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Assistant professor of Law

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Avinash Kumar



learning.

Avinash Kumar has completed his Ph.D. in International Investment Law from the Dept. of Law & Governance, Central University of South Bihar. His research work is on "International Investment Agreement and State's right to regulate Foreign Investment." He qualified UGC-NET and has been selected for the prestigious ICSSR Doctoral Fellowship. He is an alumnus of the Faculty of Law, University of Delhi. Formerly he has been elected as Students Union President of Law Centre-1, University of Delhi. Moreover, he completed his LL.M. from the University of Delhi (2014-16), dissertation on "Cross-border Merger & Acquisition"; LL.B. from the University of Delhi (2011-14), and B.A. (Hons.) from Maharaja Agrasen College, University of Delhi. He has also obtained P.G. Diploma in IPR from the Indian Society of International Law, New Delhi. He has qualified UGC - NET examination and has been awarded ICSSR - Doctoral Fellowship. He has published six-plus articles and presented 9 plus papers in national and international seminars/conferences. He participated in several workshops on research methodology and teaching and

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OPTIMIZING LEADERSHIP IN ORGANIZATIONAL CONFLICT

AUTHORED BY: ISHAAN DEEPAK JOSHI

Institutional Affiliation: MIT-WPU Faculty of Law

Abstract

This article explores conflict resolution in organizational leadership, focusing on mediation, arbitration, and med-arb processes. Leaders often act as informal mediators, and this study analyzes their roles, comparing them with formal third parties. The dynamics of mediation, including information sharing and joint problem-solving, are contrasted with potential drawbacks in med-arb. The obstacles to dispute resolution within organizations and suggests mediation as a preferred approach are outlined. It concludes by highlighting leadership objectives, emphasizing fairness, efficiency, time management, policy establishment, and addressing ethical violations. The importance of inclusivity and sustainable conflict settlement in organizational leadership is underscored.

Keywords: Conflict Management, Mediation Processes, Arbitral Decision-Making, Leadership Dynamics, Organizational Dispute Resolution

Introduction

Conflict is a frequent occurrence in leadership since it entails the task of making alliances among differing interests, establishing agreement, and converting arguments into productive discussions. Competent leaders are often seen as skilled negotiators, but they also serve as informal mediators or arbitrators in resolving conflicts.¹ These activities intersect with the aptitudes and obligations of leadership. The objective of this article is to use knowledge from formal conflict resolution research to enhance leadership practice and provide organizational leaders with fresh perspectives for evaluating dispute management techniques.

¹ Thompson, Leigh & Kim, Peter H. 2000. How the quality of third parties' settlement solutions is affected by the relationship between negotiators. *Journal of Experimental Psychology*, 6(1): 3-14.

We explore three formal methods of resolving disputes: mediation, arbitration, and "med-arb." The similarities and differences between leaders and formal third parties in the context of conflict resolution are examined, along with the benefits and drawbacks of these three conflict resolution processes, considering unique obstacles to resolving disputes and leadership goals. Comprehending the significance of leaders in handling conflicts is essential for proficient leadership.

Unraveling the Roles in Dispute Resolution

A mediator is an impartial person who facilitates the resolution of disputes between competing parties by organising private and collaborative discussions with the goal of achieving a mutually agreed-upon solution.² These sessions are usually held to investigate the participants' interests, discuss possible solutions for resolving the issue, and create a final agreement that is acceptable to all parties involved. An arbitrator is an impartial individual responsible for rendering a legally enforceable judgement to settle a conflict.³ This process includes organising a formal session where the involved parties may articulate their stances and provide substantiating evidence.

Both mediators and arbitrators have significant influence over the process of resolving disputes, but arbitrators are expected to assume authority over the final settlement of the issue.⁴ Practically, there are instances when the distinction between mediators and arbitrators might become indistinct. Weaker mediator positions include a third person who lacks understanding of the subject matter of the dispute. They serve as impartial facilitators to ensure a fair and meaningful debate.

Mediators with enhanced capabilities may propose resolutions, prepare agreements, and exert influence on parties to achieve a certain outcome. These more influential mediators are unable to impose solutions, but they may significantly influence how the parties reach a resolution to the disagreement.⁵ Med-arb mediation is a biphasic process. During the first stage, the parties endeavour to achieve a consensual resolution with the assistance of a third party serving as a

² Babcock, Linda & Loewenstein, George. 1997. Explaining bargaining impasse: The Role of self-serving biases. *Journal of Economic Perspectives*, 11(1), 109-126.

³ Tyler, Tom R. 1986. Procedural justice in organizations. In R. J. Lewicki, B. H. Sheppard & M. H. Bazerman (Eds.), *Research on negotiation in organizations*. Greenwich, CT: JAI Press.

⁴ Babcock, Linda, Loewenstein, George, Issacharoff, S. & Camerer, Colin. 1995. Biased judgments of fairness in bargaining. *American Economic Review*, 85(5), 1337-1343.

⁵ Babcock, Linda, Wang, X.H. & Loewenstein, George. 1996. Choosing the wrong pond: Social comparisons in negotiations that reflect a self-serving bias. *Quarterly Journal of Economics*, 111(1): 1-19.

mediator.

In the event of a failed first phase, the third-party transitions from the mediator function to the arbitrator role and renders a decision that is legally enforceable. According to research, mediators who can force a resolution tend to act like more dominant mediators, making assertive interventions and using force to get the parties to agree.⁶

Mediation, Arbitration, and Med-Arb Dynamics

Mediation processes have high but not perfect agreement rates, with an estimated 60 to 80 percent in some research. The greatest advantage of arbitration and med-arb processes over straight mediation is that the third party retains the right to decide the outcome of the dispute.⁷ The strongest advantage of mediation and med-arb procedures over straight arbitration is the feeling of control that the parties have over the final outcome.

Research shows that the more decision control the parties perceive themselves to have, the fairer the process and outcome. Fair processes are important for dispute resolution as they enhance participants' satisfaction, improve relations between parties, and prevent the emergence of new problems or the recurrence of past disputes.⁸ If parties do not perceive a dispute resolution process to be fair, they are more likely to resist the outcome actively or passively.

Another advantage of mediation over arbitration is the potential for enhanced information sharing and joint problem-solving between the parties. The parties' principal responsibility in mediation is to reach a mutually beneficial solution, while in arbitration, the parties' principal responsibility is to persuade the third party of their position in the dispute.⁹

Mediators tend to be better positioned to surface all relevant information, identify shared interests, explore options for joint gains, and maximise the efficiency of the dispute resolution outcome.¹⁰

⁶ Thibaut, J. & Walker, L. 1975. *Procedural justice: A Psychological analysis*. Hillsdale, NJ: Erlbaum.

⁷ Beer, Jennifer E. & Stief, Eileen. 1997. *The Mediator's handbook*. Gabriola Island, British Columbia: New Society Publishers.

⁸ Sheppard, Blair H., Saunders, David M. & Minton, John W. 1988. Procedural justice from the third-party perspective. *Journal of Personality and Social Psychology*, 54(4): 629-637.

⁹ Brett, Jeanne M. & Goldberg, Stephen B. 1983. Grievance mediation in the coal industry: A Field experiment. *Industrial and Labor Relations Review*, 37:49-69.

¹⁰ Sheppard, Blair H. 1984. Third party conflict intervention: A Procedural framework. In B. M. Staw & L. L. Cummings (Eds.), *Research in organizational behavior*. Greenwich, CT: JAI Press.

However, one potential downside of med-arb compared to straight mediation is that parties may be reluctant to share information during the mediation phase if the sharing might reflect negatively on their case in the arbitration phase.

Leaders in Conflict Resolution: Autonomy, Personal Connections, and Organizational Dynamics

The three formal conflict resolution methods (mediation, med-arb, and arbitration) exhibit significant similarities in the positions assumed by leaders. For instance, a Chief Executive Officer (CEO) may assume the role of a mediator in resolving disagreements among board members. This involves encouraging consensus on effective resolutions to governance matters and assisting parties in finding their own answers, rather than intervening directly to solve their problems on their own.¹¹ However, leaders, in contrast to official third parties entrusted to these tasks, seldom get advantages from explicit procedural norms.

The increased autonomy of leaders offers the benefit of adaptability in their decision-making, but it also generates ambiguity about the most suitable course of action. Organisational conflicts are often less clearly defined and delineated compared to those that are referred to by official third parties.¹² Leaders must independently determine the scope of the problem, identify the relevant stakeholders to engage in the problem-solving process, and decide on the proper approach to handle the issue.

Another element that adds complexity to the responsibilities leaders take in conflict resolution is that leaders seldom approach problems with complete detachment and impartiality. Parties sometimes use formal third parties for their impartiality, neutrality, and experience in resolving disputes.¹³ Organisational leaders often maintain continuous ties with the individuals involved in the disagreement and have a personal interest in the resolution of the conflict. Leaders must consider how their participation in conflict resolution may impact their continuing connection with the parties involved and how different possibilities for settling the issue might influence their own self-interest.

¹¹ Burns, James MacGregor. 1978. *Leadership*. New York: Harper & Row.

¹² Shapiro, Debra L. & Brett, Jeanne M. 1993. Comparing three processes underlying judgments of procedural justice: A Field study of mediation and arbitration. *Journal of Personality and Social Psychology*, 65(6): 1167-1177.

¹³ Carnevale, P.J. 1986. Mediating disputes and decisions in organizations. In M. Bazerman, R. Lewicki & B. Sheppard (Eds.). *Research on negotiation in organizations*. Greenwich, CT: JAI Press.

The parties' perceptions of the leader's good affiliation with either their own side or the opposing side of the conflict are also likely to have an impact on their expectations for the outcome. This perception may affect their satisfaction with both the procedure and the final result.¹⁴ To summarise, organisational leaders often have more autonomy in selecting their approach to resolving disputes and generally have a higher level of investment in the final result.

Optimizing Organizational Conflict Resolution: Strategies and Challenges

This section examines five obstacles to resolving disputes inside an organisation and outlines five goals that leaders might strive towards. An arbitration technique entails a comprehensive examination of both parties' arguments, followed by the issuance of a definitive judgement to resolve the situation.¹⁵ A mediation approach seeks to facilitate collaboration between parties in order to reach a settlement. This is done via the use of process tools such as private and joint meetings, investigating their interests, researching potential solutions to the disagreement, and assisting in the creation of an effective and long-lasting agreement.¹⁶

A mediation strategy necessitates refraining from forcing a solution on the parties involved while still allowing the leader to have significant influence on the ultimate outcome. A med-arb method employs a combination of mediation techniques while explicitly informing the parties involved that if they fail to establish a consensus, the mediator will listen to both sides and enforce a resolution. Leaders should carefully assess the significance of conflicting factors and choose the method that they believe is most suitable for the challenge at hand.¹⁷

Mediation or mediation-arbitration may facilitate collaboration between parties, resolve complex conflicts involving several issues, and include other stakeholders. However, it might exacerbate prejudice by directing parties towards prioritizing victory over reaching a compromise.¹⁸ The suggested process approach seeks to optimize fairness, efficiency, time cost, policy

¹⁴ Selznick, P. 1957. *Leadership in administration*. Evanston: Row, Peterson.

¹⁵ Conlon, Donald E. 1988. The Mediation-intravention discussion: Toward an integrative perspective. *Negotiation Journal*, 2: 143-148.

¹⁶ Sander, Frank E. A. & Goldberg, Stephen B. 1994. Fitting the forum to the fuss: A User-friendly guide to selecting an ADR procedure. *Negotiation Journal*, 10(1): 49-67.

¹⁷ Conlon, Donald E., Carnevale, Peter J. & Murnighan, J. Keith. 1994. Intravention: Third-party intervention with clout. *Organizational Behavior and Human Decision Processes*, 57: 387-410.

¹⁸ Ross, William H. & Conlon, Donald E. 2000. Hybrid forms of third-party dispute resolution: Theoretical implications of combining mediation and arbitration. *Academy of Management Review*, 25(2): 416-427.

establishment, and ethical issue resolution. Leaders should primarily focus on setting policy or precedent, while parties should take responsibility for resolving their own specific difficulties. Nevertheless, the validity of mediation results may be compromised if the process is not carried out in a sincere and honest manner or if there is an unequal distribution of power between the parties involved.

Leaders often participate in conflicts owing to apprehensions over the potential result or their own vested interests. Nevertheless, several conflicts emerge inside organisations that leaders are unable to handle independently owing to their limited jurisdiction.¹⁹ Studies indicate that managers who do not possess the necessary power to enforce a resolution are more prone to failure when attempting to dictate the actions that the involved parties should take in order to resolve disagreements.

Mediation is beneficial because it increases the participants' sense of ownership in the process of addressing the issue while also giving the leader a substantial effect on the actual solution. Mediators have the potential to get very engaged in the intricacies of resolving conflicts and use their position, power, and resources to sway the parties towards a certain outcome.²⁰ Mediation is the recommended approach for resolving problems when leaders lack the power, either official or informal, to handle them independently.

The contentious nature of a disagreement between coworkers might result in a dearth of collaborative resolutions and a tendency to enforce one's own answer. Leaders who resolve conflicts among their colleagues, for instance, via the use of arbitration, may inadvertently foster a reliance on their superiors for assistance rather than promoting collaboration within the team.²¹ If the leader's answer seems inequitable or fails to address their main issues, the inclination to adhere to the leader's approach may diminish.

When constructive collaboration is not feasible, leaders and organisations should prioritise

¹⁹ Conlon, Donald E., Carnevale, Peter J. & Ross, William H. 1994. The Influence of third party power and suggestions on negotiation: The Surface value of a compromise. *Journal of Applied Social Psychology*, 24(12): 1084-1113.

²⁰ Conlon, Donald E. & Ross, William H. 1992. Influence of movement toward agreement and third party intervention on negotiator fairness judgments. *The International Journal of Conflict Management*, 3(3): 207-221.

²¹ Raiffa, Howard. 1982. *The Art and science of negotiation*. Cambridge, MA: Harvard University Press.
_____. 1983. Mediation of conflicts. *American Behavioral Scientist*, 27(2): 195-210.

mediation or med-arb strategies over arbitration. These approaches help parties develop problem-solving skills and enhance their dedication to the resolution of the dispute.²² This methodology facilitates the acquisition of problem-solving skills by the involved parties and enhances their dedication to achieving a favorable settlement.

The complexity of organisational difficulties may exceed their first appearance, and treating the immediate issue alone may not be enough to avoid future occurrences of the underlying basic concerns. Instances such as disagreements on the quality of job output or promptness in responding to emails might indicate underlying organisational problems. Leaders may use mediation or med-arb techniques to collaboratively assess the issue with the other parties and support a more comprehensive settlement of the conflict.²³ After establishing a more productive understanding of the problem and brainstorming potential solutions for larger concerns, the leader can further support the problem-solving process by assisting the parties in generating innovative pathways for reaching an agreement, setting deadlines, and ensuring the agreement is followed through.

Med-arb techniques are more advantageous than pure arbitration because they allow the leader to gain a more comprehensive awareness of the issue and potential solutions during the first mediation phase.²⁴ In contrast, pure arbitration involves parties competing to convince the leader to rule in their favour, limiting the leader's grasp of the situation. These tactics are very efficient in optimising the exchange of information and collaborative problem-solving, which are often crucial in resolving complex, multi-faceted conflicts. Leaders should consider using mediation or med-arb techniques when attempting to settle issues for which they lack the requisite official or informal authority.

The involvement of several parties may impede the process of resolving a conflict and the long-term sustainability of the settlement once an agreement has been reached. An example of a resolution for a conflict between the IT and finance departments about the introduction of new accounting software may be achieved via the process of arbitration. Nevertheless, this strategy

²² Duffy, Karen, Grosch, James & Olczak, Paul. (Eds.). 1991. *Community mediation: A Handbook for practitioners and researchers*. New York: The Guilford Press.

²³ Pruitt, Dean G. & Rubin, Jeffrey Z. 1986. *The Intervention of third parties*. In *Social conflict: Escalation, stalemate, and settlement*. New York: Random House. _____ . 1986b. *Social conflict: Escalation, stalemate and settlement*. New York: Random House.

²⁴ Gardner, John W. 1990. *On leadership*. New York: The Free Press.

may fail to alleviate the apprehensions of administrative personnel about the intricacy of the programme.²⁵ Additionally, individuals may perceive that they are entitled to have a say in the execution of modifications and may oppose proposals that are made without their involvement.

Studies indicate that individuals are more inclined to endorse judgements reached via an equitable procedure if they are actively involved in the decision-making process. Consequently, an arbitration method would not adequately resolve the concerns of administrative personnel, since their collaboration is essential for the effective implementation of the new system.²⁶ Alternatively, one may use a mediation or med-arb approach, which would include engaging in discussions with administrative personnel and cultivating a more inclusive feeling of responsibility for the ultimate resolution. This method enables leaders to foster inclusivity and promote the sustainable settlement of conflicts in the presence of obstacles presented by stakeholders.²⁷

Self-serving biases in conflict resolution may result in a diminished willingness for parties to make essential compromises. These biases prioritise information that aligns with their perspective and divert attention from conflicting or contradictory facts.²⁸ In teacher contract discussions, teachers and school boards mostly emphasise comparing remuneration with districts that provide greater pay, while school boards primarily concentrate on comparing with districts that offer lower pay. Although it may seem to be a straightforward instance of strategic behaviour, research indicates that parties are resistant to being swayed from their self-serving beliefs. Despite researchers offering additional financial incentives for correctness, both parties maintain the belief that a neutral third party will ultimately decide the issue in their favour.

An effective debiasing strategy to mitigate self-serving biases involves instructing each side to document all the holes in their argument. This encourages those involved in a dispute to consider material that contradicts their own position in addition to supporting evidence, resulting in a more

²⁵ Pruitt, Dean G., Peirce, Robert S., McGillicuddy, Neil B. & Welton, Gary L. 1993. Long-term success in mediation. *Law & Human Behavior*, 17(3): 313-330.

²⁶ Karambayya, Rekha & Brett, Jeanne M. 1989. Managers handling disputes: Third-party roles and perceptions of fairness. *Academy of Management Journal*, 32(4): 687-704.

²⁷ Picker, Bennett G. 2003. *Mediation practice guide: A Handbook for resolving business disputes*. 2nd ed. Washington D.C.: American Bar Association.

²⁸ Karambayya, Rekha, Brett, Jeanne M. & Lytle, Anne. 1992. Effects of formal authority and experience on third-party roles, outcomes and perceptions of fairness. *Academy of Management Journal*, 35(2): 426-438.

equitable and unbiased understanding of the situation.²⁹ Self-serving biases are heightened when subordinates anticipate a leader using an arbitration method, since their primary concern is winning the case rather than reaching a compromise solution. It is recommended to use a mediation or mediation-arb approach to assist parties in overcoming self-serving biases that hinder their capacity to settle their own conflicts.³⁰

Fairness, Efficiency, Time, Policy, and Ethics

The five leadership objectives encompass enhancing the perceived fairness of the dispute resolution process and its outcome, optimising the outcome's efficiency in generating maximum value for the organisation, parties involved, and the leader, minimising the time required for resolving the dispute, establishing a policy or precedent, and rectifying ethical violations or power imbalances.

Leaders are more susceptible to having their neutrality doubted compared to other official mediators, since the perception of fairness greatly influences the satisfaction and dedication of parties involved in resolving conflicts.³¹ Experts in the field of organisational conflict resolution highly recommend the use of mediation or med-arb techniques rather than arbitration methods in order to enhance the perceived equity of the dispute resolution process and its final result.

Mediation methods are often more effective than arbitration processes in facilitating the exchange of information on the fundamental interests driving the conflict and the potential solutions for resolving the issue in a mutually advantageous way.³² The leader may use a mediation or med-arb method to optimise the benefits for all parties involved in the problem-solving process. Collaboration with the parties both collectively and individually, understanding the problem and their concerns, and weighing the advantages and disadvantages of various potential solutions are all necessary to achieve this.

²⁹ Northouse, Peter G. 2001. *Leadership: Theory and practice*. 2nd ed. Thousand Oaks, CA: Sage.

³⁰ Kolb, Deborah M. 1985. Roles mediators play: Orchestrator and dealmakers (Chapter 2). In *The Mediators*. Cambridge, MA: MIT Press.

³¹ Neustadt, Richard E. 1990. *Presidential power and the modern presidents: The Politics of leadership from Roosevelt to Reagan*. New York: The Free Press.

³² Kolb, Deborah M. & Sheppard, Blair H. 1985. Do managers mediate, or even arbitrate? *Negotiation Journal*, 3: 379-388.

Reducing time expenses is another crucial goal for leaders in resolving conflicts. Mediation or med-arb strategies offer significant benefits in terms of fostering trust and inclusivity, facilitating the exchange of information and understanding different perspectives, ensuring fair procedures, and achieving efficient outcomes. However, it is important to note that these strategies may require organisational leaders to invest more time compared to an arbitration strategy.³³ Leaders must evaluate if the amount of time needed for a mediation or med-arb approach is justified, considering the magnitude and consequences of the conflict.

Leaders strive to establish policies or precedents for a crucial purpose. They must evaluate if it is more advantageous for the organisation to address the specific dispute's intricacies or elevate the matter to a policy level.³⁴ For instance, a conflict between a salesman and her boss about an end-of-year bonus may be resolved by using a mediation or med-arb approach, which would enhance their professional rapport and facilitate the discovery of an innovative resolution. Nevertheless, if the head of the department recognises the need for a more comprehensive policy, an arbitration-based approach may be more suitable than a mediation or med-arb approach.

Addressing an ethical transgression or power disparity is another crucial goal for leaders in the process of resolving conflicts. Mediation procedures have three primary weaknesses. Firstly, such solutions relinquish control of the decision-making process to the involved parties, thereby enabling unethical conduct and undermining the organisation's interests. Furthermore, mediation may be seen as a kind of facilitated bargaining, which may diminish the credibility of the mediation procedure and result in one party's capacity to advocate for their own interests being hindered or jeopardised.³⁵ Ultimately, mediation effectively addresses the issues faced by a certain group of individuals. However, it may be more suitable to punish transgressions rather publicly and definitively than seek private resolutions to the problem.³⁶

³³ McGillicuddy, Neil B., Welton, Gary L. & Pruitt, Dean G. 1987. Third-party intervention: A Field experiment comparing three different models. *Journal of Personality & Social Psychology*, 53 (1): 104-112.

³⁴ Lax, D. & Sebenius, J. 1986. *The Manager as negotiator: Bargaining for cooperation and competitive gain*. New York: Free Press.

³⁵ Loewenstein, G, Issacharoff, S., Camerer, C. & Babcock, L. 1993. Self-serving assessments of fairness and pretrial bargaining. *Journal of Legal Studies*, 22(1): 135-159.

³⁶ Lind, E. A. & Tyler, T. R. 1988. *The Social psychology of procedural justice*. New York: Plenum Press.

Concluding Remarks

Mediation, med-arb, and arbitration are conflict resolution techniques that may be used to tackle leadership difficulties in organizational settings. These tactics possess their merits and drawbacks, depending on obstacles to consensus and leadership goals. The comparison between formal third parties and informal leaders' functions is imperfect since the positions of leaders are more susceptible to interpretation and improvisation. Acquiring knowledge about alternate conflict resolution procedures may assist leaders in devising strategies and effectively handling their own organizational issues. Additional investigation is required to examine the significance and constraints of formal alternative conflict resolution procedures for leadership.

