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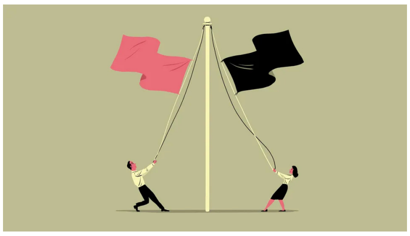
How to manage politics in the workplace



Polarisation affects bosses as well as employees

However much you might want to keep politics out of business, politics has other plans for you. Events have a habit of sucking organisations into controversy. In 2022 Disney was caught up in a very public row with the state of Florida over a bill about teaching sexuality and gender identity in public schools. Earlier this year Google fired some employees who had taken part in a sit-in to protest against the tech firm's cloud-computing contract with Israel. University administrators have conspicuously struggled to manage the passions aroused by the war in Gaza.

Some firms try to make it part of their culture to remain out of the political fray. One software company, 37signals, is explicit that it "does not weigh in on politics publicly, outside of topics directly related to our business". Google's boss, Sundar Pichai, told employees after the protest that "This is a business, and not a place to... attempt to use the company as a personal platform, or to fight over disruptive issues or debate politics."

But avoiding political and social controversy is very difficult, as "The Age of Outrage", a thoughtful new book by Karthik Ramanna, a professor at Oxford University, makes clear. Polarisation is increasing in many countries; grievances are quickly amplified by social media.

What is more, politics can infect organisations, their leaders included, in deeply insidious ways. In America, now just days away from another divisive presidential election, partisanship is becoming a feature of the boardroom. A study by Vyacheslav Fos of Boston College and his co-authors found that between 2008 and 2020 the executive teams at S&P 1500 firms grew more likely to be dominated by people affiliated to a single party. This echo-chamber effect is caused primarily by a tendency for bosses to team up with people who share their political views.

Partisanship feeds through into management decisions. A recent study by Anthony Rice of the Chinese University of Hong Kong, which infers bosses' political preferences from their campaign contributions, finds that managers in America increase investment when their preferred party gains control of the White House. Splurging based on partisanship tends not to work out that well: it is associated with lower valuations and operating profits.

Another study, by Ran Duchin of Boston College and his co-authors, finds that politically divergent firms in America, as measured by the affiliations of employees who are registered party supporters, have become less likely to merge over time. Between 1980 and 2010, mergers between extremely divergent firms—those in the top deciles for leaning Republican and Democrat—made up 11% of all deals; by 2019 that figure had fallen to 3%. When firms with different political leanings do merge, there is likely to be higher subsequent turnover among employees.

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