model, as no previous work has been carried out in this format. We tested it both ways qualitatively and quantitatively. It will still require more revision in the future from the researchers to make it more effective.

## **7. Future Research Scope**

The present study is limited to the Kashmir valley in the state of Jammu Kashmir on three industries from the service sector. For future researchers could replicate the current study at Jammu or Ladakh regions of the state. They can also conduct research in other conflict-ridden states of the country for comparisons. A comparative study between various sectors of the economy also has a potential in the field. Researchers can further revise, replicate and extend this model by including more factors which can be significant in the study of trade conflict relationship.

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