

PLAYING POLITICS: AN UPPER ECHELONS' PERSPECTIVE ON POLITICAL BEHAVIOR DURING ACQUISITION DECISION MAKING

ABSTRACT

The pre-deal phase of an acquisition is complex, with high stakes, and high uncertainty. Consequently, acquisition decision making can be seen as an inherently political process. While political behavior is a central concept in organizational theory, and despite its inevitability during acquisition decision making due to the contested nature of the pre-deal phase, there is a shortage of theory and evidence concerning the antecedents, consequences, and moderators of political behavior. To address these theoretical shortcomings, we develop and test a theoretical model of political behavior focusing on the TMT's psychological context. We argue that while political behavior risks undermining acquisition performance, the degree of board involvement during the pre-deal phase can enable some TMTs to attenuate the damaging effects of political behavior. Further, we theorize two key antecedents variously fueling and constraining political behavior. We contend that while TMT cohesion reduces political behavior, cognitive diversity increases political behavior while suppressing the potential for TMT cohesion to prevent political behavior. We test our theoretical model using a field-based sample of 109 UK acquisitions, combining multiple informants with objective secondary data.

Keywords: Political behavior; Strategic Decision Making; Top Management Team; Upper Echelons; Cohesion; Cognitive Diversity; Mergers and Acquisitions (M&A); Pre-deal Phase

INTRODUCTION

Political behavior is a central concept in organizational theory (Hochwarter et al., 2020) and within the strategic decision making (SDM) literature (Liu, Jarrett, and Maitlis, 2022).

Political behavior is typically viewed as problematic, since it undermines decision making and firm performance (Shepherd et al., 2020). Indeed, political behavior refers to intentional acts of influence “to enhance or protect the self-interest of individuals or groups” (Allen et al., 1979, p.77) and manifests in top managers withholding information, controlling agendas, and forming coalitions (Eisenhardt and Bourgeois, 1988).

Political behavior surfaces during SDM, since strategic decisions are complex, with high stakes and high uncertainty, and carry profound, long-term organization-wide ramifications (Shepherd et al., 2023). Despite the obvious importance of political behavior, major gaps in theory remain. First, there is limited understanding of moderators of political behavior, or the conditions under which TMTs might be able to cope better with political behavior, and so safeguard performance (Shepherd et al., 2020). Second, there is a need to better understand the origins of political behavior (Elbanna, Thanos, and Papadakis, 2014; Franke and Foerstl, 2018; McFarland, Van Iddekinge, and Ployhart, 2012).

We focus on acquisitions which are among the most important strategic decisions since they are “major corporate events, shaping firm boundaries and requiring important managerial attention and involvement” (Ahmad, Aktas, and Aziz, 2023, p. 2212). Contrary to integration, the pre-deal phase of an acquisition (often referred to as simply “acquisition decision making”) involves a closed circle of top managers that have to evaluate and decide on deal initiation—whether to acquire or not; target selection; bidding and negotiation; valuation and determining the financial terms of the acquisition; initial integration planning; and finally, deal announcement (cf. Welch et al., 2020; Bauer and Friesl, 2024). Acquisitions are thus, to a large extent, the product of the judgments, decisions, and social interactions

between senior executives during the pre-deal phase, and these shape the subsequent integration process and determine the overall success of the acquisition (Zollo and Meier, 2008). Indeed, many integration issues can be traced back to ineffective choices made during the pre-deal phase (Welch et al., 2020; Bauer and Friesl, 2024). Given the magnitude and complexity of these pre-deal judgments and choices, they inevitably prompt conflicting viewpoints and contestation; and hence, acquisition decision making can be viewed as an inherently political process. Accordingly, we aim to make three theoretical contributions to advance understanding of political behavior in the context of acquisition decision making.

The focus of acquisition research that has drawn from the upper echelons perspective has mostly concentrated on CEO characteristics (see Welch et al., 2020), and hence acquisition decisions are often viewed as being the product of CEO hubris or overconfidence (Aktas, de Bodt, and Roll, 2009; Ferris et al., 2013; Hayward and Hambrick, 1997). Complementing prior research, we broaden the focus onto the TMT, and our theoretical account contends that political behavior can be a key micro level behavioral mechanism preventing acquisitions from attaining their goals.

Hence, our first contribution is to develop new theoretical insights into how the TMT's underlying psychological context determines the extent to which political behavior arises in acquisition decision making. As such, we focus on cognitive diversity and cohesion to address the lack of theory concerning how TMT characteristics influence SDM (Elbanna and Child, 2007a; Shepherd and Rudd, 2014). Indeed, the complexity of acquisition decisions might, on the face of it, demand multiple different perspectives, experience, knowledge, and informational inputs (Fox, Simsek, and Heavey, 2022); however, we argue that divergent ideas and beliefs (i.e., cognitive diversity) risk political behavior among executives vying to assert their preferences (Miller et al., 2022). Further, we contend that TMT cohesion

constitutes a key team factor limiting political behavior, since it fosters commitment and cooperation (Mathieu et al., 2015).

Our second contribution is to develop new knowledge on how different TMT characteristics interact to jointly shape political behavior during acquisition decision making. While cohesion acts as a suppressor of political behavior; cognitive diversity is likely to undermine the potential for cohesion to restrict political behavior, given that when executives hold fundamentally differing views about an acquisition, such differences of opinion are non-trivial and not readily reconcilable (Miller et al., 2022; Samba et al., 2018). Interactions between antecedents of political behavior have not been a focus of prior work on SDM, and this remains an under-developed, yet important focus given TMTs vary along multiple different characteristics (Neely et al., 2020).

Our third contribution is to provide deeper insights than simply considering bivariate relationships between political behavior and acquisition performance; and we develop knowledge concerning a novel moderating influence, board involvement. Board involvement refers to when the board provides a service role, acting as a strategic partner and counselor to executives (Boivie et al., 2021). An engaged board can improve communication and collaboration between executives (Peregrine, 2023; Spierings, 2023). Hence, we argue that when the board is actively involved in acquisition decisions, they act as the prime social mechanism providing TMTs with a negotiation forum and consensus building function. In this way, the board helps to unite feuding factions, resolve disputes, and legitimize acquisition decisions; thereby helping executives to judiciously deploy political tactics for legitimate means, and skillfully respond to the political actions of others. The role of the board has been overlooked in previous studies on SDM (cf. Shepherd and Rudd, 2014; Shepherd et al., 2020), and therefore broadening the focus onto the wider board represents an

important contribution to theory. We test our theoretical model (see Figure 1) on a sample of 109 UK acquisitions, combining survey and objective secondary data.

Insert Figure 1 about here

THEORETICAL BACKGROUND

Prior studies have largely found that political behavior undermines decision making. For example, Eisenhardt and Bourgeois (1988) found that political behavior led to poor performance, and both Dean and Sharfman (1996) and Elbanna and Child (2007a) report a main negative effect of political behavior on decision effectiveness. More recent studies also support largely damaging consequences arising from political behavior (e.g., Shepherd et al., 2020; Lampaki and Papadakis, 2018). However, there is also evidence that politics can stimulate decision creativity and lead to unforeseen advantages (Elbanna et al., 2017), as well as decision success and pace (Elbanna, 2018). Indeed, Eisenhardt, Kahwajy, and Bourgeois (1997) argued that political behavior can be an important mechanism for organizational adaptation in dynamic environments.

The possibility that political behavior can lead to positive and negative outcomes suggests potential moderators of the political behavior-performance relationship (Rajagopalan et al., 1993; Shepherd and Rudd, 2014; Shepherd et al., 2020). Despite some initially encouraging findings regarding moderators of political behavior, current research offers an incomplete portrayal. In particular, the potential moderating influence of the board has been overlooked (cf. Shepherd and Rudd, 2014; Shepherd et al., 2020). This oversight matters because the board^[1], which can be seen as an “extended TMT” (Knockaert et al.,

^[1] Please see the end notes

2015, p. 421), can play an instrumental role in influencing executive behavior (Boivie et al., 2021; Zahra and Peace, 1989).

Agency theory (Jensen and Meckling, 1976) views the board as playing a monitoring role (Boivie et al., 2016; Ruigrok, Peck, and Keller, 2006) whose purpose is to minimize managerial opportunism and ensure the TMT acts in the interests of shareholders (Dalton et al., 2007). However, the board can also adopt the role of strategic partner and be an active participant in SDM, thus enacting a *service role* (e.g., Knockaert et al., 2015; Knockaert and Ucbasaran, 2013). When the board adopts a service role, they can provide executives with counsel, advice (Zahra and Peace, 1989), mentoring (Calabrò et al., 2013; Judge and Zeithaml, 1992), and access to valuable resources (Huse, 2007).

The full extent of the board's ability to attenuate harmful effects of TMT political behavior may rest upon factors such as the board's composition and skillset (Åberg, Bankewitz, and Knockaert, 2019; Krause et al., 2013). While generally seen as positive, there might be downsides to board involvement, especially when the board interferes excessively and constrains managerial discretion (Judge and Talaulicar, 2017). However, when the board is actively engaged in SDM, they can provide a negotiation forum where compromises between conflicting interests are sought (Ravasi and Zattoni, 2006). This means conflict can be channeled so it is constructive (Boivie et al., 2021), and thus decisions can be appraised objectively. Hence, an actively engaged board might moderate the behavior of the executive group.

Although studies have examined decision characteristics as antecedents of political behavior (e.g., Dayan and Elbanna, 2011; Elbanna et al., 2014), only limited research attention has been directed towards the role of TMT characteristics in shaping political behavior (Franke and Foerstl, 2018; Shepherd et al., 2020). Indeed, early work in upper echelons theory focused on demographic characteristics of individual executives as proxies

for their decisions and behavior (Wiersema and HERNBERGER, 2021); an approach which has been criticized for leaving a ‘black box’ (cf. Lawrence, 1997) of unexplained TMT cognitions and interactions (Bolinger et al., 2022; Hough and ogilvie, 2005; Ormiston, Wong, and Ha, 2022; Miller et al., 2022; Priem et al., 1999; Shepherd and Rudd, 2014). To overcome this issue, the focus has shifted onto team-level behavioral processes, since major strategic decisions such as acquisitions are most commonly made by the TMT rather than any one individual, such as the CEO (Hambrick, 2007).

We thus focus on two key team-level characteristics that are important to promote effective decision making and firm performance (Olson et al., 2007a; Wei and Wu, 2013). In particular, cognitive diversity presents a puzzle since, on the one hand, it provides the TMT with the requisite variety to match the complexity of acquisition decision making (Zollo, 2009); yet on the other hand, it might jeopardize interpersonal relations owing to social categorizations formed among team members who differ (Samba et al., 2018; Miller et al., 2022). Hence, we also turn to cohesion which may provide the answer to unlocking the puzzle of diversity since it acts as a social glue that bonds the team (Salas et al., 2015); enabling diverse perspectives to be integrated while maintaining harmonious interpersonal relations (Wei and Wu, 2013). This suggests that cohesion might keep cognitive diversity in check and limit the potential for diverse perspectives to stimulate political behavior.

HYPOTHESES

Cognitive Diversity and Political Behavior

Cognitive diversity is particularly relevant to the study of political behavior because multiple perspectives and preferences make disagreement and debate inevitable (Olson et al., 2007a). Recent reviews identify two forms of cognitive diversity; diversity in *cognitive*

structures, encompassing perspectives, opinions, and beliefs; and diversity in *cognitive resources*, encompassing raw information and grounded knowledge (see Martins and Sohn, 2022; Miller et al., 2022). Diversity in cognitive structures is defined as “variation in the desirability of particular goals and variation in cause-effect beliefs” (Miller et al., 2022, p. 826); and is especially salient when considering the origins of political behavior, because it produces emotion-laden disagreement that can plague decision making (Martins and Sohn, 2022). In contrast, diversity in cognitive resources can be more easily reconciled because it relates to more objective aspects of the decision context (Miller et al., 2022).

We focus our theory development on diversity in cognitive structures since this type of cognitive diversity naturally creates several acquisition alternatives or different views on an acquisition. Hence, the TMT will inevitably need to expend more time, resources, effort, and energy to determine an agreed-upon acquisition target, valuation, and bidding strategy (Olson et al., 2007a). Thus, cognitively diverse TMTs become deeply involved in the pre-deal process (Glick, Miller, and Huber, 1993), and Pelled, Eisenhardt, and Xin (1999) found that task-related diversity is associated with task disagreement. Hence, we theorize that cognitive diversity, which by definition is a task-related form of diversity, provides a conduit for disagreement and debate between TMT members with differing viewpoints.

Political behavior involves executives defending their points of view, forming alliances, and lobbying and bargaining with those holding opposing views (Dean and Sharfman, 1996). Cognitively diverse TMTs would undoubtedly hold discussions that would lead to disagreements during acquisition decision making (Pelled et al., 1999), and inevitably, executives would form alliances based on shared acquisition preferences (Cooper, Patel, and Thatcher, 2014). Take for example, an executive team discussing the merits of a particular acquisition target. Those who believe the firm’s strategic goals should focus on existing core competencies would certainly disagree with others who believe that acquiring new

competencies would best serve the firm in the longer term. Hence, we posit that cognitive diversity creates coalitional behavior designed to elevate preferred acquisition choices (Miller et al., 2022). Accordingly:

Hypothesis (H1): *Cognitive diversity is positively related to political behavior during acquisition decision making.*

Cohesion and Political Behavior

Cohesive teams have a shared bond, attraction, and loyalty between team members (Beal et al., 2003; Salas et al., 2015); and in most cases, cohesive groups outperform less unified groups (Castaño, Watts, and Tekleab, 2013). Widely regarded as a foundational construct for explaining team behavior (Forsyth, 2021), cohesion should be one of the most central group characteristics when considering the origins of political behavior. Despite this, it has been largely overlooked in studies of political behavior.

Cohesive teams have structural integrity, and benefit from established norms, roles, and intermember relations (Forsyth, 2021). Consequently, power structures and information flows are stable, which should reduce political behavior during acquisition decision making (Eisenhardt and Bourgeois, 1988). When teams have established norms, roles, and relations, there is little need to engage in political behavior to alter power structures and unduly influence the pre-deal process (Eisenhardt and Bourgeois, 1988). Cohesive teams with structural integrity instead enjoy close relations and team member friendships, and therefore have higher levels of interpersonal trust (Simons and Peterson, 2000) and equal access to information (Cao, Simsek, and Zhang, 2010; Shepherd et al., 2023). Both information symmetry and interpersonal trust reduce the likelihood of executives using political tactics to elevate their preferred acquisition choices. Instead, cohesive teams are better able to rapidly reach collective and consensual judgments concerning whether to acquire, target screening

criteria, target choice, and how to evaluate synergies. For example, Bauer and Friesl (2024) show that contrary to functional or cost synergies which typically follow standardized procedures, the evaluation of business model or strategic synergies is discursive and requires the integration of different viewpoints to establish a common understanding; and we argue that cohesive teams are much better placed to build consensus.

In contrast, executives who feel no sense of cohesion within their TMT—whether owing to distrust, dislike, disinterest, or a multitude of other reasons—are less motivated and less likely to participate in the “teaming” behaviors that provide the many benefits of groups (Salas et al., 2015). Thus, lacking group norms and close relations, such teams naturally become fragmented, with limited communication, commitment, and inevitably, information asymmetry (Beal et al., 2003). Hence, political behavior emerges as group members withhold and manipulate information to advance their acquisition preferences (Shepherd et al., 2020) limiting the debate necessary to determine the strategic value of the acquisition (Bauer and Friesl, 2024). Therefore:

Hypothesis (H2): *Cohesion is negatively related to political behavior during acquisition decision making.*

Cognitive Diversity, Cohesion, and Political Behavior

Our core argument is that cognitive diversity will act as a catalyst for more lively exchanges and political processes in cohesive teams. Accordingly, we theorize that the extent to which cohesion can limit political behavior will vary according to the team’s cognitive diversity. Empirical evidence demonstrates that cohesion and cognitive diversity interact to stimulate discussion (Wei and Wu, 2013), and that cognitive diversity and trust—central to definitions of cohesion (e.g., Siebold, 2007)—interact to stimulate task conflict (Olson et al., 2007a). Indeed, diversity in cognitive structures might be particularly beneficial for cohesive

teams at the idea-generation stage, since differing perspectives and beliefs will naturally create expansiveness and breadth, and result in a large number of creative solutions (Huang et al., 2017; Kurtzberg, 2005; Martins and Sohn, 2022). For example, such diversity might lead TMTs to consider embarking on their first acquisition, or to consider acquiring a firm in an unrelated area of business; and in acquisitive firms, such diversity might encourage the use of novel technologies such as artificial intelligence to bolster and expedite target screening (e.g., Siegel and Houston, 2024). In each of these scenarios, the creative idea would likely fuel a lively debate and exchange of viewpoints.

When cohesion is high, cognitive diversity is unlikely to diminish bonds between team members' or members' loyalty to the group owing to a positive shared group identity (Forsyth, 2021). However, cognitive diversity should serve as a catalyst, prompting a livelier debate and exchange of ideas and viewpoints (Wei and Wu, 2013); helping to ensure multiple different acquisition targets as well as screening criteria have been considered through a sensemaking and sensegiving process (Hochwarter, 2012). That is to say, cognitive diversity should weaken the negative relationship between cohesion and political behavior, and the political actions and counteractions will be de-personalized owing to the affective intensity of cohesive groups (Forsyth, 2021). Members of cohesive teams have high levels of loyalty, trust, and mutual respect (Salas et al., 2015; Wei and Wu, 2013). This means members will be less adversarial in their political counteractions when responding to the political actions of cognitively diverse others. Instead, responses will be focused on making informed critiques of competing targets, screening criteria, and due diligence reports (Mintzberg, 1998; Olson et al., 2007a; 2007b).

Indeed, when executives form opposing views, alliances will naturally form based on shared beliefs and preferences (Cooper, Patel, and Thatcher, 2014; van Knippenberg et al., 2004); albeit in cohesive teams, members will retain a strong bond with the wider group

(Forsyth, 2021). For example, a TMT could splinter into two camps, each favoring a different acquisition target; or one group might oppose the acquisition strategy entirely and instead favor organic growth. Importantly, since cohesive teams benefit from information symmetry due to their structural integrity and close relations (Cao et al., 2010; Shepherd et al., 2023), alliances will be less inclined to use underhand political tactics involving the distortion or withholding of information for personal gain. However, these different competing alliances will still engage in political behavior, for example, lobbying and bargaining to get their points of view on the table, and to persuade other alliances to adopt their pre-deal preferences and to expand belief sharing (Silvester, 2008). Therefore:

Hypothesis (H3): *Cognitive diversity positively moderates the otherwise negative relationship between cohesion and political behavior during acquisition decision making, such that with increasing cognitive diversity, the relationship between cohesion and political behavior becomes less negative.*

Political Behavior and Acquisition Performance

Empirical work has largely found negative consequences of political behavior during strategic decision making owing to three reasons. First, political behavior is often based on self-interest rather than organizational goals (Pettigrew, 1973; Pfeffer, 1981), and it diverts executives' attention away from vital tasks and key responsibilities, which risks delayed responses, lost opportunities, and sub-optimal choices (Bourgeois and Eisenhardt, 1988). Acquisition decision making is particularly susceptible to executive self-interest (Brouthers, Van Hastenburg, and Van Den Ven, 1998; Gomes et al., 2013), and executives might initiate an acquisition, or indeed favor or discount certain acquisition targets, owing to personal motives such as financial incentives or empire building ambitions (Parvinen and Tikkanen, 2007; Seth, Song, and Pettit, 2000; Welch et al., 2020; Trautwein, 1990). Second, political

behavior often involves distortion and restriction of information (Cyert and March, 1963; Pettigrew, 1973), and pre-deal decisions based on incomplete or inaccurate information diminish the probability of success (Dean and Sharfman, 1996; Elbanna and Child, 2007a). For instance, a subgroup of executives might conceal due diligence reports (or circumvent due diligence procedures entirely) that undermine target valuation or the rationale for the acquisition, leading to an inflated deal premium and flawed target choice. Third, political behavior focuses managerial attention inwards rather than on what is feasible given prevailing environmental considerations (Hickson et al., 1986), which might give rise to ineffective target screening, misevaluation of target fit, and inaccurate evaluation of the synergistic potential of a target (Bauer and Friesl, 2024; Bauer and Matzler, 2014; Kim and Finkelstein, 2009).

The alternative perspective views political behavior as a force for good (Kane-Frieder et al., 2013; Shepherd et al., 2020) and an important mechanism enabling adaptation to the external environment (Pfeffer, 1981). This perspective views political behavior as a means of resolving conflict, building relationships, restoring justice, and developing legitimacy (Hochwarter, 2012). Effective use of political behavior can also result in positive individual level outcomes, including leadership effectiveness, individual performance, career success, and stress management (Kimura, 2015); all of which contribute positively to organizational and decision outcomes.

While political behavior has not been a key focus in acquisition research, on balance, we argue that political behavior is likely to have negative consequences for acquisition performance. This owes to the fact that political behavior involves withholding and manipulating information (Bourgeois and Eisenhardt, 1988). This is particularly relevant for acquisitions, that are an especially rare strategic decision (Zollo, 2009) with complex motivations and trade-offs (Angwin, 2007) which means they require careful consideration;

thereby placing increased importance on accurate information exchange during decision making (e.g., Dean and Sharfman, 1996; Elbanna and Child, 2007a; van den Oever and Martin, 2019). Further, political behavior can impose additional and unnecessary constraints on perfectly viable acquisition opportunities (Nutt, 1933) since promising targets may be discounted if they prove unfavorable to influential individuals (Dean and Sharfman, 1996). In sum, empirical evidence from studies on political behavior in strategic decision making overwhelmingly supports a negative effect of political behavior on performance and decision effectiveness (e.g., Eisenhardt and Bourgeois, 1988; Elbanna and Child, 2007a; Dean and Sharfman, 1996; Shepherd et al., 2020) and therefore:

Hypothesis (H4): *Political behavior during acquisition decision making is negatively related to acquisition performance.*

Political Behavior, Board Involvement, and Acquisition Performance

The degree to which political behavior undermines acquisition performance will vary according to whether the board partners with the TMT during acquisition decision making (Boivie et al., 2021). Indeed, the board offers a prime social mechanism, providing TMTs with a negotiation forum where compromises between diverging interests can be sought, and consensus can be built (Ravasi and Zattoni, 2006). Indeed, the SDM process will inevitably involve political skirmishes between executives vying to assert their acquisition preferences (Dean and Sharfman, 1996; Shepherd et al., 2020) as executives debate whether to acquire, which firm to acquire, and how much to offer (Welch et al., 2020). However, once the board actively engages in acquisition decision making, they can channel political behavior, to ensure all aspects of the acquisition are debated, and that it is used as a tool for unlocking systems of legitimate influence; ultimately facilitating a successful acquisition (Child et al., 2010).

When the board provides the TMT with a negotiation forum, it naturally moves political behavior away from adversarial forms, and instead, political behavior becomes collaborative (Simmers, 1998), as competing interests are asserted vigorously but securely and openly with “win-win” competition (Baum, 1989). This allows for a comprehensive evaluation of acquisition targets according to their impact on the goals and interests of all parties (Ravasi and Zattoni, 2006). Thus, the board helps feuding executives to de-personalize disagreement, and crucially, ensure alignment with the firm’s long-term strategies and overall goals (Bjørnåli, Asad and Terjesen, 2023; Bjørnåli, Knockaert and Erikson, 2016; Judge and Zeithaml, 1992; Knockaert et al., 2015).

In essence, active board involvement provides a “group therapy” (cf. Langley, 1988) for executives, expanding belief sharing and building consensus amidst ambiguity (Hochwarter, 2012). Hence, the board can limit the negative impact of political behavior on performance, and ensure disagreements are “healthy and constructive” (Boivie et al., 2021, p.1678), and part of a sensemaking and sense giving process. Further, when a particular acquisition target is supported by outside directors with relevant expertise, it legitimizes the acquisition (Knockaert et al., 2015; Kor and Misangyi, 2008).

The complexity of acquisitions typically requires executives to accept trade-offs, and an active board therefore helps to reconcile tensions. For example, an acquisition opportunity might unlock growth in an unrelated industry, but also be viewed as risky by certain executives. However, such conflict can be forestalled if the board facilitates a comprehensive discussion that enables information exchange and results in a common understanding of the acquisition opportunity. When decisions have been legitimized in this way, it lessens the risk of dissenting executives, who may have initially opposed the acquisition, trying to sabotage or delay the deal.

The second key benefit of active board involvement concerns the board's ability to provide and encourage the exchange of salient information. Indeed, competitive forms of political behavior might impede information elaboration, as executives conceal or manipulate information (Dean and Sharfman, 1996) such as corporate finance advice, due diligence reports, or other competitive intelligence. Information asymmetry is a key issue for acquisition decisions (Cuypers, Cuypers, and Martin, 2017; Graebner, 2004; Song, Zeng, and Zhou, 2021), and the issue becomes even more salient when acquiring managers withhold information or share inaccurate information, likely contributing to value destruction (Capron and Shen, 2007; Elbanna and Child, 2007b). However, an engaged board reduces information asymmetry and steers acquisition processes towards evidence-based approaches where all members debate and scrutinize salient information. When the board challenges executives' acquisition preferences according to their alignment with the goals and interests of the firm, and on their technical rationality and financial feasibility, they force powerful executives to justify their acquisition preferences and choices through additional information and evidence (Hillman and Dalziel, 2003). Therefore:

Hypothesis (H5): *Board involvement positively moderates the otherwise negative relationship between political behavior and acquisition performance, such that with increasing board involvement, the relationship between political behavior and acquisition performance becomes less negative.*

METHODOLOGY

Sample and Design

We focused our data collection on one single acquisition made by each of the firms in our sample, and we undertook primary data collection to directly capture the TMT's

psychological characteristics (Priem et al., 1999) because several of our constructs cannot be operationalized with secondary data (Tarba et al., 2019; Bauer et al., 2019). While prior SDM studies have largely focused on the manufacturing sector (Papadakis et al., 2010), we focus on both manufacturing and service sectors, given that the latter significantly contributes to many Western economies' GDP (Papadakis, Barwise, and Thanos, 2010).

Data was collected in 2020, and we focused on UK initiated acquisitions taking place between 2015 and 2018, following the "3-5 years rule" (Bauer and Matzler, 2014; Ellis, Reus, and Lamont, 2009; Homburg and Bucerius, 2006), to ensure that integration had fully completed, thereby maximizing the accuracy of performance assessments (Homburg and Bucerius, 2006; Ellis et al., 2009). Our sample was also limited to acquisitions with an acquirer size of fewer than 2,000 employees and less than one billion pounds of annual sales to ensure that firstly executives were actively engaged in the acquisition decision making and, secondly, that the impact of the acquisition on the organization is substantial (Bauer et al., 2019).

We used the Zephyr database to identify 996 acquisitions meeting our selection parameters. We focused on TMT members as key informants (Kumar, Stern, and Anderson, 1993) because they are the most knowledgeable on SDM (e.g., Dean and Sharfman, 1996; Elbanna and Child, 2007a; 2007b). Before commencing the survey, we first checked if respondents were employed by the acquiring firm at the time of the focal acquisition, and if they had significant involvement in, and responsibility for, the focal acquisition. In instances where informants were unable to confirm these details, they were prompted to stop the survey and forward our invitation to another TMT member satisfying these criteria. In the survey, respondents were asked to respond to all questions in relation to the focal acquisition. Respondents included chief executive officers and managing directors (61%), chief financial

officers (20%), chief strategy officers (2%), chairpersons (14%), and chief corporate development officers (3%).

Reminder emails were sent two weeks after initial survey distribution, and in total, we received 109 fully completed first informant questionnaires, each anchored to a specific acquisition previously identified in the Zephyr database. Our response rate of 10.94 percent is comparable to other studies on TMTs, SDM, and M&As (e.g., Olson et al., 2007a; 2007b; Simons et al., 1999; Strobl, Bauer, and Matzler, 2020) and consistent with typical response rates of around 10-12% for research involving senior executives (Hambrick et al., 1993), given the challenges in collecting direct psychometric data from high-ranking organizational elites (Hiller and Hambrick, 2005). Once we received the first informants' responses back, we asked each firm to nominate a second TMT member who had significant involvement in the acquisition. Consequently, we secured a second informant in 24 firms (22% of our sample), allowing us to examine interrater reliability. Our second informants comprise CEOs (42%), CFOs (46%), M&A and Strategy Directors (8%), and Chairpersons (4%).

Non- or late-response bias was tested by comparing the answers of early and late respondents (Armstrong and Overton, 1977). We also compared our data on sales, profitability, and number of employees with available secondary data (Armstrong and Overton, 1997). The results indicate no systematic differences between responding and non-responding firms.

Measurement

We relied on existing pre-validated 7-point Likert scales for all of our constructs, and the appendix contains details for all measures. To operationalize acquisition performance, we followed the suggestions of Becker (2005), Homburg and Bucerius (2006), and Reinartz, Krafft, and Hoyer (2004), and we measured acquisition performance by combining *both* objective and subjective measures. For objective acquisition performance, we used return on

assets (ROA) data from the FAME database and calculated the 3-year ROA average post-acquisition. For subjective acquisition performance, respondents rated their level of agreement relating to the performance of the focal acquisition across four statements (sample item: the acquisition was the right strategic decision). Acquisition performance was thus operationalized as a 2nd order variable composed of two 1st order dimensions (objective and subjective acquisition performance). We measured political behavior with Dean and Sharfman's (1996) scale (sample item: TMT members used power to defend interests and preferences), and we operationalized board involvement using Knockaert et al.'s. (2015) scale (sample item: The board functioned as mentors for the TMT).

We used Chin et al.'s (1999) cohesion scale (sample item: In the TMT, we had a good sense of belonging between members), and we operationalized cognitive diversity using Miller et al.'s. (1998) reverse scored diversity in cognitive structures scale (sample item: In the TMT, we had a common understanding about the best way to maximize the organization's long-term profitability). The scale is a valid and long-established direct measure of diversity in cognitive structures, and its use is explicitly advocated by Miller et al., (2022) owing to several robust independent studies reporting sound measurement properties.

For acquisition performance and political behavior, we include controls for slack resources per Miller and Friesen (1982), information exchange per Simsek et al. (2005), the number of years since the acquisition took place, and TMT demographic diversity (i.e., age diversity, tenure diversity, and gender diversity). We follow Bauer and Mazler (2014), Bauer et al. (2018), Zaheer, Castañer, and Souder (2013), and King et al. (2020), and we also control for a series of additional influences on acquisition performance. Namely, we also control for firm size, industry type, relative size of the target firm, acquisition type,

acquisition experience, past performance, the number of acquisitions made between 2015 and 2018, alliance activity, the degree of integration, and the speed of integration.

RESULTS

Measurement Evaluation and Bias Testing

To test our hypotheses, we applied partial least squares (PLS) structural equation modeling (SEM) (Ringle et al., 2015). We first examined reliability and validity based on item loadings, construct reliability (CR), and average variance extracted (AVE). After deleting some items due to low individual loadings, all items have high loadings (0.58 – 0.98). Further, CR (0.78 – 0.93) and AVE (0.54 – 0.79) estimates exceed commonly accepted thresholds (Bagozzi and Yi, 1988), and therefore these results demonstrate convergent validity (Hulland, 1999). The appendix provides a detailed overview of the psychometric properties of the scales. Discriminant validity was assessed with cross loadings (Chin, 1998) and the Fornell-Larcker criteria (Fornell and Larcker, 1981). All items loaded highest on their latent construct, and the square roots of each AVE estimate exceed the latent variable correlations (see Table 1), thereby indicating discriminant validity.

Insert Table 1 about here

Using our sub-sample of 24 second respondents, we calculated the $r_{wg(j)}$ and inter-rater correlation coefficients (ICC2) for absolute inter-rater agreement (LeBreton and Senter, 2008). The results demonstrate good levels of interrater agreement (Chan, 1998) for political behavior ($r_{wg(j)} = 0.92$, ICC2 = 0.66), acquisition performance ($r_{wg(j)} = 0.91$, ICC2 = 0.76), board involvement ($r_{wg(j)} = 0.94$, ICC2 = 0.84), cohesion ($r_{wg(j)} = 0.97$, ICC2 = 0.69), cognitive diversity ($r_{wg(j)} = 0.97$, ICC2 = 0.81), and slack resources ($r_{wg(j)} = 0.92$, ICC2 = 0.83).

Finally, we examined common method variance (Podsakoff et al., 2012) by including a common method factor in our model (Podsakoff et al., 2003) following Liang, Saraf, Hu, and Xue (2007). This analysis shows that while all items load highly and significantly on the proposed constructs (0.55 to 0.98), loadings on the method factor are low (-0.16 to 0.23), and only six were significant. The average item loading on the respective latent variables is 0.87. The average item loading on the method factor is 0.01. The ratio of substantive variance to method variance is 72:1, indicating that common method bias is unlikely to be a major concern when interpreting our results.

Hypothesis Testing

Table 2 presents the results and path coefficients together with the T statistics, f^2 effect sizes, and variance inflation factors (VIFs). All VIFs (ranging from 1.04 to 2.34) are well below the recommended threshold of 5 (Hair et al., 2012a), indicating that multicollinearity is not an issue. The f^2 effect sizes show that the hypothesized relationships demonstrate satisfactory explanatory power (Hair et al., 2012b).

Insert Table 2 about here

Concerning antecedents of political behavior, while cognitive diversity increases political behavior ($\beta = 0.30$; $p = 0.05$), providing support for hypothesis 1, cohesion reduces political behavior ($\beta = -0.32$; $p = 0.02$), supporting hypothesis 2. Further, we find that cognitive diversity moderates the relationship between cohesion and political behavior ($\beta = 0.19$; $p = 0.06$). Figure 2 visualizes this relationship, showing that the potential for cohesion to restrict political behavior is much weaker when TMTs also have higher levels of cognitive diversity. The results provide statistical evidence supporting hypothesis 3.

Insert Figure 2 about here

Concerning acquisition performance, Table 2 supports a negative influence of TMT political behavior ($\beta = -0.28$; $p = 0.03$), thereby supporting hypothesis 4. Further, we find that board involvement attenuates the negative effect of political behavior on acquisition performance ($\beta = 0.22$; $p = 0.07$), supporting hypothesis 5, and Figure 3 visualizes this relationship.

Insert Figure 3 about here

Overall, our model explains 41% of the variance in acquisition performance and 23% of the variance in political behavior, thereby providing satisfactory explanatory power. Figure 4 summarizes the overall results.

Insert Figure 4 about here

To examine endogeneity, we used an instrumental variable analysis per Bascle (2008) and Kreutzer, Walter, and Cardinal (2015). First, we selected three instrumental variables² related to cohesion (F-value = 9.56) and cognitive diversity (F-value = 10.08) meeting the exogeneity criteria (Sargan's J-statistic = 0.07; p value = 0.80) (Bascle, 2008; Stock and Yogo, 2002) and ran a 2SLS regression predicting political behavior. The second stage model confirms that while the interaction effect between cohesion and cognitive diversity and the direct effect of cognitive diversity are significant, the direct effects of cohesion is not. However, the higher order term determines whether there is a significant relationship

² Please see the end notes

between an independent and a dependent variable (Aguinis et al., 2016; Brambor et al., 2006); hence these results confirm the overall results. In addition, the Wu-Hausman (1.01; p value = 0.37) and Durbin-Wu-Hausman (2.21; p value = 0.33) tests indicate that our regressors are exogenous, and our results are not biased (Davidson and Mackinnon, 1983).

We repeated this analysis for political behavior and board involvement in predicting acquisition performance. While the results from the second-stage model confirm our results, our instruments³ for political behavior (F-value = 3.84) and board involvement (F-value = 2.98) turned out to be “weak” despite meeting the exogeneity criteria (Sargan’s J-statistic = 1.36; p value = 0.24; Basile, 2008; Stock and Yogo, 2002). The Wu-Hausman (1.62; p value = 0.20) and Durbin-Wu-Hausman (4.04; p value = 0.13) test results again indicate that our regressors are exogenous, and our results are not biased (Davidson and Mackinnon, 1993). While this analysis provides strong evidence that endogeneity is not a concern for political behavior, the evidence for acquisition performance is only weak in the absence of strong instruments.

CONCLUSION

The SDM, M&A, upper echelons, and corporate governance research streams have largely evolved separately; and by integrating these different streams of literature, our study has advanced understanding of both the micro-level behavioral determinants of political behavior, as well as how some firms are able to countermand the damaging effects of political behavior during acquisition decision making.

Our research extends and builds upon existing literature in several ways. First, research tends to make relatively simplistic assumptions regarding the nature of acquisition

³ Please see the end notes

decision making and focuses on the CEO as the dominant central actor (e.g., Chatterjee and Hambrick, 2007; Gamache et al., 2015; Zhu and Chen, 2015). This is problematic however, as acquisition decisions are usually made by the entire TMT rather than individual CEOs (Welch et al., 2020). However, team-level characteristics, unlike those of CEOs, are rarely explored in the context of acquisition decision making (Trichterborn, Knyphausen-Aufsess, and Schweizer, 2016; Welch et al., 2020). Hence, despite the contested nature of the pre-deal phase, examining the social interactions that take place between executives has not been a central focus of prior work (cf. Welch et al., 2020). Therefore, we placed political behavior center stage in our theorizing to deepen knowledge of the pre-deal phase of acquisition decision making.

Second, since empirical evidence indicates detrimental effects of political behavior on firm performance (e.g., Dean and Sharfman, 1996; Elbanna and Child, 2007a), a priority for research has been to understand the mechanisms that enable some TMTs to countermand the deleterious effects of political behavior. Therefore, we extend the limited number of studies that have examined moderators of the political behavior-performance relationship by considering a new, yet theoretically important concept that has so far been overlooked—board involvement. This is an important contribution since although there has been longstanding consensus on the need to theorize moderators to better understand the contextual mechanisms that lead to organizational effectiveness (e.g., Brouthers et al., 2000; Johns, 2006, 2017; Rajagopalan et al., 1993), very few studies have considered moderators of the political behavior-performance relationship. Specifically, Elbanna and Child (2007a) considered environmental, firm, and decision-level moderators, and Shepherd et al. (2020) re-orientated the literature to highlight how TMT characteristics render some teams less susceptible to harmful consequences of political behavior. We thus build on Shepherd et al.

(2020) by considering how the behavioral dynamics of the TMT and the board together shape SDM.

We therefore contribute to a more granular understanding of how acquisition decisions are shaped through our consideration of the wider board and their involvement in acquisition decision making. This represents an important contribution since the extant literature tends to view outside directors as passive actors who serve to simply monitor and control the management of the firm (Hayward and Hambrick, 1997). Indeed, until now, research has not examined interactions between the executive group and outside directors in shaping acquisition decision making (Welch et al., 2020), and our theory and evidence attest to the pivotal role that the board can play in regulating social interactions between executives, and in so doing, safeguarding acquisition performance.

Third, relatively few studies have considered the origins of political behavior. Hence, we directly build on the work of Bourgeois and Eisenhardt (1988), who showed that TMT power centralization is a key determinant of political behavior, by advancing knowledge of some of the more complex social-psychological origins of political behavior, which have remained largely unexplored (Dayan et al., 2011; Powell, Lovallo, and Fox, 2011). Indeed, in doing so, we tackle one of the most significant gaps in research and consider the psychological foundations of SDM (Hambrick and Crossland, 2018; Shepherd et al., 2023). We delve deeply into the complex behavioral mechanisms underpinning effective acquisition decision making, and we consider joint interactive effects between two of the most important TMT characteristics: cohesion and cognitive diversity. Examining interactions between different TMT social-psychological constructs has not been a central focus of prior work on political behavior or other SDM processes (Elbanna and Child, 2007a; Papadakis et al., 1998; Shepherd and Rudd, 2014) despite the fact that TMTs vary along multiple different characteristics (e.g., Neely et al., 2020).

Our findings directly build upon Papadakis and Barwise (2002), who were unable to find support for any TMT factors influencing political behavior, and Thanos et al. (2014), who omitted the TMT. Our theory and evidence contend that cohesion is an important team mechanism that provides mutual trust, strong social bonds, and well-established team norms, roles, and relations. Such bonds equip TMTs with structural integrity, as well as informational and power symmetry that reduces political behavior. However, cognitive diversity inevitably leads to political behavior designed to elevate acquisition preferences. Our theory and evidence further suggest that cognitive diversity stimulates lively political processes in even the most cohesive teams, as alliances naturally form, leading to lobbying and bargaining between alliances seeking to wrestle control of the acquisition agenda.

LIMITATIONS AND FUTURE RESEARCH

Our cross-sectional design restricts our ability to exclude endogeneity concerns (e.g., causality or omitted variable bias), potentially leading to biased estimates. While we implemented measures such as including a series of theoretically relevant controls and conducting instrumental variable analyses, we cannot entirely rule out endogeneity concerns, in part because we did not have strong instruments available for all independent variables. In replicating our research, future research could adopt longitudinal or experimental approaches to mitigate endogeneity concerns. Waves of data collection could also be helpful in this respect; the first to capture contextual factors, a subsequent wave to capture decision process variables, and a final wave to assess outcomes.

Another limitation is our reliance upon a single key informant, and while we incorporated objective secondary data for several of our measures as well as second informant ratings for a sub-sample of firms, single informant biases cannot be entirely ruled out. Consequently, future work could bolster confidence in the reported results by soliciting ratings from multiple TMT informants and adopting a longitudinal approach. However, low

response rates beset upper echelons research using primary data (e.g., Hambrick et al., 1993; Olson et al., 2007a; 2007b; Simons et al., 1999), and so a careful balance must be struck. Indeed, our response rate of 10.94 percent, though in line with survey-based research on top managers (Hambrick et al., 1993), represents a relatively small proportion of the total population. We also cannot entirely rule out the possibility of endogenous matching, and an important caveat is that different TMTs and boards may endogenously match with different types of firms (Kaplan, Klebanov, and Sorensen, 2012).

It is also important to note the UK context, which might have influenced the outcomes of our study. The UK is a free market system with an entrepreneurial climate, and a national culture high in individualism and freedom (Elbanna and Child, 2007b). Hence while our findings concerning cohesion and cognitive diversity might generalize to the US, and thus connect with the findings of Eisenhardt and Bourgeois (1988) and Miller et al. (1998), they might not correspond to empirical research conducted in other national contexts, such as the studies by Elbanna and colleagues using Egyptian manufacturing firms. This owes to contextual factors, such as national systems, potentially moderating the effects of executive characteristics (Crossland and Hambrick, 2007). Conflict and cohesion might, therefore, be perceived differently in different cultures (Loughry and Amason, 2014). For example, countries such as Japan are characterized by consensus-based decision making owing to collectivism and high uncertainty avoidance (Crossland and Hambrick, 2007).

Aside from national contexts, team dynamics such as joint decision making might be relevant in shaping how team characteristics such as cognitive diversity or cohesion affect decision making. As Hambrick (2007) stresses, if executives do not engage in collective decision making, there is little point in trying to use their collective characteristics to predict outcomes. In our sample, we observe a mean average of 5.85 for cohesion, suggesting that the TMTs we surveyed were indeed real teams and not “pseudo teams”. Hence team

characteristics naturally exerted more influence than had we sampled firms with fragmented TMTs or smaller owner-managed firms where CEOs typically drive SDM (Brouthers, Andriessen, and Nicolaes, 1998).

A final limitation is that, like most SDM research (e.g., Dean and Sharfman, 1996; Elbanna and Child, 2007a; Olson et al., 2007a; 2007b; Shepherd et al., 2020), we were only able to study firms still in existence and those firms that had completed an acquisition. Thus, our sample excludes firms that subsequently failed or aborted acquisitions. Future research could gain valuable insights by studying SDM underpinning aborted decisions and failed firms. However, identifying firms that have aborted decisions, and accessing executives of failed firms would present challenges (see Wilson, 2010, for a general discussion on studying failed decisions).

A key priority for research is replication (Bettis et al., 2016). Our antecedents of political behavior, cognitive diversity, and cohesion, are newly theorized, and so too is our moderator board involvement. Further, our observed effects are based on a relatively modest sample, a singular national context, and a specific type of decision. Hence, replicating our results using larger samples, drawn from different national contexts and different types of decisions, would contribute towards building a cumulative body of knowledge (Bettis et al., 2016). Relatedly, we focused our theory development on the relationship between diversity in cognitive structures—an emotionally charged form of diversity—and political behavior. It is possible that different effects would be observed if measures of diversity in cognitive resources were used, since such differences are more objective, less incendiary, and generally present fewer challenges for TMTs (Martins and Sohn, 2022; Miller et al., 2022). Furthermore, future studies should try to replicate our findings using samples of other types of corporate restructuring decisions, such as divestitures and strategic alliances, given that these might differ in their nature and context compared to acquisitions; potentially giving rise

to different levels and forms of political behavior. The influence of such alternative restructuring activities could also be controlled for with survey instruments in the absence of valid secondary data.

Finally, the board's ability to attenuate the harmful effects of political behavior might depend on its composition, interpersonal dynamics, and capital (Åberg et al., 2019). Thus, such factors could be considered in more complex three-way interactions involving political behavior and board involvement.

PRACTICAL IMPLICATIONS

40-60 percent of all acquisitions fail (Homburg and Bucerius, 2005). Our study reveals how political behavior during the pre-deal phase is a key factor contributing to acquisition value destruction. Therefore, executives should exercise caution when deploying political behavior during pre-deal decision making. In particular, board nominating committees should consider emphasizing deep-level psychological characteristics to limit political behavior. For example, recruiting directors (both executive and non-executive) who are naturally predisposed to collective decision making, collaboration, and the open exchange of ideas and information (Shepherd et al., 2020). Similarly, directors with a collectivist orientation are more likely to emphasize the goals of the firm over personal interests (Simsek et al., 2005). Interestingly, current trends among S&P 500 companies highlight a decline in the number of directors with strategic experience (Spierings, 2023). Thus, firms' governance and nominating committees should adopt a long-term approach to board composition emphasizing salient director qualifications, such as strategic experience, when designing their director qualifications matrices (Peregrine, 2023).

Notes:

[1] The 2018 UK Corporate Governance Code states that the role of the board is to promote the company's long-term success, establish the company's purpose, values, and strategy, and promote the desired culture. UK corporate governance is principles based and differs from the US rules-based approach (Weber, 2023). The Code stipulates that at least half of the board should be independent non-executive directors (NEDs). As such, NEDs play a more prominent role than in other governance systems (Franks and Mayer, 2002), and in the US, NEDs are often referred to as outside directors (Goh and Gupta, 2016). NEDs have a prime role in appointing, removing, and remunerating executive directors. NEDs also scrutinize and hold to account the performance of individual executive directors. NEDs should provide constructive challenges and offer specialist advice. The TMT, in contrast, manages internal operations: analyzing, formulating, and implementing strategies, policies, and tactics. The board thus monitors and, in some cases, advises the TMT on their SDM while also fulfilling fiduciary responsibilities. In sum, both the board and TMT *should* be strategy-orientated and thus should share tasks such as setting the strategic vision, aligning goals, and processing information (Luciano, Nahrgang, and Shropshire, 2020).

[2] The following items were used as instruments: when making acquisition decisions, in the TMT, (1) we trusted others' knowledge; (2) we had enough team expertise, which allows us to recognize the potential target firm immediately; (3) we relied on quantitative analytical techniques (e.g., market analysis). Please note, the first instrument (we trusted others' knowledge) differs from interpersonal trust and only captures the extent to which top managers trusted others' knowledge and thus differs from trusting the behavioral intentions of others.

[3] The following items were used as instruments: when making acquisition decisions, (1) we looked into information, such as accounting standards, in-depth; (2) we relied on quantitative analytical techniques; (3) the technology in our industry was changing quite rapidly.

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FIGURES AND TABLES

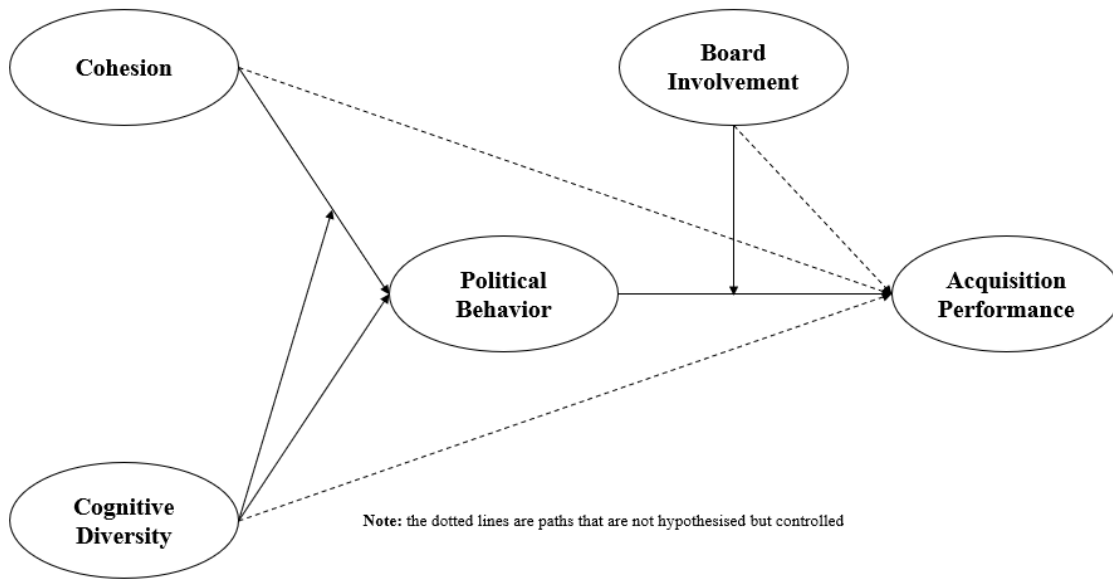


FIGURE 1: Theoretical Model of Political Behavior

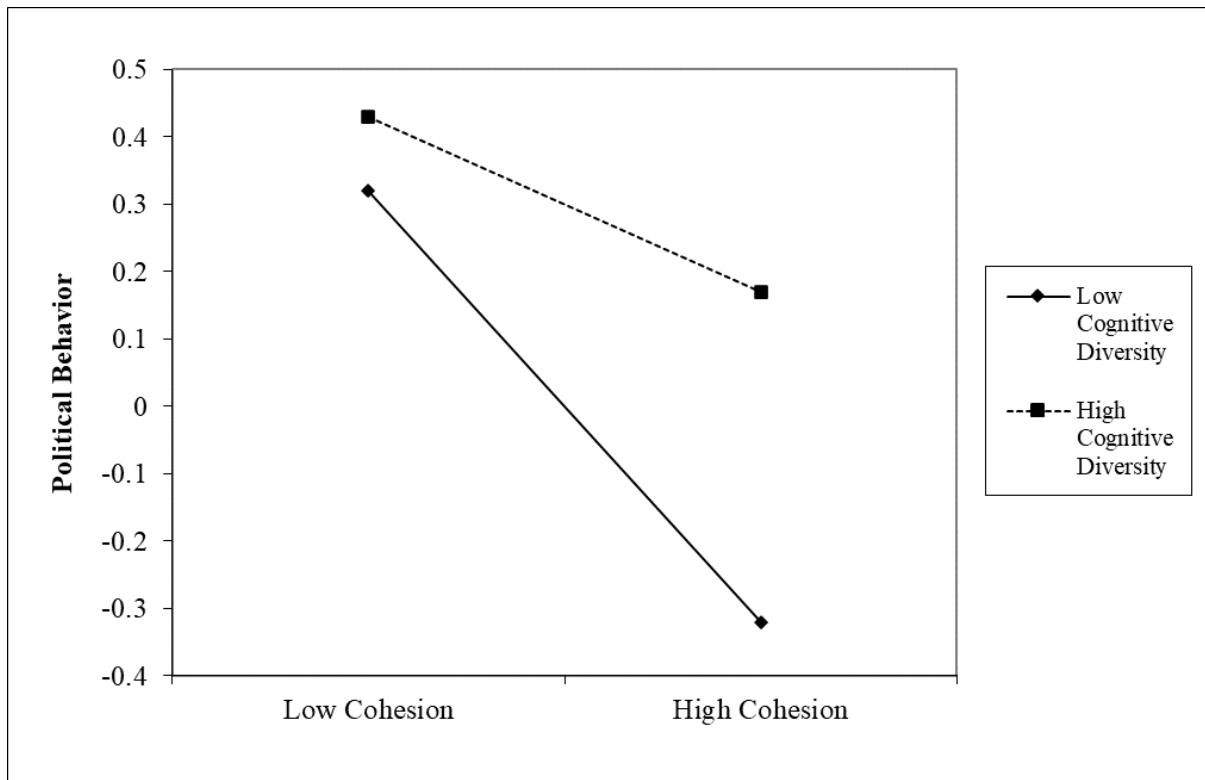


FIGURE 2: The Interaction Effect of Cohesion and Cognitive Diversity on Political Behavior

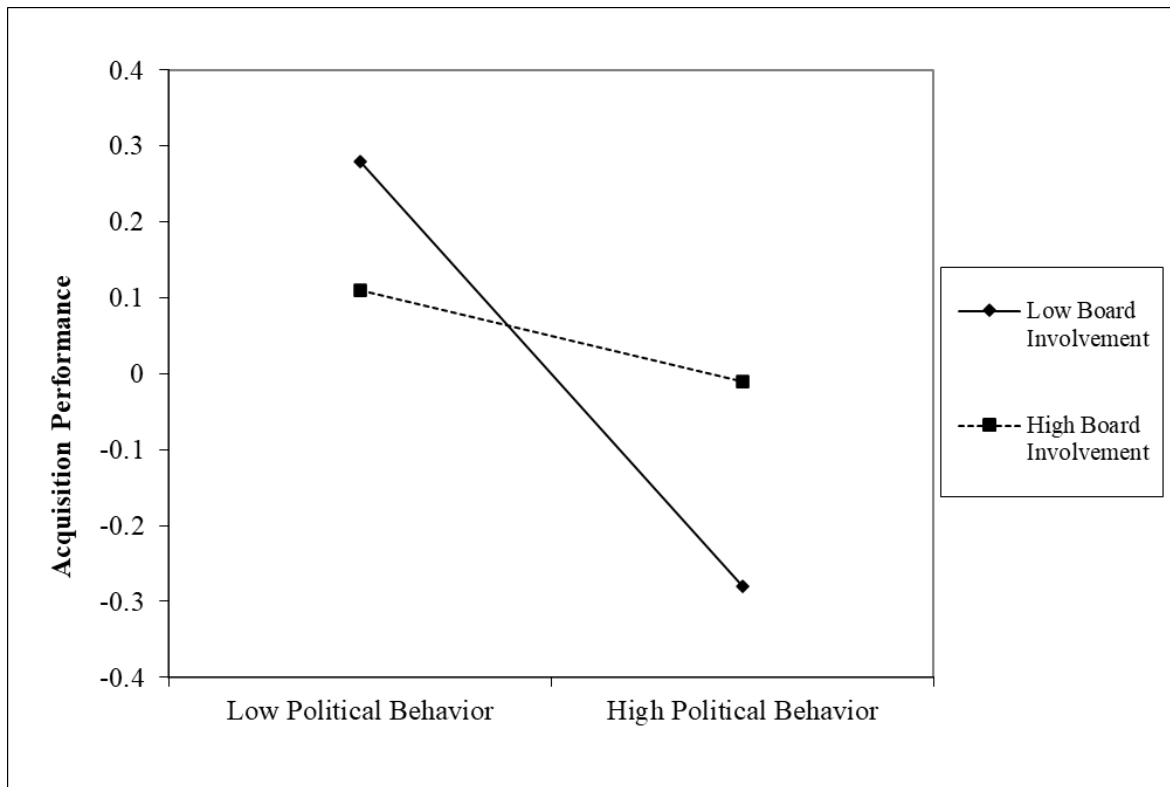


FIGURE 3: The Interaction Effect of Board Involvement and Political Behavior on Acquisition Performance

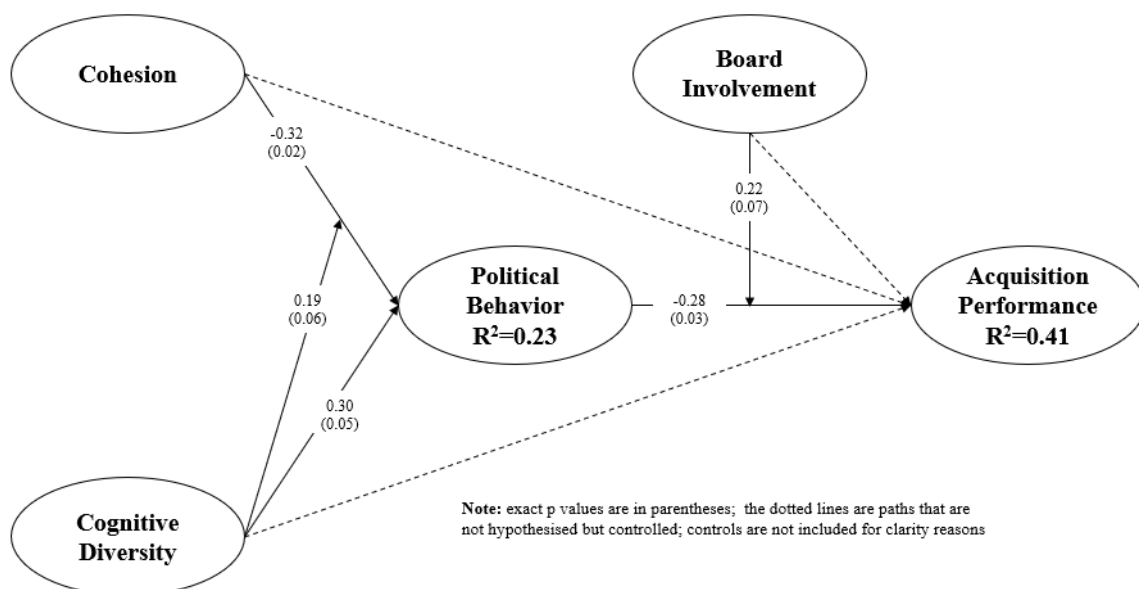


FIGURE 4: Political Behavior, TMT Characteristics, Board Involvement, and Acquisition Performance

TABLE 1. Correlation Matrix and Fornell-Larcker Criterion

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Acquisition Activity (2015 to 2018) (1)	<i>1.00</i>																				
TMT Age Diversity (2)	-0.01	<i>1.00</i>																			
Board Involvement (3)	-0.05	0.03	<i>0.76</i>																		
Cohesion (4)	-0.09	0.09	0.33***	<i>0.84</i>																	
Cognitive Diversity (5)	-0.11	-0.15	-0.40***	-0.58***	<i>0.81</i>																
Firm Size (No. of Employees) (6)	-0.08	-0.03	0.00	-0.01	0.15	<i>1.00</i>															
TMT Gender Diversity (7)	0.01	0.01	0.00	-0.06	0.14	0.03	<i>1.00</i>														
Horizontal Acquisitions (8)	-0.06	0.02	0.17*	0.06	0.00	0.07	0.01	<i>1.00</i>													
Information Exchange (9)	0.01	0.07	0.33***	0.60***	-0.56***	-0.01	-0.17*	-0.02	<i>0.89</i>												
Degree of Integration (10)	-0.11	0.02	0.03	0.10	-0.10	-0.06	-0.17*	0.20**	0.02	<i>1.00</i>											
Years since Acquisition (11)	-0.07	-0.05	0.04	0.07	0.01	-0.01	0.11	-0.04	0.00	-0.02	<i>1.00</i>										
Industry (12)	0.05	-0.10	-0.10	-0.04	0.03	0.08	-0.11	-0.14	0.01	-0.12	-0.17*	<i>1.00</i>									
Political Behavior (13)	0.02	0.00	-0.06	-0.24**	0.28***	0.15	0.06	-0.09	-0.11	-0.11	0.11	0.15	<i>0.73</i>								
Acquisition Performance (14)	-0.09	0.11	0.19*	0.27***	-0.35***	-0.01	-0.17*	0.07	0.20**	0.27**	-0.14	-0.11	-0.33***	<i>0.81</i>							
Acquisition Experience (15)	0.56***	0.08	-0.02	0.00	-0.16	-0.09	0.01	0.05	0.14	-0.07	-0.06	-0.08	0.03	-0.15	<i>1.00</i>						
Past Performance (16)	-0.03	-0.09	0.07	0.05	0.00	-0.14	0.01	0.00	0.15	-0.06	0.02	0.05	-0.04	0.21**	-0.16*	<i>1.00</i>					
Relative Size of Target Firm (17)	-0.14	0.00	0.00	0.02	-0.16	-0.04	-0.12	-0.02	0.06	0.13	-0.10	-0.03	-0.03	0.10	-0.12	-0.04	<i>1.00</i>				
Slack Resources (18)	-0.02	0.06	0.09	0.23**	-0.27***	-0.04	-0.19*	0.08	0.38***	0.08	-0.13	0.21**	-0.16	0.15	-0.06	0.07	0.23**	<i>0.81</i>			
Speed of Integration (19)	0.03	0.06	-0.07	-0.10	0.16	0.08	-0.01	-0.19**	-0.09	0.10	0.13	0.10	0.31***	0.04	0.02	-0.09	0.06	0.17*	<i>1.00</i>		
Alliance Activity (20)	-0.07	-0.09	0.16	-0.03	0.00	0.08	0.09	0.12	-0.13	0.04	0.19**	0.04	0.01	0.02	-0.08	0.13	-0.10	0.07	-0.02	<i>1.00</i>	
TMT Tenure Diversity (20)	0.10	0.30***	-0.05	0.11	-0.16	-0.18*	0.14	-0.06	0.17*	-0.19**	0.06	-0.14	-0.11	-0.13	0.25***	-0.09	-0.15	0.02	-0.12	-0.18*	<i>1.00</i>
Mean	1.65	0.09	5.17	5.85	2.45	4.21	0.33	0.59	5.51	5.28	3.30	0.43	3.09	0.22	1.03	0.08	1.56	5.32	4.10	0.10	0.31
S.D.	0.95	0.05	1.16	0.93	0.98	1.82	0.17	0.46	1.03	1.55	1.10	0.43	1.09	0.11	1.23	0.07	0.93	1.13	1.76	0.30	0.13

Note: Square root of AVE in italics on the diagonal; * p<.10; ** p<.05; *** p<.01

TABLE 2. Coefficients from PLS Analysis Predicting Political Behavior and Acquisition Performance

Path	β	T-statistics	p Value	f ²	VIF
<i>Main Effects on Acquisition Performance</i>					
Political Behavior → Acquisition Performance	-0.28**	2.12	0.03	0.10	1.36
Cognitive Diversity → Acquisition Performance	-0.29*	1.81	0.07	0.07	2.22
Cohesion → Acquisition Performance	0.05	0.34	0.74	0.00	2.01
Board Involvement → Acquisition Performance	0.05	0.38	0.71	0.00	1.43
<i>Interaction Effects on Acquisition Performance</i>					
Political Behavior*Board Involvement → Acquisition Performance	0.22*	1.8	0.07	0.05	1.26
<i>Main Effects on Political Behavior</i>					
Cohesion → Political Behavior	-0.32**	2.28	0.02	0.07	1.98
Cognitive Diversity → Political Behavior	0.30**	1.94	0.05	0.07	1.77
<i>Interaction Effects on Political Behavior</i>					
Cognitive Diversity * Cohesion → Political Behavior	0.19*	1.89	0.06	0.13	1.31
<i>Control Variables on Acquisition Performance</i>					
Degree of Integration → Acquisition Performance	0.14	1.25	0.21	0.03	1.24
Speed of Integration → Acquisition Performance	0.22**	2.08	0.04	0.06	1.4
Firm Size (No. of Employees) → Acquisition Performance	0.08	0.85	0.40	0.01	1.16
Slack Resources → Acquisition Performance	-0.04	0.31	0.75	0.00	1.62
Information Exchange → Acquisition Performance	0.01	0.07	0.94	0.00	2.34
Industry → Acquisition Performance	-0.21	0.99	0.32	0.01	1.25
Horizontal Acquisitions → Acquisition Performance	0.11	0.52	0.60	0.00	1.26
Relative Size → Acquisition Performance	0.00	0.05	0.96	0.00	1.23
Acquisition Experience → Acquisition Performance	-0.14	1.33	0.18	0.02	1.75
Acquisition Activity (2015 to 2018) → Acquisition Performance	-0.02	0.18	0.86	0.00	1.61
Alliance Activity (prior acquisition) → Acquisition Performance	0.08	0.21	0.83	0.00	1.26
TMT Age Diversity → Acquisition Performance	0.10	1.20	0.23	0.01	1.17
TMT Gender Diversity → Acquisition Performance	-0.05	0.61	0.54	0.00	1.16
TMT Tenure Diversity → Acquisition Performance	-0.11	0.95	0.34	0.02	1.47
Past Performance → Acquisition Performance	0.19**	1.92	0.05	0.05	1.19
Years since Acquisition → Acquisition Performance	-0.20*	1.76	0.08	0.05	1.26

<i>Control Variables on Political Behavior</i>						
Slack Resources → Political Behavior	-0.10	0.79	0.43	0.01	1.22	
Information Exchange → Political Behavior	0.19	1.21	0.23	0.02	1.94	
TMT Age Diversity → Political Behavior	0.08	0.94	0.35	0.01	1.13	
TMT Gender Diversity → Political Behavior	0.06	0.60	0.55	0.00	1.10	
TMT Tenure Diversity → Political Behavior	-0.10	1.20	0.23	0.01	1.18	
Years since Acquisition → Political Behavior	0.12	1.16	0.25	0.02	1.04	

Note: * p<.10; ** p<.05; *** p<.01; β = path coefficient; f^2 reflects the explanatory power of the relationships; VIF = variance inflation factor

APPEXDIX. Measurement and Psychometric Properties

Latent Variable Measurement	Loadings
Acquisition Performance (AVE = 0.66; CR = 0.91)	
Objective Acquisition Performance (Return on Assets (3-year average post-acquisition))	0.73
Subjective Acquisition Performance	0.98
Subjective Acquisition Performance (AVE = 0.73; CR = 0.91)	
... set goals were reached	0.88
... the acquisition was the right strategic decision	0.79
... the firm was better than before	0.88
... overall, the acquisition was successful	0.87
Political Behavior (AVE = 0.54; CR = 0.82)	
In the pre-deal phase, the TMT members:	
... opened up to each other about interests and preferences (R)	0.87
... used power to defend interests and preferences	0.58
... were preoccupied by their own agenda	0.73
... followed the company's agenda (R)	0.72
Board Involvement (AVE = 0.58; CR = 0.87)	
In the pre-deal phase, the board:	

... contributed to TMT's network building	0.74
... contributed to lobbying and legitimizing	0.74
... used its networks to give TMT advice	0.76
... functioned as mentors for the TMT	0.80
... found adequate time for board tasks and prepared for board meetings efficiently	0.76
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Cohesion (AVE = 0.70; CR = 0.93)	
In the pre-deal phase, we	
... had a good sense of belonging between members	0.82
... deemed everyone as a genuine member	0.77
... saw everyone as part of the team	0.84
... were enthusiastic about the team	0.90
... were happy to be part of the team	0.88
... were content to be part of the team	0.81
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Cognitive Diversity (AVE = 0.66; CR = 0.88)	
In the pre-deal phase, we had a common understanding about:	
... the best way to maximize the organization's long-term profitability (R)	0.85
... what organization's goal priorities should be (R)	0.77
... the best way to ensure the organization's long-run survival (R)	0.77
... which organizational objectives should be considered most important (R)	0.85
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Information Exchange (AVE = 0.79; CR = 0.92)	
In the pre-deal phase, we	
... we exchanged ideas with high effectiveness	0.92
... we exchanged solutions with high effectiveness	0.91
... we had creative and innovative dialogue between each other	0.83
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Organisational Slack (AVE = 0.65; CR = 0.78)	
In the pre-deal phase, our organization had sufficient	
...capital	0.94
...material and talent	0.66
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Other Variables' Measurement	
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TMT age diversity ... measured using the standard deviation/mean formula (Harrison and Klein, 2007).	n/a
TMT tenure diversity ... measured using the standard deviation/mean formula (Harrison and Klein, 2007).	n/a
TMT gender diversity ...measured using Blau's (1977) Index	n/a
Firm size ... measured with the number of full-time employees	n/a
Industry ...measured with dummy variables (1 = manufacturing 0 = services)	n/a
Past Performance ...measured with Return on Assets (3-year average prior-acquisition)	n/a
Relative size of the target firm Please indicate the relative size of the target firm compared to the acquirer with regard to the annual sales. ... from 1 (<25%) to 5(>100%)	Single item
Acquisition type ... measure with dummy variables (1=horizontal 0= others)	n/a
Acquisition experience ... measured with the number of acquisitions prior to the focal one	n/a
Number of Acquisitions from 2015 to 2018 ... measured with the number of acquisitions from 2015 to 2018	n/a
Alliance activity prior to the acquisition ... measured with dummy variables (1 = existing alliances 0 = no alliances)	n/a
Degree of integration To what extent was the target firm integrated: ... from 1 = not all integrated to 7 = fully integrated	Single item
Speed of integration How long did it take to integrate the target firm? ...from 1 = less than 5 months to 7 = more than 24 months	Single item
Note: AVE = average variance extracted; CR = construct reliability; n/a=not applicable	