Conflict Management
From the Elements
to the System

*Executive summary of
our study on organising
practical knowledge
and innovative practice
in the area of conflict
management within
German companies*

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A   Approach, objective and methodology of the study

In recent years, it has become increasingly apparent that dealing with conflicts is one of the few remaining areas in the corporate sector where fundamental innovation and relevant cost optimisation are possible. Innovation can be realised with the introduction of conflict management measures which improve employee satisfaction and enhance a company's reputation in the eyes of customers and business partners.

Our initial study, published in 2005, highlighted a significant discrepancy between wishes and requirements in dealing with conflicts in companies on the one hand and the actual handling of conflicts on the other. Concerning the subject areas examined in this current study, there is again a clear discrepancy: between the obvious economic benefits and positive effects on corporate culture of optimised conflict management structures and the status quo of their actual implementation.

Through the analysis of corporate practice and numerous interviews with company representatives it became evident that the outline of the established conflict management structures and the methods chosen by companies that are already optimising their way of dealing with conflict differ widely. Concerning conflicts in the workplace, the implemented measures range from training conflict navigators to the establishment of ombudspersons and establishing a pool of mediators. Concerning conflicts between companies, the classic range of arbitration procedures has been expanded to include mediation or expert determination as well as corresponding new contract clauses; some companies have also developed technology-based procedures for selecting the most suitable approach for a specific conflict.

A systematic exchange of ideas on these issues between companies – which is common practice in many other fields – was lagging for a long time; even within the company the implemented measures were often neglected at the beginning.

However, since it has become increasingly apparent that a lack of engagement and investment in conflict management has negative effects on companies (loss of efficiency, high direct and indirect conflict costs, employee discontent and high staff turnover, disregarding the potential for change, losing affiliation with the circle of innovative companies in an area which is equally relevant for employees and business partners) this situation has now noticeably changed. The "Round Table Mediation and Conflict Management of the German Economy" (Round Table), founded in 2008, comprises around 30 German companies that concentrate on and promote the potential for innovation in the area of corporate conflict management. Due to the continuous academic support and evaluation of the Round Table by the Institute of Conflict Management at European University Viadrina Frankfurt (Oder), important developments from practical experience can be immediately incorporated into scientific work and at the same time impulses from research can be incorporated directly into every-day practice.

The present study focuses and systemises practical knowledge and success models that are already practiced in German companies represented at the Round Table by comparing these with current theories and literature about conflict management and conflict systems. The aim is to make development possibilities in the area of conflict management accessible in a condensed and practice-oriented manner.

With the active involvement of the companies committed to the Round Table, this study aims particularly at

- establishing a sustainable terminology in the area of conflict management which is supported by German companies,
- recording and analysing exemplary initiatives of conflict management measures in order to encourage their transfer into practice,
- highlighting potential for optimisation and synergy effects that can be realised through combining various measures (elements) to a conflict management system,
- presenting detailed strategies for establishing or optimising conflict management in companies.

1 The overall concept of the study series

Initiated and issued by the collaborative efforts of PricewaterhouseCoopers (PwC) and the Institute of Conflict Management in 2005, the study series accompanies the current paradigm shift in conflict management practiced in German companies throughout one decade. A total of five complementary studies will be supplemented by insights gained through conferences also taking place within that decade. At these conferences, the research findings are discussed intensively with decision makers and stakeholders from the companies. Additionally, new research questions are identified.

The first study *Commercial Dispute Resolution – a Comparative Study of Dispute Resolution Procedures in Germany*, published in 2005, focused on the status quo of the approaches of large German companies in dealing with conflicts with other companies. This study showed a significant discrepancy between attitude and actual behaviour with regard to handling conflicts.

The current third study aims to clarify the following questions:

- What are the various elements in the field of conflict management and how are these shaped in practice?
- How can these single elements be arranged into categories which can then serve as components for the systematic creation of an efficient conflict management structure?
- How can these components be established, combined and coordinated for developing a convincing conflict management system that is tailored to meet the respective needs of the individual companies?

The fourth study, planned for 2013, will address the cross-sectoral topics of cost, controlling and quality assurance. The final fifth study *Ten Years later – where does Conflict Management Practice stand in German Companies in 2015?* will provide an updated overview and a summary of the quantitative and qualitative developments regarding conflict in the corporate sector.

2 Procedure and methodology of the current study

The current study introduces essential terminology and presents the model of the conflict management system and its core components.

This introduction is followed by five empirical focus studies on the topics of ombudspersons, mediator pools, conflict management of external conflicts, case documentation and establishment strategies which depict in-depth examples of application opportunities for the single elements of conflict management and potential for their development or expansion.

Conclusions and recommendations for actions based on the theoretical foundation and the empirical focus studies round off the study. These are designed to offer interested companies hands-on criteria and stimuli for the development of their own measures. Along with the empirical findings of the focus studies, all explanations provided herein are based on numerous exchanges with experts and group discussions at the Round Table.

Please note that the focus studies are not part of the English summary on hand and can only be found in the original German text.

B Conflict management – elements, components, systems

The Round Table was founded in 2008; from the first meeting the importance of a common understanding of conflict management terminology and concepts became obvious. This would enable precise and efficient communication, facilitate the comparison of experiences and foster the development of common standards.

It further became apparent that literature and presentations of practice-oriented projects often mix up the following levels:
• Description of single elements of a conflict management system
• Presentation of the links between these elements
• Recommendations for a strategic course of action regarding the introduction and development of conflict management structures

The present study therefore attempts to systematically arrange specific **elements** of conflict management into categories of abstract **components** on the basis of a transparent classification scheme using the underlying terminology. In particular, it aims at pointing out the requirements for the transfer of single conflict management elements into a complete **system**.

1 Terminology and categories of conflict

As a basis for the Round Table's work and for the purposes of the study series, the two Round Table working groups "conflict management systems" and "corporate conflicts" generated definitions of central terms in the area of conflict management. The following results are based on the discussion on a comprehensive synopsis of definitions prevalent in science and practice. They were presented to the Round Table's plenary assembly and to a range of scholars who all accepted them as a future basis. The following definitions do not lay claim to superiority over alternative suggestions but rather provide a common working language as a basis for exchange and compatibility.

Conflict
Conflict exists when an action or a discernable intention of one party (a person or a group) affects the interests of at least one other party in such a way that this party feels affected and its interests cannot be (or are not deemed to be able to be) fully satisfied.

Conflict management
Conflict management is the systematic and institutionalised handling of a conflict whereby its development is deliberately influenced. The choice and design of a suitable course of action in handling the conflict should ensure transparency, controllability and efficiency.

Conflict prevention
Conflict prevention is defined as the prevention of (a) the emergence of conflict (conflict prevention in the **narrower** sense or the prevention of the **emergence** of conflict) or (b) a destructive act or escalation of conflict (conflict prevention in the **wider** sense or the prevention of the **escalation** of conflict).

Extrajudicial conflict handling
This term encompasses all procedures where a conflict does not fall within the remit of state law or courts of arbitration. In particular, this includes negotiation, mediation, conciliation and expert determination as well as hybrid forms of these processes.

Mediation
Mediation is a voluntary process of conflict handling, in which the parties develop a consensual interest-based solution under the direction of an impartial third party. The mediation process is particularly characterised by a structured communication process and the personal responsibility of the parties for the content.

In addition to these definitions, it has become apparent that it is beneficial to differentiate between **three categories of conflict in corporate practice** to foster efficient communication. Thus, when describing conflict, these following categories should be clearly separated, since they each have different characteristics and challenges:
• Conflicts in the workplace (which can range from verbal bullying to team conflicts)
• Conflicts between corporate units (internal business and corporate conflicts)
• Conflicts between companies (external business conflicts)

2 Elements and components of commercial conflict management

The single elements in the area of commercial conflict management (e.g. ombudspersons, mediator lists, contract clauses or case documentation records) fulfil very different functions.

In order to be able to categorise and organise the single elements according to their functions, a system of so-called **components** has been developed for this study, into which the significant measures or parties in business conflict management can be classified.
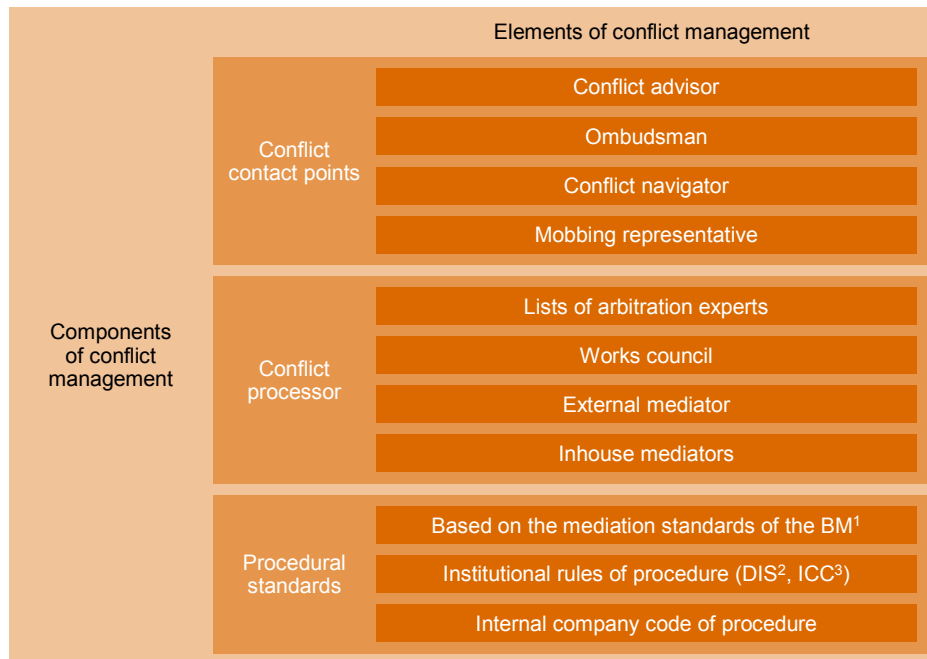
Component system:
1. Conflict contact points
2. Systematic choice of procedure
3. Conflict processor
4. Procedural standards
5. Documentation/controlling/quality assurance
6. Internal and external communication

These **components** are to be understood as functional categories and show that the various elements are merely options in a spectrum of alternatives as to how conflict management can be designed within the framework of a specified component. Regarding conflicts in the workplace for example, the component "conflict contact points" can be carried out by conflict management elements such as ombudspersons, HR consultants or also the workers' council. In business to business conflicts, the component "procedural standards", for example, could be fulfilled by individually negotiated standards or by adaptation of the rules of procedure for international organisations (e.g. the International Chamber of

Commerce). At the same time, the establishment of categories should enable the design of a complete conflict management system.

Fig. 1   Examples of components and elements in conflict management

Elements of conflict management		
Components of conflict management	Conflict contact points	Conflict advisor
		Ombudsman
		Conflict navigator
		Mobbing representative
	Conflict processor	Lists of arbitration experts
		Works council
		External mediator
		Inhouse mediators
	Procedural standards	Based on the mediation standards of the BM[1]
		Institutional rules of procedure (DIS[2], ICC[3])
		Internal company code of procedure

[1] Bundesverband Mediation e.V.
[2] Deutsche Institution für Schiedsgerichtsbarkeit
[3] International Chamber of Commerce

The components are on an abstract level in order to enable the categorisation of conflict management measures independently from the conflict situation. Hence, they can be used for conflicts in the workplace, conflicts between corporate units and conflicts between companies. Consequently, the concrete completion of a component depends on the respective area of application. While for instance the legal department is already predefined as the classic (but by no means the exclusive) point of contact for conflicts between companies in most businesses, the conflict contact points for workplace disputes often have to be specially determined or created.

The following table introduces the various components with their respective objectives, corresponding key questions and examples of concrete elements that fulfil the function of the component.

Tab. 1   Components of conflict management: key questions, objectives, example elements

Component	Key question	Objective/ function	Example element "conflict in the workplace"	Example element "conflict between companies"
Conflict contact points	Where is the first point of contact in the case of conflict?	Early detection of conflicts and transparent choice of skilled people in charge	• Ombudsperson • Conflict advisor • Conflict navigator • Personnel advisor	• Legal department • External lawyers • Project managers
Systematic choice of procedure	How can the conflict be allotted to the appropriate procedure?	Criteria-led choice of the appropriate procedure for handling the conflict	• Personnel department criteria catalogue • Escalation clause in employment contracts	• Conflict management rules of procedure • Technology-based instruments for the allocation of conflicts
Conflict processor	Which qualified specialists are designated for the procedures?	Assurance of availability of qualified specialists to execute the chosen procedure	• In-house mediator pool	• Lists of arbitration experts/ institutional pools with ex-ternal mediators
Procedural standards	How is the procedure controlled?	Guarantee of a defined and transparent implementation of the procedure	• Internal company code of procedure	• Standards of mediators' organisations (e.g. BM) • Institutional rules of procedure (e.g. DIS, ICC)
Documentation/ controlling/ quality assurance	How are feedback and learning aptitude guaranteed?	A basis for control, further development and quality assurance	• Self- evaluation • Questionnaire survey • Intervision • Feedback system	• Case documentation • Cost controlling
Internal and external communication	How is communication with cooperating companies about specific measures stimulated; how is the corporate culture regarding conflict communi-cated internally and externally?	Improved accessibility/ development of a corporate culture with regard to conflict in and between companies	• Intranet presence • In-house road shows • Explicit corporate culture with regard to conflict	• Round Table • Industry specific self-commitments • General ADR pledges

This component model consciously avoids a component hierarchy. The starting points for the introduction of conflict management chosen by the companies vary widely from each other whether for example a mediator pool is initially created, or perhaps an ombudsperson is put in place.

3 From conflict management elements to the system

Depending on the needs of a company and available resources, the establishment of conflict management structures can, of course, be initiated by only putting into place one single element of a component – the function most urgently needed. At the same time, the system of the component categories shall enable the design of a complete conflict management system tailored to the needs of the specific company by selecting and assembling single elements from different components.

In accordance with an underlying understanding of this study, however, a comprehensive **conflict management system** is only in existence when:
- **all six of the listed components** have been put into practice through corresponding elements and
- a **steering unit as the seventh component** is added that systematically links the single elements and manages their functional interaction.

The demand for a steering unit emerges from classic management theory. Its principles can also be applied to conflict management. Thus, the requirements of a management system must be met: a formal system embedded in the organisation for designing, providing guidance and developing an organisation or organisational topics. Controlling requirements are defined and addressed in relation to their objective and purpose. In order to define the objectives of the organisation, it is essential to define common goals, mandatory procedures and corresponding documentation as well as accompanying organisational regulations and measures.

As a supplement to table 1, the following category is necessary to establish a complete conflict management system:

Tab. 2   Additional component: Steering unit

| Additional component	Key question	Objective/ function	Example element "conflict in the workplace"	Example element "conflict between companies"
Steering unit	How can the elements be linked and the procedures and synergy effects be optimised?	• Control of the introduction and organisational set-up of the conflict management system • Assurance of the linking of components • Communication with corporate management • Assurance of information flow between those concerned and to externals	Formation of a conflict management system control entity in the legal department	• Formation of an internal corporate staff unit for the coordination of the conflict management system • Commissioning of an external stakeholder to design and control the conflict management system

A conflict management system is therefore not yet present in a company when only isolated approaches to conflict handling are in place (e.g. an ombudsperson, a mediator pool or a procedural code). In order for a system to be effective, the available and newly conceived conflict management elements need to be closely

connected with each other to create a task-related and purposeful coherent unit. It also needs to fulfil every function of the described components from an overall perspective and be monitored systematically. It must be embedded in the corporate culture which should emphasise conflict prevention, and is also committed to transparent and constructive conflict handling on all levels.

The characteristics of a conflict management system are as follows:
- **Establishment of conflict management elements in all the following functional categories (components): conflict contact points, systematic choice of procedure, conflict processor, procedural standards, documentation/controlling/quality assurance and internal and external communication**
- **Systematic controlling and linking of these elements**
- **Creation of a regulatory structure that describes and monitors the interaction between the parties, instruments, methods and procedures in conflict prevention and conflict handling (standardisation)**
- **Integration of the system into the corporate mission statement and the internal and external corporate culture**

Fig. 2   The Viadrina component model of a conflict management system
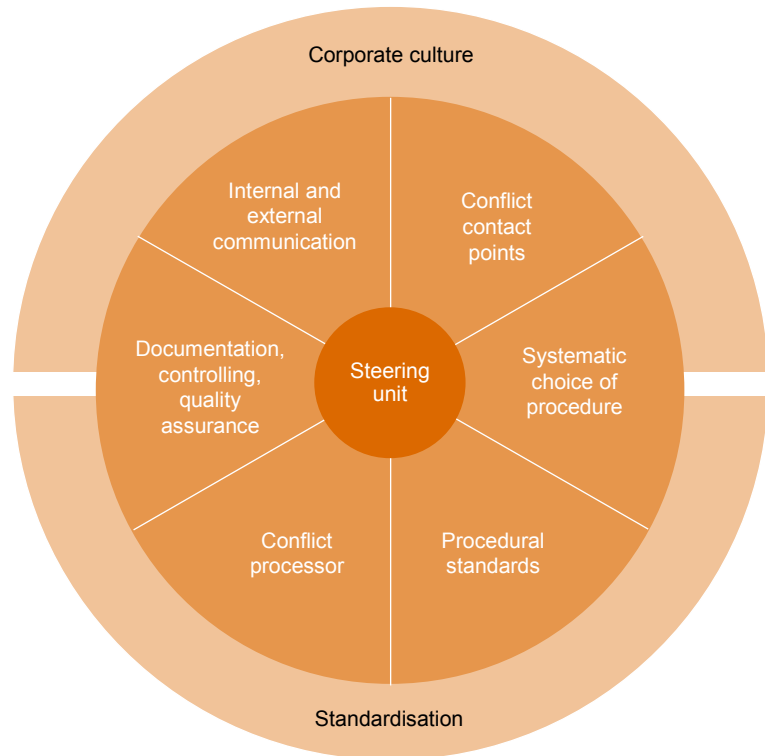
C Conclusions and recommendations for action

The component model and the focus studies show that there are numerous starting points and possibilities for the development of corporate conflict management towards a comprehensive conflict management system. The further development can and should be individually tailored to the needs of the individual company whereby particularly the size of the company, the structures already in place and the general conditions are to be taken into account.

In the following overview, the empirical findings depicted in the study are summarised in ten conclusions. Each one offers practical recommendations which are applicable, regardless of the size or business area of a specific company.

1. Usefulness of establishing single elements of conflict management

Typically, at first only single elements of conflict management are introduced in companies. The establishment of these initial elements is often triggered by committed individual pioneers or, occasionally, the pragmatic reaction to acute problems. Even when the establishment of a whole conflict management system is proposed at the outset, the actual implementation of such a system is frequently delayed. Reasons are general scepticism or argumentation that the company lacks the necessary resources.

The introduction of single conflict management elements (e.g. an ombudsperson or a mediator pool) is nevertheless advisable. These elements are, of course, also autonomously useful for constructive conflict handling within a company. In a second step, single elements can also serve as focal points for the further development of a differentiated conflict culture and may later evolve into a complete conflict management system.

Even the initial introduction of only single elements of conflict management is useful.

2. Necessity of bearing in mind a (potential) complete system

However, there is a threat of stagnation and communication problems if single elements of conflict management are introduced without planning for a more comprehensive conflict management system, which may be desired or required at a later stage. Experience has shown that often unsystematically established structures can later only be integrated into a complete system with immense organisational difficulties and high costs.

Companies can ward off this danger by already designating at least one person at the outset when introducing single conflict management elements. This person should be in charge of focusing on a potential master plan for a conflict management system and planning the (initially only hypothetical) compatibilities, synergy effects and cost saving potentials which could be realised through the interaction of more than one conflict management element – or, at best, by establishing a whole system.

Particularly if at an initial stage only single elements are considered, a suitable person/entity in the company should be given the explicit mandate to design a potential master plan for a conflict management system.

3. Mapping of existing procedures and parties of conflict management

Particularly in large companies, there are many heterogeneous procedures and parties who are in contact with conflict in the widest sense. Sometimes these parties do not even know of each other – or their functions overlap in a negative way. This can hamper the optimisation of conflict management structures: establishing an overview of the status quo in the area of conflict management in such companies is laborious and time consuming.

In addition, those concerned often fear that such mapping initiatives – and, where appropriate, the necessary restructuring that follows suit – lead to loss of roles and functions. Sometimes the system or structures already in place offer a simple justification for maintaining the status quo even if this is a suboptimal choice.

Yet, even the overview alone represents additional value for the company. In addition, stock taking is a prerequisite for a needs analysis and thus a necessary starting point for the development and expansion of conflict management structures that are individually tailored to the specific needs of the company.

A comprehensive mapping of the existing positions, procedures, office holders and their job description is a necessary first step towards producing an overview of the relevant structures and parties in the area of conflict handling. A further prerequisite is conducting a needs analysis as a foundation for implementing tailor-made conflict management structures.

4. Commitment from top management

Without an explicit, authentic and binding commitment from top management, neither single elements nor a complete system of conflict management can be established sustainably. If such a long-term management commitment regarding planned activities in the area of conflict management is lacking, there is a risk that initiatives will remain locked in the pilot phase despite a well-designed conceptual structure.

If top management is opposed to making a far reaching commitment in the initial stage (e.g. due to doubts about the overall usefulness or profitability of the suggested conflict management measures) a low threshold approach is recommended. Such an approach should comprise minor steps whereby initially only smaller single elements are established and pilot phases are defined. During these phases, the operationalisation and efficiency of the selected elements can be tested within day-to-day business activities and improved to suit the respective context and demands of the company.

For planned activities and structures in the area of conflict management, the commitment from the top management is essential at an early stage. If necessary, it can also be obtained on a step by step basis as single elements are established.

5. Resources

To enable professional and sustainable establishment of conflict management measures, a clear budget is required next to (moral and organisational) support of top management. Without an adequate long-term financial basis for conflict management initiatives (particularly for the creation of infrastructure, training of personnel and reduction of the workload of the relevant promoters in relation to their normal tasks), there is a risk that activities in the area of conflict management

will prove ineffective despite of high commitment levels from project pioneers. This would severely damage the motivation of those involved as well as the generally positive attitude towards conflict management in the company.

Besides management support, a long-term budget needs to be approved for the area of conflict management appropriate for the related tasks and objectives.

6. Clarity of roles

Particularly in the pilot phase of the establishment of conflict management structures individual parties frequently take on a large number of different roles simultaneously (e.g. those of procedural designer, ombudsperson and mediator). There are several dangers in this multiplicity of roles: the person affected by conflict often does not know which role the contact person concerned is representing and what consequences an approach of this person in a specific case may have (e.g. as regards confidentiality). This lack of transparency can hinder an individual affected by conflict to approach the contact person.

As a further obstacle, it is very time-consuming to fulfil several roles with a high degree of competence and with full commitment. In this respect, clarity and, where needed, also a division of roles is of key importance to maintain motivation and professionalism.

Role clarification can be supported by training measures which not only provide the necessary skills for core functions but also impart sensitivity for the boundaries of a specific role – combined with information about what to do if requests or tasks fall beyond these boundaries.

To avoid lack of transparency and excessive demand, those active within the conflict management structure should be equipped with a clearly defined and unambiguous role.

7. Consistency of structures

The pilot phase in the establishment of conflict management measures is frequently supported and advanced by highly committed and often also charismatic personalities with a pioneering spirit. If these individual parties are no longer available for the conflict management functions – because they leave the company or they are transferred to other tasks – many companies experience problems such as loss of knowledge, drop in motivation amongst other involved parties or interruptions in important lines of communication both inside and outside the company.

To ensure the continuity of conflict management activities irrespective of core individuals, it is necessary to analyse the assumed functions of the pioneers in the field and to establish roles and structures independent of any individual person.

8. Synergy effects within the company

If the office holders and organisational units responsible for dealing with conflicts in the company are not systematically linked with each other and do not have a shared understanding of terminology and conflict handling there is a risk that the people or entities involved may not work in unison or may even work against each other. This can lead to a significant loss of efficiency or ultimately to deadlock.

In contrast, significant synergy effects can be generated if the development steps in the area of conflict management are continuously communicated with the relevant parties and in cooperation with those in control of the processes of strategic change in the company. Thereby, single conflict management elements or components can be coordinated. This can be particularly useful regarding the subsystems for conflicts in the workplace and conflicts between companies. This facilitates practised conflict resolution approaches and methods as well as the compatibility of the terminology used.

Particularly in the phases of development and expansion of conflict management structures, all available promoters in the company's change processes should be actively integrated.

Both the single elements of conflict management as well as the legal and HR departments of a company should be systematically linked on an organisational, functional and personnel level. It is important that their work methods are wholly compatible.

9. Controlling and quality assurance

Controlling and quality assurance as instruments of feedback, performance measurement and system improvement are key for all management measures. This also applies to conflict management.

Especially in pilot phases, the timing and choice of methods of these instruments are crucial: If interim results are demanded too early, there is a risk that no tangible effects have been measured yet and a counterproductive pressure to succeed will develop. If, however, investment in controlling and quality assurance measures is too limited or if these measures are taken too late, conflict management activities and investments are left without documented performance control. Further problems may arise if the applied methodological instruments are not sufficiently differentiated, as this may cause an inadequate depiction of results. However, these instruments might not be used in day-to-day practice if they are too complex.

Even if controlling and quality assurance measures are not implemented initially, it is recommended that at least clear documentation of all measures is secured from the outset. These records can then be used for a subsequent analysis.

Clear goals and realistic performance measurement criteria for conflict management as well as an adequate timeframe for the evaluation are prerequisites for efficient controlling and quality management. Particularly in the area of conflict management it is advisable to promote self-assessment of the quality management concept by key parties who are generally very committed and to consult external experts if appropriate.

10. Exchange with other companies and experts

Pilot phases – as in the current stage of conflict management – are often characterised by thorough experimentation with the development of structures and processes, whilst the growing level of practical knowledge is still barely recorded. Thus, there is a danger that existing models of success will have to be reinvented elsewhere. Further, a company runs the risk that problems in its structures will be detected too late or not at all – or, at worst, that they will fall behind on-going developments.

Regular exchanges and communication with conflict management promoters in other companies, academics and qualified advisors as well as including these external perspectives and experiences prevent blind spots from arising. They also offer valuable new stimuli and strengthen the motivation within the company itself. The use of common terminology and documentation systems guarantees an uncomplicated knowledge transfer.

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