Does organizational politics kill company growth?

Massimo Garbuio and Dan Lovallo
The University of Sydney Business School,
The University of Sydney, Sydney, Australia

Abstract
Purpose – Whether an organization's political behaviour is positively related to its performance has been a long-standing question. Most studies elaborating on this issue, although rich in detail, primarily have been limited to case studies, apart from a niche set of studies in international business. This study aims to explore this question through a survey study of managers and executives from around the world, across a range of industries.
Design/methodology/approach – The study explores the link between politics, the ability of a firm to speedily reach the market and its growth rate through a study of 382 executives from across the world. It also investigates alternative explanations of slow speed to market due to power centralization, decision-making layers and conflict.
Findings – The results show that politics – the observable but often covert actions through which executives influence internal decisions – has a direct negative effect on a firm's ability to reach the market first and on its growth rate. That is, not only is politics time-consuming but it may also have a detrimental impact on the selection of the best growth opportunities.
Originality/value – Politics does have a negative impact on growth; it slows down a firm's growth and its ability to reach the market. This study eliminates possible alternative explanations of a slow pace to market: slower companies are not so because they have too many decision-making layers but because they use consultative processes in resource-allocation decisions, or because of conflict.

Introduction

Organizational politics is not just an academic construct. Managers experience internal politics every day in the corporate environment and generally view the term negatively, assuming that resources are spent on more powerful projects or businesses rather than more worthy ones, for political reasons. Several empirical studies based on case studies have investigated various aspects of executives' political behaviour. Bower (1970) conducted a detailed study of the social aspects of the resource-allocation process of large multidivisional companies. Pfeffer and Salancik (1974) and Pfeffer and Moore (1980) explored the use of politics in allocating funds to university departments. Eisenhardt and Bourgeois III (1988) examined the sources and effects of politics in strategic decisions in firms operating in high-velocity environments. This fieldwork led Eisenhardt and Bourgeois to develop a midrange theory of power and conflict as sources of politics in strategic decisions that have detrimental effects on firm performance. More recently, the study of the power of politics in MNCs has seen integrative efforts between the organizational studies community and the international business communities, with particular emphasis on the study of the discourse within subsidiaries and headquarters as well as between subsidiaries themselves (Geppert et al., 2016).

A question worthy of further examination is whether the findings of these qualitative studies hold true in large samples across various geographies and industries. Qualitative studies have brought invaluable contributions, especially at the exploratory and theory-building stages. By uncovering the how and why of specific phenomena, rigorous case and field studies have become intimately connected with the organizational reality and have permitted the development of testable and relevant theory (Glaser and Strauss, 1967; Yin, 2002). However, the field approach is not without risk. If researchers do not properly select cases, case results in turn do not generalize. Quantitative studies, such as the present one, lack the rich detail of qualitative studies but complement them by testing the relevant relationships in larger and more heterogeneous samples.

Drawing from the midrange theory of politics in strategic decisions elaborated by Eisenhardt and Bourgeois III (1988), while taking advantage of several studies that appeared in a special issue of power and politics in multinational organizations (Geppert et al., 2016), we propose a study of politics in resource-allocation decisions using a sample of executives from across the world that addresses fundamental questions about the effect of politics on a firm's growth. We use the responses of 382 executives to investigate the effects of politics on two key strategic variables:

(1) the ability of the firm to quickly reach the market; and

(2) its financial performance, as measured by revenue growth.

We will also address the question of whether the time to market is affected by other relevant variables, such as the centralization of decision-making in the hands of the CEO, the presence of too many decision-making layers and ultimately the presence of conflicting managers (Eisenhardt and Bourgeois III, 1988; Eisenbart et al., 2016). As such, we try to eliminate alternative explanations of time to market, beyond politics.

This article proceeds as follows: the first section develops the theoretical model, which explains the effects of politics in resource-allocation decisions inside companies. The next section presents the methodology, which is based on a sample study of executives from around the world, and the third section presents the results of our empirical study. We then discuss the three alternative explanations of a firm's time to market, which we test with the collected data: the centralization of the decision-making process due to a powerful CEO, presence of too many decision-making layers and presence of conflict among managers. Finally, we discuss our findings and present the implications for future research on executives' political behaviour and resource-allocation decisions.

Background and hypotheses

Executives are widely known to rely on politics to pursue their interests, a practice that may have detrimental effects on a firm's performance. According to Eisenhardt and Bourgeois III (1988, p. 737), politics comprises "the observable, but often covert, actions by which executives enhance their power to influence a decision". This definition accurately summarizes other works on politics (Pettigrew, 1973; Pfeffer, 1981, 1992) and includes behaviours such as behind-the-scene coalition formation, lobbying attempts and the withholding, hiding and misrepresenting of information. This view depicts politics in an unfavourable light and as especially unnecessary for the smooth functioning of an organization (Eisenhardt and Bourgeois III, 1988; Mutambara et al., 2014; Scott and Davis, 2016).

We use three aspects of organizational politics that have been carefully studied in the literature in small samples as the basis of our investigation. The first facet of political behaviour is executives' tendency to agree with superior figures in the organization, regardless of the substantive merits of an argument (Eisenhardt and Bourgeois III, 1988; Cacciattolo, 2015). Indeed, it has been argued that information gathering is often carried out with the sole intention of supporting senior leaders' viewpoints rather than to test an investment hypothesis (Harreld et al., 2007; Olorunleke, 2015).

Second, executives may decide to purposefully manipulate the information they share with colleagues and, in particular, with superior figures in the organization. In the words of Learmonth (2011), (see also Cassell, 2011 and Hodgkinson, 2012, p. 15):

[...] evidence is never just there, waiting for the researcher to find. Rather it is always necessary to construct the evidence in some way – a process that is inherently ideological and always contestable – not merely a technical, "scientific" task.

The question of how executives frame an allocation decision and select which criteria to adopt while evaluating information and sources is fundamentally political, as it follows each executive's personal agenda. When the allocation problem is distorted, the executive receiving the evidence cannot know whether the evidence is accurate.

Finally, executives form alliances to support each other's ideas and lobby senior figures in their organization to garner further support. Eisenhardt and Bourgeois III (1988) defined alliances as behind-the-scene coalition formations among proponents of a particular view. In resource-allocation decisions, Bower and Gilbert (2005) argue that, as a norm, division managers make compromises to share resources. They also "agree – explicitly or tacitly – not to challenge another division's proposals in return for the same treatment" (Bower and Gilbert, 2007, p. 13). Alliances among managers thus alter the final view of which business units have the most promising growth prospects.

In our study, we examined whether there is a relationship between political behaviours, time to market and firm performance and whether any relationships identified are positive or negative. To this end, we took the firm as unit of analysis as it is the smallest meaningful unit where politics may have a substantial impact on capital allocation decisions. To explore the relationship between political behaviour and performance, we used two key outcome variables. First, we looked at whether the use of politics has an impact on the ability of a firm to promptly reach the market – that is, whether politics is time consuming, as suggested by Pfeffer (1981). Second, we established whether time to market and politics affect a firm's performance; that is, we hypothesized direct effects of organizational politics on a firm's growth rate. Finally, we discuss a potential mediation effect of time to market on growth, namely, whether politics affects growth regardless of whether it has a negative impact on a firm's time to market.

The impact of politics on a firm's time to market

Both capital and time are scarce resources. Executives who engage in political activities take time away from other value-creating activities (Eisenhardt and Bourgeois III, 1988; Scharfstein and Stein, 2000, p. 341), including analysing and identifying the best growth opportunities available. As Pfeffer clarified, "the time and costs of political bargaining, coalition formation and compromise need to be balanced against the reality of time pressure for decisions". Therefore, we expect that firms controlled by politically active executives take more time than their competitors during both the strategic decisionmaking process and the implementation phase of a project. That is, firms controlled by politically active executives reach the market later than firms in which politics is less of an issue.

H1.Organizational politics is associated with slower time to market.

The impact of politics on a firm's growth

Once we have established whether politics affects time to market, we still need to determine whether politics is associated with good or poor performance. If politics is associated with poor performance, it remains unknown whether politics leads to poor performance, or if it is poor performance that drives executives to engage in politics to have their say in final allocation decisions.

A close examination of the influence of politics on time spent making decisions and on information flow yields compelling arguments as to why politics may have a detrimental effect on performance[1]. First, despite the fact that politics can be beneficial in reaching quick decisions, Pfeffer (1981) has argued that when politics is not necessary to resolve decisions, the use of politics may in general negatively affect organizational performance. According to Pfeffer (1981), the premise that politics reduces organizational performance derives from the fact that politics takes relevant time and resources in negotiation and bargaining. This can potentially lead to decisions that are not optimal for the organization, as they reflect the interests of the most powerful individuals rather than the best growth opportunities. While there are no clear reasons why an opportunity is worth being pursued, it takes time to "win over" all relevant decision makers through the use of alliances and lobbying or by dressing up the opportunity to present it as more profitable or less risky than it actually is. Similarly, if politics is time consuming, as we establish in H1, it clearly takes executives away from other activities, which potentially could create value for the organization.

Second, politics restricts information flow (Pettigrew, 1973), which can be particularly harmful in high-velocity environments where strategic decisions are not afforded the luxury of a comprehensive due diligence process or significant evaluation time (Eisenhardt and Bourgeois III, 1988). When information is not communicated truthfully, the chances are very low that top executives will have an opportunity to request further information and the ability to wait for the information to be collected and analyse. Charlie Munger, the vice chairman of Berkshire Hathaway (the diversified investment corporation chaired by Warren Buffett), provides an interesting illustration:

If people tell you what you really don't want to hear what's unpleasant there's an almost automatic reaction of antipathy. [...] [CBS CEO Bill] Paley was a god. But he didn't like to hear what he didn't like to hear. And people soon learned that. So they told Paley only what he liked to hear. Therefore, he was soon living in a little cocoon of unreality and everything else was corrupt, although it was a great business[2].

In a recent ethnographic action study, Whittle et al. (2016) investigated how power and politics affect the subsidiary–headquarter relationship between a British subsidiary and an American MNC. Tracking these companies longitudinally, they discovered that subsidiary managers hide, dilute and even restrict information to headquarters,

especially knowledge regarding local markets and their preferred strategic direction for the firm. This process of "sense-censoring" led potential strategic action to be transformed into inaction, but with further potential disruption due to the knowledge flows, diffusion of innovation and organizational learning challenges in MNCs.

In addition, we need to consider that firms that quickly reach the market with new products and services not only tend to outperform their competitors but also tend to gain a sustainable competitive advantage (Stalk, 1988; Teece, 2007; Thomas and Martin, 1990; Dong et al., 2016). Similarly, Bower and Hout (1988) argued that large, complex businesses that achieve sustained competitive advantages manage their time differently: they not only make faster decisions but also generally reach customers sooner than their competitors do.

> Empirically, Eisenhardt (1989) and Judge and Miller (1991) found that strategic decisionmaking speed is positively correlated with firm performance in high-velocity environments.

The question of growth is closely linked to the question of innovation and knowledge flows, particularly in multinational settings. In recent years, especially in the technology sector, subsidiaries had seen their operational responsibility increase, but there also has been a greater dispersion of knowledge-creating activities within MNC, which has loosened up the traditional hierarchical structure. Greater effort is made to develop subsidiaries' own competencies rather than transferring them across units. Indeed, the firms' managers are both profit- and rentseeking, as they aim to both maximize shareholders' value through market operations and attempt to appropriate the rents available for transfer within the MNC. Mudambi and Navarra (2004) find that knowledge and knowledge-creating potential are key sources of subsidiary bargaining power. In turn, this is likely to corrode knowledge flow as well as overall profitability.

Given these arguments, we expect that politics has a direct effect on a firm's growth rate and an indirect effect through its impact on time to market.

> H2.Faster time to market is associated with a firm's greater growth rate.
>
> H3.Organizational politics is associated with a firm's lower growth rate.
>
> H4.Time to market mediates the effect of organizational politics on a firm's growth rate.

A simplified version of the study is depicted in Figure 1.

Methodology

Our study comprises three main parts:

(1) interviews with executives from 18 large American corporations;

(2) a pilot study; and

(3) a data set compiled with the aid of a questionnaire administered by a leading practitioner-oriented journal.

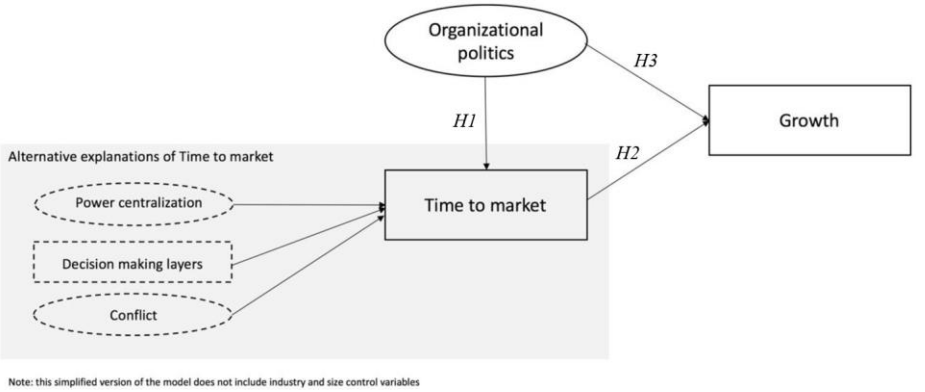

Figure 1.
Politics in resource-allocation decisions

The interviews took place between October 2006 and January 2007 and lasted approximately 60 min each. The interviews were conducted to inform the development of the pilot test and questionnaire. The pilot study was administered to corporate executives, division heads and front-line managers who were familiar with the resource-allocation process in their companies. The final questionnaire was administered as part of the journal's periodic surveys of corporate executives – in this analysis, division heads and front-line managers are the respondents – and generated based on a review of the literature, interviews and pilot study.

Respondents were explicitly asked to consider only organic growth opportunities; ones in entirely new products, services or locations, or the extensions of existing opportunities.

At the beginning of 2007, executives were recruited to participate in the resource allocation survey. Just over 2,500 executives agreed to take part, and in April 2007, we mailed invitations to participate in an online survey, which we followed with two reminders. The survey aimed to test several hypotheses of the behavioural aspects of the resource allocation process that go beyond the scope of this article. Therefore, not every respondent was presented with each question on the survey. From the pool of survey respondents, 704 responses were valid for the part of the survey that referred to the questions relevant to this article. However, only a subset of those 704 responses was complete for the purpose of the analysis necessary to test our hypotheses. After eliminating respondents whose industry or organizational structure was part of the "Other" category, as well as the respondents whose organizations changed structure in the past three years due to acquisition (we did not aim to study politics in the case of strategic moves, such as mergers and acquisitions), 382 responses/firms were deemed to be relevant for the analysis (54.2 per cent).

Table I provides some descriptive information about the firms comprising our respondent sample. The firms' sizes range from very small (29.9 per cent of the sample divisions have sales of less than US$100m) to very large (33 per cent have sales of at least US$1bn). Moreover, 28 per cent of the firms were manufacturers. Among the non-manufacturing firms, 22.5 per cent operated in financial services, 14.4 per cent were in high-tech and 9.7 per cent were in business services. More than one-third of the divisions were from the Asia-–Pacific region and another third were from Europe. North America was represented by 22.1 per cent of the sample. Respondents who did not select a structure – those from single business-unit firms or from a company that changed its internal structure in the past three years due to acquisitions – were removed from the analysis to partially control for diversification.

Table II summarizes the measures collected in the questionnaire. We grouped the measures into the three following sets: politics, performance measures and control variables (including alternative explanations, which we will discuss in the discussion section). The table includes information on the format of the measured items and the research sources for most of the concepts. The survey used definitions and measures that were deemed readily apparent to executives yet grounded in theoretically important variables that were inspired by the previous studies whenever possible.

The specific measures were as follows. First, politics is a very sensitive topic that executives often prefer to avoid. To capture different facets of the concept, we measured political behaviour with a latent variable that summarized the following:

how important it is to avoid contradicting superiors in the organization;

how common it is for executives to hide, restrict or misrepresent information to promote a capital investment proposal, which we refer to as manipulation of information; and

how common it is for executives to form alliances with peers or lobby someone more senior to promote a capital investment proposal.

Table I.
Demographic characteristics of respondents

Demographic characteristics	No. of responses	Percentage responses
Total	382	100.0
Total annual revenues		
Less than US$5m	27	7.1
US$5-9m	11	2.8
US$10-99m	84	22
US$100-499m	90	23.6
US$500-999m	44	11.5
More than US$1bn	126	33
Industries surveyed		
Travel and transport	13	3.4
Energy and mining	25	6.5
Business services	37	9.7
Financial services	86	22.5
Healthcare and social services	14	3.7
Pharmaceutical	16	4.2
High-tech	55	14.4
Telecom	17	4.5
Manufacturing	107	28
Retail	12	3.1
Location of the respondents (regions)		
North America	84	22.1
Latin America	33	8.6
Asia–Pacific	130	34
Europe	130	34
Africa	5	1.3
Role of the respondent		
Division head	190	49.7
Front-line manager	192	50.3

These items were formulated on the basis of Eisenhardt and Bourgeois' III (1988) and others' studies of organizational politics (Pfeffer, 1981, 1992). A seven-point Likert scale with anchors at 1-2 = not important, 3-5 = somewhat important and 6-7 = very important was used for Item (1). We asked, "How important is it to avoid contradicting your superior(s) in a decisionmaking setting?" Because Items (2) and (3) were more sensitive, as they dealt with potentially unethical behaviour, we decided to use a nine-point Likert scale that also gave the option "1= never" and, to maintain an uneven number of choices, "9 = always". However, in the analysis, we decided to reduce Items (2) and (3) to a seven-point scale like Item (1). In practice, those who responded with "1= never" or Item (2) were combined into the same category (score 1) and those who said Item (8) and "9 = always" were combined into the same category (score 7). In our

analysis, we studied both the latent variable politics and the three variables separately. The results do not present any noteworthy differences and are available from the authors.

Time to market was measured with a seven-point Likert scale based on how fast the company was as compared to the closest set of competitors in taking similar types of opportunities from initial suggestion to initial sales. In cross-industry studies, different industries have different time frames. It is difficult to compare time to market for a computer manufacturer with that of a mining company. To overcome measurement issues, we investigated the time to market of a company in relation to the time to market of the closest set of competitors on a Likert scale[3].

Table II. Variables measurement and sources

Variable	Definition and source
Politics	
Politics	Latent variable measuring the followings: *Avoiding contradicting superiors*: Likert scale (1-7) measuring how important it is to avoid contradicting superiors *Manipulation of information*: Likert scale (1-7) measuring how often managers hide, restrict or misrepresent information to push through a capital investment proposal (Eisenhardt and Bourgeois III, 1988) *Alliances and lobbying*: Likert scale (1-7) measuring how often managers form alliances with peers or lobby someone more senior to push through a capital investment proposal (Eisenhardt and Bourgeois III, 1988)
Performance measure	
Time to market	Scale (1-7): to measure how fast the division takes similar types of investments from initial suggestion to initial sales as compared with its closest set of competitors
Growth	Scale (1-7): to measure revenue growth rate over the past three years. The intervals comprised the actual growth rate and in the analysis, we used the mean value of each interval
Control variables and variables for alternative explanations	
Annual revenues	Scale (1-6): total annual revenues of divisions measured on six intervals. The analysis uses the natural log of the mean value of each interval
Industry growth rate (control)	Scale (10 values) based on the industry growth rate in the past three years of the following industries, as elicited from the respondents: travel/transport, energy/mining, business services, financial services, healthcare/social services, pharmaceutical, high-tech, manufacturing, telecom and retail
Power centralization (CEO influence in firm-level and front-line decisions)	Latent variable measuring the influence of the CEO in: Firm-level decisions in areas such as R&D and capacity expansion: Likert scale (1-7) based on the influence of the CEO Front-line decisions in areas such as R&D and capacity expansion: Likert scale (1-7) based on the influence of the CEO Adapted from Eisenhardt and Bourgeois III (1988)
Decision-making layers (DM layers)	Scale (1-6) measuring the number of decision-making layers that exist between the organizational location where an investment proposal is generated and the location where the proposal receives final approval (Wally and Baum, 1994)
Conflict	Latent variable measuring executive disagreement regarding: *Firm financial performance*: Likert scale (1-7) measuring how often executives disagree in their assessment of division financial performance *Firm non-financial metrics*: Likert scale (1-7) measuring how often executives disagree in their assessment of division performance on non-financial metrics *Firm future growth opportunities*: Likert scale (1-7) measuring how often executives disagree in their assessment of future growth opportunities for divisions Pfeffer (1981, 1992); adapted from Amason (1996), Eisenhardt and Bourgeois III (1988)

Revenue growth was used as a measure of financial performance for two reasons. First, this metric is clear, specific to the company and free of subjective interpretation. Second, most executives are privy to the revenue growth rate of their companies. Operationally, the growth rate over the past three years was measured with an ordinal

scale comprised of seven equidistant intervals ranging from “less than 5 per cent” to “more than 20 per cent”. In the analysis, the ordinal scale was substituted with the mean of each interval. Given that this was a measure of firm growth rather than the growth of a large, diversified corporation and was the average of the previous three years, we did not expect measurement errors that would affect the conclusions of our study. We used this self-reported measure of performance rather than subjective measures (e.g. respondents’ reports about performance relative to competitors) because objective measures are more fine-grained (Chandler and Hanks, 1993). In fact, while an absolute measure of time to market (e.g. ten months or two years) is difficult to compare across industries, a measure of financial performance (e.g. 3 or 20 per cent) is meaningful and more easily comparable across industries. Furthermore, due to the confidential nature of respondents’ participation and the fact that respondents had the option to opt out of the question, it is likely that responses regarding the company’s financial performance were accurate.

Size. We used firm’s annual revenue (size) as a control variable for time to market and performance. Size is a proxy of organizational complexity and can be positively correlated with the number of organizational layers (Baum and Wally, 2003; Wally and Baum, 1994). In addition, size has been found to slow strategic decision-making (Baum and Wally, 2003; March and Olsen, 1976; Wally and Baum, 1994). Size was measured with an ordinal scale comprised of six intervals. As the natural logarithm of the annual revenues is generally used in statistical analysis (Pehrsson, 2006), we substitute the (non-equidistant) intervals with their mid value and then computed the natural logarithms. In this way, it was possible to treat size as a continuous rather than ordinal variable.

Industry effects have been found to influence strategic decision-making processes (Fredrickson and Mitchell, 1984; Hitt and Tyler, 1991; Wilden et al., 2013), strategic decisionmaking speed (Baum and Wally, 2003; Eisenhardt and Bourgeois III, 1988; Eisenhardt, 1989; Judge and Miller, 1991; Wally and Baum, 1994) and, ultimately, firm performance (Baum and Wally, 2003). Politics might affect fast-moving industries differently than it does other industries (Eisenhardt and Bourgeois III, 1988). As a result, we asked respondents to place their company within one of several categories, which we then grouped into ten broad industry sectors: travel and transport, energy and mining, business services, financial services, health care and social services, pharmaceutical, high-tech, manufacturing, telecom and retail. Given the high heterogeneity and marginal representations of industries in the category labelled “Others”, we eliminated them from the analysis. In the analysis, to use industry as a continuous indicator rather than a categorical variable, we ordered the categories on the basis of the growth rate of each industry (Baum and Wally, 2003; Wally and Baum,

1994). This growth rate has been computed from a sample of 1,542 respondents of the same survey that answered a question regarding the growth rate of their industry.

We will refer to three additional variables not introduced in our theoretical development in the discussion below. We will investigate whether power centralization, decision-making layers and conflict are alternative explanations of time to market. Power centralization was measured through a latent variable that measures the CEO's influence on the company's decisions, such as R&D and capacity expansion (similar to the questions used by Eisenhardt and Bourgeois III, 1988). These decisions are relevant to the resource-allocation arena and apparent to executives across different functional areas. Both items were measured on a seven-point Likert scale.

Decision-making layers (DM layers) were measured using a question regarding the number of different decision-making layers that exist between the organizational location where an organic investment proposal is generated and the location where it receives final approval. Previously, in their structural equation model, Wally and Baum (1994) also measured (vertical) centralization using a single observed variable.

Conflict was measured using a latent variable summarizing three items based on how often executives disagree in their assessment of the following areas in the firm:

financial performance; performance on non-financial metrics; and future growth opportunities.

Each item was measured on a seven-point Likert scale. Our measure of conflict is clearly an approximation of task rather than emotional conflict (Pelled et al., 1999).

Results

Our analysis of the data comprises two parts. First, we tested the measurement model, which incorporates power centralization, politics and conflict. We decided to do this because they are three strongly related constructs, serve as alternative explanations of a firm's time to market and, unlike the number of decision-making layers, are all based on executives' perceptions. In addition, in Eisenhardt and Zbaracki's (1992) discussion, as well as in more recent works in the international business literature (Whittle et al., 2016; Mudambi and Navarra, 2004), power centralization and conflict were referred to as potential sources of politics. Finally, we used multiple regressions to test our hypotheses[4].

Measurement model

We used AMOS 7.0 to evaluate the convergent and discriminant validity of the items that were indicators of power centralization, politics and conflict. To guide our conclusions about fit of the data to the model, we used several indices that are typical of structural equation analysis (Hair et al., 2005; Kline, 2005; Medsker et al., 1994). First, the x^2 probability should be greater than < 0.05. However, when the sample size n is

large (> 400 in Hair et al. (2005), as it is in this study, significant x^2 are typical because any difference is detected in the model (Bearden et al., 1982). Second, the goodness-of-fit index (GFI), adjusted goodness-of-fit index (AGFI) and the comparative fit index (CFI) should be near or better than 0.90. Third, the standardized root mean square residual (SRMR) should be less than 0.050. Fourth, the root mean square error of approximation (RMSEA) should be less than 0.080.

As shown in Table III, the measurement model includes three constructs: power centralization (CEO influence in the firm and front-line decisions), politics and conflict. All factor loadings are statistically significant ($t > 2.0$; $p < 0.05$), and all are greater than 0.50, as suggested in Hair et al. (2005). The weakest factor is represented by "avoiding contradicting your superiors", which is 0.54. As the overall results of the model did not substantially differ upon exclusion of that factor, we retained it. We computed the composite reliability (CR) index, which is conceptually similar to Cronbach's alpha and should exceed 0.60 for exploratory model testing (DeVellis, 1991). This study of politics in strategic decisionmaking can be considered an exploratory test of politics in relatively large samples. In this sample, the lowest CR for the measures used was 0.67. The variance extracted is 0.56 for CEO influence, 0.41 for politics and 0.48 for conflict; therefore, the last two are marginally below the 0.50 recommended level. Thus, the overall fit of the measurement model was more than satisfactory and indicated that the measures converged on their latent constructs:

Table III. Measurement model

Concept	Items	Factor loading	Composite reliability
Power centralization	CEO influence in firm-wide decisions	0.73	0.72
	CEO influence in front-line decisions	0.77	
Politics	Avoiding contradicting superiors	0.54	0.67
	Manipulation of information	0.63	
	Alliances with peers and lobbying superiors	0.73	
Conflict (i.e. disagreement)	Assessment of firm financial performance	0.62	0.73
	Assessment of firm non-financial performance	0.78	
	Firm future growth opportunities	0.66	

Notes: $n = 382$; CR is an indication of internal consistency and corresponds to the sum of the square roots of the item squared multiple correlations, squared and divided by the same quantity plus the sum of the error variances (Werts *et al.*, 1974); Variance extracted: power centralization 0.56, politics 0.41 and conflict 0.48

$x^2 = 31.204$, df = 18, p = 0.0327, GFI = 0.981, AGFI = 0.963, CFI = 0.979, SRMR = 0.0308 and RMSEA = 0.043.

Descriptive statistics and multiple regressions

The descriptive statistics of the study are shown in Table IV. Table V contains the regressions with respect to time to market.

H1 predicted that firms in which executives' political behaviour was common in resource-allocation decisions were slower to reach the market than firms in which politics was less of a problem. As shown in Table V, politics had a significant negative influence on time to market in Model 1b ($p < 0.001$). This result implies that the first hypothesis was not rejected.

The next step was to test H2 and H3; Table VI summarizes these results. H2 predicted that firms that are faster to reach the market grow faster than firms that are slower to reach the market. Table VI (Model 2c) does not reject that time to market had a significant positive relationship with growth ($p < 0.10$). H3 predicted that politics has a detrimental effect on revenue growth. As shown in Table VI (Model 2c), politics had a significant negative relationship with growth ($p < 0.05$); therefore, H3 was not rejected. However, this finding may be consistent with two arguments. First, it may be the case that politics is timeconsuming and therefore slows firms' ability to reach the market. Second, given that politics

Table IV.

Sample means, standard deviation and correlations

Variables	Mean	SD	1	2	3	4	5	6	7
1. Power centralization	5.15	1.51							
2. DM layers	3.21	1.14	−0.082						
3. Conflict	3.60	1.12	−0.030	0.162**					
4. Politics	3.84	1.29	−0.035	0.263***	0.327***				
5. Time to market	3.93	1.60	0.134**	−0.166**	−0.166**	−0.197***			
6. Growth	12.69	7.21	−0.098****	−0.097****	−0.062	−0.091****	0.167**		
7. Industry growth rate (control)	10.55	7.02	−0.074	−0.019	−0.004	0.032	0.123*	0.62***	
8. Size (*Ln* sales, control)	5.38	1.77	0.030	0.149**	0.057	0.060	−0.084	0.006	−0.014

Notes: $n = 382$; Two-tailed p-values: ****$p < 0.10$, ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$

Table V.

Dependent variable: time to market

Explanatory variables	Model 1a: Control variables	Model 1b: Control variables and politics
(Intercept)	3.78978*** (0.36090)	4.65113*** (0.41885)
Politics		−0.07936*** (0.02059)
Industry growth rate	0.03367** (0.01237)	0.03506** (0.01215)
Size	−0.08600**** (0.04867)	−0.07718**** (0.04783)
Asia–Pacific	0.08583 (0.23392)	0.07741 (0.22963)
Europe	0.27472 (0.22514)	0.22100 (0.22143)
Latin America	0.54909**** (0.32610)	0.49229**** (0.32044)
Energy	0.32494 (0.35144)	0.30051 (0.34503)
Business services	0.16422 (0.31173)	0.13448 (0.30609)
Financial services	0.08768 (0.23017)	0.13929 (0.22633)
Healthcare	0.23317 (0.44666)	0.35027 (0.43949)
Pharmaceutical	−0.22253 (0.41953)	−0.17676 (0.41197)
High-tech	0.23033 (0.26045)	0.22408 (0.25566)
Telecommunications	0.32604 (0.41633)	0.48141 (0.41065)
Retail	0.41680 (0.47989)	0.34642 (0.47141)
R^2	0.08967	0.1253
Adjusted R^2	0.05236	0.08693
N	382	382

Notes: Standard errors in parenthesis. One-tailed p-values: ****$p < 0.1$, ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$

impedes the selection of the best growth opportunities, it may therefore adversely and directly affect the ability of a firm to grow. To disentangle this puzzle, we tested H4, which claimed that speed mediates the impact of politics on growth. To test this hypothesis, we used Model 2c and the four steps recommended by Baron et al. (1986). Evidence of mediation

Table VI.

Dependent variable: firm growth rate[7]

Explanatory variables	Model 2a: Control variables	Model 2b: Control variables and politics	Model 2c: Control variables, speed and politics
(Intercept)	12.555484*** (1.664783)	14.44016*** (1.81207)	12.92107*** (2.00925)
Time to market			0.31728**** (0.18344)
Politics		−0.18352* (0.07239)	−0.15845* (0.07363)
Industry growth rate	0.522673*** (0.046415)	0.52759*** (0.04611)	0.51718*** (0.04638)
Size	0.047621 (0.169879)	0.06643 (0.16879)	0.09026 (0.16890)
Asia–Pacific	0.001986 (0.815148)	−0.02369 (0.80922)	−0.05086 (0.80717)
Europe	0.723912 (0.782145)	0.59956 (0.77794)	0.52930 (0.77689)
Latin America	−0.737920 (1.132952)	−0.86818 (1.12580)	−1.02401 (1.12634)
Energy	1.511633 (1.220946)	1.45609 (1.21217)	1.36110 (1.21011)
Business services	−0.983291 (1.083923)	−1.04763 (1.07625)	−1.08849 (1.07358)
Financial services	0.889454 (0.799800)	1.01046 (0.79535)	0.96704 (0.79358)
Healthcare	−0.407228 (1.553251)	−0.14323 (1.54534)	−0.25702 (1.54254)
Pharmaceutical	−0.260804 (1.457551)	−0.15331 (1.44746)	−0.09646 (1.44389)
High-tech	0.810009 (0.905141)	0.79315 (0.89851)	0.72104 (0.89703)
Telecommunications	−1.006386 (1.456375)	−0.63044 (1.45325)	−0.77601 (1.45174)
Retail	2.382475 (1.667306)	2.22201 (1.65626)	2.11294 (1.65295)
box.cox.var(growth)	0.836002*** (0.134781)	0.82282*** (0.13389)	0.81733*** (0.13356)
R^2	0.4583	0.4677	0.4721
Adjusted R^2	0.4346	0.4429	0.4459
n	382	382	382

Notes: Standard errors in parenthesis. One-tailed p-values: ****$p < 0.1$, ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$

appears if H1 and H3 hold – that is, if the coefficients are statistically significant – and if both these conditions are verified: the coefficient of speed in Model 2c is statistically significantly different from zero and the coefficient of politics in Model 2c becomes significantly smaller in size relative to the coefficient of politics from Model 2b (that is, the model in which speed is not included as a predictor of growth). The first three steps are clearly verified. To verify the last step, we used the Sobel test (Sobel, 1982) recommended by Baron et al. (1986) and rejected the hypothesis that the coefficients are significantly different (p = 0.1146). Therefore, our results do not support H4, which claimed that that there is complete mediation: time to market did not fully explain the effects of politics on growth. In other words, not only did politics affect time to market but it also maintained a direct and significant effect on a company's ability to grow. Politics might push through "bad" projects that would not be otherwise approved.

Testing the robustness of the results

If politics had a negative effect on time to market, then we need to establish its relative importance with respect to other reasons why a company may be slower than competitors. In fact, organization theorists and strategic management researchers point to the direct effects of organizational characteristics, such as power centralization, the number of decision-making layers and conflict on speed (Baum and Wally, 2003; Eisenhardt, 1989; Fredrickson, 1986; Wally and Baum, 1994). To test the robustness of our results, we performed three tests of alternative explanations. These tests are included in the regressions highlighted in Table VII.

First, a centralized decision-making process is likely to promote faster decision-making by minimizing the time spent negotiating and searching for a wide consensus in the

Table VII.

Alternative explanations of time to market: power centralization, layers and conflict

Explanatory variables	Control variables	Control variables and alternative explanations	Control variables, alternative explanations and politics
(Intercept)	3.78978*** (0.36090)	4.42838*** (0.55285)	4.71037*** (0.55962)
Power centralization		0.12585** (0.05335)	0.12645** (0.05295)
DM layers		−0.16099* (0.07176)	−0.12086 (0.07292)
Conflict		−0.21220 ** (0.07197)	−0.15143* (0.07456)
Politics			−0.05590** (0.02183)
Industry growth rate	0.03367** (0.01237)	0.03602** (0.01209)	0.03682** (0.01200)
Size	−0.08600* (0.04867)	−0.06999**** (0.04790)	−0.06872 **** (0.04754)
Asia–Pacific	0.08583 (0.23392)	0.03924 (0.22842)	0.04279 (0.22670)
Europe	0.27472 (0.22514)	0.15709 (0.22088)	0.14474 (0.21926)
Energy	0.32494 (0.35144)	0.17208 (0.34422)	0.19136 (0.34170)
Business services	0.16422 (0.31173)	0.04387 (0.30514)	0.05110 (0.30285)
Financial services	0.08768 (0.23017)	0.09728 (0.22506)	0.14156 (0.22403)
Health care	0.23317 (0.44666)	0.18247 (0.43544)	0.26755 (0.43342)
Pharmaceuticals	−0.22253 (0.41953)	−0.21299 (0.41007)	−0.19571 (0.40703)
High-tech	0.23033 (0.26045)	0.08415 (0.25592)	0.09953 (0.25406)
Telecommunications	0.32604 (0.41633)	0.48549 (0.40842)	0.55739**** (0.40630)
Retail	0.41680 (0.47989)	0.23424 (0.46936)	0.21364 (0.46588)
R^2	0.08967	0.1433	0.1586
Adjusted R^2	0.05236	0.1009	0.1144
N	382	382	382

Notes: Standard errors in parenthesis. One-tailed p-values: ****$p < 0.1$, ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$

organization (Baum and Wally, 2003; March and Olsen, 1976; Tran and Tian, 2013). In a centralized decision-making process, the CEO would be particularly important in making strategic decisions. Autocratic CEOs and those who are highly involved in companies' frontline decisions seem to make faster decisions because they rely less on consultation than other CEOs (Eisenhardt, 1989). Similarly, Hiller and Hambrick (2005) argued that very confident CEOs think they need to be involved in all of the organization's major decisions,

favouring a centralized decision-making process. These CEOs also believe that their personal insights can substitute for the exhaustive collection of data and analysis that would ordinarily supplement the decision. Because they are willing to act on the basis of partial information and analysis, confident CEOs' decision-making will be faster than that of less confident CEOs.

In our tests for robustness, we checked whether power centralization affects time to market. We measured power centralization with two questions designed to determine the extent to which the CEO intervened in the company's broad, front-line decisions. The results in Table VII show that power centralization has a positive sign but reject the

idea that power centralization affects time to market, as the coefficient of power centralization was not significantly different from zero ($p > 0.05$).

A second alternative explanation for why a company may experience a longer time to market is the large number of layers within the decision-making process. Collis et al. (2007) argued that an increasing number of organizational layers will reduce the amount of information processed by top executives, as some aggregation will occur at previous levels. However, there is a minimum amount of time necessary for the proposal to reach the decision maker (Child, 1994). In fact, a positive correlation between the strategic decisionmaking speed and the number of organizational decision-making layers has been established (Wally and Baum, 1994).

We measured the existing relationship between the number of decision-making layers and time to market and found that decision-making layers had a negative sign, but there was no evidence that the two variables were statistically negatively correlated ($p > 0.05$).

Finally, a company may be slow to reach the market because of the presence of conflict in an organization. There are instances in which conflict has a positive impact on the quality of decisions. For instance, executive conflict that is based on different views of the task at hand rather than on differing personalities and personal goals seems to enhance the decision-making process (Pelled et al., 1999). However, several authors highlighted that conflict negatively impacts decision-making speed (Harper, 2015). Pfeffer (1981, p. 341) argued that the search for information that is necessary to solve disputes among executives is costly and time consuming. In a study of 25 major decisions, Mintzberg et al. (1976) found that disagreement was a cause of interruptions and delays in the decision-making process. In particular, when the opposition is represented by powerful individuals inside the organization, the time used to make a decision can increase considerably (Hickson et al., 1986). We examined whether conflict affects time to market by looking at whether executives conflict in their assessments of the firm's financial performance, non-financial performance and future growth opportunities.

Table VII rejects the hypothesis that conflict increases the company's time to market as the coefficient of conflict was only marginally significantly different from zero (beta = 0.15143, $p < 0.10$). When these alternative explanations were included in a regression with politics, only politics was statistically significantly different from zero ($p < 0.01$).

Discussion

In developing this study, we aimed to investigate the effect of executives' political behaviour on firms' growth and time to market. Our study contributes to long-standing interests in the existence and impact of politics on strategic decisions (Baldridge, 1971;

Eisenhardt and Bourgeois III, 1988; Eisenhardt and Zbaracki, 1992; March, 1962; Pfeffer and Salancik, 1974;
Pfeffer, 1981; Salancik and Pfeffer, 1974; Liu and Maitlis, 2014) and, more recently, to the political aspects of evidence-based decision-making (Bartlett, 2011; Hodgkinson, 2012). In addition, it provides some inputs that may further aid investigations of the internal capital market in multidivisional companies, as they may be affected by executives' political behaviours (Bolton and Scharfstein, 1998; Scharfstein, 1998; Scharfstein and Stein, 2000; Stein, 1997).

In the present study, we have demonstrated that time to market has a positive effect on performance. Our finding is consistent with that of Judge and Miller (1991), Baum and Wally (2003) and Eisenhardt (1989), whoever found that faster decisions are associated with betterperforming companies in rapidly changing environments. We extended this conclusion to a more heterogeneous sample and used a broader measure of speed. Following Eisenhardt and Bourgeois III (1988), we also argued that politics is time-consuming and unproductive. Executives who engage in politics divert their attention away from activities that could create value. In fast-moving industries, where speed can be a source of competitive advantage, reducing politics in organizations could improve financial performance. A field study that directly compares the time allocated to political activities to the time allocated to other decision-making activities may provide insights into the extent to which politics is more time consuming and detrimental than other means of persuading decision makers to reach agreements.

Given that this study finds that politics affects growth regardless of time to market, we can tentatively conclude that politics may have a negative effect on the quality of decisions by increasing the likelihood that "bad" projects will be approved and, as a result, by causing financial performance to suffer (Eisenhardt and Bourgeois III, 1988; Pfeffer, 1981). To support this argument, we looked at a question in our survey that asked executives whether, in their companies, there were investments that were underperforming and should be terminated and if so, why they had not been terminated. Almost 15 per cent of the C-level executives identified internal political behaviours as the most frequent reason why existing underperforming investments received capital allocation even if there were clear reasons why these investments should be terminated (n = 105), and more than 30 per cent of the division and front-line executives agreed with this opinion (n = 572).

Furthermore, as we saw in the analysis of alternative explanations of time to market, there was a somewhat negative effect of decision-making layers and conflict and a positive effect of power centralization (negative and positive signs, respectively), but these effects were largely explained by politics. This result requires further investigation to disentangle the extent to which politics is associated with these three

variables, which, according to Eisenhardt and Zbaracki (1992), are sources of executives' political behaviour.

In our interviews, while discussing the effect of layers in resource-allocation decisions and company performance, the vice president for corporate development of a large American company operating in the energy sector said that the filtering system in place can be biased toward projects that are very likely to be funded; meanwhile, other good projects do not even reach the final decision maker:

[There is a] part of our process that doesn't work well – I worry that I might not get a chance to see some projects [...as] they go through a "filter" [and] and I can't make a choice because I don't get to see [...them] all. [There is a] natural tendency to only show ideas that have a higher likelihood of getting funding[5].

Limitations

As any other study, this study needs further refinement. To improve our measures, more fine-grained measures could be collected in a follow-up study. For example, when we asked respondents for information on their observations of manipulation of information in capital allocation requests, we did not contextualize the measures further. Future studies would have the opportunity to ask about manipulation of budget figures, risk assessments, investment monitoring and so on. Similarly, alliances with peers and lobbying of senior

executives could be posed as two different questions, which would also help set up more tailored prescriptions for how to overcome those tactics. Another logical progression would be to include measures related to CEOs' personality traits, such as narcissism or exaggerated self-confidence, which have been found to correlate with strategic decision making and strategic outcomes (Chatterjee and Hambrick, 2007; Hiller and Hambrick, 2005).

Another limitation could be the issue of causality, which could be addressed with longitudinal studies. However, this issue was partially solved in a previous study in a very similar context. In a study of strategic decision-making comprehensiveness, Iaquinto and Fredrickson (1997) found that past performance was unrelated to top managers' agreement on the comprehensiveness of the decision-making process but was related to subsequent performance. As noted by the authors, this is not a definite test of causality, but it is still an indication that (at least some characteristics of) the decision-making process affects performance and not vice versa.

Political behaviour by product champions to gain support for their ideas and overcome inertia and risk aversion can accelerate new product development and investments more broadly. This would also have a positive impact on both the effectiveness of resource allocation and time to market. Specifically, Pfeffer (1981, 1992) has proposed a nuanced view of the role of politics in organizational decision making, as discussed in

this paper. Pfeffer argues that while politics may generally be detrimental to organizations, the alternatives to making complex decisions where agreement on means and ends is lacking may be even more detrimental. Consistent with this view, he analyses the use of power and influence (i.e. politics) as one of the three "ways of getting things done" in organizations (the other two being reliance on authority and on culture), characterized for a focus on processes (Pfeffer, 1992, Chapter 11). More importantly, Pfeffer acknowledges the importance of power and influence in the making of major decisions on important issues where disagreement among decision makers is likely. In such contexts, politics may be at worst a "necessary evil", given that the alternatives (authority and culture) have their own drawbacks in these cases. While politics is most likely detrimental when it affects administrative (i.e. routine) decisions it may be unavoidable (and even beneficial if properly managed) in more complex decisions. More importantly, one can argue that ignoring the political dimension of these decisions may result in poorer decisions. Unfortunately, our dataset did not allow us to extrapolate the different types of politics on the basis of the type of routine vs non-routine decisions, or simple vs complex decisions. Similarly, while one might agree that the executive's tendency to agree with superiors and to manipulate information shared with colleagues and superiors are most likely bad in all circumstances, we have not investigated further whether coalition formation and political alliances are bad for decision-making. In fact, one can argue that such processes are essential to ensure that the decisions are implementable (and, indeed, implemented), which is more important for performance than making them. By explicitly addressing these aspects, further research can delve into a second and potentially important dimension of the relationship between politics and performance, namely, the idea that the impact of politics on outcomes may vary across type of decisions and the levels of uncertainty associated with these decisions. We know that our results are restricted to internal growth opportunities rather than opportunities related to mergers and acquisitions; however, further studies are needed to examine whether specific types of growth opportunities are more affected than others. The question on self-censoring of market knowledge (Whittle et al., 2016) is indeed relevant, and, like other questions, is related to innovative ideas more broadly.

Furthermore, our data did not allow us to explore the complex set of relationships between subsidiaries and headquarters in MNC settings. Knowledge creation and flow and rent appropriation are indeed of critical importance in these settings (Whittle et al., 2016; Geppert et al., 2016; Mudambi and Navarra, 2004) and thus require further investigation. Our study provides further evidence that politics does indeed affect speed to market and company growth. An interesting opportunity arises in combining discursive analysis, such as those from several papers in the recent special issue on politics and power in MNCs in the journal Organization Studies (see Geppert et al., 2016

for an introduction; Hong et al., 2016; Whittle et al, 2016 and Koveshnikov et al., 2016) with the power of quantitative studies on the performance aspects of politics and time to market, as we have attempted in our study.

Potential theoretical extensions

Apart from research that would improve our measures, there are a number of promising directions for theoretical extensions of our model and new empirical studies. Here, we consider three interrelated research paths.

The first and foremost extension of our model would be an empirical investigation of the source of executives' political behaviour: conflict and power imbalances. As suggested by Eisenhardt and Zbaracki (1992), when executives use politics to solve conflicts, politics ultimately can be beneficial for strategic decision making and company performance. However, when politics is driven by power imbalances (e.g. a very authoritarian CEO), its effects could be detrimental (Krause et al., 2014). Unfortunately, while we could associate conflict and power imbalances with performance from our study, we could not elicit why executives used politics: whether to address the presence of conflict and/or because there was a very powerful individual in the decision-making group. Our results are consistent with a recent study on power and politics in multinational organizations, where strategic action was transformed into inaction when managers in a subsidiary organization censored information about local markets in the process of anticipating and predicting the reaction of headquarters (Whittle et al., 2016). As a result, an MNC might develop policies, processes and procedures without even having the opportunity to hear inputs from subsidiaries (see also Birkenshaw and Hood, 1998; Cantwell and Mudambi, 2005). Importantly, as a result, subsidiary knowledge may never reach headquarters (Meyer et al., 2011; Becker-Ritterspach, 2006; Mudambi and Navarra, 2004). Notably, this self-censoring of information is due to the subsidiary's understanding of its weak bargaining power with respect to the multinational headquarters, providing an interesting account of the detrimental effect of politics.

Second, there is an urgent need for an organic treatment of the notion of power centralization in organizations. Power centralization can be viewed as horizontal and vertical. Horizontal power centralization describes the distribution of power across departments and divisions (Pfeffer and Salancik, 1974), perhaps due to the presence of powerful executives or key resources for the company overall. However, it can also be viewed as the distribution of power at the headquarter level between the CEO and the senior management team, similar to the measure of CEO decision-making styles. In this case, the smaller the number of top executives engaged in a final decision, the more power is centralized. Future research could examine the extent to which these interpretations of power affect politics. Meanwhile, vertical power centralization can

be seen as the exercise of influence in a boss-subordinate relationship (or, as in our case, the CEO-business unit relationship) and in terms of having the formal power needed to approve capital allocation requests. In the latter case, power is centralized when the final decision maker is the CEO (or the headquarters) and is decentralized when the final decision maker is at the business-unit level. Future research could also examine the extent to which the two interpretations of vertical power centralization have similar effects on the use of politics, time to market, decision-making quality and, ultimately, financial performance.

Studying the effect of power centralization on politics would contribute to the organizational strategy line of research (Bryan and Joyce, 2007). This view treats organizational design in terms of its consequences for the development and implementation of corporate strategies. When a proposal needs to progress through many layers to obtain approval, executives engage in politics to push the proposal through those layers to reach the final decision maker. Charlie Munger described the effects of excessive complexity on the functioning of organizational decision-making:

[...] you get layers of management and associated costs that nobody needs. Then, while people are justifying all these layers, it takes forever to get anything done. They're too slow to make decisions and nimbler people run circles around them[6].

Finally, it would be informative to learn how an organization's risk culture interacts with its political behaviours. In our questionnaire, we asked a limited sample of executives to provide their best known ideas for how companies could overcome the tendency for their actors to manipulate, restrict and misrepresent information. Several respondents pointed out that encouraging business units to take more risk would correspondingly provide an incentive to disclose the real risks of the projects for which managers request funds. In other words, if business-unit managers and front-line managers perceive that the company is risk averse, they feel they must conceal the true risks of projects to gain initial approval. Of course, this pattern instigates perverse mechanisms, which, combined with the risk of all projects in a portfolio at any given point in time, might expose an organization to levels of risk that are higher than what top managers might otherwise believe them to be. Further extensions could also investigate relationships between a firm's acceptance of innovative, and especially disruptive ideas, and politics. A relationship has previously been established between innovation and decision-making in experimental settings (Günther et al., 2017), and we can reasonably expect that politics may play an important role in organizational settings.

Implications for practice

Our findings showed that companies whose decisions are largely based on politics, as compared to those whose decisions are not, take more time to reach the market, grow

less as a result of this slowness and may be less capable of selecting successful growth opportunities. We also concluded that, after factoring in the effect of politics on time to market, the decision-making style of the CEO, the presence of too many decision-making layers and conflict among managers do not have a statistically significant effect on a company's time to market.

One facet of politics that our study examined, which could help depoliticize organizations was the manipulation of information to satisfy one executive's personal interests and agenda. This aspect of politics has also been raised by evidence-based management scholars, who have suggested the kind of evidence that should enter into the decisionmaking process. Briner and Rousseau (2011) provide a classification that is based on evaluated external evidence (especially scientific studies), organizational evidence, stakeholders' preferences and values and practitioners' experience and judgment. Even if both managers and executives are going to be held accountable for the evidence they provide in support of an investment hypothesis, there are three considerations that put this argument into perspective. First, forcing decision makers to differentiate among politics, values, interests and unbiased evidence from systematic research will not automatically yield less political outcomes (Hodgkinson, 2012). In fact, the way a problem is framed and how weight is assigned to each of these four types of evidence – and especially which evidence is excluded – will affect the types of solutions that are then provided. Second, often "senior leaders may feel they have the right or even responsibility to make decisions based on their experience and judgment that seem to fly in the face of the evidence", according to Briner and Rousseau (2011). That is, even if senior leaders have thoughtfully collected evidence and accounted for many sources of bias, they may still decide to disregard it in light of their experience and expertise. And of course, powerful individuals at the top may also decide to appoint analysts that fit with their overall agenda. Third, politically motivated and powerful actors inside an organization do not typically rely on formal sources of evidence (Sandberg and Tsoukas, 2011) and in particular on unbiased scientific evidence (Hodgkinson, 2012). All of these considerations need to be taken into account when addressing the question of how to depoliticize an organization.

Conclusions

Strategic management and organizational behavioural scholars have long been interested in the sources of politics and the influence of politics on companies' performance, but the lack of a large sample in organizational settings limited the ability to form any general conclusions. Our study's data confirm and refine the extant theory about politics in investment decisions. As an organization's ability to reach the market faster than its competitors becomes a key competitive advantage, organizations that can limit the effects of politics and control the key variables influencing politics will be

in a better position to win this race. Moreover, given the impact of politics on growth differentials, research that investigates how to diminish political behaviour in companies is desperately needed and could substantially increase returns. In very broad terms, any such search should aim to uncover the incentives provided to the various actors within the system that are related to political behaviour. Unlike the external risks that accompany most strategic initiatives, such as unpredictable competitors, the management of internal politics lies largely within the control of the CEO and the top leadership team. Not intervening would mean missing a straightforward opportunity to increase returns.

Notes

1. We do not examine the fact that according to the threat-rigidity literature (Staw et al., 1981, pp. 501-524), under conditions of threat, such as impending loss or blowouts due to adverse environmental conditions, power can become more concentrated or placed in the higher levels of a hierarchy. That is, poor performance is likely to trigger power centralization, which in turn triggers politics (Kathleen and Bourgeois III, 1988, pp. 737-770). These arguments are better suited to longitudinal studies.

2. Available here: http://vinvesting.com/docs/munger/art_stockpicking.html (accessed 1 March 2008).

3. In an ideal world, we should establish the relative impact of politics on decision-making speedand implementation speed, which would be possible in a qualitative study of a limited number of companies. However, in large sample studies, we need to consider the limitations of a short survey and the fact that these two phases of a project are sometimes not separable unless other biases are introduced.

4. In a previous version of the article, we used structural equation modelling to test thehypothesized relationships and relationships regarding the sources of politics. The structural equation model confirms the results presented here.

5. Unless otherwise identified, the quotes reported in the article come from the interviews that have
been conducted by the authors in preparation of the survey, as described above. 429

6. Available here: http://vinvesting.com/docs/munger/art_stockpicking.html (accessed 1 March 2008).

7. In these models, we introduced the Cox–Box transformation. This is used when there is not a linear relationship between the explanatory variables and the outcome variables, but there is a linear relationship between a transformation of the outcome variable and the explanatory variables. By using the Cox–Box transformation, the estimation between outcome and explanatory variables improves. The R-shared improves as well.

References

Amason, A.C. (1996), “Distinguishing the effects of functional and dysfunctional conflict on strategic decision making: resolving a paradox for top management teams”, Academy of Management Journal, Vol. 39 No. 1, pp. 123-148.

Baldridge, J.V. (1971), Power and Conflict in the University: Research in the Sociology of Complex Organizations, Routledge.

Baron, R., Kenny, M. and David, A. (1986), “The moderator-mediator variable distinction in social psychological research: conceptual, strategic and statistical considerations”, Journal of Personality and Social Psychology, Vol. 51 No. 6, pp. 1173-1182.

Bartlett, D. (2011), “The neglect of the political: an alternative evidence-based practice for I-O pscyhology”, Industrial and Organizational Psychology, Vol. 4 No. 1, pp. 27-31.

Baum, R. and Wally, S. (2003), “Strategic decision speed and firm performance”, Strategic Management Journal, Vol. 24 No. 11, pp. 1107-1129.

Bearden, W.O., Sharma, S. and Teel, J.E. (1982), “Sample size effects on chi square and other statistics used in evaluating causal models”, Journal of Marketing Research, Vol. 19 No. 4, pp. 425-430.

Becker-Ritterspach, F.A.A. (2006), “The social constitution of knowledge integration in MNEs: a theoretical framework”, Journal of International Management, Vol. 12 No. 3, pp. 358-377.

Birkenshaw, J. and Hood, N. (1998), “Multinational subsidiary evolution: capability and charger change in foreign-owned subsidiary companies”, Academy of Management Review, Vol. 23, pp. 773-795.

Bolton, P. and Scharfstein, D.S. (1998), “Corporate finance, the theory of the firm and organizations”, Journal of Economic Perspectives, Vol. 12 No. 4, pp. 95-114.

Bower, J.L. (1970), Managing the Resource Allocation Process: A Study of Corporate Planning and Investment Decision, Harvard Business School, Boston.

Bower, J.L. and Gilbert, C.G. (2005), From Resource Allocation to Strategy, Oxford University Press, Oxford.

Bower, J.L. and Gilbert, C.G. (2007), “How managers’ everyday decisions create or destroy your company’s strategy”, Harvard Business Review, Vol. 85 No. 2, pp. 72-79.

Bower, J.L. and Hout, T.M. (1988), “Fast-cycle capability for competitive power”, Harvard Business Review, Vol. 66 No. 6, pp. 110-118.

Briner, R.B. and Rousseau, D.M. (2011), “Evidence-based I–O psychology: not there yet”, Industrial and Organizational Psychology, Vol. 4 No. 1, pp. 3-22.

Bryan, L.L. and Joyce, C.I. (2007), Mobilizing Minds: Creating Wealth from Talent in the 21st-Century Organization, McGraw-Hill, New York, NY.

Cacciattolo, K. (2015), "Organisational politics: the positive and negative sides", European Scientific Journal, Vol. 11 No. 1, pp. 121-129.

Cantwell, J. and Mudambi, R. (2005), "MNE competence-creating subsidiary mandates", Strategic Management Journal, Vol. 26 No. 12, pp. 1109-1128.

Cassell, C. (2011), "Evidence-based I–O psychology: what do we lose on the way?", Industrial and Organizational Psychology, Vol. 4 No. 1, pp. 23-26.

Chandler, G.N. and Hanks, S.H. (1993), "Measuring the performance of emerging businesses: a validation study", Journal of Business Venturing, Vol. 8 No. 5, pp. 391-408.

Chatterjee, A. and Hambrick, D.C. (2007), "It's all about me: narcissistic CEOs and their effects on company strategy and performance", Administrative Science Quarterly, Vol. 52 No. 3, pp. 351-386.

Child, J. (1994), Organization: A Guide to Problems and Practice, SAGE Publications Limited.

Collis, D., Young, D. and Goold, M. (2007), "The size, structure and performance of corporate headquarters", Strategic Management Journal, Vol. 28 No. 4, pp. 383-405.

DeVellis, R.F. (1991), Scale Development: Theory and Applications, SAGE, Newbury Park, CA.

Dong, A., Garbuio, M. and Lovallo, D. (2016), "Generative sensing", California Management Review, Vol. 58 No. 4, pp. 97-117.

Eisenbart, B., Garbuio, M., Mascia, G. and Morandi, F. (2016), "Does scheduling matter? When unscheduled decision making results in more effective meetings", Journal of Strategy and Management, Vol. 9 No. 1, pp. 15-38.

Eisenhardt, K.M. (1989), "Making fast strategic decisions in high-velocity environments", Academy of Management Journal, Vol. 32 No. 3, pp. 543-576.

Eisenhardt, K.M. and Bourgeois III, L.J. (1988), "Politics of strategic decision making in high-velocity environments: toward a midrange theory", Academy of Management Journal, Vol. 31 No. 4, pp. 737-770.

Eisenhardt, K.M. and Zbaracki, M.J. (1992), "Strategic decision making", Strategic Management Journal, Vol. 13 No. S2, pp. 17-37.

Fredrickson, J.W. (1986), "The strategic decision process and organizational structure", Academy of Management Review, Vol. 11 No. 2, pp. 280-297.

Fredrickson, J.W. and Mitchell, T.R. (1984), “Strategic decision processes: comprehensiveness and performance in an industry with an unstable environment”, Academy of Management Journal, Vol. 27 No. 2, pp. 399-423.

Geppert, M., Becker-Ritterspach, F. and Mudambi, R. (2016), “Politics and power in multinational companies: integrating the international business and organization studies perspectives, organization studies”, Vol. 37 No. 9, pp. 1209-1225.

Glaser, B. and Strauss, A. (1967), The Discovery of Grounded Theory: Strategies of Qualitative Research, Wiedenfeld and Nicholson, London.

Günther, S., Eisenbart, B. and Dong, S. (2017), “Creativity as a way to innovate successfully”, International Conferences on Engineering Design, ICED17, Vancouver.

Hair, J.F., Black, B., Babin, B., Anderson, R.E. and Tatham, R.L. (2005), “Multivariate data analysis”.

Harper, C. (2015), Organizations: Structures, Processes and Outcomes, Routledge, New York, NY.

Harreld, J.B., O’Really, C.A. and Tushman, M.L. (2007), “Dynamic capabilities at IBM: driving strategy into action”, California Management Review, Vol. 49 No. 4, pp. 21-43.

Hickson, D., Butler, R., Cray, D., Mallory, G. and Wilson, D. (1986), Top Decisions: Strategic Decision Making in Organizations, Jossey-Bass, San Francisco, CA.

Hiller, N.J. and Hambrick, D.C. (2005), “Conceptualizing executive hubris: the role of (hyper-) core self-evaluations in strategic decision-making”, Strategic Management Journal, Vol. 26 No. 4, pp. 297-319.

Hitt, M.A. and Tyler, B.B. (1991), “Strategic decision models: integrating different perspectives”, Strategic Management Journal, Vol. 12 No. 5, pp. 327-351.

Hodgkinson, G.P. (2012), “The politics of evidence-based decision making”, The Oxford Handbook of Evidence-Based Management, pp. 404-419.

Hong, J.F.L., Snell, R.S. and Mak, C. (2016), “Knowledge assimilation at foreign subsidiaries of Japanese MNCs through political sensegiving and sensemaking”, Organization Studies, Vol. 37 No. 9, pp. 1297-1321.

Iaquinto, A.L. and Fredrickson, J.W. (1997), “Top management team agreement about the strategic decision process: a test of some of its determinants and consequences”, Strategic Management Journal, Vol. 18 No. 1, pp. 63-75.

Judge, W.Q. and Miller, A. (1991), “Antecedents and outcomes of decision speed in different environmental context”, Academy of Management Journal, Vol. 34 No. 2, pp. 449-463.

Kline, R.B. (2005), Principles and Practice of Structural Equation Modeling, 2nd ed., The Guildford Press, New York, NY.

Koveshnikov, A., Vaara, E. and Ehrnrooth, M. (2016), “Stereotype-based managerial identity work in multinational corporations”, Organization Studies, Vol. 37 No. 9, pp. 1353-1379.

Krause, R., Priem, R. and Love, L. (2014), “Who’s in charge here? Co-CEOs, power gaps and firm performance”, Strategic Management Journal, Vol. 36 No. 13, pp. 2099-2110.

Learmonth, M. (2011), “The relationship between evidence and theory in management research”, in Cassell, C.M. and Lee, B. (Eds), Challenges and Controversies in Management Research, Routledge, London.

Liu, F. and Maitlis, S. (2014), “Emotional dynamics and strategizing processes: a study of strategic conversations in top team meetings”, Journal of Management Studies, Vol. 51 No. 2, pp. 202-234.

March, J.G. (1962), “The business firm as a political coalition”, The Journal of Politics, Vol. 24 No. 4, pp. 662-678.

March, J.G. and Olsen, J.P. (1976), “Organizational choice under ambiguity”, Ambiguity and Choice in Organizations, pp. 10-23.

Medsker, G.J., Williams, L.J. and Holahan, P.J. (1994), “A review of current practices for evaluating causal models in organizational behavior and human resources management research”, Journal of Management, Vol. 20 No. 2, pp. 439-464.

Meyer, K.E., Mudambi, R. and Narula, R. (2011), “Multinational enteprises and local contexts: the opportunities and challenges of multiple embdedness”, Journal of Management Studies, Vol. 48, pp. 235-252.

Mintzberg, H., Raisinghani, D. and Theoret, A. (1976), “The structure of unstructured decision processes”, Administrative Science Quarterly, Vol. 21 No. 2, pp. 246-275.

Mudambi, R. and Navarra, P. (2004), “Is knowledge power? Knowledge flows, subsidiary power and rent seeking within MNCs”, Journal of International Business Studies, Vol. 35 No. 5, pp. 385-406.

Mutambara, E., Botha, C. and Bisschoff, C. (2014), “Investigating the effects of organisational politics at a national electricity provider in SADC region”, Journal of Social Science, Vol. 41 No. 3, pp. 499-510.

Olorunleke, G.K. (2015), “Effect of organisational politics on organizational goals and objectives”, International Journal of Academic Research in Economics and Management Sciences, Vol. 4 No. 3, pp. 55-69.

Pehrsson, A. (2006), “Business relatedness and performance: a study of managerial perceptions”, Strategic Management Journal, Vol. 27 No. 3, pp. 265-282.

Pelled, L.H., Eisenhardt, K.M. and Xin, K. (1999), “Exploring the black box: an analysis of work group diversity, conflict and performance”, Administrative Science Quarterly, Vol. 44 No. 1, pp. 1-28.

Pettigrew, A.M. (1973), The Politics of Organizational Decision-Making, Tavistock, London.

Pfeffer, J. (1981), Power in Organizations, Pitman Marshfield MA, Vol. 33, .

Pfeffer, J. (1992), Managing with Power: Politics and Influence in Organizations, Harvard Business School Press, Boston, MA.

Pfeffer, J. and Moore, W.L. (1980), “Power in university budgeting: a replication and extension”, Administrative Science Quarterly, Vol. 25 No. 4, pp. 637-653.

Pfeffer, J. and Salancik, G.R. (1974), “Organizational decision making as a political process: the case of university budget”, Administrative Science Quarterly, Vol. 19 No. 2, pp. 135-151.

Salancik, G.R. and Pfeffer, J. (1974), “The bases and use of power in organizational decision making: the case of a university”, Administrative Science Quarterly, Vol. 19 No. 4, pp. 453-473.

Sandberg, J. and Tsoukas, H. (2011), “Grasping the logic of practice: theorizing through practical rationality”, Academy of Management Review, Vol. 36 No. 2, pp. 338-360.

Scharfstein, D. (1998), “Evidence on the dark side of internal capital markets”, National Bureau of Economic Research, No. 6352.

Scharfstein, D. and Stein, J. (2000), “The dark side of internal capital markets: divisional rent-seeking and inefficient investment”, Journal of Finance, Vol. 55 No. 6, pp. 2537-2564.

Scott, R. and Davis, G. (2016), Organizations and Organizing: Rational, Natural and Open Systems Perspectives, Routledge, New York, NY.

Sobel, M.E. (1982), “Asymptotic confidence intervals for indirect effects in structural equation models”, Sociological Methodology, Vol. 13, pp. 290-312.

Stalk, G.J. (1988), “Time – the next source of competitive advantage”, Harvard Business Review, Vol. 66 No. 4, pp. 41-51.

Staw, B.M., Sandelands, L.E. and Dutton, J.E. (1981), “Threat-rigidity effects in organizational behavior: a multilevel analysis”, Administrative Science Quarterly, Vol. 26 No. 4, pp. 501-524.

Stein, J.C. (1997), “Internal capital markets and the competition for corporate resources”, Journal of Finance, Vol. 52 No. 1, pp. 111-134.

Teece, D.J. (2007), “Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance”, Strategic Management Journal, Vol. 28 No. 13, pp. 1319-1350.

Thomas, P.R. and Martin, K. (1990), Competitiveness through Total Cycle Time, McGraw-Hill, New York, NY.

Tran, Q. and Tian, Y. (2013), “Organizational structure: influencing factors and impact on a firm”, American Journal of Industrial and Business Management, Vol. 3 No. 2, pp. 229-236.

Wally, S. and Baum, J.R. (1994), “Personal and structural determinants of the pace of strategic decision making”, Academy of Management Journal, Vol. 37 No. 4, pp. 932-956.

Werts, C.E., Linn, R.L. and Jöreskog, K.G. (1974), “Interclass reliability estimates: testing structural assumptions”, Educational and Psychological Measurement, Vol. 34 No. 1, pp. 25-33.

Whittle, A., Mueller, F., Gilchrist, A. and Lenney, P. (2016), “Sensemaking, sense-censoring and strategic inaction: the discursive enactment of power and politics in a multinational corporation”, Organization Studies, Vol. 37 No. 9, pp. 1323-1351.

Wilden, R., Gudergan, S.P., Nielsen, B.B. and Lings, I. (2013), “Dynamic capabilities and performance: strategy, structure and environment”, Long Range Planning, Vol. 46 No. 2, pp. 72-96.

Yin, R. (2002), Case Study Research: Design and Methods, 3rd ed., Sage Publishing, Beverly Hills, CA.