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A conservative contradiction? The effect of CEO political ideology on strategic risk-taking during national partisan conflict

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ABSTRACT

Increasing polarization in U.S. politics has led the economics and finance literatures to examine its macroeconomic implications, revealing a counterintuitive effect: national partisan conflict reduces macroeconomic volatility, creating legislative gridlock that lowers investors' perceptions of risk. However, implications for management remain unclear, as no research has sought to explain heterogeneity in firms' responses to this phenomenon. We theorize that this occurs because partisan conflict induces shifts in strategic risk-taking, contingent upon differences in CEOs' risk aversion and cognitive disposition. Drawing on upper echelons theory, we hypothesize that conservative CEOs, who are typically risk averse, will be more willing to take strategic risks under the macroeconomic conditions associated with partisan conflict. A study of 375 firms from 2000 to 2022 supports this, showing a shift towards higher-risk strategies among conservative CEOs when partisan conflict is high. This effect is robust to industry effects and independent from other political and economic uncertainties. Additional analyses indicate that this is driven by CEOs' disposition rather than party bias, supporting an ideologically asymmetric, environmentally contingent mechanism whereby shifts in partisan conflict increase the significance of the attentional and cognitive tendencies associated with conservatism in determining firm-level risk-taking. These findings extend the managerial relevance of macro-level research on partisan conflict, offering theoretical explanations that evince its ostensibly unpredictable effects on firms' strategic investment decisions.

1. Introduction

The increasing ideological divide between Republicans and Democrats has been a persistent trend in U.S. politics (Baker et al., 2014), reaching unprecedented levels in recent years (Foss and Klein, 2022; Schoenmueller et al., 2023) and thus prompting researchers in finance, law, and economics to investigate its implications for the U.S. legislative environment and markets (e.g., Atanassov et al., 2024; Azzimonti, 2018; Beyer and Fan, 2022; Tiwari et al., 2019). These studies evince a consistent and seemingly paradoxical trend. The governmental gridlock resulting from ideological divisions between politicians leads to fewer legislative changes (Rogers, 2005; Yackee and Yackee, 2009), and those that are implemented are less influential (Edwards et al., 1997; Howell et al., 2000). This is associated with reduced stock market volatility (Beyer and Fan, 2022), reflecting perceptions and expectations of macroeconomic stability among investors (Gallemore et al., 2025; Jiang et al., 2020). Accordingly, while *partisan conflict* may create a

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volatile social environment (Dimant, 2024; Schoenmueller et al., 2023), political disagreements tend to be a stabilizing force from an economic perspective (Atanassov et al., 2024).

The interdisciplinary consistency of these macro-level findings suggests clear implications for strategic management. However, heterogeneity in firms' strategic responses to partisan conflict remains unexplored (see Atanassov et al., 2024; Azzimonti, 2018). This is a critical omission, as country- or market-level effects often obfuscate firm-level variance (e.g., see Bamiatzi et al., 2016; Pham, 2019). Perhaps useful as predictors of macroeconomic conditions, these are consequently uninformative as to *how* these external shifts are likely to influence peer firms' decisions (e.g., see Hoskisson et al., 2017; Mohliver et al., 2023), thereby offering minimal practical application for managers operating in a competitive environment. Considering the counterintuitive nature of partisan conflict's stabilizing effects (Beyer and Fan, 2022), it is imperative to develop theoretically robust explanations of *why* firms may differ in their strategic responses, to provide a coherent and predictive framework (c.f., Cronin et al., 2021).

To this objective, this study presents the first examination of firms' strategic heterogeneity under national partisan conflict. We focus on a key firm-level outcome that is theoretically and empirically contingent on environmental (in)stability: *strategic risk-taking* (Gensler et al., 2024; Han et al., 2017; Posen and Levinthal, 2012). Evidence from economics and finance implies that risk-taking may increase during periods of partisan conflict, when macroeconomic stability facilitates high-risk, long-term investment (e.g., Atanassov et al., 2024; Beyer and Fan, 2022; Tiwari et al., 2019). Conversely, research in strategic management suggests that these risky moves may be perceived as unnecessary during stable periods, and thus left unpursued (e.g., Eklund et al., 2024; Shepherd et al., 2017).

Integrating these competing possibilities, we draw on upper echelons (UE) theory (Hambrick and Mason, 1984) to develop a framework in which the attentional and cognitive disposition of the CEO affects whether shifts in partisan conflict are perceived as relevant to strategic decision-making and thus whether they come to be reflected in firm-level risk-taking (Miller et al., 2022). Specifically, we posit that *conservative CEOs,* who operate from a higher baseline of risk aversion (e.g., Gupta et al., 2019; Hudson and Morgan, 2023; Semadeni et al., 2022) and prioritize economic factors in decisions (e.g., see Bondi et al., 2025; Gupta and Briscoe, 2020; Z. Wu and Liu, 2024) to a greater extent than their liberal counterparts, will be particularly *attentive and reactive* to the macroeconomic stability induced by legislative gridlock and market predictability, increasing their willingness to pursue riskier strategies (c.f., Chin et al., 2021; Guo et al., 2024).

Using widely validated measures of partisan conflict (Azzimonti, 2018), CEO ideology (Chin et al., 2013), and strategic risk-taking (Mizik and Jacobson, 2003) in a 22-year panel of 375 firms, we find support for hypothesized shift towards strategic risk-taking among conservative CEOs when partisan conflict is high. This effect is independent from industry-level effects and other political and economic uncertainties and driven by CEOs' disposition rather than party bias. We thus offer robust evidence for an ideologically asymmetric mechanism, in which *partisan conflict drives firm-level strategic risk-taking* via *attentional and cognitive biases that are uniquely activated in conservative CEOs.*

For the research on partisan conflict, this represents a theoretical development that moves beyond macro-level considerations to evince its ostensibly unpredictable effects on firms' investment decisions, consequently enhancing the managerial relevance of this literature (see Atanassov et al., 2024; Azzimonti, 2018). Reciprocally, our novel application of UE theory to an increasingly pertinent political contingency (e.g., see Bondi et al., 2025; Dimant, 2024; Markoczy et al., 2023) contributes to the strategic management literature, testing established theory to derive new and actionable insights regarding the pathways through which CEOs' cognitive characteristics influence firm-level outcomes (see Zhu et al., 2024). The curious observations that conflict can represent a stabilizing force to conservative CEOs, prompting them to pursue risky strategies without exceeding their dispositional (in)tolerance of uncertainty, demonstrates the necessity of understanding the cognitive mechanisms driving firm-level responses to political change. By doing so, decision-makers can more accurately anticipate shifts in risk-taking among competitors, offering a potential source of strategic advantage (c.f., Eklund et al., 2024; Kang and Kim, 2020; Kiss et al., 2019).

2. PARTISAN conflict IN U.S. national politics

In discussing the impact of partisan conflict, it is critical to firstly differentiate between common terminology in this domain. *Divided government,* where party control of the legislature differs from that of the executive branch, is the most commonly studied ideological division in the U.S. political system (Yackee and Yackee, 2009). *Partisan conflict* is a related but distinct construct that conceptualizes the prevalence of conflict based on the frequency of policy disagreements, even under an administration that is ideologically aligned (Azzimonti, 2018). We use *partisan conflict* in line with this definition to include informal ideological divisions that may not be structurally represented (see also Beyer and Fan, 2022; Jiang et al., 2020). *Political uncertainty,* describing instability or unpredictability in the political system or its legislative outcomes (Pástor and Veronesi, 2013), is sometimes equated with these terms; however, extant evidence suggests these are *opposing,* rather than analogous, concepts.

Contrary to intuition, partisan conflict does not necessarily imply "incoherent public policy" (Epstein and O'Halloran, 1996, p. 375). The macroeconomic and legislative environment are more stable when partisan conflict is high (Atanassov et al., 2024; Beyer and Fan, 2022), as a result of reduced legislative productivity (Rogers, 2005) and delays in passing new legislation (Hughes and Carlson, 2015). Furthermore, legislative changes that succeed despite this gridlock have less substantive impacts on policy (Edwards et al., 1997; Howell et al., 2000; Yackee and Yackee, 2009) and prioritize bipartisan areas of government spending (Buchheim and

Fretz, 2020). With a reduction in executive discretion, trade policy tends to stabilize (Epstein and O'Halloran, 1996)[1] and government spending exhibits greater impartiality, such as in grant transfers to local authorities (Baskaran and Hessami, 2017). Considering that unpredictability in policy has been shown to increase risk premia (Pástor and Veronesi, 2013), it follows that stock market volatility is lower, particularly for politically sensitive industries, when partisan conflict is high (Beyer and Fan, 2022).

From the perspective of market actors, there is consequently a 'bright side' to partisan conflict (Atanassov et al., 2024); a 'calming' force that inhibits the legislative process, reduces executive discretion, and increases administrative impartiality, creating a more predictable environment for investors (Beyer and Fan, 2022) and, by implication, for firms (Azzimonti, 2018; Pástor and Veronesi, 2013). When systemic stability facilitates risk exposure at the individual-level and exogenous political and economic changes are less likely render forecasts inaccurate, investors can pursue long-term or uncertain investments with a greater degree of confidence (Goyal and Santa-Clara, 2003; Hudson and Morgan, 2024; Stieglitz et al., 2016). The decisions of market actors thus change according to their *expectations* of greater policy stability (Beyer and Fan, 2022). Believing that this will continue into the future,[2] macro-level tendencies towards illiquid and riskier investments reflect a rational response to a perceived decreased likelihood of changes in the legislative environment (e.g., see Atanassov et al., 2024; Baker et al., 2016; Corina et al., 2025; Pástor and Veronesi, 2013), regardless of whether the extent or nature of governmental activity accords with market expectations over the long-term (see Flynn and Harbridge, 2016).

This provides strong conceptual and empirical reasons to expect a relationship between partisan conflict and shifts in firms' strategic risk-taking, with the intuitive prediction being an internal shift towards more risky strategic investments as management perceives a more stable, favourable external environment (Stieglitz et al., 2016). For example, firms may be willing to assume greater risk in speculative R&D if they expect stability in the laws governing intellectual property protection (Prud'homme & Tong, 2024) or taxation (Gallemore et al., 2025) over the duration of a long-term project. Likewise, substantive changes to trade policy, which are more likely under ideologically aligned governments (Epstein and O'Halloran, 1996), may deter entry into new product-markets or geographies if the impact of tariffs and barriers cannot be accurately predicted (Beugelsdijk and Luo, 2024). The expected returns to high-risk strategies may therefore be more easily determinable during high partisan conflict, motivating firms to pursue these investments. Recent evidence supports this, demonstrating that aggregate R&D spending increases in these periods (Atanassov et al., 2024).

Conversely, these strategic risks may be most required in rapidly changing environments (Kang and Kim, 2020; Posen and Levinthal, 2012). Despite being more *feasible* during the periods of stability induced by partisan conflict, managers are unlikely to make risky investments unless these are seen as necessary strategic moves (Hoskisson et al., 2017). Stability promotes the perception that the status quo is satisfactory (e.g., see Gatchev et al., 2022; Hudson and Morgan, 2023; Raveendran et al., 2023), meaning that the opportunities offered by a change in macroeconomic conditions may not be sufficient to motivate a shift in decision-making (Shepherd et al., 2017; Stieglitz et al., 2016). Rather, firms may choose to deploy more resources to optimize activities (Hudson et al., 2024), avoiding new risks to capitalize on strategies that have proven viable in the current environment (Mallapragada et al., 2025; Osses et al., 2024).

Presently, the literature provides no theoretical framework for predicting these divergent possibilities at the firm-level: these processes are contingent upon the attention and cognition of strategic decision-makers, and thus beyond the scope of the macro-level research that has so far examined the effects of partisan conflict (c.f., Atanassov et al., 2024; Azzimonti, 2018). Explicating these mechanisms requires a conceptual reorientation towards firm heterogeneity, particularly in the factors that determine how these processes of risk perception affect executives' decisions—*the organization as a reflection of its top managers,* as premised in UE theory (Hambrick and Mason, 1984). This is the intent of our framework, presented in Fig. 1 and derived below.

3. Theory and hypotheses

3.1. Upper echelons theory

In UE theory, firm-level strategic risk-taking reflects the characteristics of key decision-makers (Hambrick and Mason, 1984; Zhu et al., 2024). Most influential among these is the CEO (Ozgen et al., 2025; You et al., 2022). CEOs' influence on firms' risk-taking has been examined in domains such as internationalization (Boustanifar et al., 2022), innovation (Zhu et al., 2024), corporate venturing (Chin et al., 2021), and investment horizons (Wiersema et al., 2025), investigating key characteristics such as overconfidence (Kraft et al., 2024; Li and Tang, 2010), narcissism (Tuggle et al., 2024; Zhu and Chen, 2015), outsider status (Choi et al., 2023; Osses et al., 2024), and masculinity (Mount et al., 2024; see also Varma et al., 2023). Though conceptually distinct, these characteristics operate via the central logic of UE theory: influencing how CEOs' attend to and interpret environmental stimuli, which informs the risk perceptions on which their decisions are based, such that psychological variation manifests as firm-level heterogeneity (Hambrick and

[1] While events at the time of writing may appear to contradict this, it is important to emphasize that partisan conflict, as defined here, captures the degree of ideological divergence between branches of government—not broader social, economic, or political discontent along left/right lines. As of May 2025, the Republican Party controls both the executive and legislative branches of the U.S. government, with a 6–3 conservative majority in the Supreme Court. This marks the first time since 2017 that Republicans have held such comprehensive influence over federal governance. Accordingly, monumental shifts in trade policy and the polarized reactions they provoke paradoxically reflect **low** partisan conflict in this context, as they are enabled by unified Republican control across branches.

[2] Assumptions of long-term stability reflect the relative pace of change in government when compared to business or investment decisions (Azzimonti and Talbert, 2013).

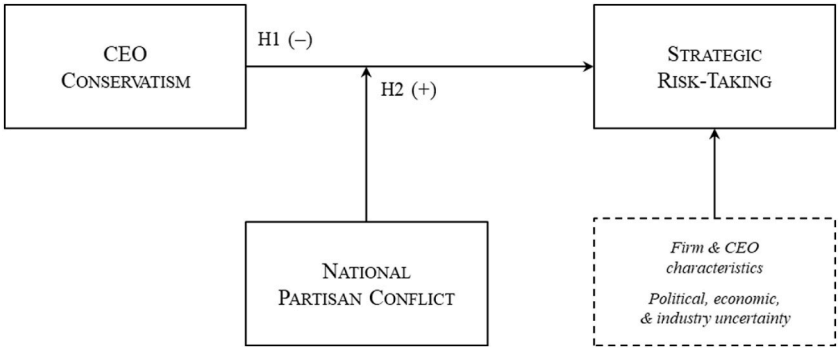

Fig. 1. Hypothesized effects of CEO ideology and partisan conflict on strategic risk-taking.

Mason, 1984; Kiss et al., 2019).

CEOs' *political ideology* has emerged from this literature as a key characteristic, activating this mechanism across many organizational contexts and outcomes (Georgakakis et al., 2024; Swigart et al., 2020) and consequently leading to systematic differences between the strategic decisions of liberals and conservative CEOs (e.g., see Wowak and Busenbark, 2024; Wright, 2023). The ability for researchers to consistently hypothesize and find firm-level effects of CEO ideology is a result of its predictable association with many cognitive and affective traits (Gerber et al., 2011; Jost et al., 2009) which have historically been difficult to quantify (Carpenter et al., 2004); a critical hindrance to empirical corroboration of the central propositions of UE theory (Miller et al., 2022). Resultantly, CEO ideology has been widely adopted as an observable proxy for the individual differences that are fundamental to the UE perspective (e.g., see Busenbark et al., 2023; Semadeni et al., 2022), reflecting a dispositional divergence between liberals and conservatives that pervades attentional and cognitive processes (e.g., Federico and Malka, 2018; Fournier et al., 2020; Jost et al., 2003) and thus significantly influences firm level decisions (e.g., Bondi et al., 2025; Gupta et al., 2019; Hutton et al., 2014).

3.2. CEO political ideology and strategic risk-taking

UE theory derives its predictive validity from the temporal and contextual stability of individuals' psychological traits, which result in executives' dispositions and decision biases being reflected in the strategic tendencies of the firm across decision domains (Miller et al., 2022). This is evident in studies of strategic emphasis (Mizik and Jacobson, 2003) and ambidexterity (e.g., Posen and Levinthal, 2012). These literatures both contrast riskier strategies, which are necessary for innovation, exploration, and flexibility but entail high upfront costs and uncertain payoffs (Stieglitz et al., 2016) against the lower-risk, lower-reward strategies required to optimize efficiency and maximize returns from current operations (Raveendran et al., 2023). Despite strong evidence that contextually appropriate shifts between these priorities are necessary to sustain performance, firms exhibit durable patterns of resource allocation that tend *either* toward a risk-seeking or risk-averse approach (Han et al., 2017; Kang and Kim, 2020; Mallapragada et al., 2025; Osses et al., 2024). Per the logic of UE theory, these firm-level strategic tendencies are often predictable from the psychological traits of executives (Gatchev et al., 2022; Josephson et al., 2016; Kiss et al., 2019; You et al., 2022; Zhu et al., 2024).

Because these traits are difficult to measure but correlate strongly with individuals' position on the liberal—conservative spectrum (Chin et al., 2021; Swigart et al., 2020), studies of CEOs' ideology have been explicatory in testing and substantiating this core premise. Liberal CEOs engage in more risky corporate strategies, including tax avoidance (Christensen et al., 2015) and higher investment in R&D (Hutton et al., 2014), producing more new product innovations than their conservative counterparts (Kashmiri & Mahajan, 2017; Lesage et al., 2025). These decisions reflect two major traits associated with political liberalism—openness to new experiences and tolerance of uncertainty (Gerber et al., 2010; Thórisdóttir and Jost, 2011)—demonstrating how these come to be predictably reflected in firm-level outcomes. This contrasts with the preference for stability (Carney et al., 2008) that is reflected in the financial prudence (Hutton et al., 2014; Tetlock, 2000) and superior governance outcomes (Christensen et al., 2015) of conservative-led firms. A desire to maintain order (Gerber et al., 2011) and deference to established rules (Fatke, 2017) is similarly evidenced in a higher incidence of performance-based pay (Chin and Semadeni, 2017; Gupta and Wowak, 2017) and harsher penalties for executives' misconduct (Park et al., 2020) among conservative directors, further demonstrating the reliable association of conservative political views with risk aversion at the firm-level across a broad range of decision-contexts (Gupta et al., 2019; Swigart et al., 2020).

The extensive and growing literature provides robust evidence that the unobservable, dispositional characteristics of CEOs which ultimately manifest in their firm-level decisions are parsimoniously and measurably represented by their political ideology (Briscoe et al., 2014; Georgakakis et al., 2024; Wowak and Busenbark, 2024). As a baseline to explore whether differences in CEOs' cognition explains heterogeneity in firms' responses to partisan conflict, we therefore hypothesize.

Hypothesis 1. **(H1):** CEO conservatism decreases firms' strategic risk-taking.

3.3. CEO conservatism and partisan conflict

Shifts in environmental stability—such as those induced by partisan conflict (Baker et al., 2016; Beyer and Fan, 2022)—often

provide the stimulus for individuals to overcome the inertial effects of cognitive biases, prompting deviation from their disposition to seek or avoid risk (Posen and Levinthal, 2012; Zhu et al., 2024). Being a proxy for many psychological traits (Gerber et al., 2012; Jost, 2006), ideology not only influences how individuals react to external factors but firstly whether these factors are perceived as relevant to a situation (Duarte et al., 2015; Jost et al., 2009). Accordingly, *shifts* in strategic risk-taking may arise from enduring cognitive biases, but whether these are differentially activated by the stimuli to which ideologically divergent CEOs attend (Eklund et al., 2024; Shepherd et al., 2017).

A second, *attentional* bias that is consequently central to understanding firm responses to partisan conflict is the lower cognitive flexibility associated with conservatism, which narrows the scope of external factors considered relevant in decision situations (Thórisdóttir and Jost, 2011). This manifests positively in goal-directed behavior and higher conscientiousness (Keckler and Rozell, 2015; Malka et al., 2017) but also reduces responsiveness to new opportunities (Crawford, 2017; Federico and Malka, 2018). In both personal financial decisions and as firm leaders, conservatives thus tend to focus on economic considerations, at the expense of social and contextual factors (Iyer et al., 2012; Tetlock, 2000).

This similarly leads conservatives to consider a narrower set of beneficiaries in decision-making, seeking to maximize benefit on a local scale (e.g., to the family or community) rather than the collective or outgroup impacts more often pursued by liberals (Duarte et al., 2015; Haidt, 2001; West and Iyengar, 2022). The belief that individual decisions can (or should) generate broad societal impact underlies the liberal inclination to view their personal values as relevant to their work (Baumeister, 2015; Huddy, 2001). This encourages liberal CEOs to maintain their attentional breath in their professional roles, in which social concerns are viewed as both relevant information and problems to be solved in strategic decisions (Krause and Miller, 2020; Wright, 2023). This is evident in research on CEO activism, where firm-level strategies motivated by social and political issues are consistently higher among liberal executives (Wowak and Busenbark, 2024; Wowak et al., 2022). In contrast, conservative CEOs rarely pursue strategic goals beyond the core imperative of shareholder value (Foss and Klein, 2022; Lesage et al., 2025).

Conservative CEOs therefore exhibit diminished reactivity to the *sociopolitical instability* that frequently accompanies partisan conflict (Dimant, 2024; Z. Wu and Liu, 2024) than their liberal counterparts, for whom the concerns of multiple stakeholders are incorporated into firm-level decisions such that economic conditions receive relatively lesser attention (see Foss and Klein, 2025). Accordingly, liberal CEOs' dispersed attention and objectives may reduce the likelihood that partisan conflict is interpreted to convey economic stability and thereby warrant changes in strategic risk posture. Conversely, economic concerns remain central to the conservative CEO's attentional scope and conception of their professional role. Given their inherent sensitivity to shifts in environmental uncertainty, the legislative consistency and market predictability induced by partisan conflict appears as a salient opportunity to conservative CEOs (see Crawford, 2017; Hutton et al., 2014). This reduction in background uncertainty may provide the impetus to enact higher-risk strategies that are known to be necessary, even if these conflict with the CEO's general disposition (c.f., Wowak and Busenbark, 2024). Under this *economic stability,* conservatives may relax their risk-averse tendencies (see Hoskisson et al., 2017)[3] while maintaining a tolerable overall level of risk (see Posen and Levinthal, 2012).

This ideological asymmetry in attention enables a test of the theoretical premise of this study: at the level of the individual CEO, it effectively extricates the economic stability induced by partisan conflict from broader sociopolitical factors that influence firms' risk-taking. Owing to their attentional biases, partisan conflict is likely to be uniquely pertinent for conservatives when making strategic decisions. This is not to imply that liberal CEOs are inattentive to partisan conflict; only that ideological differences in interpretive frames will determine its salience as a factor in assessing the risk of strategic investments. We hypothesize that these dispositionally risk-averse CEOs will exhibit a relative increase in strategic risk-taking when partisan conflict is high. This would imply that firm heterogeneity is attributable to variation in the perception and interpretation of economic stability among CEOs, per the logic of UE theory (see Fig. 1).

Hypothesis 2. (H2): Partisan conflict positively moderates the effect of CEO conservatism on strategic risk-taking, such that conservative CEOs will exhibit a shift towards riskier strategic investments when partisan conflict is high.

4. Method

4.1. Data and sample

Our population of interest is U.S. publicly listed firms; thus, we construct our sample from three key sources. *CEO conservatism* is measured using data on individuals' contributions to political campaigns. These are publicly available from the Federal Election Commission (FEC), which records and disclosures all individual donations over $200. We match individuals in the FEC data to CEOs in the Execucomp database, which we also use to identify the firm-years in which each individual serves as CEO and compute other CEO-related variables. To measure *partisan conflict*, we utilize the index maintained and made available by the Federal Reserve Bank of Philadelphia, which contains monthly records of the index developed by (Azzimonti, 2018) and detailed below. Matching CEOs to the firm-level observations in Compustat, we obtain the financial data required to derive of our dependent variable of *strategic risk-taking,*

[3] It may be argued that risk aversion will instead lead CEOs to never pursue these strategies regardless of the impetus provided by environmental change. However, considering that conservative-led firms tend to outperform liberal counterparts on common financial metrics (Christensen et al., 2015; Hutton et al., 2014), it is logical to conclude that these CEOs must pursue more risky strategies in certain circumstances; otherwise, they would not be able to generate or sustain these returns.

and other firm- and industry-level controls. For other control variables and supplementary analyses, we augment this with multiple U. S. government sources (see Table 1) and data on firms' directors, obtained from BoardEx. Combining these, our sample comprises 375 firms over the years 2000–2022 (1611 firm-years).[4] This period is constrained by our measure of CEO ideology, which requires ten preceding years of FEC data for each individual-year we wish to include in the analysis, and is limited to the most recent election cycle for which firm-level data is also available (Chin et al., 2013). All data sources and variable operationalizations are detailed in Table 1. Table 2 provides descriptive statistics and correlations.

4.2. Measures

Dependent variable. To operationalize strategic risk-taking, we use the ratio introduced by Mizik and Jacobson (2003) to measure the trade-off between uncertain investments in new "value creation" versus low-risk investments in "value appropriation". This is calculated as a firm's annual R&D expenditure minus advertising expenditure scaled by total assets, such that higher values represent high levels of strategic risk. While many empirical applications focus on the intensity and nature of R&D, criticizing this measure for its simplicity (e.g., see Gatchev et al., 2022), this is not prohibitive in this context. Rather, it enhances its suitability for the objectives of our analysis for two reasons. First, a ratio measure is necessary to detect environmentally contingent *shifts* in strategic risk-taking (see Hudson and Morgan, 2023; Kang and Kim, 2020). Second, measuring investment at the level of functional areas more accurately represents differences in *CEOs'* willingness to take *strategic* risks than intra-functional or context-specific operationalizations (e.g., see Scoresby et al., 2021; Tuggle et al., 2024; Zhu and Chen, 2015). For example, more nuanced differentiations between forms of R&D are more likely to reflect the risk preferences of project managers, and acquisition-based measures are more reliant on economic conditions (see also Josephson et al., 2016; Kim et al., 2018; Mallapragada et al., 2025).

This operationalization means that our final sample must only include observations of firms which choose to report both R&D and advertising expenditure. It is reasonable to assume that there are systematic reasons for this choice, and prior applications of this ratio measure have noted this problem with missing data (Han et al., 2017): reliance on the Compustat database (from which we also derive this variable) results in approximately 20 percent of firm-year observations being excluded on this basis. However, this conceptually differs from other forms of selection bias. The purpose of the ratio is to represent the emphasis, or intention, behind a firm's strategic investments: the nominal values are less important than the comparison between them, because R&D and advertising serve as observable proxies for the underlying propensity to take strategic risks (Mizik and Jacobson, 2003). In itself, the decision not to report R&D expenditures is therefore also informative (McAlister et al., 2007) as it indicates that these high-risk investments are not substantial or considered strategic enough to be reported (c.f., McAlister et al., 2016). In these cases, it reasonable to treat zero values as valid (e.g., see Hudson and Morgan, 2023; Mallapragada et al., 2025) and exclude only those observations with truly missing data; accordingly, we follow this approach. Nevertheless, we address the potential bias arising from missing values by including in all models an indicator for firms that report no R&D expenditure in a given year. As expected, this dummy variable has a large and statistically significant negative effect across model specifications, but does not alter the magnitude, significance, or direction of the effects of interest.

Independent variables. Our two independent variables of interest are partisan conflict and CEO conservatism. To measure *partisan conflict,* we utilize the partisan conflict index (PCI) developed by (Azzimonti, 2018). The PCI is constructed monthly, beginning in 1981, using a semantic search of articles in major U.S. newspapers to estimate changes in the frequency of reporting on policy disagreements in government. Full details of the index can be found in (Azzimonti, 2018). Briefly, this entails (i) counting the articles that document disagreement between political parties, candidates, legislators, and/or government branches in a given month, using a list of terms based on the political science literature and refined via manual audit, (ii) scaling the raw count by the total volume of articles from the same sources in the same month, then (iii) normalizing the index such that the PCI averages 100 in the year 1990.

Various checks of the PCI substantiate its validity as a measure of partisan conflict (Azzimonti, 2018; Beyer and Fan, 2022). The original construction of the PCI also includes a historical analogue, which strongly correlates with other measures of political polarization over the long-term (Azzimonti, 2018). However, differences in short-term fluctuations in these measures indicate that the PCI captures changes in the extent of policy disagreement that are otherwise not reflected in a relatively constant formalized structure (e.g., a divided or aligned government that changes only on a biennial basis). As our data is otherwise measured at the firm-year level, the PCI is therefore better suited to ensuring that we fully account for shifts in partisan conflict. Furthermore, while the PCI is methodologically similar to the Economic Policy Uncertainty (EPU) index (Baker et al., 2016) the concepts represented by these two indices are distinct (Beyer and Fan, 2022; Pham, 2019), with EPU capturing the *result* of policy decisions and PCI being a measure of the potential *source* of this uncertainty. This is substantiated in Azzimonti (2018), whereby the PCI and EPU are shown to be negatively correlated, particularly during war or economic crisis. This is distinction is especially pertinent to our research, as we argue that policy uncertainty will be *lower* in times of high partisan conflict.

As found in Azzimonti (2018) and subsequent applications, the PCI also varies significantly over our sample period (see Fig. 2). This results from its basis in actual policy disagreements rather than social sentiment, where partisanship may exhibit greater collinearity

[4] While this represents a relatively short average of 4 years per firm and an unbalanced panel, we only model short-term changes in outcomes and are therefore less dependent on long or balanced panels. As in prior research, we compute CEOs' ideology for each individual from the FEC data prior to matching records across databases, such that the requisite ten years of data for this measure is utilized regardless of whether each year of an individual's contribution is then matched to firm-level data. The resultant 1611 firm-years is comparable to the size and length of unbalanced panels used in recent studies of CEO ideology (e.g., Kiss et al., 2024; Semadeni et al., 2022; Wowak and Busenbark, 2024).

Table 1
Variable definitions and data sources.

Variable	Definition	Source
Strategic risk-taking	R&D expenditures minus advertising expenditures, divided by total assets. Rescaled to 0–100, with 100 representing value creation (high-risk) and 0 representing value appropriation (low-risk) strategies.	Compustat
CEO conservatism	Average[a] of four measures derived from the CEO's previous 10 years of campaign contributions: (1) number, and (2) value of contributions, (3) number of years in which a contribution is made, and (4) number of unique recipients. Each measure is calculated for Republican contributions, scaled by total contributions. Values are standardized such that the resultant measure is a 0–1 scale, where 1 represents 100 % of contributions being to Republican campaigns.	FEC, Execucomp
Partisan conflict	Annual average of the monthly partisan conflict index constructed by Azzimonti (2018). Quantifies the frequency of news articles reporting federal policy disagreements, normalized by news volume.	Federal Reserve Bank of Philadelphia
Divided government	Average of the difference in the proportion of seats held by Democrats and Republicans across the two branches of Congress.	U.S. Senate and House Archives
Republican government	Indicator set to 1 for years in which the president is Republican.	
GDP growth	Percentage annual U.S. GDP growth.	World Bank
War	Indicator set to 1 for years in which the U.S. is at war, defined as more than 100 military deaths by hostile action.	DCAS
CEO tenure	Number of years that CEO has been in the role.	Execucomp
CEO duality	Indicator set to 1 if CEO is also board Chair.	Execucomp
Board conservatism	Average of director conservatism, where director conservatism is calculated as for CEO conservatism for each director.	FEC, BoardEx
Board tenure	Average number of years that directors have served on the board.	BoardEx
Board independence	Proportion of independent directors.	BoardEx
Firm performance	Return on assets (net income divided by total assets).	Compustat
Firm size	Natural log of number of employees.	Compustat
Firm age	Number of years since incorporation.	Compustat
Industry R&D	Average R&D expenditure, scaled by total assets, across all firms minus the focal firm in the same 4-digit NAICS code industry.	Compustat
Industry advertising	Average advertising expenditure, scaled by total assets, across all firms minus the focal firm in the same 4-digit NAICS code industry.	Compustat

DCAS = U.S. Government Defense Casualty Analysis System; FEC = Federal Election Commission.
[a] At the CEO-level, this is a moving average (i.e., using a rolling 10-year window of contribution data); at the firm-level, this changes upon a change of CEO.

with time (Dimant, 2024; Schoenmueller et al., 2023).

To measure *CEO conservatism,* we follow best practice in this research stream (e.g., Gupta and Briscoe, 2020; Semadeni et al., 2022; Wowak and Busenbark, 2024) and use the procedure introduced by Chin et al. (2013), derived from individuals' contributions to Republican or Democrat campaigns. These individual-level donations strongly correlate with self-reported conservatism/liberalism, providing a reliable proxy for the values and traits associated with each ideological position (Briscoe et al., 2014; Chin et al., 2021; Gupta and Wowak, 2017). Furthermore, unlike corporate-level donations, individuals' contributions are rarely attempts to influence policy but reflect underlying ideological motivations (Ansolabehere et al., 2003; Lee et al., 2014).

For each individual-year, we use the preceding ten years of FEC records to measure CEO conservatism. This window includes two presidential elections and five congressional cycles, providing sufficient data to infer ideological preferences, which are relatively stable at the individual level (Chin et al., 2013; Jost, 2006). From this data, we compute: (1) the number of contributions to Republican campaigns, divided by the total number of contributions (to Democrat and Republican campaigns, (2) the dollar value of contributions to Republican campaigns, divided by the total dollar value, (3) the number of unique Republican recipients to which an individual donated, divided by their total number of recipients, and (4) the number of years in which a contribution was made to Republican campaigns, divided by the total number of years in which any contribution was made. Internal reliability ($\alpha = 0.99$) is comparable to previous uses of these measures (e.g., Gupta et al., 2021; Hudson and Morgan, 2022; Wowak and Busenbark, 2024); thus, we compute the average of the four standardized measures to obtain an index of conservatism. This ranges from zero to one, representing the proportion of an individual's political activity that is associated with the Republican party. Following standard use of this measure, we impute a value for 0.5 for individuals for whom no data was available, i.e., we assume these to be ideologically moderate (Gupta et al., 2019; Semadeni et al., 2022). We match the conservatism scores to CEOs using personal information (name, occupation, and organizational affiliation) from Execucomp to obtain the firm-year measure of CEO conservatism.[5] We also use this data to measure and control for directors' ideology, for which we follow the same protocol using identifying information from BoardEx (e.g., see Hudson and Morgan, 2023; Park et al., 2020).

[5] The firm-level variable used in our analysis thus reflects the moving average computed annually at the CEO-level, regardless of whether the firm is present in our sample over the ten year period from which campaign contribution data is obtained (see Chin et al., 2013; Hudson and Morgan, 2023). Because CEO conservativism thus changes upon a change of CEO, we use the ideology of the CEO at the date that other firm-level data was reported in Compustat.

Table 2
Descriptive statistics and correlations.

	Variable	Mean	S.D.	Min.	Max.	1	2	3	4	5	6
1	Strategic risk-taking	51.150	8.220	0.000	100.000						
2	Partisan conflict	126.300	35.300	76.900	209.100	−0.102					
3	CEO conservatism	0.516	0.407	0.000	1.000	−0.011	−0.129				
4	Divided government	8.510	3.870	1.030	16.080	−0.032	0.505	−0.087			
5	Republican government	0.524	0.500	0.000	1.000	0.029	−0.709	0.037	−0.584		
6	GDP growth	1.740	1.640	−2.770	3.850	0.003	0.318	0.038	0.285	−0.270	
7	War	0.543	0.499	0.000	1.000	0.140	−0.637	0.115	−0.016	0.238	−0.104
8	CEO tenure	4.803	4.342	0.067	31.250	−0.040	−0.016	0.017	−0.029	−0.042	−0.045
9	CEO duality	0.068	0.074	0.000	0.400	−0.013	−0.097	0.089	−0.081	0.009	0.046
10	Board conservatism	0.484	0.169	0.014	1.000	0.079	−0.125	0.486	−0.082	0.019	0.066
11	Board tenure	10.980	5.312	0.667	33.633	−0.089	0.044	−0.075	0.039	0.016	−0.067
12	Board independence	0.841	0.231	−1.000	1.000	0.009	0.125	0.020	0.092	−0.062	0.050
13	Firm performance	0.001	0.236	−3.928	0.503	−0.313	0.108	0.062	0.140	−0.124	0.047
14	Firm size	1.360	1.880	−4.960	7.700	−0.285	0.184	0.065	0.014	−0.137	0.059
15	Firm age	5.120	4.870	1.000	19.000	−0.088	0.389	−0.098	0.133	−0.175	0.002
16	Industry R&D	283.000	897.000	0.000	8375.000	0.096	0.055	−0.041	−0.009	−0.090	−0.012
17	Industry advertising	184.283	616.407	0.021	8290.000	−0.119	0.025	0.025	−0.041	−0.050	−0.035

		7	8	9	10	11	12	13	14	15	16
8	CEO tenure	0.036									
9	CEO duality	0.123	0.424								
10	Board conservatism	0.093	0.048	0.157							
11	Board tenure	−0.068	0.431	0.133	−0.066						
12	Board independence	−0.069	−0.129	−0.025	0.039	−0.006					
13	Firm performance	−0.047	−0.148	−0.053	0.044	−0.110	−0.114				
14	Firm size	−0.202	−0.066	−0.072	0.053	−0.194	−0.175	0.248			
15	Firm age	−0.417	0.000	−0.171	−0.097	0.207	−0.092	0.005	0.217		
16	Industry R&D	−0.071	−0.102	−0.045	−0.012	−0.212	−0.256	0.046	0.281	0.075	
17	Industry advertising	−0.085	−0.095	−0.051	−0.020	−0.184	−0.295	0.047	0.348	0.076	0.694

Despite high correlations between some independent variables, variance inflation factors are below 5 for all included in our model except firm performance (VIF = 7.98), which remains below the threshold of 10 that suggests significant multicollinearity.

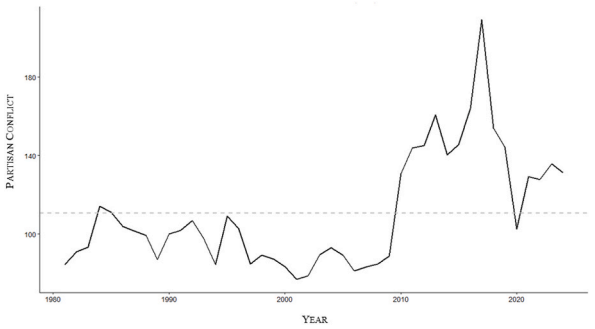

Fig. 2. Partisan conflict, 1981-2024
Data from federal reserve bank of Philadelphia (See Azzimonti, 2018).

Control variables. We include a carefully selected set of control variables to account for potential confounding influences on the relationship between partisan conflict, CEO ideology, and strategic risk-taking. To ensure that we are examining partisan conflict in terms of its influence on the expectations of economic decision-makers, we control for *divided government* to capture formalized structural divisions within government (Azzimonti, 2018), measured as the difference in the proportion of seats held by Democrats and Republicans (averaged across the two branches of Congress). While an indicator is often used for this variable, we use continuous measures wherever possible to retain maximum information in our control variables. Accordingly, we use annual *GDP growth* to control for broader macroeconomic conditions, and control for geopolitical conflict by identifying years at which the U.S. is engaged in *war* using the number of military deaths by hostile action (versus yearly indicators; see (Beyer and Fan, 2022)). Also at the national level, we control for whether there is a *Republican government*, i.e. a president with which a conservative CEO is ideologically aligned.

Strategic risk-taking may vary considerably within industries as a result of different norms in strategic investment (Josephson et al., 2016). Accordingly, we includes controls for *industry R&D* and *industry advertising*; the average levels of annual R&D and advertising expenditure scaled by total assets (i.e., the components of our dependent variable) in the firm's 4-digit NAICS code. We additionally control for *firm performance* (return on assets), *firm size,* and *firm age,* to account for key internal influences on stability. These industry and firm controls also comprehensively account for the key influences on value creation—value appropriation trade-off, as

documented in prior research (Hudson and Morgan, 2023; Josephson et al., 2016; Kang and Kim, 2020; Kim et al., 2018).

We control for *CEO tenure,* as this is likely to affect (a) the CEO's perceptions of stability within the firm, and (b) the CEO's propensity to deviate from current strategies (Darouichi et al., 2021). We also control for *CEO duality,* to account for the level of discretion the CEO has over the firm's strategic direction (Ozgen et al., 2025). Another factor that may affect the CEO's influence over the firm's strategic risk-taking is the involvement of the board in strategic decision-making (Boivie et al., 2021). Two key factors that affect this are *board tenure* and *board independence* (Hudson and Morgan, 2023; Zona, 2016), which we therefore include as controls. Finally, as we hypothesize ideological influences on strategic risk-taking at the CEO-level it is also reasonable to expect this influence may occur at the board-level, so we control for *board conservatism,* computed as the average of directors' conservatism for each firm-year. To account for remaining omitted variables, we conduct several robustness checks with alternative and additional controls and include fixed effects where appropriate. These are detailed in the following section.

4.3. Model specification and estimation

To estimate the effects of CEO conservatism (*CEO*) and partisan conflict (*PCI*) on strategic risk-taking (*Y*), we specify the following model:

$$Y_{it} = a + \beta_1 CEO_{it} + \beta_2 PCI_{it} + \beta_3 CEO^{*} PCI_{it} + \beta' Ctrl'_{it} + \varepsilon_{it} \quad (1)$$

Where *Ctrl'* represents a vector of all control variables detailed above, measured annually for each firm (*i*) in each year (*t*). Higher values of the dependent variable represent a focus on R&D investments relative to advertising. Accordingly, positive coefficients in this model indicate a shift towards riskier strategic investments.

While most variables in this model change significantly from year to year, some predictors are relatively time-invariant. For example, ideology is highly stable at the individual-level (Chin et al., 2013), meaning that firm-level observations of CEO ideology will exhibit little intertemporal variation unless there is a change of CEO. Similarly, control variables representing the party and divisions of the federal government are constant between (and potentially across) election cycles. This raises concerns regarding the use of standard panel regression techniques, as the inclusion of fixed effects may induce collinearity with these temporally stable variables and thus absorb variation in the dependent variables that should be attributed to these predictors (Ballinger, 2004). Following previous studies of CEO ideology (Chin and Semadeni, 2017; Gupta and Wowak, 2017; Semadeni et al., 2022) we therefore estimate Equation (1) using generalized estimating equations (GEE) to account for the hierarchical structure of our data, where firm-level observations are nested within firms over multiple years. We specify a Gaussian distribution, an exchangeable correlation structure (to account for within-firm correlations), an identity link function, and robust variance estimators. Standard errors are clustered at the firm-level to appropriately account for repeated measures and within-subject correlation.

5. RESULTS

Table 3 presents the results of three models, including (1) control variables only, (2) the main effects of CEO ideology and partisan

Table 3
Effects of CEO ideology and partisan conflict on strategic risk-taking.

DV: Strategic risk-taking	(1) Controls			(2) Main Effects			(3) Interaction		
	Coef.	S.E.	*p*	Coef.	S.E.	*p*	Coef.	S.E.	*p*
Effects of interest									
CEO conservatism × Partisan conflict							0.039	2.195	0.012
CEO conservatism				−0.567	0.661	0.391	−0.016	0.013	0.208
Partisan conflict				−0.001	0.012	0.949	−5.539	0.015	0.012
Control variables									
Divided government	−0.044	0.062	0.481	−0.048	0.066	0.472	−0.040	0.066	0.545
Republican government	−0.248	0.558	0.657	−0.306	0.629	0.626	−0.114	0.630	0.857
GDP growth	0.063	0.169	0.708	0.063	0.171	0.713	0.049	0.163	0.763
War	0.439	0.672	0.513	0.477	0.717	0.506	0.398	0.718	0.579
CEO tenure	0.010	0.091	0.916	0.010	0.091	0.908	0.006	0.089	0.945
CEO duality	1.280	4.304	0.766	1.127	4.231	0.790	−0.027	4.078	0.995
Board conservatism	0.851	1.861	0.647	1.609	2.014	0.425	1.908	1.973	0.333
Board tenure	−0.121	0.075	0.107	−0.122	0.075	0.103	−0.116	0.073	0.112
Board independence	−0.800	1.340	0.551	−0.775	1.329	0.560	−0.790	1.253	0.529
Firm performance	−3.291	1.920	0.087	−3.355	1.938	0.083	−3.352	2.084	0.108
Firm size	−1.298	0.227	0.000	−1.292	0.225	0.000	−1.305	0.217	0.000
Firm age	0.149	0.081	0.066	0.148	0.073	0.042	0.123	0.074	0.099
Industry R&D	0.001	0.000	0.042	0.001	0.000	0.031	0.001	0.000	0.011
Industry advertising	−0.001	0.001	0.047	−0.001	0.001	0.042	−0.002	0.001	0.032
Intercept	53.993	1.842	0.000	54.047	2.420	0.000	56.014	2.455	0.000
Pseudo R^2	0.160			0.165			0.177		

All models include a dummy variable indicating firms that report zero R&D expenditures. Effects are negative and significant at the 5 % threshold.

conflict, and (3) the interaction between these focal predictors. We first note that the effect of partisan conflict has no significant average sample-level effect, while other key controls variables such as firm size, age, and industry dynamism, are the primary influences on strategic risk-taking. These effects align with prior research (e.g., see Gensler et al., 2024; Josephson et al., 2016) and are consistent with the premise of this study: absent consideration of firm-specific factors, the implications of partisan conflict for strategic risk-taking are not directionally clear. As a baseline, H1 predicted that CEO conservatism would decrease strategic risk-taking. While the effect of CEO ideology on strategic risk-taking is directionally expected (−0.567, $p = 0.391$), this is only significant in Model 3 (−5.539, $p = 0.012$); thus, we cannot infer support for H1.

Of primary interest, H2 stated that conservative CEOs will exhibit a shift towards riskier strategic decisions when partisan conflict is high. The interaction effect in Model 3 (0.038, $p = 0.012$), supports this prediction of a positive moderation effect of partisan conflict on CEO conservatism. While modest, this effect is practically meaningful. A comparison of the pseudo R-squared values between Model 1 and Model 3 indicates that our hypothesized variables (CEO conservatism, partisan conflict, and their interaction) collectively explain 1.7 % of the variance in strategic risk-taking. Fig. 3 illustrates this interaction, showing that a one standard deviation increase in partisan conflict corresponds to an increase in strategic risk-taking of approximately 2.5 % among conservative CEOs.

Collectively, the baseline results, lack of support for H1, and full support for H2 suggest that the effect of CEO ideology on strategic risk-taking is inseparable from the external political environment. This reflects our proposed mechanism underlying these effects, in which differences in how liberals and conservatives attend to and interpret partisan conflict lead to shifts in strategic decision-making among conservatives only. That the main effect of CEO conservatism is only significant when accounting for this interaction (Model 3) reflects this premise. Given the statistical power of this analysis, this null finding presents a notable complication for prior research that identifies a direct, negative association between CEO conservatism and risk-taking (e.g., Hutton et al., 2014). Our results show this relationship to be more complex and contingent, suggesting that the firm-level effects of CEOs' ideological dispositions may be minimal *unless* certain external conditions arise (e.g., see Lesage et al., 2025).

5.1. Supplementary analyses

We conduct several additional analyses to ensure the robustness of our results, explore alternative explanations, and further investigate the nonsignificant average effect of partisan conflict on strategic risk-taking. First, as detailed above, we consider fixed and random effects models to be inappropriate in our context due to the relative temporal persistence of some key variables, instead following previous studies of CEO ideology in our use of GEE. However, due to the prevalence of these methods in the literature (e.g., Hudson and Morgan, 2023; Josephson et al., 2016; Kang and Kim, 2020) we estimate both fixed and random effects models to facilitate comparison with this literature and test the robustness of our findings (Table 4, Models 4 & 5). The lack of overall significance in the fixed-effects model is likely because the fixed intercept for each firm absorbs the effects of relatively stable, time-invariant control variables that explain significant variance in the GEE models, such as industry R&D, industry advertising, and firm size. Nevertheless, we find comparable main and interaction effects for our variables of interest across the three models.

Second, as partisan conflict has been shown to have industry-level effects (Beyer and Fan, 2022), we include three key measures of the operating conditions in a firm's industry that are likely to affect perceptions of environmental stability: *concentration*, representing competitiveness; *munificence,* representing the availability of resources, and *dynamism,* representing baseline levels of change in an industry's revenues. Respectively, these are computed as the Hirschmann–Herfindahl Index (sum of squared market shares) in the firms 4-digit NAICS code industry; the regression coefficient of the 5-year trend in industry sales revenue divided by mean industry sales revenue over the preceding 5 years; and the standard error of the regression slope (Dess and Beard, 1984). Results (Table 5, Model 6) are consistent with our main analyses. Third, we include an alternative set of additional controls to assess whether other aspects of political or economic uncertainty may underly the effects we observe. We estimate Equation (1) including additional controls for the Economic Policy Uncertainty (EPU) index (Baker et al., 2016) and stock market volatility (VIX) index (Beyer and Fan, 2022), and an indicator for each year in which the U.S. economy is in recession, according to NBER designations. As shown in Table 5, Model 7, the effects of interest remain consistent when these factors are controlled for.

Third, it is important to address an alternative explanation for our results: *partisan policy bias*. Although individuals' campaign contributions are unlikely to represent attempts to influence policy (Fremeth et al., 2013), it is logical to assume that donors support the policies of the recipient candidates. CEO conservatism could therefore reasonably be interpreted as a measure of a CEO's preference for Republican policies. This suggests that shifts towards riskier strategies among conservative CEOs may occur when there is an increased likelihood that Republican policies are implemented: expecting these policies to have economic benefits, conservatives would be more inclined to make longer-term investments under these conditions. Rather than being driven by a conservative disposition, the effect we observe may therefore be a result of bias towards the policies of a CEO's preferred political party.

Two observations provide refutation of this alternative explanation: the nonsignificant effect of the control variable *Republican government* in our main analyses (−0.114, $p = 0.857$), and the large negative correlation between Republican governments and partisan conflict (−0.709; see Table 2).[6] As partisan conflict increases strategic risk-taking among conservative CEOs but is greatly reduced under Republican governments, this suggests that the shift is driven by perceptions of the political and/or economic

[6] Lower partisan conflict during Republican administrations may be argued to lack face validity, given the extensive coverage in media and academia of the 'polarizing' effect of Donald Trump. It is important to re-emphasize that our measure concerns *policy* disagreements, whereas much of the conflict associated with this recent period has been based around broader social issues and perceptions of individual politicians rather than substantive policy issues (Dimant, 2024).

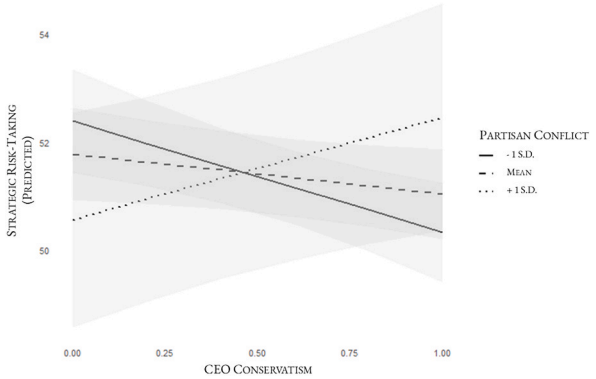

Fig. 3. Predicted Strategic Risk-Taking by Levels of Partisan Conflict and CEO Ideology
The plot shows predicted strategic risk-taking across the range of CEO conservatism, conditional on partisan conflict at low (mean - 1 S.D. ≈ 91), mean (≈126), and high (mean + 1 S.D. ≈ 162) levels. Strategic risk-taking is measured on a 0–100 scale (mean = 51.150, S.D = 8.220). A one standard deviation increase in partisan conflict is associated with an approximate 2.5 % increase in strategic risk-taking for conservative CEOs. Shaded areas represent 90 % confidence intervals.

Table 4
Supplementary analyses I.

DV: Strategic risk-taking	(4) Fixed Effects			(5) Random Effects		
	Coef.	S.E.	*p*	Coef.	S.E.	*p*
Effects of interest						
CEO conservatism × Partisan conflict	0.052	0.019	0.008	0.033	0.016	0.038
CEO conservatism	−7.230	2.620	0.006	−4.709	2.155	0.029
Partisan conflict	−0.016	0.019	0.383	−0.015	0.015	0.313
Control variables						
Divided government	−0.049	0.096	0.609	−0.034	0.079	0.670
Republican government	−0.043	0.871	0.960	−0.204	0.688	0.766
GDP growth	−0.046	0.179	0.797	0.078	0.142	0.583
War	0.057	0.896	0.950	0.653	0.682	0.339
CEO tenure	−0.042	0.106	0.689	0.006	0.076	0.938
CEO duality	1.190	5.160	0.817	−1.252	3.910	0.749
Board conservatism	−0.565	2.350	0.811	3.416	1.783	0.055
Board tenure	0.052	0.233	0.824	−0.132	0.072	0.069
Board independence	−0.818	1.860	0.660	−1.125	1.326	0.396
Firm performance	0.419	1.560	0.788	−5.711	1.117	0.000
Firm size	−0.737	0.617	0.233	−1.256	0.203	0.000
Firm age	0.050	0.132	0.706	0.117	0.069	0.092
Industry R&D	0.000	0.001	0.987	0.002	0.000	0.000
Industry advertising	0.000	0.001	0.814	−0.003	0.001	0.000
Intercept				55.364	2.756	0.000
(Pseudo) R^2	0.077			0.643		
F/χ^2	1.006		0.454	116.002		0.000

All models include a dummy variable indicating firms that report zero R&D expenditures. Effects are negative and significant at the 5 % threshold.

environment rather than by a preference for the policies of the current administration, supporting our theoretical explanation for this effect. Nevertheless, we further investigate this possibility by estimating a variation of Equation (1), including the interaction between CEO conservatism and government party (Table 5, Model 8). Corroborating these observations and providing support for our hypothesized explanation of the effect of partisan conflict, we find a negative interaction between CEO conservatism and Republican government that is nonsignificant at the 5 % level (−2.073, $p = 0.067$).

Fourth, to ensure that our results are not artefactual of a particular operationalization of strategic risk-taking, we estimate models that excludes advertising expenditures in deriving our dependent variable. Strategic risk-taking is therefore represented by R&D intensity, measured as total R&D expenditure scaled by total assets. Results are presented in Table 5, Model 9, and are consistent with our main analysis.

Finally, we conduct further analysis of the direct effect of partisan conflict, to test whether the nonsignificant population-level effect is an appropriate reflection of this variable's (lack of) relationship with strategic risk-taking or whether this masks significant firm-level heterogeneity. We estimate a Bayesian mixed-effects model, incorporating random intercepts and slopes for the effect of partisan conflict in each firm and controlling for overfitting through regularization (Gelman et al., 2013). We implement a Hamiltonian Monto Carlo sampling algorithm with four chains of 10,000 iterations, increasing the target acceptance rate of 0.99 for enhanced

Table 5
Supplementary analyses II.

DV: Strategic risk-taking	(6) Industry Controls			(7) Political Controls			(8) Party Interaction			(9) Alternative DV[a]		
	Coef.	S.E.	*p*	Coef.	S.E.	*p*	Coef.	S.E.	*p*	Coef.	S.E.	*p*
Effects of interest												
CEO conservatism × Partisan conflict	0.039	0.016	0.015	0.036	0.015	0.020				0.003	0.001	0.033
CEO conservatism × Republican government							−2.073	1.130	0.067			
CEO conservatism	−5.497	2.239	0.014	−5.154	2.205	0.019	0.472	0.877	0.590	−0.409	0.175	0.020
Partisan conflict	−0.018	0.013	0.178	−0.011	0.014	0.429				−0.001	0.001	0.269
Control variables												
Divided government	−0.033	0.068	0.628	−0.032	0.074	0.660	−0.026	0.059	0.658	−0.007	0.006	0.254
Republican government	−0.133	0.634	0.834	−0.345	0.692	0.618	0.877	0.855	0.305	−0.088	0.056	0.119
GDP growth	0.036	0.166	0.831	0.689	0.294	0.019	0.018	0.160	0.913	0.005	0.011	0.635
War	0.304	0.712	0.669	−0.409	0.814	0.616	0.277	0.672	0.680	−0.036	0.075	0.632
CEO tenure	−0.007	0.092	0.937	0.005	0.086	0.957	−0.004	0.090	0.968	−0.010	0.006	0.120
CEO duality	0.049	3.860	0.990	0.121	3.898	0.975	0.831	3.914	0.832	0.430	0.388	0.268
Board conservatism	1.711	1.952	0.381	2.428	1.887	0.198	1.506	1.960	0.442	0.138	0.151	0.360
Board tenure	−0.111	0.073	0.129	−0.125	0.072	0.085	−0.109	0.073	0.133	−0.003	0.011	0.790
Board independence	−0.769	1.271	0.545	−1.251	1.209	0.301	−0.796	1.285	0.536	−0.116	0.139	0.404
Firm performance	−3.356	2.259	0.137	−3.399	2.107	0.107	−3.294	2.197	0.134	−0.205	0.084	0.014
Firm size	−1.277	0.224	0.000	−1.314	0.212	0.000	−1.302	0.229	0.000	−0.122	0.047	0.010
Firm age	0.129	0.078	0.098	0.110	0.076	0.151	0.126	0.082	0.123	0.001	0.009	0.908
Industry R&D	0.001	0.000	0.025	0.001	0.000	0.005	0.001	0.000	0.035	0.000	0.000	0.135
Industry advertising	−0.001	0.001	0.036	−0.002	0.001	0.022	−0.001	0.001	0.043	0.000	0.000	0.054
Industry concentration	−0.917	0.861	0.287				−0.836	0.877	0.340			
Industry munificence	0.364	0.658	0.580				0.406	0.673	0.546			
Industry dynamism	−2.927	1.809	0.106				−2.928	1.752	0.095			
EPU				0.007	0.008	0.423						
VIX				0.133	0.055	0.015						
Recession				1.399	0.798	0.079						
Intercept	56.984	2.588	0.000	51.255	2.403	0.000	54.221	2.076	0.000	−2.780	0.241	0.000
(Pseudo) R^2	0.180			0.185			0.169			0.169		

All models include a dummy variable indicating firms that report zero R&D expenditures. Effects are negative and significant at the 5 % threshold.
[a] Alternative dependent variable is *R&D intensity,* calculated as total R&D expenditures scaled by total assets (i.e., the main measure of strategic risk-taking, without the comparison to low-risk advertising investments).

sampling accuracy and tree depth to 15 to ensure comprehensive exploration of the parameter space. Results are shown in Table 6 and firm-specific coefficients are plotted in Fig. 4. While a small number of firms deviate substantially from the average, there is little overall variation, with most effects near zero. This supports our hypotheses and theoretical framework, indicating that partisan conflict

Table 6
Firm heterogeneity in the effects of partisan conflict on strategic risk-taking.

DV: Strategic risk-taking	Estimate	Error	Lower CI	Upper CI
Regression coefficients				
Partisan conflict	0.000	0.010	−0.030	0.030
CEO conservatism	−0.440	0.690	−1.780	0.950
Divided government	−0.030	0.080	−0.180	0.120
Republican government	−0.280	0.690	−1.630	1.110
GDP growth	0.090	0.140	−0.200	0.370
War	0.730	0.680	−0.610	2.070
CEO tenure	0.000	0.080	−0.150	0.150
CEO duality	−0.680	3.930	−8.630	7.020
Board conservatism	3.430	1.820	−0.140	6.880
Board tenure	−0.140	0.070	−0.290	0.000
Board independence	−1.260	1.350	−3.890	1.380
Firm performance	−5.920	1.220	−8.310	−3.510
Firm size	−1.230	0.200	−1.630	−0.850
Firm age	0.120	0.070	−0.020	0.260
Industry R&D	0.000	0.000	0.000	0.000
Industry advertising	0.000	0.000	0.000	0.000
Intercept	53.410	2.600	48.370	58.470
Hyperparameters				
$\sigma_{\text{Intercept}}$	7.340	1.060	5.520	9.570
σ_{PCI}	0.030	0.010	0.000	0.050
σ	3.670	0.210	3.270	4.100
ρ(Intercept, PCI)	−0.430	0.350	−0.840	0.600

95 % confidence intervals.

only significantly influences firm-level strategic risk-taking via its interaction with CEO ideology.

6. Discussion

This study provides the first empirical evidence for the influence of partisan conflict on firm-level strategic risk-taking, demonstrating that national political disagreements significantly influence firms' strategic risk-taking contingent upon the ideology of the CEO. Counter to prevailing assumptions that conservative CEOs are more risk-averse, we find that high levels of partisan conflict induce these CEOs to pursue more risky strategic investments. We propose that this occurs because partisan conflict stabilizes the external economic conditions that are most salient to conservative CEOs, enabling these leaders to enact internal change while maintaining an overall level of uncertainty that aligns with their disposition. In contrast, liberal CEOs' attentional bias towards social conditions and noneconomic objectives precludes the perception of stability that motivates this change. Further analyses support this mechanism, providing evidence against the counter-explanation that conservative CEO's strategic emphasis is driven by policy preferences. These results make a novel contribution to understanding and predicting the firm-level consequences of national partisan conflict and the role of political ideology in strategic cognition, with implications for both theory and practice.

6.1. Theoretical implications

Prior research on partisan conflict has predominantly taken a macro-level approach, identifying broad effects on markets or industries but leaving unclear implications for individual firms (e.g., Azzimonti, 2018; Beyer and Fan, 2022; Jiang et al., 2020). In contrast, our study applies a novel theoretical lens to illuminate how partisan conflict can systematically alter strategic decisions through differences in CEO cognition. By moving the conversation from generalized macroeconomic effects toward firm-specific mechanisms, we clarify why the same political conditions induce different outcomes for ostensibly similar firms. That heightened partisan conflict induces conservative CEOs to increase strategic risk-taking appears paradoxical until considered from the UE perspective, through which we theorize and corroborate ideologically asymmetrical mechanisms of attention and cognition that manifest in firm-level strategic choices.

The implications of this are evident when considered against the two previous studies of partisan conflict and firm-level outcomes. Azzimonti (2018) find an overall decrease in firm-level investment under high partisan conflict. However, a change in aggregate investment has no clear implications for firm performance without understanding the allocation of these investments (Mizik and Jacobson, 2003). One interpretation of these findings may be that partisan conflict will have detrimental long-term effects on performance, as a result of decreased investment. However, Atanassov et al. (2024) show that partisan conflict *increases* investment in R&D. We offer necessary nuance to these results, finding a shift in the *relative* allocation towards riskier investments. This highlights the need for the economic literature to further explore the firm-level impact of partisan conflict, as market- or country-level effects may obscure contingencies under which firms respond differently to changes in macroeconomic stability (e.g., see Bamiatzi et al., 2016; Pham, 2019). The ability to infer from these findings an explanatory mechanism, through which CEO characteristics interact with external conditions to induce shifts in strategic risk-taking, provides ample opportunity to extend the predictive power and practical relevance of research on the firm-level consequences of political conditions.

Perhaps most constructively for the furtherance of research in this area, we operationalize these factors and mechanisms within UE theory to introduce CEO ideology as an explanation for *why* this reallocation of investment occurs. Through this empirical focus, we also contribute to theoretical development in this stream of the strategic management literature. The relationship between leaders' political ideology and firm strategy has received increasing attention (Foss and Klein, 2022; Georgakakis et al., 2024), with research proposing numerous frameworks of how liberal and conservative leaders differentially affect firm-level outcomes (e.g., Park et al., 2020; Semadeni et al., 2022; Wowak and Busenbark, 2024). We contribute to this ongoing development, firstly in conceptualizing and corroborating a novel mechanism through which these effects occur and secondly in looking beyond direct effects to consider the

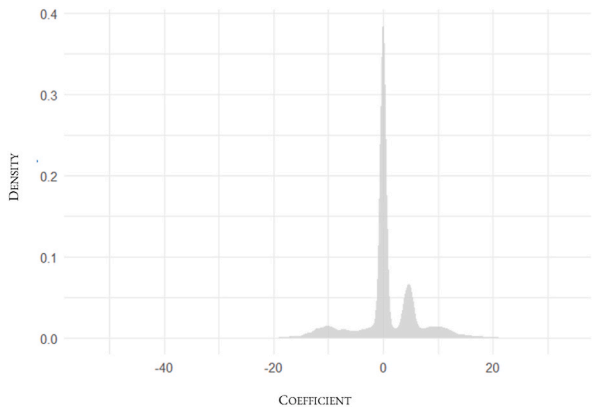

Fig. 4. Distribution of firm-specific effects of partisan conflict on strategic risk-taking.

interplay between personal and societal politics (e.g., Bhagwat et al., 2020). This is significant, as most research assumes a "symmetric logic" where the extent and nature of ideological influences on firm decisions is assumed to be consistent across liberals and conservatives (Wowak and Busenbark, 2024, p. 16). Contributing to the emerging recognition of this limitation in research on corporate sociopolitical activism (CSA), we demonstrate that the influence of ideology is contingent upon both the individual's position on the liberal—conservative spectrum and the environment in which decisions are made. Notably, we find no support for a direct effect of CEO conservatism on strategic risk-taking; the baseline hypothesis that was derived from prior research (e.g., Gupta et al., 2019; Hutton et al., 2014; Swigart et al., 2020). Our null finding provides a significant complication to this literature, opening new avenues for empirical and theoretical exploration of the contextual effects of ideology across a broader range of strategic decisions.

A related—and unexpected—observation (see Fig. 3) suggests a promising direction for such research: liberal CEOs appear to *decrease* strategic risk-taking when partisan conflict is high. This pattern reflects a sharper ideological contrast than we originally theorized, as we anticipated that liberal CEOs' relative inattention to macroeconomic stability would result in a neutral effect. One potential explanation is that liberals' focus on the sociopolitical *in*stability that often accompanies partisan conflict does not just divert attention, but induces similar shifts in the prioritization of strategic investments that were beyond the theoretical focus of this study, yet captured in our empirical design. Using a *relative* measure of strategic risk-taking that incorporates advertising as a contrastive, low-risk investment (Hudson and Morgan, 2023; Mizik and Jacobson, 2003) means that observed negative effects may indicate the prioritization of marketing over R&D. This is a logical operational manifestation of the attentional biases we propose. For example, the proclivity for CSR and brand activism among liberal-led firms is amplified when these values are perceived to be under threat (e.g., see Krause and Miller, 2020; Wright, 2023), which is a common interpretation of ideological divisions in government and society (Mohliver et al., 2023; West and Iyengar, 2022). Liberal CEOs may therefore may allocate discretionary investment toward communications and campaigns that promote their values when they perceive partisan conflict as regressive or threatening (e.g., see Bhagwat et al., 2020; Moorman, 2020). This implies a relative decrease in strategic risk, resulting from the prioritization of short-term investments intended for immediate (financial or reputational) impact to counter the perceived threat, whether or not this is accompanied by a reduction in R&D (e.g., see Wright, 2023; W. Wu et al., 2025).

We offer this as one example of the potential to theorize and empirically examine how numerous ideologically asymmetric interpretations of macro-political cues shape firm outcomes (Wowak and Busenbark, 2024). In pursuing these developments, this study also assists in validating methodologies for assessing political ideology. Our approach, following the widely adopted precedent set by (Chin et al., 2013), may be critiqued for using observable political behavior (donations) as a proxy for cognitive differences. Although previous research has shown close correspondence via surveys or comparison to other data sources (e.g., Ansolabehere et al., 2003; Fremeth et al., 2013), we offer further validation through testing for alternative explanations and finding that our results are better explained by the dispositional differences between liberals and conservatives than party bias. Our findings therefore strengthen the potential for research on political ideology to contribute to UE theory: rather than reflecting partisan bias, we find that this is a valid operationalization of the inherently difficult-to-measure, deep-level traits theorized to underly individuals' influence on firm-level outcomes (Miller et al., 2022).

6.2. Managerial implications

These theoretical contributions entail actionable recommendations for executives operating in the contemporary environment of heightened political polarization (Dimant, 2024; Foss and Klein, 2022). In practical terms, our results show that a one standard deviation increase in partisan conflict increases conservative CEOs' relative investments in R&D (and thus also decreases their relative investments in marketing) by approximately 2.5 %. While this increase in strategic risk-taking appears relatively small in magnitude, significant temporal variation in partisan conflict means that this is economically meaningful (Azzimonti, 2018; Beyer and Fan, 2022)—and, being induced by these relatively unpredictable swings, will become increasingly so if current sociopolitical trends continue.

The finding that liberal CEOs adopt more cautious strategies amid partisan conflict while conservatives become unexpectedly bold demonstrates why it is imperative for managers to understand the cognitive mechanisms driving firm-level responses to political change. This effect is ostensibly paradoxical—and consequently unpredictable—when approaching these periods with a conventional focus on macro-level concerns (e.g., Atanassov et al., 2024; Beyer and Fan, 2022). Grounding our hypotheses instead in the interaction between cognition and external conditions, we provide a framework through which decision-makers can more accurately anticipate shifts in risk-taking among competitors, and thus a potential source of strategic advantage. Competitive foresight may be enhanced by incorporating peer firms' executive profiles during periods of intense partisan conflict, collecting, analyzing and prioritizing this data during scenario planning.

Focusing on CEO ideology and strategic risk-taking in U.S. firms necessarily makes this a generalization that requires real-world testing. However, this empirical context is also uniquely pertinent to contemporary practice. High-risk industries, such as the renewable energy, biotech, and space exploration sectors that require costly R&D with uncertain returns, are presently at the forefront of social and political attention in the U.S. economy, thus operating under heightened instability (e.g., see Davis and DeWitt, 2025; Sadri and Moschieri, 2024). However, it is not immediately evident from which source this arises—and consequently, how executives should expect competitors to react. The perceptions of conflict, volatility, or polarization in which these sectors are often entwined arise may from their regulatory influence or compliance, economic impact, and/or perceptions of their leaders (Wowak and Busenbark, 2024; Z. Wu and Liu, 2024), whose political positions are increasingly becoming the subject of pubic interest (Wright, 2023). Our framework, which (a) delineates political and social instability as distinct phenomena in terms of their impact on strategic investments, and (b) identifies CEOs' political ideology as a predictive factor, is especially pertinent to firms operating in these areas, where detailed

understanding of individual competitors' risk-taking propensity may yield the greatest returns. Executives and directors are thus advised not only to incorporate increasing sector-level politicization into strategic planning, but to explicitly consider how individuals' ideologies may drive the actions of the key actors shaping these industries (e.g., see Furr and Dyer, 2020).

Beyond the context of partisan conflict, these findings have implications for a broader range of strategic decisions. We add to the growing body of research that demonstrates significant impacts of individual political ideology on firm outcomes, which collectively implies a need for CEOs and other strategic leaders to be aware of how personal dispositions and biases influence decision-making (Busenbark et al., 2023; Chin et al., 2021; e.g., Gupta et al., 2021). For example, research examining CSA has consistently demonstrated a greater inclination towards firm-level decisions motivated by external social forces among liberal executives (e.g., Bhagwat et al., 2020; Wowak and Busenbark, 2024; Wowak et al., 2022). In contrast and complement to these findings, our results suggest that legislative and macroeconomic forces may be more salient environmental factors in the decisions of conservative CEOs. By implication, these findings therefore also strengthen the case for ideological diversity as a means of ensuring firm-level decisions are not driven by personal biases but consider all strategically relevant factors (e.g., see Baumeister, 2015; Hudson and Morgan, 2023). We offer a novel contribution here, demonstrating a divergence in strategic decision-making between liberals and conservatives resulting from differences in the allocation of executive attention to environmental factors. Political and economic stability is important to the decision-making and performance of firms; yet this is only one among an array of other forces towards which executives of different political views may be more or less attentive (e.g., see Crawford, 2017), Our results therefore suggest that ideological diversity may be effective in increasing awareness (and consequent effectiveness) in identifying and addressing all pertinent environmental contingencies during strategic decision-making (Miller et al., 2022).

6.3. Limitations and directions for future research

In addition to the directions for future research implied by the theoretical contributions of our study, several limitations warrant further investigation. Most notably, we rely on data from the U.S., which has a distinct political structure that facilitates the use of party affiliations as a proxy for individuals' ideology (Chin et al., 2013; Wowak and Busenbark, 2024). However, the effect of ideology may differ across national contexts, especially where political structures do not clearly reflect the liberal—conservative divide (Malka et al., 2014). To generalize from our findings, future research would therefore need to develop alternative methods for assessing ideology or the relevant underlying dispositional traits (i.e., a preference for stability and order), and apply or adapt measures of partisan conflict to different political systems. This presents a conceptual and methodological challenge, but one that is necessary for expanding our understanding of the relationship between leaders' ideology and firm-level outcomes beyond the presently U.S.-centric empirical research base (see also Hudson and Morgan, 2022).

Relatedly, our analyses follow precedent in their reliance on secondary data. While the measurement of political ideology we employ has been widely validated and has advantages over interview- or survey-based methods in terms of scale and objectivity, these subjective methods may be complementary in gaining a deeper understanding of CEOs' ideology and associated dispositional traits (see Chin et al., 2013; Gupta and Briscoe, 2020). Primary data collection may also be necessary to extend this research to other national contexts, where archival data is not available to assess individuals' ideology. Methodologies utilizing text analysis of executives' communications also offer opportunities to realize the benefits of both quantitative and qualitative approaches in this endeavour (e.g., Lix et al., 2022).

Finally, our focus on CEO ideology and partisan conflict suggests many opportunities for future research to explore variations of our basic conceptual model. These may include (1) other CEO characteristics that research in the upper echelons tradition has shown to be influential in decisions related to firms' strategic risk-taking (see Zhu et al., 2024); (2) the political ideology of other key decision-makers in setting the strategic direction of firms, such as directors (see Hudson and Morgan, 2023); (3) other aspects of political and economic stability, such as the EPU, VIX, or formal administrative structures (e.g., see Baker et al., 2016; Kelly et al., 2016; Pástor and Veronesi, 2013); and (4) the direct and interactive effects of these factors on strategic decisions beyond risk-taking. As CEO activism gains traction among executives and interest among researchers (Bhagwat et al., 2020; Wowak and Busenbark, 2024; Wowak et al., 2022), one timely complement to our research would be to examine how the interplay between *social* (in)stability arising from political polarization interacts with CEOs' ideologies in the determination of firm-level strategic decisions.

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Data availability

The authors do not have permission to share data.

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