CHAPTER

1

Conflict in Business and Economic Life

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Introduction

Conflict has a poor reputation in business. Managers speak of disputes as distractions, investors treat strikes and lawsuits as risks to be priced, and students often assume that a good negotiator is someone who makes disagreement disappear. This chapter starts from a different premise. It treats conflict as a normal and lasting part of economic life and argues that the manager's task is not to abolish it but to understand it well enough to channel it productively.

The chapter proceeds in four steps. Section 1.1 defines conflict, sets out the conditions under which a difference becomes a dispute and explains why business, with its scarce resources, interdependent units and constant change, produces conflict in such abundance. Section 1.2 asks where conflict happens and what it is about, distinguishing its levels and types and showing how culture can turn an apparently technical disagreement into a clash of values. Section 1.3 examines what changes when a conflict is fought in public, and how the media and social media shape it. Section 1.4 asks whether conflict is good or bad for a firm, tracing the evolution of management thought towards the idea of an optimum level of conflict.

Throughout, the chapter follows a single case, the strikes that halted film and television production in the United States in 2023, and it closes with exercises in which readers apply its concepts. The vocabulary introduced here forms the first layer of the book's analysis of profit, power and persuasion.

DEAL FILE

Hollywood on Strike, 2023

On 2 May 2023 the Writers Guild of America (WGA), which represents film and television writers in the United States, called its members out on strike against the Alliance of Motion Picture and Television Producers (AMPTP), the body that bargains on behalf of the studios and streaming services. Ten weeks later, on 14 July, the actors' union SAG-AFTRA joined the walkout. It was the first time since 1960 that writers and actors had been on strike together, and American film and television production came almost to a standstill.

Table 1.1

The Hollywood strikes at a glance

Parties	The Writers Guild of America; SAG-AFTRA, representing actors; the Alliance of Motion Picture and Television Producers, acting for studios and streaming services such as Netflix, Disney, Warner Bros. Discovery, Amazon, Apple, Paramount and NBCUniversal
At stake	The share of streaming revenue paid to writers and actors; the size of writing teams; the use of artificial intelligence (AI)
Duration	Writers: 148 days, from 2 May to 27 September 2023. Actors: 118 days, from 14 July to 9 November 2023
Outcome	Agreements running to May 2026 (writers) and June 2026 (actors), with higher minimum pay, a new bonus for successful streaming titles, minimum staffing of writers' rooms and rules on the use of AI; both were renewed in 2026 without a strike, for four years to 2030

Note. Author, based on SAG-AFTRA (2023a, 2023b, 2026) and Writers Guild of America (2023, 2026).

Why the old bargain broke. For decades, writers and actors received a fee for their work and then *residuals*: payments made each time a film or episode was shown again on television or sold on DVD. Streaming undermined this arrangement. A series on a streaming service is never repeated in the old sense; it simply remains available, and the services did not disclose how many people watched it. Writers argued that a successful series could earn a service millions in subscriptions while its authors received the same flat payment as those whose series had failed. Studios had also begun to hire small groups of writers, so-called mini rooms, for shorter periods. Generative AI then added a new fear. OpenAI had released ChatGPT in November 2022 (OpenAI, 2022), and writers worried that studios would ask machines to produce first drafts and pay people only to polish them. Actors feared that their faces and voices could be scanned once and reused without consent or payment.

What the unions won. The writers' agreement, which ran until 1 May 2026, raised most minimum rates by 5 per cent on ratification, by 4 per cent in 2024 and by 3.5 per cent in 2025. It introduced a bonus worth half of the fixed residual for any title watched by at least 20 per cent of a service's domestic subscribers in its first 90 days, and it required a room of at least six writers for a series of 13 or more episodes once production had been approved. A studio cannot oblige a writer to use AI, and material generated by AI does not count as source material, so it cannot be used to weaken a writer's credit or rights (Writers Guild of America, 2023). The actors' agreement raised minimum pay by 7 per cent, followed by 4 and 3.5 per cent in the next two years. Its streaming bonus uses the same threshold but is worth the full fixed residual: three-quarters goes to the cast of the title and one-quarter to a fund shared among performers in streaming programmes. The creation and use of an actor's digital replica now require informed consent and payment (SAG-AFTRA, 2023a). The union valued the package at more than US$1 billion in new pay and benefit funding, and its members ratified it on 5 December 2023 with 78.3 per cent of the vote (SAG-AFTRA, 2023b).

Questions to keep in mind. Why did a dispute about pay become a strike lasting almost five months? Who was really in conflict with whom: writers with studios, actors with a technology, or an old business model with a new one? Did the conflict destroy value, or did it produce rules the industry needed? They also introduce the three pillars of this book: how the value of streaming was to be divided (profit), which side could hold out longer (power) and how each side won public support for its cause (persuasion). The chapter returns to them as its argument unfolds.

1.1 What Is Conflict, and Why Does Business Produce So Much of It?

From Difference to Conflict

People and firms differ constantly without being in conflict. Two suppliers may quote different prices, and two managers may favour different strategies, without anything following from it. A difference becomes a conflict only when one side believes that the other stands in the way of something it values. Thomas (1992) describes conflict as a process which starts when one party perceives that another has frustrated, or is about to frustrate, something it cares about. Three elements of this idea recur throughout the book.

- **Interdependence.** The parties need each other. Writers rely on studios to finance and distribute their work, while studios rely on writers to create it. Parties that can simply walk away from one another rarely remain in conflict for long.
- **Perceived incompatibility.** At least one party believes that what the other wants blocks what it wants itself. The belief matters more than the facts: a

conflict can rest on a misunderstanding, whereas a genuine incompatibility can go unnoticed for years.

- **Interference.** One party acts, or is expected to act, in a way that harms the other's goals, for instance by refusing a demand, cutting a budget, filing a lawsuit or walking off the job.

Pondy (1967) added that conflict is a *process* rather than a single event. It can lie dormant in the structure of a relationship long before anyone feels it, and it leaves an aftermath that shapes the next round. Chapter 3 follows this process stage by stage.

Why Business Generates Conflict

Business is unusually rich in the conditions which produce conflict. Five sources recur in the chapters that follow.

1. **Scarcity and distribution.** Every transaction creates a surplus, the difference between the most a buyer would pay and the least a seller would accept, and how that surplus is shared is inherently contested. At its core, the Hollywood strike was a contest over the division of streaming revenue. Chapter 2 develops this economic root of conflict.
2. **Interdependence across functions and firms.** Sales staff want low prices and fast delivery, finance wants healthy margins, and production prefers long, stable runs. Firms in a value chain depend on one another, yet they compete for the profit that the chain generates.
3. **Divergent goals and time horizons.** Shareholders, managers, employees and local communities expect different things from the same firm, and they weigh the present against the future in different ways (Chapter 6).
4. **Change.** New technologies, regulations and markets render old agreements obsolete. Every contract assumes a particular world, and when that world changes, someone gains while someone else loses. Streaming and generative AI did precisely this to the agreements governing Hollywood.
5. **Culture and history.** Shared values shape how sharply these tensions are felt. Hill and Hult (2021) describe how class consciousness in Britain, expressed in a traditional hostility between managers from the upper middle class and their working-class employees, long made cooperation between management and labour difficult and produced a relatively high level of industrial disputes. Such disputes have declined markedly in recent decades, but the authors argue that wherever class divisions remain deep, the resulting antagonism raises production costs and makes it harder for firms to compete internationally.

Worked Tool: The Conflict Map

A conflict map records the parties, what each wants, why their aims collide and why neither can simply walk away. Table 1.2 applies this tool to the Deal File.

Table 1.2

Conflict map of the Hollywood strikes, 2023

Party	What it wanted	Why its aims collided with the other side	Why it could not walk away
Writers (WGA)	A share of streaming success, minimum staffing and protection from AI	Each demand raised the studios' costs or limited their freedom	Few employers exist outside the members of the AMPTP
Actors (SAG-AFTRA)	Higher minimum pay, streaming residuals and consent for digital replicas	Digital replicas promised studios lower costs in the future	The same reasons as the writers
Studios and streamers (AMPTP)	Control of costs after heavy streaming losses, and freedom to adopt new technology	Every union gain added cost in a period of falling profits	No content can be made without writers and actors

Note. Author, based on the Deal File.

KEY MOVE

Before you try to resolve a conflict, map it. Ask what each side cares about, why its aims collide with yours and what keeps both of you at the table.

1.2 Where Does Conflict Happen? Levels and Types

Levels of Conflict

A conflict can be located by asking *who* is in conflict with *whom*. Table 1.3 sets out the levels used throughout this book.

Intergroup conflict deserves particular attention in business. Departments such as sales and customer support pursue different goals, compete for budgets, staff and recognition, and draw boundaries around their identity as a team. Social identity theory explains why such boundaries matter: people derive part of their self-esteem from the groups to which they belong, and they tend to favour their own group in any contest with another (Tajfel & Turner, 1979).

The levels are also connected. A dispute between two organisations is conducted by individuals, who may at the same time be in conflict with their own

Table 1.3

Levels of conflict

Level	Who is involved	Business example
Intrapersonal	One person torn between goals or roles	A manager asked to cut jobs in a team she built
Interpersonal	Two individuals	A sales director and a finance director disagreeing about a discount
Intragroup	Members of one team or group	Writers in one union divided over whether to accept a deal
Intergroup	Groups or departments within one organisation	Engineering and marketing at odds over a launch date
Organisational	An organisation and its members or stakeholders	A company and its trade union
Inter-organisational	Two or more organisations	Studios and unions; a retailer and its supplier; two merger partners
International	Firms and governments across borders	Trade disputes, investment disputes and border blockades

Note. Author, adapted from Rahim (2023) and Thomas (1992).

side. During the Hollywood strike, union leaders had to hold together members with very different incomes, from famous stars to background actors, while bargaining with the studios. Much of the skill of negotiation therefore lies in managing the conflict *behind* the table as well as the conflict across it.

Types of Conflict

Conflicts also differ in *what* they are about. Research on teams distinguishes three types (Jehn, 1995; Jehn & Mannix, 2001):

- **task conflict**, a disagreement about the content of the work, such as which product to launch, which price to set or how to share a surplus;
- **relationship conflict**, personal friction expressed as dislike, distrust or a sense of being disrespected;
- **process conflict**, a disagreement about how the work is done: who decides, in what order and under which rules.

Moore (2014) offers a classification that mediators use for diagnosis. Conflicts may concern **interests** (who gets what), **data** (different facts, or different readings of the same facts), **relationships** (emotions, stereotypes and poor communication), **structure** (unequal power, time pressure or geography) or **values** (different ideas of what is right). Each calls for its own remedy. A data conflict eases when information is shared and a conflict of interests yields to bargaining, but a conflict of values often cannot be bargained over at all; it can only be managed.

Conflicts of values are frequently rooted in culture. Hill and Hult (2021) define culture as a system of values and norms shared by a group of people that, taken together, forms a design for living. *Values* are ideas about what a group believes to be good, right and desirable; *norms* are the social rules that prescribe appropriate behaviour in particular situations. When parties from different societies meet, a dispute that appears to concern contract terms may in fact concern norms about time, hierarchy or what counts as a fair offer. Differences in legal systems and religious observance add further complexity to international dealings, a theme developed in Chapter 18.

Conflicts of values are often also conflicts of identity. Drawing on the work of the historian David Cannadine, Jandt (2018) identifies six sources of collective identity that have regulated human life and, at times, fuelled conflict between groups: religion, nation, class, gender, race and civilisation. In business these identities rarely appear in pure form, but they shape how the parties see one another. The acquisition of a national champion by a foreign firm can provoke resistance that has more to do with national identity than with price, and a dispute between managers and workers may be experienced as a conflict between classes as much as a conflict of interests. Jandt also warns against the opposite error: knowing a person's cultural identity does not reveal how that person will behave, because the diversity within cultures is often greater than the diversity between them, and to assume otherwise is to stereotype.

All five of Moore's categories appeared in Hollywood. The share of streaming revenue was a conflict of interests, and the streamers' refusal to disclose viewing figures created a conflict over data. Years of mistrust produced a relationship conflict, while the bargaining power of a few large companies reflected a structural one. For many members, finally, whether a machine should be allowed to write or to act was a question of values.

KEY MOVE

Diagnose the level and the type of a conflict before choosing a strategy. Bargaining settles conflicts of interest; it does not settle conflicts over data, relationships or values unless those are addressed first.

DEAL SNAPSHOT

Polish Hauliers at the Ukrainian Border, 2023 and 2024

After Russia's full-scale invasion of Ukraine, the European Union and Ukraine signed an agreement in June 2022 that opened bilateral and transit road haulage between them to each other's carriers, without the permits previously required (*Agreement between the European Union and Ukraine on the Carriage of Freight by Road*, 2022). Polish hauliers, who faced a sharp rise in the share of Ukrainian competitors, demanded that the permit system be restored. From 6 November 2023 they protested in front of the road crossings at Dorohusk, Hrebenne and Korczowa, and long queues of lorries built up on both sides of the border. On 16 January 2024 the Polish Ministry of Infrastructure signed an agreement with the protesters, who suspended their action until 1 March 2024. The ministry undertook, among other measures, to improve the capacity of the crossings, for example by registering empty lorries in a separate electronic queue at Dorohusk and setting aside four lanes for them (Ministry of Infrastructure, 2024). This single dispute ran across almost every level in Table 1.3: firms competed with firms, a professional group pressed its own government, and two neighbouring states that were close allies had to manage a quarrel over trade.

1.3 How Does Conflict Look in Business and in the Media?

Private and Public Conflict

Most business conflicts remain private. A buyer and a supplier argue about a price increase in a meeting room, and the public never hears of it. Some disputes, however, move into public view, and their character then changes in three ways.

First, **the audience becomes a party**. Customers, investors, regulators and politicians are now watching, and each side begins to address them as much as its opponent. In Hollywood, the picket lines outside studio gates, where famous actors carried placards, were aimed at the public and at the studios' shareholders quite as much as at the negotiators of the AMPTP.

Second, **positions harden**. A concession made in private counts as a compromise; the same concession made in public can look like a defeat, and leaders who have presented their demands as matters of principle find it harder to retreat. Schelling (1960) observed that this effect can be used deliberately: a party committing publicly to a position makes retreat costly for itself, and so makes its threat more credible.

Third, **the conflict is framed**. Public debate favours stories with heroes, villains and high stakes. A tale of writers fighting robots and billionaire executives is more compelling than a dispute over residual formulas, and it shaped how the public, and even some executives, came to see the strike.

DEAL SNAPSHOT

Musk v. OpenAI, from 2024 to 2026

Elon Musk, one of the founders and early funders of OpenAI, sued the company and its leaders in 2024. He claimed that they had abandoned its founding mission as a non-profit organisation working for the benefit of humanity and had turned it into a business run for profit. OpenAI replied that Musk had himself accepted the need for a for-profit structure and had turned against the company only after failing to gain control of it. For two years the dispute was fought through court filings, interviews and posts on social media. After a trial in the federal court in Oakland, California, an advisory jury found on 18 May 2026 that Musk had brought his claims too late, and Judge Yvonne Gonzalez Rogers adopted its verdict and dismissed them (*Musk v. Altman*, 2026); Musk's lawyers said that he would appeal. It illustrates how a quarrel between founders can become a public contest over the purpose of a firm, argued as much before the public as before the court.

Social media have increased the speed and reach of all three effects. A dispute that once surfaced in a press release can now spread within hours, and each side can address the public directly, without the filter of journalists. Kumar (2021) examines the wider consequences of social media for conflict and security, and Chapter 16 returns to the theme.

Going Public as a Tactic

A party may take a conflict public on purpose: to gain allies, to damage the other side's reputation or to compel a third party, such as a government or a court, to act. The tactic is powerful but expensive. It raises the cost of failure for both sides, it is hard to reverse, and it hands part of the control of the conflict to journalists, online audiences and the wider public. Table 1.4 summarises the trade-off.

Table 1.4

Taking a conflict public: gains and costs

Possible gains	Possible costs
Public support and new allies	Compromise becomes harder without loss of face
Pressure on the other side's customers, investors or regulators	Damage to one's own reputation and brand
A credible commitment to a position	Loss of control over how the story is told
Involvement of courts, regulators or governments	Lasting harm to the relationship

KEY MOVE

Decide deliberately whether a conflict should stay private. Going public can strengthen your position, but it also makes your demands harder to change.

1.4 Is Conflict Good or Bad for a Firm?

Three Views of Conflict

Thinking about conflict in organisations has passed through three broad stages. The *traditional view* regarded conflict as harmful in itself: a sign of poor management, to be removed by clearer rules and firmer authority. The *human relations view* accepted conflict as a natural and inevitable part of organisational life, something to be lived with rather than suppressed. The *interactionist view*, associated in particular with Robbins (1974), went further. It argued that an organisation without conflict becomes static and complacent; some conflict is necessary for creativity and change, and managers should therefore keep it at an optimum level, stimulating it when there is too little and resolving it when there is too much.

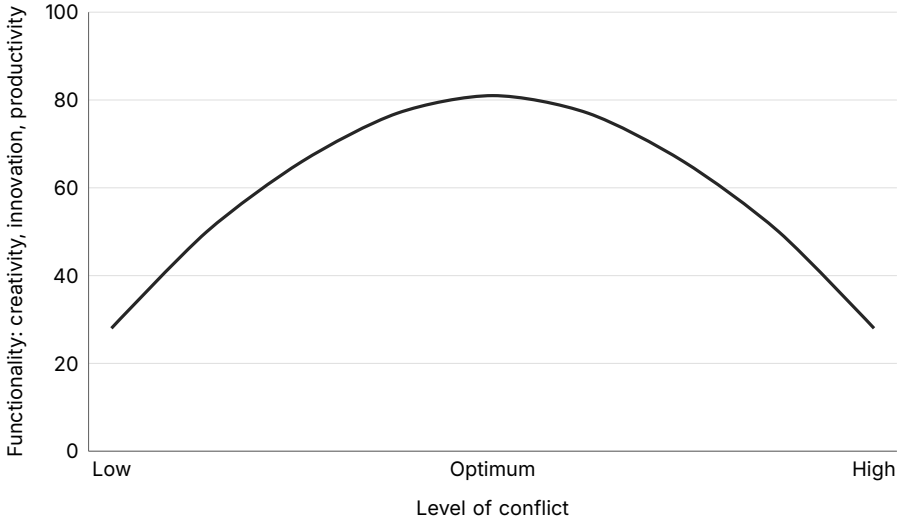
Sociologists had prepared the ground for this view. Coser (1956) argued that conflict can bring problems into the open, test ideas, release tension and force a system to adapt, and Deutsch (1973) distinguished **constructive** conflict, after which the parties are better off and their relationship survives, from **destructive** conflict, which spreads, escalates and leaves every side worse off. Figure 1.1 illustrates the interactionist argument: too little conflict breeds inertia, too much produces dysfunction, and performance peaks in between.

What the Evidence Shows

Research on teams has refined this picture. A meta-analysis by De Dreu and Weingart (2003) found that relationship conflict clearly harmed team performance and satisfaction, while task conflict, often assumed to be beneficial, was on average harmful as well. Later work suggested that the relationship between task conflict and innovation is curved, much as Figure 1.1 implies. Teams with very little disagreement fail to test their ideas, teams with a great deal of disagreement cannot work together, and a moderate level of debate about the task tends to yield the most innovation (De Dreu, 2006). The lesson is not whether conflict is good or bad: its *type* and *intensity* matter, and task conflict turns harmful once it becomes personal. Table 1.5 summarises the features of functional and dysfunctional conflict.

Figure 1.1

The optimum level of conflict (illustrative)



Note. Author, based on Robbins (1974) and De Dreu (2006). The values are illustrative and show the shape of the relationship rather than measured data.

Table 1.5

Functional and dysfunctional conflict

	Functional conflict	Dysfunctional conflict
Focus	The problem and the task	The person and the relationship
Intensity	Moderate and contained	High and spreading
Communication	Open, with information shared	Closed, with information used as a weapon
Typical result	Better decisions, new rules and adaptation	Lost time and output, broken relationships and exit

Note. Author, based on Deutsch (1973), Jehn (1995) and De Dreu (2006).

The Economics of a Costly Conflict

Economics poses a sharper question. If both sides could predict the outcome of a strike, why not agree to it on the first day and save the cost? Hicks (1932) noted that, in theory, a rational union and a rational employer should always be able to find an agreement leaving both better off than a strike would. The very occurrence of strikes suggests that the parties do *not* know what the other will accept, or do not trust each other's promises. Seen in this light, conflict is partly a costly way of revealing information, an idea to which the MA extension at the end of the chapter returns.

Costly conflicts of this kind are far from rare. Figure 1.2 shows how many American workers took part in major work stoppages, defined as those involving at least 1,000 workers and lasting at least one full shift, in each year from 2005 to 2025. Between 2008 and 2017 the number never exceeded 150,000. It then rose sharply, to more than 400,000 in both 2018 and 2019, and again in 2023, when 33 major stoppages began, the largest number since 2000, and 458,900 workers were involved (US Bureau of Labor Statistics, 2024). The 30 major stoppages that began in 2025 involved 306,800 workers, and their number remained well above the average of 17.8 a year for 2006 to 2025 (US Bureau of Labor Statistics, 2026). For students of negotiation, the series is a reminder that the failure to agree has a measurable price, paid in lost output and wages by the parties and by many others around them.

KEY MOVE

Keep conflict focused on the task and the terms, never on persons. A conflict is worth its cost only if it produces information, decisions or rules unobtainable more cheaply.

BACK TO THE DEAL FILE

Reading the Hollywood Strikes

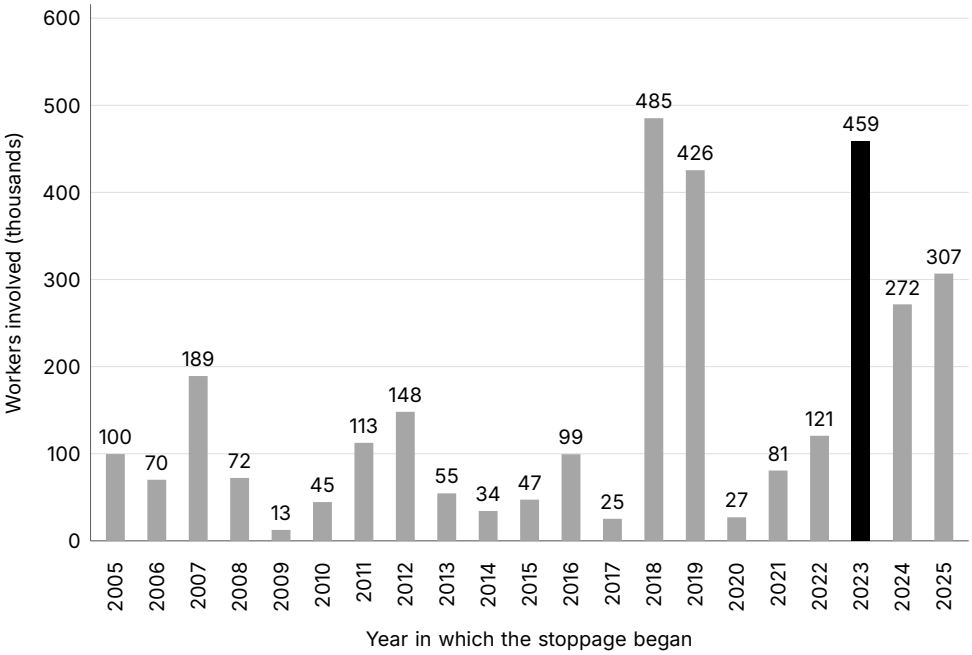
The tools of this chapter explain why the dispute grew into a strike that lasted almost five months.

It met every condition for conflict. The parties were deeply interdependent; they perceived a direct incompatibility in the division of streaming revenue; and writers and actors experienced the studios' rejection of their opening demands as interference with their livelihoods.

It operated on several levels at once. It was an inter-organisational conflict between unions and studios, but also an intragroup conflict inside each union, whose members ranged from stars to people earning the union minimum. On

Figure 1.2

Workers involved in major work stoppages in the United States, 2005 to 2025 (thousands)



Note. Author, based on the annual series of the US Bureau of Labor Statistics (2026) on stoppages involving 1,000 or more workers. The highlighted bar marks 2023, the year of the Deal File.

the employers' side, studios with large back catalogues and newer streaming services with different cost structures did not share identical interests.

It combined every type of conflict. The conflict of interests over pay could, in principle, be split. The conflict over viewing data, the mistrust built up over years and the dispute over the place of AI could not simply be divided, and they made the conflict of interests harder to settle. The final agreements handled each in its own way: the bonus based on viewing figures obliged the services to share some information, while the rules on AI turned a question of values into contractual terms of consent and compensation.

It was fought in public. Picket lines and the voices of famous actors transformed a technical dispute into a public story, which strengthened the unions' bargaining position but also made compromise harder for both sides.

Was it functional? For union members it produced rules which had not existed before, on streaming success, staffing and AI. The cost, however, was large. In the official statistics for 2023, the information industry, which includes film and television production, accounted for 171,500 of the 458,900 workers involved

in major stoppages, a total exceeded only by education and health services (US Bureau of Labor Statistics, 2024). For the many workers who were not party to the dispute, such as crews, caterers and suppliers, the months without production were costly. In the language of Figure 1.1, the strike pushed conflict well beyond its optimum: it was functional for the parties at the table and dysfunctional for many who were not, a common pattern in large business conflicts.

The durability of the rules it created is nevertheless notable. When the agreements expired in 2026, both unions negotiated new four-year contracts without a strike. Writers ratified theirs on 24 April 2026 with 90.4 per cent of the vote; it raised streaming residuals, improved the viewership bonus and increased contributions to the health plan (Writers Guild of America, 2026). Actors ratified theirs on 4 June 2026 with 91.4 per cent of the vote; it strengthened the protections around AI and digital identity and opened the way to merging the two pension funds that had divided members' earnings (SAG-AFTRA, 2026). The costly conflict of 2023 thus established a framework that later rounds of bargaining could build on rather than reopen.

MA EXTENSION

Why Do Rational Parties Strike?

The "Hicks paradox" asks why strikes occur if both parties would gain by agreeing at once on the final terms (Hicks, 1932). Ashenfelter and Johnson (1969) modelled the strike as a means of lowering workers' expectations over time. Later work in bargaining theory treats strikes as a consequence of *private information*: the employer knows its true ability to pay and the union does not, so the union uses the threat and the duration of a strike to distinguish employers who genuinely cannot pay from those who merely claim they cannot (Kennan & Wilson, 1993). Apply this reasoning to the Deal File. What private information did the streaming services hold, and how did the bonus based on viewing figures change the information available to each side? Would a rule requiring services to publish viewing data have shortened the strike?

ETHICS CHECK

Studios argued that viewing data were commercially sensitive. Writers argued that, without them, they could not judge whether their pay was fair. Is it ethical for one side of a negotiation to withhold information determining the value of the other side's work? Where does a legitimate business secret end and an unfair advantage begin?

Pillar Scorecard

Table 1.6

Pillar Scorecard: the Hollywood strikes, 2023

Pillar	Importance in this case	Evidence
Profit	High	The dispute concerned how streaming revenue should be divided between producers and creative workers
Power	High	The unions used a coordinated strike to halt production; the studios relied on their financial reserves and their control of distribution
Persuasion	High	Picket lines, public statements and celebrity support shaped public opinion, and AI was framed as a question of values

Your Move

This is a constructed teaching case.

You are the operations director of a logistics company in Opole that runs a large warehouse for an online retailer. Management plans to install automated picking robots that will remove about a third of the jobs on the night shift within two years. Rumours have spread. Night-shift workers have stopped volunteering for overtime, two team leaders no longer speak to each other, and a local newspaper has asked for comment. The retailer, your main customer, expects normal deliveries during the peak season, which begins in six weeks.

1. Map the conflict in the format of Table 1.2. Who are the parties, and what does each of them care about?
2. At which levels, and of which types, is the conflict (Table 1.3 and Moore's classification)?
3. Using Figure 1.1, would you describe the present level of conflict as too low, optimal or too high? Justify your answer.
4. Should you respond to the newspaper? Use Table 1.4 to support your decision, and propose two steps that could make the conflict functional rather than destructive.

Conclusion

Conflict is built into economic life because firms share value with partners they cannot do without, in markets that never stand still. This chapter has offered a vocabulary for describing it: the conditions creating it, the levels at which it arises, the forms it takes, the public stage on which it is sometimes fought and the level at which it helps rather than harms. Description, however, is not explanation. The chapter has not yet shown why writers and studios valued the same revenue so differently, or why neither trusted the other's figures. These are economic questions, and they lead directly to the first pillar of the book's argument. Chapter 2 therefore traces conflict to its roots in scarcity, in the gap between owners and the managers who act for them, in contracts that cannot foresee everything and in market power. Chapter 3 then follows a conflict through time, from its first signs to the ways in which it is managed and brought to an end.

Exercises

A. Objective Questions

1. According to Thomas (1992), conflict begins when one party:
   a) perceives that another has frustrated, or is about to frustrate, something it cares about
   b) openly attacks another
   c) disagrees with another about facts
   d) breaks a contract

2. Which condition is *not* part of the definition of conflict used in this chapter?
   a) interdependence
   b) perceived incompatibility
   c) equal power
   d) interference

3. A dispute between the marketing and engineering departments of one firm is an example of:
   a) intrapersonal conflict
   b) inter-organisational conflict
   c) international conflict
   d) intergroup conflict

4. Disagreement about who decides and in what order is:
   a) task conflict
   b) process conflict
   c) relationship conflict
   d) value conflict

5. Hill and Hult (2021) define culture as:
   a) the laws of a country
   b) the strategy of a multinational firm
   c) the official language of a society
   d) a system of shared values and norms that forms a design for living

6. Which of the following is a typical cost of taking a conflict public?
   a) less flexibility to compromise
   b) a more credible commitment
   c) more allies
   d) the involvement of regulators

7. According to the interactionist view of conflict (Robbins, 1974), managers should:
   a) eliminate all conflict
   b) keep conflict at an optimum level, stimulating or resolving it as required
   c) ignore conflict as natural
   d) leave conflict to trade unions

8. Under the writers' agreement of 2023, the streaming bonus is paid when a title is watched within 90 days by at least:
   a) 5 per cent of domestic subscribers
   b) 10 per cent
   c) 20 per cent
   d) 50 per cent

B. Short-Answer Questions

1. Define conflict and explain the three conditions under which a difference becomes a conflict.

2. Distinguish task, relationship and process conflict, giving one business example of each.

3. Why do departments of the same firm come into conflict with one another? Refer to social identity theory in your answer.

4. Explain the difference between values and norms, and show how a difference in norms can cause a dispute between firms from two countries.

5. Name two gains and two costs of taking a business conflict public.

6. What is the "Hicks paradox", and what does it suggest about the role of information in strikes?

7. Describe the trend shown in Figure 1.2. What does it suggest about the costs of failed negotiations in the United States since 2018?

C. Long-Answer Questions

1. "Conflict is neither good nor bad in itself." Discuss this statement with reference to the traditional, human relations and interactionist views of conflict and to the empirical evidence on task and relationship conflict.

2. Using Moore's classification of conflicts over interests, data, relationships, structure and values, analyse the Hollywood strikes of 2023. Explain why some elements of the dispute could be settled by bargaining while others could not.
3. Choose a recent business conflict in your own country. Map it with the tool in Table 1.2, identify the levels at which it operated and assess whether it was functional or dysfunctional for the parties and for third parties.
4. Explain how the media and social media change the course of business conflicts. Illustrate your answer with the dispute between Elon Musk and OpenAI or with another case of your choice.

Further Reading

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