

**Vital Conversations  
The Cost of Conflict on UK Business**

January 2019

## The £33 billion Cost of Conflict on UK Business<sup>1</sup>

### A White Paper

#### Who We Are

MacLennan Norman are specialists in conflict resolution and transformational change. We offer clients a 'whole systems' approach to enabling individuals, teams and organisations tackle challenging issues and find sustainable solutions. Working with a range of senior leaders we have wide and varied experience across the private, public and not-for-profit sectors dealing with complex and often high-profile projects.

Our commissions centre on finding tailored solutions to suit a particular organisation's needs. Applying our skills as professional Mediators, Executive Coaches and Organisational Change Specialists allows us to create personalised and unique outcomes for clients.

#### Purpose of Paper

In the course of our work, we see first-hand the impact conflict has on people and organisations. The purpose of this paper is to share some of these insights along with our learning and experience.

The goal of MacLennan Norman is to turn conflict on its head and deliver transformational change in challenging circumstances. We witness when poorly thought out change programmes have gone wrong and the organisational consequences of such

---

<sup>1</sup> Source: Confederation of British Industry (CBI) 2016

failure. Low levels of trust and severed relationships permeate every layer of the organisation with disconnected employees and poor performance impinging on external and internal stakeholders.

#### The Elephant in The Room

The lack of discussion around the root causes of conflict, and importantly how best to resolve conflict is a significant contributory factor in the workplace to both the financial and human cost of conflict.

Words such as "conflict is an inevitability, it's healthy, we can't grow without conflict" are frequently but often inappropriately used. Conflict at its' extreme, causes fractured relationships, anxiety, stress and costs businesses money.

Challenge, debate and discussion are good and can help businesses grow but it's when these actions and behaviours tip over into conflict it needs to be addressed.

Clients ask us why conflict exists in their organisation but our experience is what people should really be listening to is not the *unanswered question* it's the *unquestioned answers* - **It's The Elephant in The Room.**



## The Three C's

We have identified three recurring unquestioned consequences of conflict: Cost, Customers/Clients and Communication.

To help demonstrate this we have devised a framework that illustrates these three impacts of conflict on people and organisations. Appropriately anonymised we have drawn upon real life case study examples to underpin our findings.

This framework is described as the 3C's. In each one of the undernoted case studies the three C's of Cost, Customers and Communication are illustrated.

*Figure 1: The 3 C's*



## Cost

In 2016, the Confederation of Business Industry (CBI) estimated that conflict costs UK businesses £33 billion per year, it took up 20% of leadership time and lost the economy up to 370 million working days. These phenomenal statistics starkly illustrate the financial or cost of conflict within the workplace.

Whilst this is powerful in itself these metrics only highlight the hard cost – they don't highlight the human cost of conflict. Often termed the 'soft cost' of people's feelings and emotions which have life-long consequences on individuals and their families.

## Customers and Clients

In the same survey 49% of managers said they would rather attend an event in which they knew no one rather than tell a client a difficult truth. 37% of managers felt they were not equipped to deal with a dispute.

The trickle effect of this on customers and clients can manifest in a variety of ways including: poor customer service, delay in responding to a client, a lack of attention to detail of customer requirements etc., etc.,

Customers at the receiving end of this have little hesitation in parting company with an organisation if they feel they are not being listened to or valued.

## Communication

Poor communication is costing UK Businesses £2.7bn per year research from Cass Business School, City University London flagged up.

One of the most common pieces of feedback from an employee engagement survey or customer survey is the need to improve communication. The difficulty in analysing this piece of information is that the term 'communication' is not homogenous.

Communication means different things to different people but what is universal is a person's need to be listened to. It's the clarity of how that message is delivered and received that can trigger conflict.

## Case Study One - Cost

MacLennan Norman began working with a business whose profitability was being significantly adversely affected by the levels of conflict within the organisation. There had been several changes to the Executive team over the previous twelve months, resulting in poor working relationships and individual divergence on the strategic direction of the business.

The Finance Director who had been with the company for over seven years had to take a period of absence due to stress leaving a large gap in resource and experience.

After one on one confidential consultations with the CEO and HR Director to understand their individual perspectives, MacLennan Norman then carried out a series of similarly confidential interviews with the Executive team to get a deeper understanding of the organisation's character and culture.

Allowing the team this protected space and time to talk through their issues within a confidential setting proved invaluable. It enabled people to open up about the dynamics of the Executive Board, airing their feelings and frustrations helped to get to the heart of the cause of the disruptive conflict.

Using the rich information that came from listening to people, many of whom gave feed-back they felt they had never truly been listened to before.

MacLennan Norman was able to use this soft but important intelligence to develop a cluster map of options to offer the CEO. This included how the business could overcome current personnel and financial challenges.

After consideration and discussion of the proposed solutions, the CEO then engaged MacLennan Norman to take forward the agreed preferred option.

### Outcomes

- Profitability recovered due to a revised strategy and sales plan
- Improved culture within the workplace
- A series of team development sessions to examine the strengths and leadership qualities of the Executive Team
- Director of Finance returned to workplace after 3 months
- One Executive chose to leave the business.

## Case Study Two – Customer/Client

As a consequence of a modification in legislation, a medium sized charity was required to change their complaints handling policy. The necessary alterations would significantly alter how the personal details of service users were handled. Staff within the organisation had expressed anxiety about the protocols attached to the new process, and were concerned that the deadlines for implementing the new system were unrealistically short. Call handlers also felt there had not been adequate user-testing built in to gain true service user feedback.

Despite the risks raised by the call handlers, the Leadership team chose not to carry out more extensive user-testing.

A 'soft' launch of the complaints process was introduced and very quickly it was realised that service users were not being routed correctly through the system. This created stress and animosity within the staff

group leading to poor customer experience. The complaints figure trend increased by 25% over the 8 weeks that followed.

The Operations Manager engaged with MacLennan Norman to seek our expertise on how to overcome the current position. A series of process mapping workshops were set up with mini teams of staff, allowing people to engage and have a 'voice' in the intimate detail of the complaints structure and support redesign.

These sessions were complemented by service user workshops to test whether the revised processes were 'fit for purpose' and met the needs of the customer/client.

The final models were presented back to the Leadership team for approval with a proposed implementation plan including revision of costs and timescales.

Team Leaders also received one on one coaching to support them to manage their team members.

### Outcomes

- Staff felt engaged in the redesign process and morale within teams and office environment improved
- Monthly performance reports demonstrated a 15% reduction in complaints by clients within the first three months of new roll out
- Organisation's structure revised to reflect the introduction of a Team Leader role
- Experiential user-testing with clients proved very beneficial and led to positive PR for the organisation.

## Case Study Three - Communication

A specialist property company had grown exponentially and its' client portfolio was changing. Expectations on their people to deliver a different service was creating a number of pressure points. Pockets of staff were leaving the organisation and 'new starts' had little understanding of the business priorities.

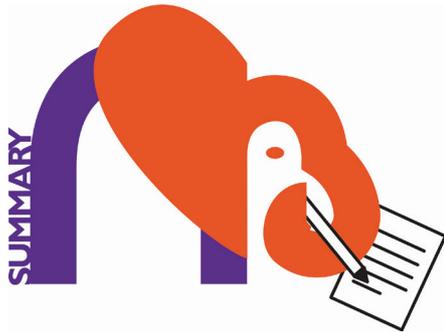
The Managing Director recognised the need to engage MacLennan Norman to review the growth strategy of the business and its associated change activities. It was our role to design a programme of engagement for the staff that would reignite their passion and understanding of why the change was happening, and the personal contribution that each person would make to help achieve the strategic objectives.

We developed a six-month leadership development programme that focused on the values, mission and behaviours of the organisation. At the heart of the programme was to ignite the 'Value the Person' methodology which recognises each person's individual strengths to support sustainable success.

### Outcomes

- Improved culture within the workplace
- Strategic Champions of Change were established across each division of the organisation
- Multi-faceted communication plan co-developed with staff to ensure it was fit for purpose
- Tailored learning programmes designed and delivered for different staff division/functions to help understand the effects of change on them.

## The Elephant in The Room - Summary



### 5 Key Lessons

The five key lessons below are intended to be used to consider alongside the 3 C's model. We would ask you to reflect on whether you have an elephant in **your** business?

#### 1. Pursue an Early Resolution to Conflict

Don't ignore the elephant in the room – when an elephant charges the consequences are significant.

At the first signs of conflict, don't put it on the too difficult pile – act and seek a swift resolution.

#### 2. Your Role as a Compassionate and Authentic Leader

Senior Executive and Leadership teams need to lead from the front and 'eat last'.

The human cost of working amidst conflict contributes to exhaustion and 'burn out'.

Consider how you as a leader can reshape the way in which your organisation leads and communicates.

#### 3. A Negative Culture Leaves a Legacy Hard to Change

Shifting the culture of an organisation can be likened to "turning a tanker on a postage stamp"- clumsy, toxic and aggressive. Eating an elephant in one go is impossible!

#### 4. Valuing People and Understanding Their Differences

Connecting with someone on a human level is the first step to overcoming conflict.

The ability to actively listen and seek to understand someone else's position is extremely challenging in times of conflict, however unlocking this impasse is where the real magic begins.

#### 5. High Trust Relationships Transform Business

An environment of open and honest communication builds trust. This openness helps to minimise conflict.

High trust allows people to flourish and perform at their best. Energy and performance increases satisfaction and well-being of teams.

*"To be trusted is the most inspiring form of human motivation"*

**Stephen Covey Jnr, from his book The Speed of Trust**



**MacLennan Norman** are specialists in conflict resolution and transformational change

We deliver change in a way that minimises conflict and ensures people are valued in the process

We offer coaching and facilitation to overcome challenges, resolve issues, improve business performance and outcomes

**OUR SERVICES:**

**Conflict Resolution**

**Organisational Change**

**Coaching**

**Facilitation**

**Mediation**



**e:** [info@maclennannorman.com](mailto:info@maclennannorman.com)  
**w:** [www.maclennannorman.com](http://www.maclennannorman.com)  
**t:** [@maclennannorman](https://twitter.com/maclennannorman)