

# [Resolution of business conflict](https://assignbuster.com/resolution-of-business-conflict/)

Resolution of Business Conflict Resolution of Business Conflict The dispute that occurred in the past 2-4 years between one of the mightiest investment banks (Goldman Sachs) and a huge Insurance company in America has been marked as an unforgettable event in the history of Wall Street. The bitter conflict arose due to the differentiation of opinion between both companies as of course, one had to bear the consequences and the other had to be benefited in this tug-of-war. Goldman Sachs succeeded in playing a major role leading to AIG’s financial crisis making the situation even worse.
The cost of conflict particularly refers to the damages that can be created for the participants of a conflict. They can be monetary as well as non-monetary in nature. When calculated, it takes into account financial losses, wastage of time and wasted resources. In this specific case with two major participants, the problem was that they were influential enough to create concerns and panic in the economy and could cause fluctuations in the financial stability of the industry. The costs of this specific conflict were that first of all, it fueled the mortgage concern more than it would actually have oscillated. The Insurance Company had to pay a huge price to investors who faced a rapid mortgage decline. Goldman had apparently inflated its losses more than their actual value, and demanded most of what AIG had been left with.
Goldman had a major share in the rapidity of the problems created for AIG, which was already stuck in a complicated mesh of loss in the financial world as an insurance company that collapsed because of a decline in the mortgage market. That was the point where the government intervened in the resolution of the conflict. Both parties were adamant with their behavior and did not consider any compromises which could ruin or at least create confusions about their position in the industry. Goldman, along with pressing AIG for further payments pushed other institutions such as Societe Generale, a French bank to ask for payments from AIG as well. Even though AIG was practicing a somewhat more lenient policy towards Goldman, it appeared as if there was something awkward about Goldman Sachs strategies of compelling AIG’s scenario to worsen. After research, it was found that an unreported $2. 9 Billion was undeservingly lying in Goldman’s reserves- undeclared and unreported. Goldman’s concern was that AIG should not be demanding payment back from them. If it was not enough in the first place, AIG should have objected before paying it.
The issue between the giant companies was not resolved, as both had their own points to argue about. However, Goldman proved to be too inflexible and had played a great role in the downfall of AIG. Goldman had overstated its losses and this created problems for AIG, which raised the intensity of the economic crunch faced by AIG. Goldman Sachs should have been more reasonable in light of their previous good ties with AIG. In any case, AIG whose securities were backed by mortgages should have diversified their investments instead of investing in the mortgage market only. Maybe it could then have avoided the credit default swaps and the ultimate bankruptcy.
References
Morgenson, G. & Story, L. (2010, February 6). “ Testy Conflict with Goldman Helped Push A. I. G. to Edge”. The New York Times, Retrieved from: