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Internal conflict, market uniformity, and transparency in price competition between teams☆

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Abstract

The way profits are divided within successful teams imposes different degrees of internal conflict. We experimentally examine how the level of internal conflict, and whether such conflict is transparent to other teams, affects teams' ability to compete vis-à-vis each other, and, consequently, market outcomes. Participants took part in a repeated Bertrand duopoly game between three-player teams which had either the same or different level of internal conflict (*uniform* vs. *mixed*). Profit division was either *private-pay* (high conflict; each member received her own asking price) or *equal-pay* (low conflict; profits were divided equally). We find that internal conflict leads to (tacit) coordination on high prices in uniform private-pay duopolies, but places private-pay teams at a competitive disadvantage in mixed duopolies. Competition is

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