

Kluwer Mediation Blog

Socially Responsible Companies Create Value to their Shareholders

Andrea Maia (Mediar360 – Dispute Resolution) · Wednesday, December 25th, 2013

It is almost a consensus nowadays that large and small companies, regardless of their business activity or industry segment, must integrate in their corporate and operational strategies a variety of social, economical, and environmental elements in order to not only effectively satisfy all stakeholders, but also to remain sustainable and competitive in the long run.

This trend started a few years back when financial investors, in addition to looking into their traditional investment tools (ratios, financial analysis), decided to add a social element into their decision making process, creating sustainability ratios in order to measure and evaluate other dimensions which, until then, had been almost totally ignored. Overall, those investors realized that long term sustainability was directly affected by the company's ability to operate in a socially responsible manner.

Instead of a just new business trend, sustainability related issues became instead a very relevant operational and strategic element, especially among listed companies. In 2005, in an effort to analyze and compare companies performance from the sustainability standpoint, the São Paulo Stock Exchange launched a “**Company's Sustainability Index**”, the first of its kind in Latin America. Among others, “economic efficiency”, “environmental balance”, social responsibility (justice), and corporate governance are some of the indicators contemplated by the index.

It is more than clear today that socially responsible companies do in fact create more value to their shareholders in the long run than those that do not demonstrate a relevant engagement. Therefore, companies try harder and harder to belong to this index group.

Overall, no particular element of the sustainability chain is more important than the others and Mediators do have an important contribution to make to this intrinsic process.

How?

In an ever more competitive workplace (and environment), with ruthless internal and external competition, the number and nature of conflicts have grown at an alarming rate over the last few years and the ability to effectively deal with this kind of problem has become fundamentally important for long term “survival”. High turnover, lack of innovation, poor customer satisfaction are just some examples of how badly managed conflicts can impact a company's performance.

On the other hand, conflict has the potential to be constructive, by bringing to surface issues,

interests, perspectives, and concerns that need to be addressed so that the organization can move forward more efficiently and effectively.

Although not a final solution in itself, a well designed Conflict Management System can be an important tool in order to help organizations to identify and address the high number of conflicts it faces on a daily basis.

Large organizations such as GE, DuPont, and Renault have already created internal procedures to prevent, identify, and try to solve problems before they evolve into a dispute state, and this is a trend that is likely to continue, as efficiency and productivity are as important as ever.

As every organization differs from one another, and as we also understand that there are no readymade approaches to the design of Conflict Management Systems, we can nevertheless outline some of the most common and relevant features that must be taken into account in a system design situation (not in order of relevance or preference):

- 1) Build a system of early case assessment;
- 2) Design a method of identifying and addressing streams of employee disputes;
- 3) Create an internal policy to include conflict resolution clauses in contracts;
- 4) Train professionals to act as mediators in both internal and external disputes;
- 5) Create mechanisms to foster a culture that welcomes good faith dissent and encourages resolution of conflict at the lowest level of distress;
- 6) Create periodic reviews to assess if the dispute resolution system and policies are producing the expected results.

However, no Conflict Management System (or any other formal process for this matter) is complete without the understanding and engagement of those directly related and impacted by it. Social Responsibility, Mediation, Conflict Management etc..., are commonly used words, but normally not fully understood by all and some see it just as another corporate trend. Clear, easily understood, information explaining and outlining the individual and collective benefits of it is, no doubt, the first step towards turning Mediation and Social Responsibility an acceptable and widespread practice,

Finally, I hope you have enjoyed 2013 posts and I wish you all a healthy 2014, full of personal and professional accomplishments. But before I go, and still on the Mediation and Social responsibility theme, please do not forget that any intervention, no matter how big or small, produces a chain reaction that usually goes far beyond our initial intention. As co-responsible for our existence and interactions, and as members of social and professional groups, we should be constantly asking ourselves:

- How am I contributing to what is taking place around me?
- How am I contributing to someone else's actions that have a direct impact on me?

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