CHAPTER

3

The Conflict Process and Its Management

https://doi.org/10.61030/unup-ndyg

Introduction

A conflict is not a single event but a story with a beginning, a middle and an end. It may lie hidden for years in the structure of a relationship, surface suddenly over a minor issue, grow until it absorbs everyone's attention and then subside, leaving the parties sometimes stronger and sometimes unable to work together again. What a manager or negotiator can usefully do depends on where in this story the conflict stands. A word at the right moment can prevent a dispute that, a month later, would require lawyers, mediators or a public campaign to resolve.

This chapter follows conflict through time and asks how it can be managed at each stage. Section 3.1 sets out the stages through which conflicts typically pass and explains why so many of them escalate. Section 3.2 turns to the opposite movement and asks what makes a conflict ripe for settlement. Section 3.3 introduces the five styles that individuals use to handle conflict and shows when each of them is appropriate. Section 3.4 moves from individuals to organisations and examines the measures and systems that firms use to prevent conflict or to contain it before it becomes costly. Section 3.5 asks what conflict costs and what remains when it is over.

The chapter builds directly on the first two: Chapter 1 described what conflict is, Chapter 2 explained its economic roots, and this chapter explains how it moves. In terms of the book's pillars, escalation is largely a contest of **power**, the choice of style is a choice about how much **profit** to claim and how much to share, and the de-escalation of a conflict depends heavily on **persuasion**. The Deal File follows a dispute between two of the largest companies in American television, which left millions of households without some of their favourite channels for two weeks in the autumn of 2025.

DEAL FILE

Disney and YouTube TV Go Dark

Pay television in the United States is built on carriage agreements. Distributors such as cable companies and streaming services pay channel owners a fee for each subscriber in return for the right to carry their channels. When an agreement expires without a new one, the channels disappear from the distributor's service, an event the industry calls a *blackout*. Most negotiations end without one, but a blackout is the threat that hangs over all of them.

On the night of 30 October 2025, the agreement between Disney and YouTube TV, Google's streaming television service, expired without renewal. ABC, ESPN, FX, National Geographic and Disney's other channels went dark for YouTube TV's millions of subscribers (YouTube, 2025). The dispute was a meeting of giants. Figure 3.1 shows that in October 2025 the two companies were the largest and second-largest distributors of television in the United States, measured by their share of all viewing time.

Table 3.1

The Disney and YouTube TV dispute at a glance

Parties	The Walt Disney Company, owner of ABC, ESPN and other channels; YouTube TV, the live television service of Google
At stake	The fees YouTube TV would pay for Disney's channels; the packaging of Disney's channels and streaming services; each side's position in a changing television market
Duration	About two weeks, from the expiry of the agreement on 30 October 2025 to a new agreement on 14 November 2025
Outcome	A multi-year agreement; all Disney channels restored; ESPN's streaming service (the Unlimited plan) made available to YouTube TV subscribers at no extra cost; financial terms not disclosed

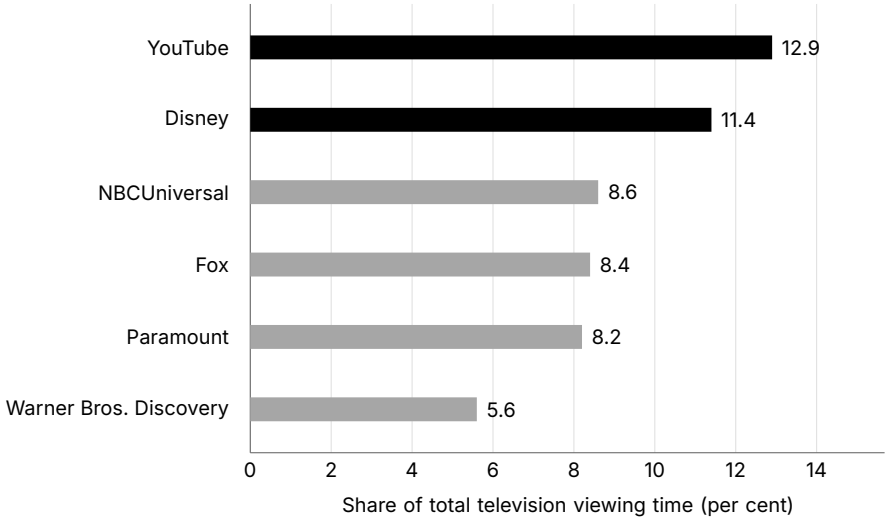
Note. Author, based on The Walt Disney Company (2025) and YouTube (2025).

How the conflict escalated. Both sides took their case directly to the public. A week before the deadline, YouTube TV told its subscribers that Disney was proposing costly terms which would raise their prices, and promised a credit of US$20 if Disney's channels stayed off the service for an extended period. When the channels went dark, it accused Disney of a decision that harmed subscribers while benefiting Disney's own live television products, which competed with YouTube TV (YouTube, 2025). Each public statement was as much a message to subscribers as a proposal to the other side, and each made retreat harder.

How it ended. On 14 November the companies announced a new multi-year agreement in time for a weekend of college football. Disney's channels returned, YouTube TV's subscribers gained access to ESPN's new streaming service at no

Figure 3.1

Shares of total television viewing time in the United States by media distributor, October 2025 (per cent)



Note. Author, based on Nielsen (2025). Shares cover viewing on television sets across broadcast, cable and streaming between 29 September and 26 October 2025; the figure shows selected media companies named in the release.

extra cost, and Disney+ and Hulu could be included in some of YouTube's offers (The Walt Disney Company, 2025). Both sides presented the result as a gain for viewers.

Questions to keep in mind. Why did two companies that needed each other let their agreement lapse? What made the dispute escalate, and what finally made it ripe for settlement? Which conflict-handling style did each side adopt, and was it the right one? What did two weeks of blackout cost the parties, their customers and their relationship? The chapter answers these questions in turn.

3.1 How Does Conflict Begin and Escalate?

The Stages of Conflict

Pondy (1967) proposed that conflicts pass through a sequence of stages, which Table 3.2 summarises. The first stage is *latent* conflict: the conditions for conflict exist in the structure of the relationship, but nobody yet feels them. Competition for scarce resources, a desire for autonomy and divergent goals are typical sources, and Chapter 2 showed how economic structures create them. In the *perceived* stage, at least one party becomes aware that its interests are threatened. In

the *felt* stage the conflict becomes personal, as anxiety, frustration and hostility enter the picture. The *manifest* stage is the conflict in action: a refusal, a lawsuit, a strike or a blackout. Finally, every conflict has an *aftermath*, which becomes the starting point of the next round.

Table 3.2

Pondy's stages of conflict applied to the Deal File

Stage	What happens	In the Disney and YouTube TV dispute
Latent	Structural conditions for conflict exist	Rising channel fees met falling numbers of pay-television subscribers; each side also sold competing services
Perceived	One or both parties recognise the threat	Renewal talks revealed a wide gap between the parties' proposals
Felt	Emotions and hostility enter	Public accusations of unfair rates and abuse of market power
Manifest	Open action against the other side	The agreement lapsed and the channels went dark
Aftermath	The legacy that shapes future relations	A new agreement, a precedent for future renewals and a test of customer loyalty

Note. Author, based on Pondy (1967).

The model offers two practical lessons. First, conflicts are cheapest to manage early. At the latent stage they can be removed by changing structures, contracts or incentives, while at the manifest stage they must be fought or negotiated. Second, the stages are not a one-way street. A conflict can remain latent for years, and a manifest conflict can return to a latent state when the parties sign an agreement leaving the underlying tensions unresolved.

Why Conflicts Escalate

Escalation is the tendency of a conflict to grow more intense, more costly and harder to stop. Pruitt and Kim (2004) identified five transformations that typically accompany it, summarised in Table 3.3. The parties move from light tactics, such as persuasion, to heavy ones, such as threats; the number of issues grows; specific complaints become general accusations; more parties are drawn in; and the goal shifts from doing well, to winning, to hurting the other side.

Several mechanisms drive these transformations. **Retaliation spirals** arise when each side answers the other's move with a slightly stronger one, so that every step appears defensive to the party taking it and offensive to the party receiving it. **Commitment** makes retreat costly: once a party has declared publicly that it will not pay a certain rate, a concession looks like defeat, as Chapter 1 showed. **Sunk costs** encourage parties to continue a conflict to justify what they

DEAL SNAPSHOT

Yahoo Ends Working from Home, 2013

In February 2013 Yahoo told its employees in an internal memo from its head of human resources that staff who had worked from home would in future have to work in the company's offices. The memo argued that the company needed to be "one Yahoo", and that communication and collaboration depended on people being physically together. The decision belonged to the chief executive, Marissa Mayer, who had joined from Google in 2012 to restore the company's performance. It came suddenly and without consultation, and it provoked anger among employees and a national debate in the United States about flexible work and working parents, sharpened by the fact that Mayer, one of the few women leading a Fortune 500 company, had returned to work two weeks after the birth of her son (Nahavandi et al., 2014). In Pondy's terms, a latent conflict over where and how work should be done became perceived, felt and manifest almost overnight, and a dispute inside one firm turned into a public controversy. The same question returned in the 2020s, when employers that had relied on remote work during the pandemic began to call their staff back to the office.

Table 3.3

Five transformations during escalation

From	To	Business illustration
Light tactics	Heavy tactics	From proposals to blackouts, strikes and lawsuits
Few issues	Many issues	A dispute about price widens into one about packaging, rival services and market power
Specific complaints	General accusations	"Your offer is too high" becomes "you are abusing your dominance"
Few parties	Many parties	Customers, politicians, regulators and the media are drawn in
Doing well	Winning, then hurting the other side	The aim shifts from a good deal to a public victory

Note. Author, based on Pruitt and Kim (2004).

have already spent on it. **Selective perception** leads each side to notice the evidence that confirms its view of the other as unreasonable. Glasl (1982) described how conflicts that pass certain thresholds, such as the loss of face or the use of threats, become progressively harder to reverse without outside help.

Escalation is also driven by what each group believes about itself and about the other. Eidelson and Eidelson (2003) identified five beliefs that push groups towards conflict. A belief in **superiority** leads a group to see itself as entitled to privileged treatment and others as lazy or inferior. A belief in **injustice** leads it to read misfortune as deliberate mistreatment, so that a layoff caused by lost market share is taken as an attack on labour. A belief in **vulnerability** keeps a group anxious and prone to pre-emptive action, such as a sudden strike or arbitrary dismissals, which provokes the very retaliation it fears. **Distrust** makes every move of the other side look hostile: in a firm with a long history of conflict between management and workers, an unexpected bonus may be met with the question of what management is really after. A belief in **helplessness** persuades a group that nothing it does will make a difference, so it stops trying. Such beliefs are most powerful when the whole group shares them and holds them so deeply that they become unquestioned assumptions; evidence against them is then ignored or explained away. A manager or negotiator who hears these beliefs voiced on either side of the table has learned something important about how hard the conflict will be to settle.

The Disney and YouTube TV dispute showed several of these mechanisms at work, although it never reached the most destructive stages. The conflict widened from fees to packaging and to each side's competing services, drew in subscribers and politicians through public messaging, and moved from offers to the heavy tactic of withdrawing the channels. Neither side, however, sought to destroy the other, because each needed the other's business.

KEY MOVE

Watch for the signs of escalation: heavier tactics, more issues, broader accusations, new parties and a change of goal from winning a good deal to winning the fight. Each is a warning that the conflict is becoming more expensive to stop.

3.2 How Do Conflicts Cool Down?

Ripeness and the Hurting Stalemate

If escalation has its own momentum, why do conflicts end at all? Zartman (2000) argued that parties settle when a conflict becomes *ripe*, and ripeness has two elements. The first is a **mutually hurting stalemate**: both sides realise they cannot win at an acceptable cost and that continuing will hurt them more than settling. The second is a **way out**: both sides can see that a negotiated solution is possible. Ripeness is a matter of perception, so a stalemate which hurts but is not recognised as hurting does not produce settlement, and a party believing its rival will soon give in will continue to fight.

In the Deal File, the stalemate hurt both sides from the first day. YouTube TV risked losing subscribers who wanted football, while Disney lost the fees and the advertising revenue that YouTube TV's viewers had generated. The pain grew as major sporting events approached, which is why a weekend of college football served as a natural deadline. The way out was a familiar structure for such disputes: a new fee arrangement combined with a non-monetary element, the inclusion of ESPN's streaming service, which allowed each side to present the outcome as a gain.

Strategies for De-Escalation

Parties and third parties have several tools for reversing escalation.

- **Unilateral conciliatory moves.** Osgood (1962) proposed a strategy of *graduated and reciprocated initiatives in tension reduction*: one party announces and carries out a small concession, invites the other to reciprocate and continues only if it does. A distributor that offers to keep paying the old fee while talks continue, in return for keeping the channels on air, makes a move of this kind.
- **Separating the people from the problem.** Reducing personal hostility and refocusing the discussion on interests, a method developed by Fisher and Ury (1981) and examined in Chapter 17.
- **Fractionating the conflict.** Breaking a large dispute into smaller issues, each of which can be settled in turn.
- **Face-saving formulas.** Packaging an agreement so that both sides can claim success, as the inclusion of ESPN's streaming service allowed.
- **Third parties.** Mediators, conciliators and arbitrators, discussed in Chapter 5, can lower the cost of concessions by making them look like responses to a neutral proposal rather than surrender.

DEAL SNAPSHOT

OpenAI's Five-Day Crisis, November 2023

On 17 November 2023 the board of OpenAI announced that its chief executive, Sam Altman, was leaving the company because he had not been consistently candid in his communications with the board (OpenAI, 2023a). The conflict escalated with remarkable speed. The company's president, Greg Brockman, resigned, and on 20 November Microsoft, OpenAI's largest investor, announced that both men would join it to lead a new advanced research team (Nadella, 2023). Within days the parties agreed in principle that Altman would return under a new initial board chaired by Bret Taylor, and on 29 November OpenAI confirmed his return and announced that Microsoft would take a non-voting observer seat on the board (OpenAI, 2023b). The crisis passed through every stage of Pondy's model in less than two weeks. It also shows how quickly a stalemate becomes mutually hurting when every party, from the board to the employees and the main investor, can inflict serious damage on the others.

KEY MOVE

Do not wait for a conflict to become ripe by itself. Make the costs of the stalemate visible to both sides, and prepare a way out that allows each of them to claim success.

3.3 Which Style Fits? The Five Conflict-Handling Styles

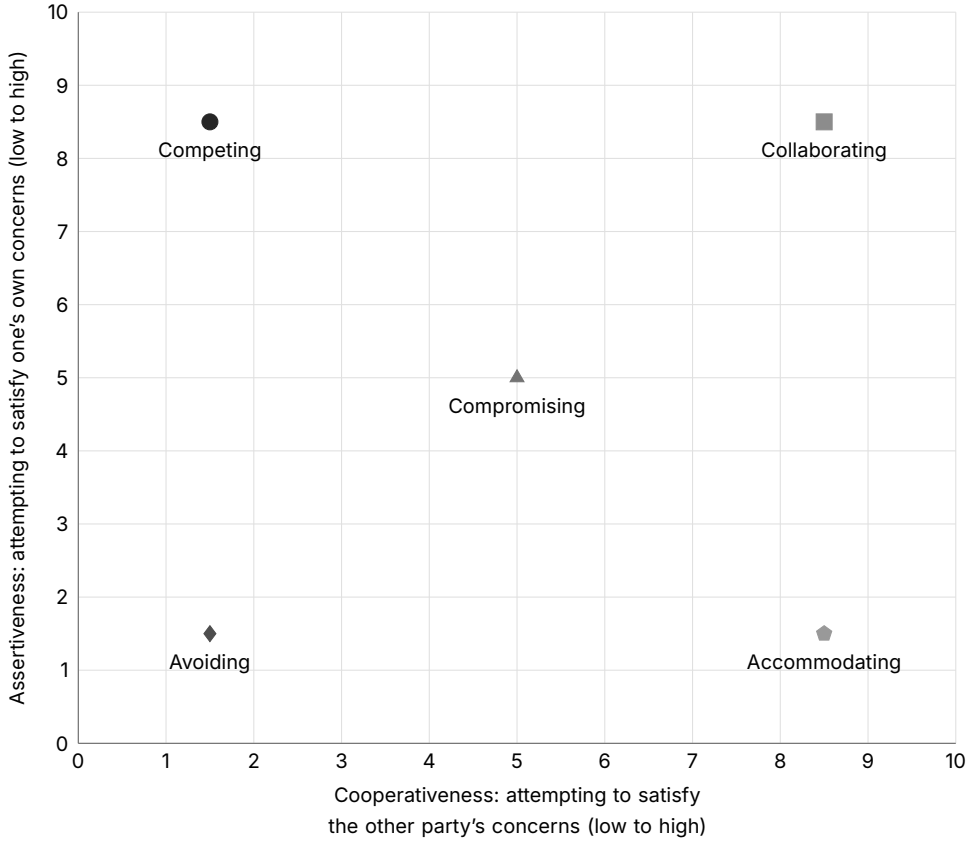
Two Dimensions of Behaviour

People differ in how they respond to conflict. Building on the managerial grid of Blake and Mouton (1964), Thomas (1976) described these differences along two dimensions. **Assertiveness** is the extent to which a person tries to satisfy his or her own concerns. **Cooperativeness** is the extent to which the person tries to satisfy the concerns of the other party. Combining the two produces five styles, shown in Figure 3.2, which the Thomas–Kilmann instrument has made familiar to generations of managers. Rahim (2023) uses a similar model with slightly different names: integrating, obliging, dominating, avoiding and compromising.

- **Competing** is assertive and uncooperative: one party pursues its own concerns at the other's expense, using whatever power it has.
- **Accommodating** is unassertive and cooperative: one party sets aside its own concerns to satisfy the other's.
- **Avoiding** is both unassertive and uncooperative: the party withdraws, postpones or sidesteps the issue.

Figure 3.2

Five conflict-handling styles



Note. Author, based on Thomas (1976) and Rahim (2023). The positions are conceptual, not measured.

- **Collaborating** is both assertive and cooperative: the parties work together to find a solution that fully satisfies both.
- **Compromising** lies in the middle: each side gives up something to reach a solution that partly satisfies both.

Management teaching often presents the same ideas in a slightly different vocabulary. A widely used classification lists five strategies for resolving conflict in organisations: *ignoring* the conflict, *smoothing* it over by appealing to unity, *compromising*, *forcing* a solution, and *problem solving*. Smoothing is a form of accommodation that covers the conflict rather than resolving it, so the underlying problem may later return more strongly. Compromise is common in negotiations

between trade unions and management, where each side opens with more than it expects and concedes towards a middle ground, and it is most useful when the parties have roughly equal power or are short of time.

When Each Style Fits

No style is right in every situation. Thomas (1977) argued that each has its proper uses, and later research on negotiation has largely confirmed his view. Table 3.4 summarises when each style tends to fit and what it risks.

Table 3.4

When to use each conflict-handling style

Style	Appropriate when	Risk if overused
Competing	Quick, decisive action is vital; the issue is important and the other side would exploit cooperation	Damaged relationships; others stop sharing information
Collaborating	Both sides' concerns are too important to compromise; there is time and trust to explore interests	Time and effort spent on minor issues
Compromising	Power is roughly equal; a temporary settlement is needed; time is short	Mediocre agreements that satisfy nobody fully
Avoiding	The issue is trivial; the costs of confrontation outweigh the benefits; people need to cool down	Problems grow unaddressed; decisions are made by default
Accommodating	The issue matters more to the other side; preserving the relationship is the priority; one is wrong	Loss of respect and of one's own interests

Note. Author, based on Thomas (1977) and Rahim (2023).

The choice of style is also a choice about the surplus discussed in Chapter 2. Competing tries to claim as much of it as possible; accommodating gives it away; collaborating tries to enlarge it before dividing it; compromising splits it; and avoiding leaves it unrealised. In the Deal File, both sides began with a competing style, withdrawing channels and taking their case to the public, and ended with a collaborative element, the inclusion of ESPN's streaming service, which created value for subscribers and for both firms.

Style, Culture and Context

Styles are not fixed personality traits. The same manager may compete with a supplier, accommodate a key customer and collaborate with a colleague. Preferences are also shaped by culture: societies that value harmony and the preservation of face tend to favour avoiding and accommodating in public, while preferring to resolve differences through indirect channels, whereas more individualist business cultures place a higher value on open confrontation of the issues. Chapter 18 examines these differences in depth, and the author's research on communication in international business shows how misreading a partner's style can turn a manageable disagreement into a damaging conflict (Kumar, 2022, 2023).

KEY MOVE

Choose your style deliberately, not by habit. Ask how important the issue is to you, how important the relationship is, how much power each side holds and how much time you have.

3.4 How Do Organisations Manage and Prevent Conflict?

Preventive Measures

Individuals choose styles; organisations design structures. A firm cannot abolish conflict, but it can reduce the conflict serving no purpose. Drawing on the work of Schein (1980) on relations between groups, management texts commonly recommend four preventive measures.

1. **A clear goal structure.** Define the organisation's goals and each unit's contribution to them, so that departments understand how their work fits together and feel their role is recognised.
2. **A reward system that supports cooperation.** Pay and recognition should not set individuals or units against each other, and should reflect the degree of interdependence between them.
3. **Trust and communication.** The greater the trust among members of an organisation, the more open and honest their communication will be. Units should be encouraged to share information and to understand one another's problems.
4. **Coordination.** Well-coordinated activities produce less friction. Where coordination is difficult, a liaison role or a joint team can be created to manage the interface between units.

These measures act on the latent stage of Pondy's model. They remove or soften the structural conditions producing conflict before anyone perceives it.

Conflict Management Systems

Even well-designed organisations experience disputes, and the question then becomes how they are handled. Ury et al. (1988) observed that every dispute can be resolved by one of three approaches: by reconciling the parties' **interests**, by determining who is right according to some standard of **rights**, such as a contract or the law, or by determining who is more **powerful**. Reconciling interests is usually the least costly, since it tends to produce agreements the parties find satisfying and which preserve their relationship. Determining rights is more expensive, and contests of power, such as strikes, blackouts and proxy battles, are the most expensive of all.

A well-designed **conflict management system** therefore channels most disputes towards interest-based procedures, keeps rights-based procedures as a fallback and makes contests of power rare. Table 3.5 sets out the main principles.

Table 3.5

Principles of a conflict management system

Principle	What it means in practice
Put the focus on interests	Encourage early negotiation between the people directly involved
Build in loop-backs	Allow parties to return to negotiation from rights or power procedures, for example through a cooling-off period
Provide low-cost rights and power backups	Offer arbitration or expert determination as cheaper alternatives to litigation and strikes
Consult before, give feedback after	Discuss changes before they are made, and review disputes afterwards to prevent recurrence
Arrange procedures from low to high cost	Escalate step by step: discussion, then mediation, then arbitration or adjudication
Provide skills and resources	Train managers in negotiation, and fund mediation and internal advice

Note. Author, based on Ury et al. (1988).

Many firms apply these principles in their commercial contracts through **escalation clauses**, which require a dispute to pass through defined steps before either side may go to court. A typical clause provides for discussion between project managers, then between senior executives, then mediation and only then arbitration or litigation. Collective agreements between employers and trade unions often contain similar grievance procedures, which Chapter 10 examines.

DEAL SNAPSHOT

Starbucks and Workers United, 2021 to 2026

In December 2021 baristas at a Starbucks store in Buffalo, New York, voted to join a union, and by October 2022 workers at 233 company-operated stores in the United States had voted for the same union, about 2.5 per cent of the total (Starbucks, 2022). Years of litigation over unfair labour practice charges followed. In February 2024 the company and the union announced that they would work on a framework for collective bargaining and for settling some of the pending cases (Starbucks, 2024), but no first contract followed. On 13 November 2025, the day of the company's holiday promotion, the union began an open-ended strike, which the AFL-CIO supported on behalf of what it described as more than 12,000 unionised workers (AFL-CIO, 2025). No settlement followed, and in August 2026 the union called for the first time on all customers and allied organisations to boycott Starbucks until it agreed a contract (Starbucks Workers United, 2026). The dispute reveals what happens when a conflict is fought mainly as a contest of power and rights, by means of strikes, boycotts and legal charges, rather than through a system that steers it towards interests.

KEY MOVE

Design the procedure before the dispute. Agree in advance how disagreements will be raised, discussed and, if necessary, escalated, so that the first serious dispute does not become a contest of power.

3.5 What Does Conflict Cost, and What Remains Afterwards?

The Costs of Conflict

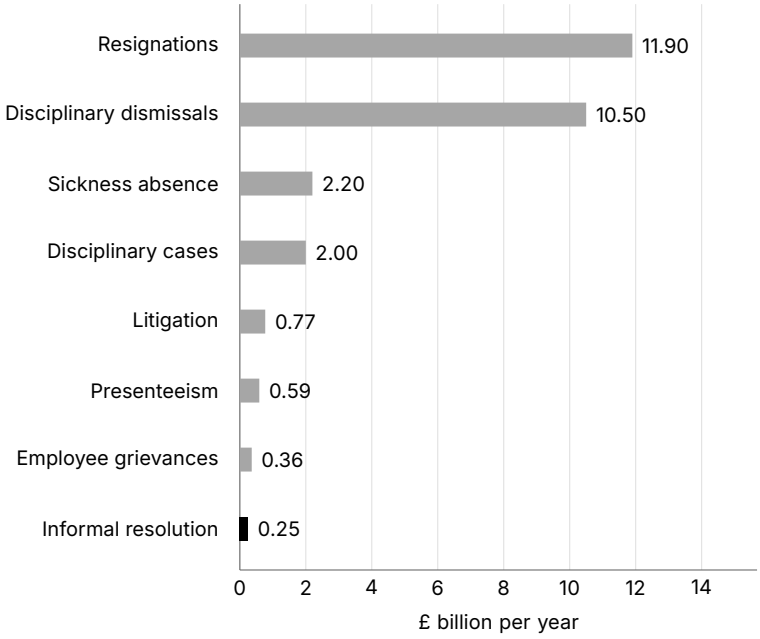
Conflict imposes costs on the parties, on those who depend on them and on the wider economy. Some costs are direct and easy to count, such as lost sales, legal fees and wages lost during a strike. Others are indirect and harder to measure: the time managers spend on disputes rather than on business, the information left unshared, the employees who leave and the customers who do not return.

A study prepared for Acas, the public body promoting good employment relations in Great Britain, estimated that conflict at work cost employers in the United Kingdom £28.5 billion a year, about £1,000 for every employee, and nearly 10 million employees experienced conflict at work in a single year (Saundry & Urwin, 2021). Figure 3.3 shows where the costs arise.

The figure carries a clear lesson for the design of conflict management systems. By far the largest costs arise when conflict ends in the departure of employees,

Figure 3.3

Estimated annual cost of workplace conflict to employers in the United Kingdom, by source (£ billion)



Note. Author, based on Saundry and Urwin (2021). "Litigation" includes management time, legal representation and compensation; "informal resolution" includes informal discussion and workplace mediation.

through resignation or dismissal, while informal resolution and mediation cost very little by comparison. Spending more on early, interest-based resolution is therefore likely to save money, because it prevents conflicts from reaching the stages at which they become most expensive. The same pattern appears in commercial disputes. In the Deal File, the fees each side gained or saved through the blackout have to be weighed against two weeks of lost revenue, the cost of credits to subscribers and the risk that some customers would cancel.

What Remains Afterwards

The last stage of Pondy's model is the aftermath, and it is often the most important for negotiators. A conflict that ends in an agreement both sides regard as fair can strengthen a relationship: the parties have learned more about each other's interests, tested their own limits and established rules for the future. This is the constructive conflict described by Deutsch (1973) and discussed in Chapter 1. A

conflict ending in the humiliation of one side, on the other hand, leaves a legacy of resentment which becomes the latent conflict of the next round.

Three questions help to assess the aftermath. Did the agreement address the underlying causes of the conflict, or only its symptoms? Do both parties regard the outcome and the process as fair? And have the parties put in place procedures that will help them handle the next disagreement? Disney and YouTube TV will meet again when their new agreement expires, and the memory of November 2025 will shape that negotiation.

KEY MOVE

Count the full costs of a conflict, including those that do not appear in the accounts, and judge a settlement not only by its terms but also by the relationship it leaves behind.

BACK TO THE DEAL FILE

Reading the Disney and YouTube TV Dispute

The tools of this chapter explain both why the dispute escalated and why it ended when it did.

It passed through every stage of the conflict process. The latent conflict lay in the economics of a shrinking pay-television market, in which channel owners sought higher fees from fewer subscribers while distributors resisted price increases. Renewal talks made the conflict perceived, public accusations made it felt and the lapse of the agreement made it manifest.

It escalated, but within limits. The dispute widened from fees to packaging and rival services, moved from offers to the heavy tactic of withdrawing channels and drew in subscribers and politicians. Yet both sides kept a way back open, because each depended on the other: Disney needed YouTube TV's subscribers, and YouTube TV needed Disney's sport and news.

It became ripe as the costs mounted. Each day of blackout cost both sides revenue and goodwill, and the approach of major sporting events turned a tolerable stalemate into a hurting one. The inclusion of ESPN's streaming service supplied a way out that allowed both sides to claim success.

Both sides began by competing and ended with an element of collaboration. The public campaigns and the withdrawal of channels were competitive moves, while the final agreement created value by giving subscribers more than they had before.

The aftermath is still unwritten. The dispute tested the loyalty of YouTube TV's subscribers and the value of Disney's channels, and both sides will use what they learned in their next negotiation.

MA EXTENSION

Blackouts, Strikes and the War of Attrition

Why do rational parties allow a blackout or a strike to happen when both lose from it? Game theory offers two explanations. The first models the dispute as a **war of attrition**, in which each side pays a cost for every day the conflict continues and the one holding out longer wins the prize; a party believing it can endure longer has an incentive to fight rather than concede (Bulow & Klemperer, 1999). The second, developed by Fearon (1995) to explain why states go to war, identifies three reasons why bargaining can fail even between rational parties: private information about each side's resolve or costs, which each has an incentive to misrepresent; commitment problems, when one side cannot credibly promise not to exploit a future advantage; and issues that cannot easily be divided. Apply these ideas to the Deal File. What private information did each side hold? Was the blackout a costly way of revealing it, as the Hicks paradox in Chapter 1 suggests? Why might two firms negotiating repeatedly still need an occasional blackout?

ETHICS CHECK

During the blackout, millions of subscribers who had paid for their service lost access to news, sport and entertainment, including the local ABC stations during the weeks of the November 2025 elections. Is it ethical for firms to withdraw services from customers as a negotiating tactic? Should channels that carry news and public information be treated differently from entertainment during commercial disputes, and who should decide?

Pillar Scorecard

Table 3.6

Pillar Scorecard: Disney and YouTube TV, 2025

Pillar	Importance in this case	Evidence
Profit	High	The dispute concerned the fees for Disney's channels and the value of each side's competing services
Power	Very high	The two largest distributors of television viewing tested which side could endure a blackout longer
Persuasion	High	Both sides campaigned publicly for the support of subscribers and framed their offers as serving the public

Your Move

This is a constructed teaching case.

You are the sales director of a dairy cooperative near Białystok whose largest customer is a national supermarket chain. For eight years relations have been good, but a new purchasing director at the chain has demanded a price cut of 6 per cent and threatened to remove two of your products from its shelves within a month. Your managing board wants to respond with a press statement accusing the chain of abusing its buying power, and some of your farmers have proposed a protest outside its headquarters. The chain accounts for 35 per cent of your sales; your products account for less than 2 per cent of its dairy range.

1. At which of Pondy's stages is this conflict, and what signs of escalation from Table 3.3 can you identify?
2. Which of the five conflict-handling styles would you recommend, and why? Use Table 3.4.
3. What would make the conflict ripe for settlement, and how could you create a way out that both sides could accept?
4. Propose a simple procedure, based on Table 3.5, that the cooperative and the chain could agree to use for future disputes.

Conclusion

Conflicts move. They begin in the structure of relationships, become visible when one side perceives a threat, grow personal and then open, and leave an aftermath that shapes the future. Escalation has its own momentum, driven by retaliation, commitment and selective perception, and it ends only when the parties see both that continuing will hurt them and that a way out exists. Individuals choose among five styles of handling conflict, each appropriate in some situations and harmful in others, while organisations can prevent many conflicts through their goals, rewards, communication and coordination, and can contain others through systems that steer disputes towards interests rather than rights or power. The costs of failing to do so, as the evidence from the United Kingdom shows, fall most heavily when conflicts are allowed to run their course. Disney and YouTube TV found their way out after two weeks; Starbucks and its union had not found theirs after almost five years. The difference lies largely in whether the parties could negotiate, and negotiation is the subject of Chapter 4, which introduces it as the principal means of turning conflict into agreement and sets out the framework of profit, power and persuasion on which the rest of the book is built.

Exercises

A. Objective Questions

1. In Pondy's model, the stage at which the conditions for conflict exist but nobody yet feels them is:
   a) perceived conflict
   b) aftermath
   c) manifest conflict
   d) latent conflict

2. Which of the following is *not* one of the transformations during escalation identified by Pruitt and Kim (2004)?
   a) from light to heavy tactics
   b) from many to few parties
   c) from few to many issues
   d) from doing well to hurting the other side

3. According to Zartman (2000), a conflict is ripe for resolution when there is:
   a) a clear winner
   b) a court ruling
   c) a mutually hurting stalemate and a perceived way out
   d) a change of leadership on one side

4. Osgood's strategy of graduated and reciprocated initiatives in tension reduction involves:
   a) small announced concessions that continue only if reciprocated
   b) a large concession made only after the other side concedes
   c) the threat of escalation
   d) the appointment of an arbitrator

5. A style that is high in assertiveness and low in cooperativeness is:
   a) collaborating
   b) competing
   c) accommodating
   d) avoiding

6. Covering up a conflict by appealing to the need for unity, without addressing its causes, is called:
   a) forcing
   b) compromising
   c) problem solving
   d) smoothing

7. Ury et al. (1988) argue that the least costly way of resolving most disputes is usually to:
   a) determine who is more powerful
   b) determine who is right
   c) reconcile the parties' interests
   d) go to court

8. According to the estimates in Figure 3.3, the largest single source of the cost of workplace conflict to employers in the United Kingdom is:
   a) resignations
   b) workplace mediation
   c) litigation
   d) presenteeism

B. Short-Answer Questions

1. Describe the five stages of conflict in Pondy's model, giving a business example of each.
2. Explain three mechanisms that drive the escalation of conflict.
3. What is a mutually hurting stalemate, and why is a way out also necessary for settlement?
4. Describe the two dimensions of the Thomas model and the five styles they produce.
5. Name Schein's four preventive measures against conflict in organisations and explain one of them in detail.
6. Distinguish interest-based, rights-based and power-based approaches to resolving disputes, giving an example of each.
7. Using Figure 3.3, explain why investment in early and informal resolution of workplace conflict may reduce its total cost.

C. Long-Answer Questions

1. Analyse the dispute between Disney and YouTube TV using Pondy's stages of conflict and the theory of escalation. Why did the conflict escalate, and what made it ripe for settlement?
2. "There is no best way to handle conflict." Discuss this statement with reference to the five conflict-handling styles and to the situations in which each is appropriate.
3. Design a conflict management system for a medium-sized manufacturing firm with frequent disputes with its suppliers and between its own departments. Justify each element with reference to the principles of Ury, Brett and Goldberg.
4. Compare the conflict between Starbucks and Workers United with OpenAI's board crisis of November 2023. Why did one conflict end within days while the other continued for years?

Further Reading

Blake, R. R., & Mouton, J. S. (1964). *The managerial grid*. Gulf Publishing.
The two-dimensional model of managerial behaviour from which the conflict-handling styles developed.

Deutsch, M. (1973). *The resolution of conflict: Constructive and destructive processes*. Yale University Press.
Why some conflicts strengthen relationships while others destroy them.

Eidelson, R. J., & Eidelson, J. I. (2003). Dangerous ideas: Five beliefs that propel groups toward conflict. *American Psychologist, 58*(3), 182–192. https://doi.org/10.1037/0003-066X.58.3.182
Five beliefs, from superiority to helplessness, that drive groups towards conflict.

Fearon, J. D. (1995). Rationalist explanations for war. *International Organization, 49*(3), 379–414.
A rigorous account of why bargaining fails between rational parties, with lessons well beyond international politics.

Glasl, F. (1982). The process of conflict escalation and roles of third parties. In G. B. J. Bomers & R. B. Peterson (Eds.), *Conflict management and industrial relations* (pp. 119–140). Kluwer-Nijhoff.
The nine-stage model of escalation and the third-party roles appropriate at each stage.

Kumar, P. (2021). Rise of social media and its impact on peace and security. In V. Khare (Ed.), *Impact of social media on peace and security* (pp. 69–82). Pentagon Press.
How public communication through social media can accelerate escalation.

Kumar, P. (2023). Impact of communication on international business: The case of Buenos Aires. *YASHOMANTHAN International Research Journal, 10*(1), 68–75.
The author's case study of communication in international business relationships.

Nahavandi, A., Denhardt, R. B., Denhardt, J. V., & Aristigueta, M. P. (2014). *Organizational behavior*. SAGE.
See chapter 11 on conflict, its consequences and negotiation in organisations.

Osgood, C. E. (1962). *An alternative to war or surrender*. University of Illinois Press.
The original statement of graduated and reciprocated initiatives in tension reduction.

Pondy, L. R. (1967). Organizational conflict: Concepts and models. *Administrative Science Quarterly, 12*(2), 296–320.
The classic model of conflict as a sequence of episodes.

Pruitt, D. G., & Kim, S. H. (2004). *Social conflict: Escalation, stalemate, and settlement* (3rd ed.). McGraw-Hill.
A comprehensive treatment of the dynamics of escalation and de-escalation.

Rahim, M. A. (2023). *Managing conflict in organizations* (5th ed.). Routledge.
Conflict-handling styles and their measurement, with extensive evidence.

Saundry, R., & Urwin, P. (2021). *Estimating the costs of workplace conflict*. Acas. https://www.acas.org.uk/estimating-the-costs-of-workplace-conflict-report
The source of the estimates for the United Kingdom of the costs of conflict at work.

Schein, E. H. (1980). *Organizational psychology* (3rd ed.). Prentice-Hall.
A classic analysis of relations between groups and how organisations can reduce destructive competition.

Thomas, K. W. (1976). Conflict and conflict management. In M. D. Dunnette (Ed.), *Handbook of industrial and organizational psychology* (pp. 889–935). Rand McNally.
The two-dimensional model of conflict-handling behaviour.

Ury, W. L., Brett, J. M., & Goldberg, S. B. (1988). *Getting disputes resolved: Designing systems to cut the costs of conflict*. Jossey-Bass.
The foundation of dispute system design.

Zartman, I. W. (2000). Ripeness: The hurting stalemate and beyond. In P. C. Stern & D. Druckman (Eds.), *International conflict resolution after the Cold War* (pp. 225–250). National Academy Press.
The theory of ripeness and the mutually hurting stalemate.