

Dr Karl Mackie, CEDR Chief Executive – speaking at CEDR’s 15th anniversary celebration.

Thursday 25th May 2006.

Good evening ladies and gentleman, welcome to this CEDR celebration and thank you for coming. Thank you to Peter Smith for his excellent presentation on CEDR and its impact on behalf of London and the UK. We welcome Peter your support on behalf of the CBI for CEDR. It’s good to be back, the CBI of course were supporters of CEDR from the outset and helped us launch, indeed we launched at this very centre, just over 15 years ago, so thank you again very much on behalf of the CBI.



I’m also pleased to be thanking our two sponsors tonight for their support for this event, first of all Herbert Smith, David Gold and team for their backing and PriceWaterhouseCoopers, Gary Largerberger and team. Both PriceWaterhouseCoopers and Herbert Smith are longstanding foundation members of CEDR who have committed to developing. I know their capabilities in this field along with many other of our professional firm members.

I’d like of course to thank particularly our members, without your support in terms of funding, CEDR would not have got off the ground and achieved what it has achieved over these 15 years or so. Thank you too to our mediators to our staff, past and present, to our trustees particularly for their support usually over several years as board members, and to our chairman. We’ve had three chairmen since we launched CEDR - Sir Alex Jarratt who was with us for just over 10 years, followed by Lord Hurd the former foreign secretary, and currently of course Sir Peter Middleton, all three very distinguished and excellent contributors to our thinking and strategy.

I think all of those groups can be very proud of the role they have played in supporting CEDR and in what CEDR has achieved in helping transform the Civil Justice System, not just in the UK but in Europe and beyond Europe. We’ve seen changes in lawyer’s mindsets since 1990, changes of course in civil procedure rules bringing ADR formally into the civil justice system of the UK and with EU developments too. Changes in judicial and government attitudes, we’ve seen a mediation profession established and a strong base of training and CPD behind that profession and we’ve seen of course the development of a mediation area of practice and practical experience, in many different sectors, usually with very much campaigning commitment of CEDR behind those sector developments. And of course London and the UK as Peter Smith mentioned have become leading centres of ADR internationally.

All in all I think that shows a huge contribution that we can be justifiably pleased about and proud of. CEDR’s contribution to all of that has been important, sometimes absolutely vital for these things to happen. An interesting benchmark of ADR progress over those 15 years has been our awards. From the early years we decided to recognise excellence and innovation in ADR in our awards every two years. And I’m pleased to announce tonight again that we are running our awards this year. We are inviting applications in various categories to be sent in before the end of July and we’ll be announcing the winners in September at a new event that CEDR launched two years ago, the Mediation dinner

which I'm pleased to say is well supported. The awards cover innovation and excellence in the field of corporate activity in corporate organisations. The work of professional firms, there is a special award for the public sector, we have the Tony Curtis young persons award and an award for the best publication in ADR. This year we are also having a special international award and an award for innovation in ADR developments. So we look forward to some exciting applications again in this round in 2006. In 2006 its fair to say CEDR continues to be a driving force, a leading force in establishing mediation and other forms of effective dispute resolution as successful and legitimate tools of civil justice. We do intend to carry on developing quality and innovation in this field.

However it is only appropriate on our 15th year celebration that we don't just look back to the past and think of just continuity, we have also decided that it is time with all these developments, that CEDR began to refresh and rethink its mission and we intend to announce tonight that CEDR is developing in a related but important sector and that is the field of transforming not just the civil justice system but the business and public sector systems in terms of effective conflict management. Conflict prevention and conflict management, not just conflict resolution and crisis management which has been a key area of work over the last 15 years. In order to work in this area we decided it was important to measure conflict in business and the public sector so we have been undertaking various surveys, we've been looking at government and legal statistics, we've surveyed managers and lawyers just to try and find a figure for how much the conflict is costing our organisations in the UK. There is actually very little evidence available statistically for how to measure that level of conflict but we think we have managed to pilfer various sources a reasonable estimate indeed a conservative estimate of the cost of conflict.

Now the figure may seem quite large to you, it's a figure of £33 billion every year we think the cost of conflict to British business runs to - yes, £33 billion. As I say, it may seem a large figure until you, like us go through the detail of the cost of conflict in its various forms in organisational life, right through to litigation and the crisis dispute and in fact on further reflection its probably a very conservative figure. What's more, research shows that the UK is failing to manage its conflicts adequately, generating an amount of waste annually in terms of ineffective management and the diversion of management time and opportunities. Just to give some sense of the scale of the costs we are talking about a figure of £33 billion is equivalent to half the entire annual budget for the NHS, the National Health Service. If it was a figure representing a country's gross domestic product that figure would put conflict kingdom as the 57th largest economy in the world, or to put it another, perhaps lighter way the figure represents three times what the entertainment industry in California makes each year. Eat your heart out Arnold Schwarzenegger! Our research shows too the problem is still not being responded to in an adequate manner by business. In a survey of over 600 managers only 37% said they felt equipped to manage conflict.

Interestingly 35% said they would rather parachute for the first time than deal with their team at work if they weren't performing. So when I heard one commentator say that Tony Blair had parachuted John Reid in to sort out the home office, I just hoped someone knows what they are doing with the conflict design process there. In addition to the £33billion a year costs of business conflict our research also shows that 80 % of disputes are rated as having a significant impact on the smooth running of business in some way or another, whether its damage to company reputation, damage on moral, damaged business relationships or failure to meet targets and achieve business performance

effectiveness. In all these areas in one way or another 80% of disputes cause a significant impact on the smooth running of business.

Also interestingly a study found that if a dispute has over £1million in value and remember that's the average value of cases handled by CEDR, a company will consume over 3 years of key employees time trying to sort it out. Three years of employee time. That's a figure measured and assessed by the managers who have been involved in conflict and litigation for disputes over £1 million. So what are we saying? We are saying the job CEDR began doesn't end with the reform of the legal system or indeed with mediation of conflict. For the good of business generally in the public sector we think something more has to be done and we want to set ourselves a new target, a new goal for the next 15 years. It is important that we are here at the CBI to announce that commitment to that mission because we want to work with industry, with business and just as we established mediation as a profound phenomenon in legal disputes a regular of practice we do want to improve managers effectiveness in understanding conflict, in dealing with it intelligently and effectively.

So over the next 12 months we are running a campaign to bring to the attention of managers and the public the cost of conflict we want to raise awareness of various dimensions of conflict and its impact on areas like the reputation of companies, on productivity and so on. So we will be running a number of initiatives and hope that you will be part of those initiatives too. We have already started of course, some years ago in beginning to think along these lines and because of that we are not just engaged in a program of theory and awareness raising but we are actually already engaged in coaching and training initiatives with leading companies and leading international organisations in the last year particularly to create the transformation in conflict management practice. I think it's important finally to say that this new direction doesn't mean that we regard our work in the legal sector as being over. We recognise that there is still a great deal to do in terms of awareness raising about ADR in the legal sector. And there is still much more to achieve with clients in terms of giving clients quality a better choice and more affordable ADR tools especially in small claims. We see both of these tracks as very important to CEDR's public goals and indeed essentially interrelated we think the more managers understand and work effectively with conflict the more they will begin to think of accessing tools like mediation. And so the two are complementary rather than distinct and because of that we will be working intensively on both tracks.

It just remains to say thank you to everyone for your support thank you to the CBI particularly and our sponsors, the next 15years we believe will be just as challenging as the last 15 years but with your support with your backing with your engagement with CEDR there is a huge benefit to be aimed at in terms of creating much better value out of the many conflicts we see daily in our business and organisational lives.

So thank you again for coming tonight, thank you to our hosts the CBI and our sponsors and do enjoy the rest of the evening, thank you very much goodnight.