

My kind of people: Political polarization, ideology, and firm location

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Abstract

Research Summary: With increased political polarization, Americans are displaying more animus across, and affinity within, ideological identity groups. We argue this dynamic incentivizes firms to minimize ideological misalignments across their workforce by locating new establishments in areas that are ideologically proximate to their current operations. We further argue that the desire to minimize ideological distance to new establishments is stronger in knowledge-intensive industries and young organizations. We find support for these arguments through the analysis of over 220,000 new establishment openings from 2009 to 2014. Critically, we find the effect of ideological distance on location is stronger when societal polarization is high. Our theory, and findings, contribute to several literatures and advance our understanding of the impact of polarization on strategy.

Managerial Summary: Being a liberal or a conservative is central to many Americans' identity. As political polarization rises, individuals increasingly trust and favor others who share their ideological identity, while distrusting and avoiding those that do not. This study investigates how these societal trends affect where firms choose to locate new facilities. Because social ties and trust across workers support collaboration, resource-sharing and organizational performance, we argue that

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managers will seek ideological alignment within their firms by locating new establishments in areas that are ideologically proximate to existing operations. Analysis of over 220,000 new establishment openings from 2009 to 2014 supports this contention, and shows that the tendency to avoid ideologically distant locations is stronger when societal polarization is higher.

KEYWORDS

business and politics, firm location, polarization, political distance, political ideology

1 | INTRODUCTION

Americans increasingly stand in political opposition to one another, liking and trusting those that share their political identity while disliking and distrusting those that do not (Iyengar et al., 2018; Iyengar et al., 2019). These concerns reflect deep divisions among Americans along ideological lines, with political ideology not just informing their views on issues but also shaping their social identities (Mason, 2018). Indeed, with affective polarization, the enmity toward adherents of different political identities has been found to exceed racial hostility, traditionally the deepest divide in American society (Iyengar & Westwood, 2015). Moreover, business leaders have become wary of the potential harm that polarization can have on their firms. In a survey of senior executives conducted in August 2022, 24% of respondents claimed that political polarization constituted a “serious risk” to their companies (PWC, 2022). To put this in perspective, 23% of respondents identified climate change as a serious risk, indicating that business leaders in the United States are as worried about how to manage the effects of polarization as they are about the effects of climate change.

Despite its urgent relevance to firms, political polarization remains a frontier topic in strategy research. While several studies have examined the market impact of polarization, and particularly its effects on consumer behavior via politically motivated boycotts and buycotts (Hou & Poliquin, 2023; Neureiter & Bhattacharya, 2021), only a few studies have investigated polarization's impact on strategy, focusing mainly on organizational responses to polarized sociopolitical issues (Benton et al., 2022; Mohliver et al., 2022). Thus, there remains a significant gap in the literature regarding how broader societal polarization affects core strategic decisions that can have far-reaching effects on how firms function and perform. This study begins to address this gap by investigating how the political ideological identity dynamics associated with affective polarization affect a strategic decision that is highly significant to many firms: where they locate new facilities.

The availability of human capital is a key driver of firm location (Arauzo-Carod et al., 2010). In this article, we argue that the attractiveness of a location's human capital is shaped by its political ideology and how well it aligns with the firm's existing ideological orientation. Establishing a facility in a location that is ideologically misaligned with the firm's existing operations increases the likelihood that employees in the new facility will have ideological identities that diverge from those held by managers and employees in the firm's other locations. This negatively affects the development of interpersonal ties and biases evaluations of



capabilities and knowledge across facilities, which in turn harms collaboration, resource-sharing, and performance (Szulanski, 1996; Tsai & Ghoshal, 1998; Zeng et al., 2018). Because the scope and benefits of collaboration and resource-sharing are most present between facilities that are strategically related (Ghoshal & Gratton, 2002; Gulati & Kletter, 2005; Tsai, 2000), we argue that when firms choose to establish a new facility, they will be more likely to select a location that is ideologically similar to their existing facilities in the same business unit (BU), that is, they will prefer locations where *ideological distance* to the BU is low.

We extend this argument to identify conditions when firms benefit more from their staff building connections, collaborating, and sharing resources across facilities, and thus when ideological distance should have a stronger effect on location decisions. One of the main motivations for promoting ties between facilities is to enable the transfer of knowledge (Foss et al., 2010). Therefore, we expect that the negative effect of ideological distance on location choice should be more pronounced for BUs engaged in knowledge-intensive activities where sharing knowledge is more critical to value generation. A second moderating condition that we identify is the firm's age. Compared to mature firms that can rely on formal structures and routines, young firms depend more on the informal initiatives of their staff to facilitate collaboration and resource-sharing across facilities (Kogut & Zander, 1992; McCann & Folta, 2011; Zou et al., 2018). As a result, ideological misalignment has a more profound effect on the development of ties across facilities in younger firms. Thus, we expect the effect of ideological distance on location choice should be stronger for young organizations.

Finally, we argue that the level of affective polarization in broader society will condition the relationship between ideological distance and location. Affective political polarization has been rising in the United States since the mid-1980s and it exhibited a marked increase between 2009 and 2014. When affective polarization is higher, greater animus exists across ideological identity groups (Iyengar et al., 2018). Therefore, we expect the impact of ideological distance on location choice to be stronger when polarization is higher.

We test our arguments using data on firm location from the National Establishment Time-Series (NETS) database, which contains more than 220,000 new establishment openings by over 9700 firms from 2009 to 2014. Overall, we find strong empirical support for our arguments. Firms are less likely to locate new establishments in areas that are more ideologically distant from the rest of that establishment's BU. We also find that this relationship is stronger in industries that are more knowledge-intensive and in young firms. We further find that the effect of ideological distance is greater in times of higher polarization. In additional analyses, we provide further evidence for our underlying mechanism. We analyze employee review data from Glassdoor, which reveals that employees in more ideologically distant establishments are more likely to evaluate their firm negatively with respect to collaboration, alienation, ideology, and values. In addition, we find evidence that ideological distance is positively associated with the closure of facilities, which is consistent with our argument that ideological distance has a negative effect on performance.

Our theory and findings contribute to multiple literatures. First, we contribute to nascent strategy research on polarization. While scholars have considered the impact of issue polarization on firm disclosures (Benton et al., 2022) and social activism (Mohliver et al., 2022), this is the first study of which we are aware that examines the effects of the ideological identity dynamics associated with affective polarization on firm strategy. In doing so, this study identifies a channel through which polarization can affect strategic decisions beyond the context of highly contentious policies. Our study also broadens scholarship on the impact of political ideology on firm strategy. While extant approaches focus on ideology as a worldview (e.g., A. Gupta & Briscoe, 2020; A. Gupta et al., 2017), we highlight an understudied dimension of

ideology: its ability to shape a person's identity (Swigart et al., 2020). This focus on identity is key to understanding how polarization affects strategy because affective polarization is associated with political identities rather than beliefs (Iyengar et al., 2019).

Second, this study extends scholarship on resource-sharing and collaboration within multi-facility organizations (e.g., Foss & Pedersen, 2002; Moore & Birkinshaw, 1998; Szulanski, 1996; Tsai & Ghoshal, 1998), by theorizing the role of political factors, and specifically ideological identity alignment, as an inhibitor or enabler of productive ties between facilities. Existing research in this area has focused on obstacles to collaboration and resource-sharing between already existing facilities and how firms can respond (e.g., Ghoshal & Gratton, 2002; A. K. Gupta & Govindarajan, 2000; Zeng et al., 2018). This study suggests that firms can minimize obstacles at the establishment stage by carefully selecting locations whose human resources are more likely to form ties with staff at existing operations.

Finally, we contribute to research on firm location by introducing the construct of ideological distance and theorizing its distinctive impact on location decisions. We also identify several moderating factors that outline when the effects of ideological distance are most salient. This contributes to emerging research on how political and economic factors intersect to influence firm location. Past research has typically viewed political and economic determinants of firm location separately (e.g., Alcácer & Chung, 2007; Henisz & Delios, 2001), while recent work examines how economic conditions can shape the influence of political factors (Jia et al., 2022). Our study approaches the intersection between political and economic considerations from the other direction by examining how political factors influence the appeal of location-specific economic resources, such as human capital.

2 | POLITICAL IDEOLOGY AND FIRM LOCATION

2.1 | Political ideology as a core social identity

Current strategy research predominantly frames ideology as an individual's values or worldview (e.g., Bermiss & McDonald, 2018; A. Gupta & Briscoe, 2020; A. Gupta et al., 2017). However, ideology is also an identifier for a social group, and thus a component of one's *identity* (Iyengar et al., 2012; Mason, 2018; Swigart et al., 2020).¹ Individuals distant from one another ideologically are not just separated in terms of worldviews, they are members of different identity groups. Indeed, in the US ideology serves as a core social identity that is foundational in determining one's societal ingroup and outgroup (Iyengar et al., 2019; Mason, 2018). As a result, political ideology is associated with many of the ingroup/outgroup behavioral dynamics highlighted in social identity theory (Brewer, 1999; Tajfel & Turner, 1979). Individuals form negative and hostile views of members of the "opposing" ideological group, while preferring and more readily forming relationships with those that share their ideological identities (Chambers et al., 2013; Huber & Malhotra, 2016; Iyengar et al., 2018; Mason, 2015, 2018).

Growing evidence indicates that the ideological ingroup/outgroup dynamics that have emerged in broader society also shape how individuals interact and assess each other in work settings. One study, for example, found that when participants are asked to select individuals to

¹Our conceptualization of ideological identity in this study encompasses both ideological as well as partisan elements of an individual's political identity as partisan and ideological identities have increasingly become aligned (Levendusky, 2009; Mason, 2015).



be part of their team to complete a task, they prefer those associated with their ideological identity while avoiding individuals affiliated with their ideological outgroup (Lelkes & Westwood, 2017). In fact, there is evidence that individuals prefer to work with less-qualified individuals over outgroup members (Lelkes & Westwood, 2017). Another study found that individuals prefer to receive knowledge and advice from those with whom they are ideologically aligned because they overvalue their abilities (Marks et al., 2019). These findings align with research on “ideological misfits,” which argues that individuals who do not match a firm’s dominant ideology are more likely to exit the firm due to experiencing alienation from the rest of the organization (Bermiss & McDonald, 2018). Employees also experience hostility and discourteous behavior at work when engaging with ideological outgroup members (He et al., 2019).

By focusing on ideology as a worldview, extant research has largely overlooked how ideological identity, and its associated group dynamics, affect firm strategy. This is particularly significant for understanding the effects of polarization since affective polarization and ideological identity are intertwined (Iyengar et al., 2019). In the sections that follow, we theorize the potential consequences of ideological identity (mis)alignment for collaboration and resource-sharing in organizations, and how this, in turn, affects firm strategy regarding location decisions. We then examine how these effects are conditioned by the level of affective polarization in broader society.

2.2 | Identity, collaboration, and resource-sharing within firms

In multiunit, multilocation firms, facilities are embedded in organizational networks and can interact directly with one another to collaborate, exchange, and share resources (Contractor et al., 2006; Foss & Pedersen, 2002; Moore & Birkinshaw, 1998). This intrafirm collaboration and exchange can help firms achieve superior performance on multiple parameters, such as: delivering a more integrated experience to customers (Ghoshal & Gratton, 2002; Gulati & Kletter, 2005), achieving higher performance of internal supply chains (Koulikoff-Souvion & Harrison, 2010), attaining a higher quality of innovation (Hansen & Nohria, 2004; Singh, 2008; Tsai & Ghoshal, 1998), and facilitating greater development and transfer of collective firm-specific knowledge (Szulanski, 1996; Zhao & Anand, 2013). While effective integration across facilities enhances performance, it is challenging for firms to develop (A. K. Gupta & Govindarajan, 2000; Szulanski, 1996; Tsai, 2000). One of the major obstacles is the existence of distinct social identities across units, which can impede effective collaboration and resource-sharing. This occurs through two interrelated pathways: (a) how social identities shape the development of interpersonal ties and (b) biases in the evaluation of ingroup and outgroup members.

Within organizations, individuals largely form and leverage relationships with colleagues with whom they share key social identities (Singh et al., 2010). Consequently, individuals in different facilities that hold contrasting identities are unlikely to develop strong interpersonal connections. This is problematic because one of the strongest drivers of cross-unit integration is social ties and communication between staff in different facilities including managers, workers, engineers, and researchers (A. K. Gupta & Govindarajan, 2000; Zeng et al., 2018; Zhao & Anand, 2013). In particular, interpersonal ties facilitate the transfer of knowledge and other resources and help to blur the boundaries between units, thereby promoting collaboration towards shared goals (Ghoshal & Gratton, 2002). Conversely, a lack of ties among staff from different facilities can hinder collaboration and even foster conflicts between units (Koulikoff-Souvion & Harrison, 2010), while an arduous and distant relationship hinders knowledge-sharing (Szulanski, 1996).

Social identities also bias how staff evaluate colleagues in other units. Because individuals overvalue their fellow ingroup members and their resources, while undervaluing outgroup members (Brewer, 1979; Tajfel & Turner, 1979), they are more willing to exchange and cooperate with fellow ingroup members and are reluctant to do so with outgroup members (Antons & Piller, 2015). In organizational settings, social identities formed around one's unit have been found to foster ingroup bias and an unwillingness to engage with and receive help, knowledge, or information from other units (Antons & Piller, 2015; Ghoshal & Gratton, 2002; Hansen & Nohria, 2004; Szulanski, 1996).

Given that political ideology is a core social identity that can affect how individuals form relationships, collaborate, and evaluate each other, we argue that it will affect resource exchange and collaboration across establishments. If personnel at different facilities possess contrasting ideological identities, they will avoid engaging with one another and the strong interpersonal ties that are instrumental to collaboration and resource-sharing are unlikely to develop. Ingroup/outgroup biases will lead staff to undervalue the capabilities, information, and resources of other facilities whose workers belong to a different ideological identity group, which in turn diminishes the incentive to collaborate and share information. Meanwhile, outgroup animus will make staff reluctant to offer assistance to establishments whose personnel hold different ideological identities. Finally, if forced by headquarters to work together, collaborations across facilities whose personnel hold different ideological identities are likely to be less productive as hostility across identity groups reduces employee satisfaction and motivation (Bermiss & McDonald, 2018; He et al., 2019). By contrast, if personnel at different facilities are from the same ideological identity group, collaboration, and resource-sharing are likely to be accelerated as the formation of social ties and trust becomes easier across facilities. Indeed, a shared ideological identity may help to forge bonds and overcome other obstacles to integration (Ghoshal & Gratton, 2002; Hansen & Nohria, 2004; Szulanski, 1996). Consequently, firms possess a strong incentive to ensure ideological identity alignment across their facilities.

2.3 | Firm location and ideological distance

Where to locate new facilities is a key strategic decision for firms (Jia et al., 2022). Most existing research argues that firms establish new facilities in areas that provide performance advantages, focusing separately on location-specific economic or political factors that increase revenues and/or lower costs (Alcácer & Chung, 2007; Arauzo-Carod et al., 2010; Henisz & Delios, 2001). Firms also prefer locations that are less distant (less different) from the economic and institutional conditions to which they are accustomed to avoid the costs and uncertainties that surround the transfer and adaptation of organizational practices and routines to a different operating environment (Beazer & Blake, 2018; Siegel et al., 2013). When it comes to ideology, however, we argue that location decisions are influenced by the social identity dynamics highlighted above, and the potential consequences of ideological misalignment for collaboration and resource-sharing.

Labor markets for most jobs are primarily local (Fernandez & Su, 2004). Therefore, locating a new facility in an ideologically distant location—where the prevailing ideological identity among the local population is far from the firm's existing operations—means recruiting from a labor pool where the majority of qualified candidates are unlikely to be ideologically aligned with the firm and its existing workforce. This makes ensuring ideological alignment between personnel at the new facility and existing operations more challenging. Conversely, choosing a location ideologically closer to the firm when establishing a new facility promotes better



alignment of ideological identities, which will support greater collaboration and resource-sharing with the new facility. Thus, we argue that ideological distance negatively impacts the attractiveness of a candidate location's human resources, and firms will avoid opening new facilities in ideologically distant areas.

We further argue that the strategic concerns over ideological distance should be primarily salient at the level of the BU. Establishments within the same BU are engaged in strategically related activities towards shared performance objectives (Palepu, 1985; Sakhartov & Folta, 2014). The potential synergies from collaborating and resource-sharing across these facilities are therefore significant (Darr & Kurtzberg, 2000), making closer coordination and cooperation between these facilities more beneficial to the firm (see Gulati & Kletter, 2005). The need to serve the same customers may also increase the returns on information-sharing and collaboration within BUs (Ghoshal & Gratton, 2002). Moreover, the incentives to build ties across facilities are greater within BUs because there is more scope for the exchange of resources and information (Contractor et al., 2006). Facilities in the same BU are also more likely to have use for, and be able to absorb, the knowledge that one another possesses because they have similar stocks of prior knowledge (Darr & Kurtzberg, 2000; Tsai, 2000). Overall, the potential benefits of resource-sharing and collaboration across facilities manifest primarily when those facilities are strategically related. This leads to our main expectation:

Hypothesis 1. When a firm chooses to establish a new facility, it will be more likely to select locations that are ideologically proximate to that facility's business unit, and less likely to select locations that are ideologically distant.

2.4 | Firm heterogeneity

Our main hypothesis predicts an average negative effect of ideological distance on location choice. However, we do not expect ideological distance to have a uniform effect on firms. Rather, the effect of ideological distance should be strongest in firms and BUs that derive greater benefits from their staff taking the initiative to build connections, interact, collaborate, and share resources across facilities. We argue that this is the case for two sets of firms: those that operate in knowledge-intensive sectors and those that are young.

2.4.1 | Knowledge intensity

Among the resources that can be shared and transferred across facilities, perhaps the most significant is knowledge (Hansen & Nohria, 2004; Szulanski, 1996; Zhao & Anand, 2013). This is because the transfer of knowledge within firms supports innovation, aids problem-solving, and fosters the development of firm-specific capabilities (for a review, see Foss et al., 2010). Individuals are central to the knowledge transfer process because many forms of knowledge, particularly tacit knowledge, are held by an organization's human capital (Coff, 1999; Singh et al., 2010). Thus, individual interaction is the main way for transferring knowledge within an organization (Foss et al., 2010; Singh et al., 2010). For this reason, a key locus of research on knowledge-sharing has been the organizational antecedents that shape the opportunities and incentives for individuals to share knowledge with other staff and departments (Foss et al., 2010).

Although all firms can benefit from knowledge sharing, its value is heightened in sectors where knowledge directly drives value creation and competitiveness (Martin & Salomon, 2003; Mudambi, 2008). Thus, if the logic of our main hypothesis is correct, and ideological distance hinders the transfer of resources such as knowledge by weakening personal ties across facilities, we should expect its impact on location decisions to be more pronounced in *knowledge-intensive* industries.

Hypothesis 2. The negative effect of ideological distance on firm location choice is stronger for business units in more knowledge-intensive industries.

2.4.2 | Firm age

Prior research indicates that as firms mature they establish “organizing principles,” formal structures and routines (Kogut & Zander, 1992). These formal structures, such as cross-functional interfaces and social integration mechanisms, help to facilitate internal coordination and resource-sharing (Jansen et al., 2005; Kogut & Zander, 1992; McCann & Folta, 2011; Zahra & George, 2002). Furthermore, these organizational principles and structures are anchored by a developed organizational identity that fosters a sense of community within the firm along with conventions for coordination and resource-sharing (Kogut & Zander, 1996).

In comparison, due to their short history, young firms have fewer formalized and entrenched structures, routines, and organizational identities (Autio et al., 2000; Li et al., 2020; Zou et al., 2018). Consequently, young firms lean heavily on the *informal* initiatives of their staff to identify and exploit opportunities for collaboration and resource-sharing. Because ideological identity shapes the willingness of personnel to voluntarily seek out, collaborate, and share resources with others, ideological misalignment will have a more pronounced negative effect on collaboration and resource-sharing in younger firms, and thus a stronger effect on their location decisions.

To be clear, we are not suggesting that greater formalization and a more established organizational identity obviate entirely the challenges posed by ideological differences in more mature firms. Instead, young firms, lacking well-entrenched routines and a unified organizational identity, are more vulnerable to the repercussions of ideological distance than their mature counterparts.

Hypothesis 3. The negative effect of ideological distance on firm location choice is stronger for young, newly formed firms than for more mature organizations.

2.5 | Political polarization

The level of affective polarization—negative attitudes, animus and dislike toward members of the other ideological identity group (Iyengar et al., 2019)—has increased over time in the United States (Boxell et al., 2022). Given that our main argument is that animus across ideological identity groups, and affinities within them, underpin firms’ aversion to opening new establishments in locations that are ideologically distant, we should expect that all of our preceding hypotheses will be conditioned by the level of affective polarization in US society.

When the level of affective polarization is higher, the potential for animus and distrust to inhibit the development of constructive relationships between individuals across facilities that are ideologically distant is greater. Since these relationships are vital for collaboration and



resource-sharing, ideological distance between facilities is likely to be more costly to firms in times of greater polarization. Therefore, if our theory is accurate, we should find that the effects of ideological distance, direct and conditional, should intensify when polarization is high. By contrast, if the relationship between ideological distance and firm location is driven by factors unrelated to the social identity dynamics we theorize, we should not find support for the following:

Hypothesis 4. The negative effect of ideological distance on location choice, as specified in H1, H2, and H3, will be stronger in times of high polarization than in times of low polarization.

3 | DATA AND METHODS

We test our hypotheses using the NETS database, which is comprised of yearly snapshots of Dun and Bradstreet's Duns Marketing Information (DMI) data. The DMI is advantageous for our study since firms have an incentive to register all of their establishments with Dun and Bradstreet, because doing so helps them to secure a credit score and gain access to loans. Our dataset consists of the manufacturing subset of the NETS database, which includes any firm that had at least one manufacturing facility (as defined by SIC Codes 20–39) at any time between 1990 and 2014. For these firms, we have data on all of their establishments regardless of the economic activity performed at each establishment, providing us with data on firms and BUs across a range of economic activities. Our full dataset includes over 36,000 firms and over 4 million establishments across the United States, covering over 60% of the S&P 500 and thousands of private firms. Because the NETS database records a firm's facility locations over time, we can pinpoint when and where new establishments arise. However, due to the unavailability of key variables in earlier periods, we restrict our analysis to the location of new facilities between 2009 and 2014. During this time, over 9700 firms created more than 220,000 new establishments.

3.1 | Variables

3.1.1 | Business unit ideology and ideological distance

Ideally, to quantify a BU's ideology we would aggregate the political ideologies of all employees to create a BU-level measure. Since this data does not exist, prior studies rely on political donations by a firm's PAC, senior executives, and/or general employees to determine an organization's ideology (see A. Gupta & Briscoe, 2020; A. Gupta et al., 2017, among others). However, there are two main problems with this approach in our context: (1) missing data and (2) extrapolating from a rare event. When matching a thousand randomly selected firms from the NETS data to Bonica's (2016) comprehensive political donations database, we found that over 40% of firms have no donating employees (including executives) between 1990 and 2014. Among the remaining 60% of matched firms, only 0.5% of employees made political contributions, on average. Clearly, the remaining 99.5% of employees have a political ideology, but it is impossible to discern without any donations. Moreover, even if we disregard 40% of our sample and focus on the 0.5% of donating employees, determining which BU these employees belong to is impossible.

To sidestep these issues, we use the BU's geographic footprint to proxy for its ideology. Our reasoning is that as firms employ people who live around their facilities (Fernandez & Su, 2004),

a BU's ideology will be positively correlated with the ideology of the areas where it operates. We assume that if a BU has establishments mainly in conservative areas, it will have a more conservative ideology because it will be more likely to employ workers and managers that are ideologically conservative.² For the ideology of locations, we use the smallest geographic unit for which we have data on political ideology: US counties. Presidential elections, with uniform candidates across the country, provide a common barometer to gauge the ideology of each county. Thus, to measure a county's ideology, we use the percentage of the population that voted for the Republican candidate in the previous presidential election.³ Then, to measure a BU's ideology, we identify all of its existing establishments, and the counties in which they are located, and calculate the average county ideology of all establishments weighted by the total number of employees at each establishment.⁴ Finally, we also use the county as our geographic unit for potential locations where firms can open new facilities, and measure ideological distance between the BU and each candidate location as the absolute difference between the BU's ideology and the ideology of that location.

3.1.2 | Location choice

To test our main hypothesis, we need to compare the location of a new establishment with the risk set of possible locations a firm *could* have chosen. Obtaining plausible counterfactual counties is challenging because we only observe selected counties, not the unchosen ones. To create a risk set of possible locations for each establishment we only include counties that already have at least one other facility (belonging to any firm) engaged in the same SIC four-digit activity as the establishment the focal firm created. This comports with the data since over 90% of all new establishments are opened in counties where there is at least one facility already engaged in the same economic activity. This criterion also guards against potential bias if all firms within an industry have a similar ideological leaning. Second, we employ choice-based sampling to randomly select control cases from the universe of possible alternatives (Silverman, 1999). We take a random draw of 5% of the nonselected counties where firms might have located new establishments as our plausible risk-set. We then create our binary-dependent variable which takes the value of one in the location where the establishment is created and zero in the alternative counties.

3.1.3 | Moderating variables

We expect that knowledge is a more significant contributor to performance in industries in which patents are more prevalent. Thus, to test Hypothesis 2, we measure knowledge intensity at the industry level using the number of approved patents from 2000 to 2014 for each industry in the PatentView database. We then standardize this measure across industries after crosswalking the files from the USPTO to SIC four-digit codes (see Lybbert & Zolas, 2014, for

²See Section C of the Supplementary Appendix for additional validation of our ideology measure.

³We linearly interpolate ideology for each county to fill in the gaps for missing years. However, our results are functionally identical using the last observed ideology measure.

⁴In line with extant research that uses establishment-level data, we categorize all establishments belonging to the same firm and performing the same economic activity (measured at the SIC four-digit level) as part of the same BU (Villalonga, 2004).



more details). To test our third hypothesis we use a dichotomous measure categorizing a firm as young if it first appeared in the NETS dataset less than 6 years before the current year.

Following Boxell et al. (2022), we measure affective polarization by comparing the animus people feels toward those with differing ideologies, compared to the affinity they have for those with the same ideology. Our data come from the American National Election Studies (ANES) survey. The ANES uses “feeling thermometer” questions, where respondents rate their sentiments toward ideological groups (conservatives/liberals) on a 0–100 scale. To measure affective polarization at the societal level, we calculate the difference between each respondent’s feeling toward their ideological group and their feelings toward the opposing ideological group, and then take the average of this figure across all of the respondents for each year of the survey. We plot this measure across time in Figure 1, which reveals that affective polarization has been increasing in the United States over time, with a particularly large jump post-2008. This is helpful for our study since the period for our sample (2009–2014) overlaps with when the United States is experiencing the largest increase in affective political polarization.

3.1.4 | Control variables

We include several variables to control for alternative explanations of firm location that may be correlated with our measure of ideological distance. One of the most important factors to account for is the firm’s pre-existing economic activity in potential locations since firms may prefer to locate in places where they already have operations to minimize supply and coordination costs. Therefore, we control for a firm’s activities in each potential location through the following measures: (a) the number of facilities (logged) the firm already has in the county engaged in the same economic activity (SIC four-digit level) as the establishment it is seeking to open⁵ and (b) the number of facilities (logged) the firm already has in the county that are not engaged in the same economic activity as the establishment it is seeking to open. We also calculate these measures of existing economic activity at the state level.

Firms might also choose locations based on the prior location decisions of other firms (Henisz & Delios, 2001). We therefore control for the economic activity in each potential location of all other firms in the data set using two similar sets of variables: (a) the logged number of facilities of all *other* firms in the county engaged in the same economic activity (SIC four-digit level) as the establishment the focal firm intends to open and (b) the logged number of facilities other firms already have in the county that are not engaged in the same SIC four-digit activity as the establishment the focal firm intends to open. Once again, we also include these indicators of economic activity measured at the state level.

We control for a county’s relative agglomeration in the same industry as the facility that the firm is opening using Marcon and Puech’s (2010) *M* function.⁶ We also consider that a desire for geographic proximity might artificially link ideological distance and location, and bias our results. To account for this, we control for the logged geographic distance from each potential location to the firm’s headquarters, to the firm’s nearest facility, and to the firm’s nearest facility in the relevant BU. We also include a binary variable indicating whether or not a location is within the same state as the firm’s headquarters.

⁵This can be interpreted as the current activity in the county for the relevant BU.

⁶For more information on how this measure is constructed, see Section B in the Supplementary Appendix.

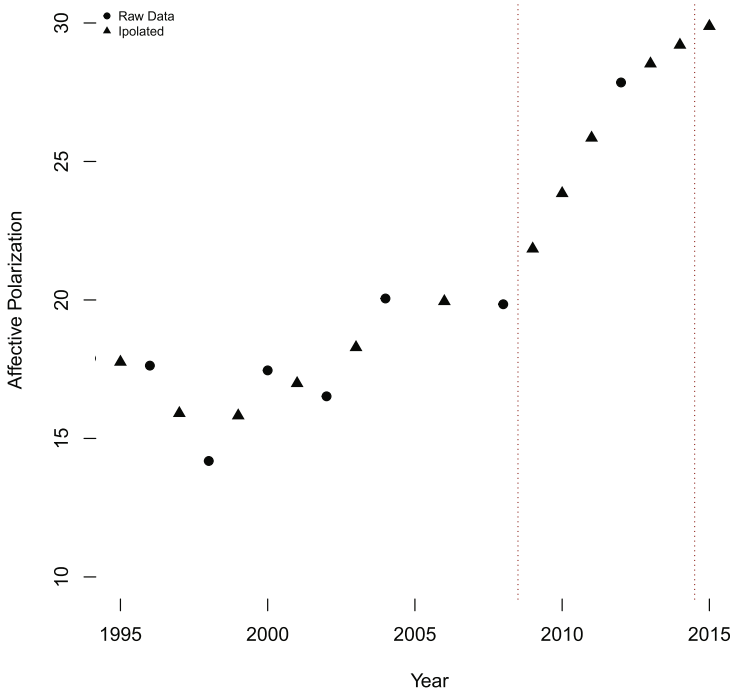


FIGURE 1 Affective polarization in the United States over time.

Additionally, at the state-level, we control for three other factors. First, to account for preferences over unionization of workers, we control for Hirsch and Macpherson's (2003) coverage of unionized workers in each potential location's state. Second, to account for the overall attractiveness of the state's economy, we control for the logged level of gross state product. Finally, we use corporate tax rates from taxfoundation.org to account for the fiscal policy advantages of each state.

At the county-level, we use data from the US Census' American Community Survey to control for population density, average employee skill level (proxied by the percentage of workers with a college degree), immigration and migration levels (calculated by the percentage of citizens not born in the United States and not born in the same state respectively), the average wage of workers, and county unemployment percentage.

A potential concern is that a negative relationship between ideological distance and firm location solely reflects a firm's desire to locate in places with similar policies to their existing operations. However, we believe our ideological distance measure is not simply proxying for policy or regulatory distance. This is because economic policies and regulations are usually determined at the state-level and not at the county-level. Nevertheless, to guard against the possibility that county-level ideology might be correlated with policies dictated at the state-level, we include a measure—policy distance—constructed in the same way as our ideological distance measure except we substitute the state's governing ideology for county ideology using a measure of state ideology compiled by W. D. Berry et al. (1998). This measure proxies for ideology-driven differences in government policies between potential locations and the types of policies under which the BU currently operates.

To account for potential correlations between ideological distance and various differences between candidate sites and a BU's existing locations, we incorporate several additional



distance measures. To generate these controls, we recreate our distance measure for ideology except we substitute other location-specific characteristics at the county-level such as population density, education, immigration and migration, average wages, and unemployment. We similarly construct distance measures at the state level for corporate tax rates, gross state product, and unionization rates.

Finally, a concern might arise that our ideological distance measure reflects the stance of the top management team or the broader firm. To safeguard against this we include two further controls. First, to proxy for the ideological distance from the firm's executives we control for the ideological distance from the firm's headquarters to each potential location. Second, to guard against our measure of BU ideological distance picking up a firm's overall ideological stance we also include a measure of ideological distance between all of the firm's *other* BUs and each potential location. This way we ensure that our measure of ideological distance truly picks up the distance for each BU in our sample and not some construct latent to the firm overall.

Beyond our control variables, we also include fixed effects at the decision-level in our analysis. This allows us to investigate how ideological distance affects location decisions within the choice set for each new facility. This also allows us to exclude all year, firm, and industry-specific variables since they do not vary within location decisions and are absorbed. Finally, we also include county fixed effects to account for the unobserved attractiveness of different counties.

3.2 | Model

We test our hypotheses using linear probability models (LPMs) with robust standard errors, clustered at the decision-level, which produces unbiased estimates for binary-dependent variables (Angrist & Pischke, 2008). We employ LPM instead of conditional logit models since, as Hernandez and Shaver (2019) highlight, correctly interpreting the size of the effects of interaction terms is extremely difficult in conditional logit models.⁷ Since our models are estimated using millions of observations, we present *t*-values in parentheses to aid the interpretation of the statistical significance of our estimates. For easier interpretation, we also multiply the coefficient estimates by 100. Therefore, a coefficient of one indicates that a one-unit change in the independent variable is associated with a 1% increase in the probability a location is selected.

4 | RESULTS

In the first part of our empirical analysis, we investigate the direct and moderated effects of ideological distance on firm location. Our main hypothesis posits that ideological distance has a negative impact on firm location. We further argue that this relationship is stronger in industries that are more knowledge-intensive and when firms are young. We present the results of our tests of these hypotheses in Table 1. While all models include the full set of control variables, to conserve space we present only the estimates for our main variables of interest. Full tables with the coefficient estimates for all control variables, as well as descriptive statistics, are available in Supplementary Appendix A.

⁷Our findings are robust when using the conditional logit. See Section A in the Supplementary Appendix.

TABLE 1 Ideological distance and location selection.

	Dependent variable: Location choice			
	(1)	(2)	(3)	(4)
Ideological distance	-1.05 (-9.41)	-1.26 (-10.25)	-0.97 (-8.68)	-1.18 (-9.60)
Ideological distance × Knowledge intensity		-1.07 (-11.50)		-1.02 (-10.97)
Ideological distance × Young firm			-3.02 (-12.65)	-2.72 (-9.18)
Controls	✓	✓	✓	✓
Decision fixed effects	✓	✓	✓	✓
County fixed effects	✓	✓	✓	✓
Observations	13,818,911	11,861,790	13,818,911	11,830,652
R ²	.08	.08	.08	.08

Note: Coefficients are presented as percentages, that is, multiplied by 100. *t*-values in parentheses (calculated using decision clustered standard errors).

The findings presented in Table 1 broadly support our claims. Model (1) shows that the ideological distance between a candidate location and the relevant BU is negatively associated with the likelihood that county is selected. We also find that the effect of ideological distance is moderated by the knowledge intensity of the industry (Model 2) and whether or not the firm is young (Model 3). In each of these cases, the estimated coefficient for the interaction term between the moderator and ideological distance is negative with a *t*-value over eight. This suggests that firms are more sensitive to ideological (mis)alignment when knowledge-sharing is more important to the BU, and when the firm is in the early stages of development. For firms that are young (less than 6 years old), the effect of ideological distance is four times greater than for more mature firms. Similarly, Figure 2 illustrates how the marginal effect of ideological distance on location increases dramatically as knowledge intensity increases. Taken together, the moderators of firm age and knowledge intensity have a significant impact on the magnitude of the effect of ideological distance on location, which not only provides support for Hypotheses 2 and 3, but also supports the mechanisms that underpin Hypothesis 1.

Our fourth hypothesis posits that increased political polarization will amplify the negative effect of ideological distance on location. To test this we, split our sample into two subsamples—high and low polarization—depending on whether the level of affective polarization is above or below the mean for our sample period. We then reestimate our models from Table 1 for the two subsamples and display the results in Tables 2 and 3. When comparing the beta coefficients across the two subsamples, we find that the effect size for nearly all of the coefficients is larger in times of high polarization. This is true for the unconditional direct effect of ideological distance in Model (1) (-1.45 vs. -0.68), and the direct and conditional effects of ideological distance in Model (3) (-1.34 vs. -0.63 and -3.17 vs. -2.38 for Model 3). The exception is in Model (2) where the beta coefficient for the direct effect of ideological distance is smaller but the conditional effect is larger in times of low polarization.

To more systematically compare the effect sizes across low and high polarization scenarios, we present density plots of post-estimated simulations of the different beta-coefficients in Figure 3. Figure 3a shows the plot for the overall effect of ideological distance (top panel) and

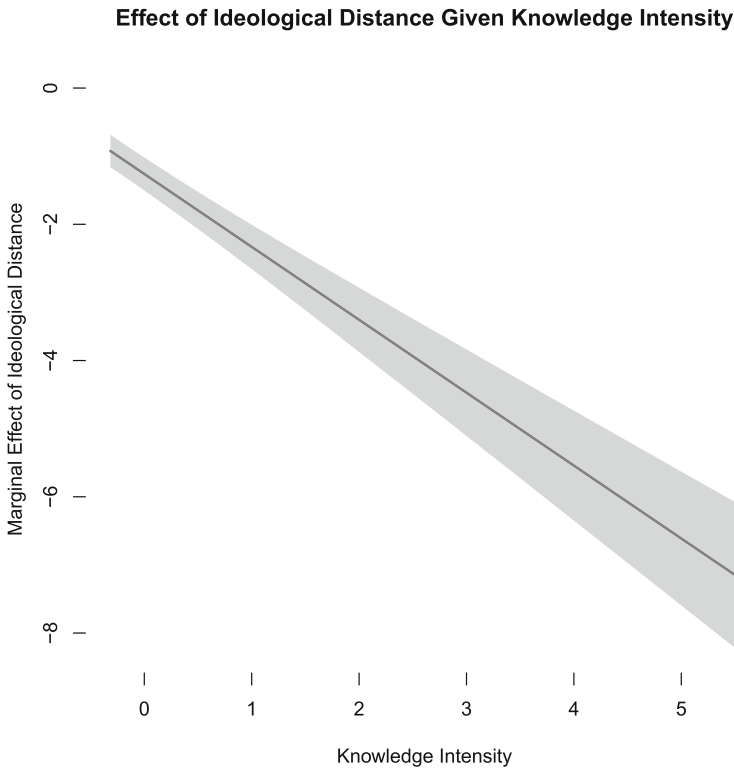


FIGURE 2 Marginal effect of ideological distance on location at different levels of knowledge intensity.

the effect of ideological distance under high and low polarization (bottom panel). The non-overlapping plots in the lower panel indicate that the beta estimates differ under high and low polarization with the estimated effect being stronger when polarization is high. Using Clogg et al.'s (1995) z-score measure, we find the two distributions have a z-score of -3.45 , further suggesting the effect of ideological distance is different when polarization is high and low. Similarly, we find further evidence that in years of high polarization the effect of ideological distance is greater for young firms. While the density plots for high/low polarization overlap partially in Figure 3c, the estimated effects of ideological distance under high and low polarization are likely different since Clogg et al.'s (1995) z-score measure is -1.82 for the two distributions. In Figure 3b, however, the plots for the estimated effects of ideological distance, when conditioned by knowledge intensity, consistently overlap in times of low and high polarization. This suggests that for more knowledge-intensive industries, ideological distance is important even during periods of comparatively low polarization. Overall, however, the influence of ideological distance on firm location appears to intensify with increased levels of affective polarization, corroborating our fourth hypothesis.

4.1 | Substantive effects of ideological distance

With millions of observations, it is unsurprising that the estimated coefficients for most variables are statistically significant at conventional levels. Therefore, while the estimates from Tables 1–3 provide statistical support for our arguments, the natural question becomes: is

TABLE 2 Ideological distance and location selection—Low polarization.

	Dependent variable: Location choice		
	(1)	(2)	(3)
Ideological distance	-0.68 (-4.12)	-1.35 (-6.94)	-0.63 (-3.85)
Ideological distance × knowledge intensity		-1.39 (-5.82)	
Ideological distance × Young firm			-2.38 (-6.44)
Controls	✓	✓	✓
Decision fixed effects	✓	✓	✓
County fixed effects	✓	✓	✓
Observations	6,545,067	5,307,084	6,545,067
R ²	.07	.07	.07

Note: Coefficients are presented as percentages, that is, multiplied by 100. *t*-values in parentheses (calculated using decision clustered standard errors).

TABLE 3 Ideological distance and location selection—High polarization.

	Dependent variable: Location choice		
	(1)	(2)	(3)
Ideological distance	-1.45 (-9.54)	-1.50 (-9.07)	-1.34 (-8.84)
Ideological distance × Knowledge intensity		-1.05 (-10.38)	
Ideological distance × Young firm			-3.17 (-10.28)
Controls	✓	✓	✓
Decision fixed effects	✓	✓	✓
County fixed effects	✓	✓	✓
Observations	7,273,844	6,554,706	7,273,844
R ²	.09	.10	.09

Note: Coefficients are presented as percentages, that is, multiplied by 100. *t*-values in parentheses (calculated using decision clustered standard errors).

ideological distance also substantively important to location decisions? Based on the estimates in Model (1) of Table 1, the predicted probability of a location being selected by a firm decreases by approximately 8% with a 1 SD increase in ideological distance from its mean. Factoring in the moderating elements, the potential impact of ideological distance amplifies. For instance, in an industry where knowledge intensity is 1 SD above average, a 1 SD increase in ideological distance is associated with a 17% decrease in the predicted probability a location will be chosen. The effect of ideological distance is also particularly large for young firms, where a 1 SD increase in ideological distance is associated with a 26% decrease in the predicted probability a firm will select a given location. With the exception of knowledge intensity, the sizes of the effects are larger still in times of high polarization. For example, the size of the effect of a 1 SD increase in ideological distance for young firms during periods of high polarization jumps to 31%. This effect is similar in size to a 1 SD increase in geographic distance between a candidate location and the closest facility in the relevant BU. All of these results indicate that ideological distance is substantively important in shaping location decisions.



FIGURE 3 Impact of ideological distance on location choice during high and low periods of polarization.

4.2 | Additional analyses: Testing the mechanism

4.2.1 | Ideological distance and employee firm reviews

Having demonstrated the significant role of ideological distance in firm location decisions, we proceed with two supplementary analyses to highlight the mechanisms underpinning our main argument. First, we use employee review data from Glassdoor.com, the largest available source of employee reviews, to examine the impact of ideological distance on interaction, collaboration, and resource-sharing at the microlevel. Glassdoor's database contains hundreds of thousands of

anonymous reviews by employees across the United States. While Glassdoor's survey does not include a specific question about engagement across facilities, it prompts employees to evaluate the firm across various dimensions, as well as provide a list of pros and cons about the firm that can offer insights into how ideological distance affects employees' interactions and experiences at work. Many Glassdoor reviews also have an approximate geographic location for the employee. With this information, we can recreate our measure of ideological distance between the employee's location and the rest of the firm's operations, and evaluate if ideological distance affects employees' ratings of their firms in ways that would be consistent with our theory.

To construct the sample, we merge the NETS dataset with Glassdoor's records, and create a measure of ideological distance based on the geographic location of the employee and the rest of the firm.⁸ We construct three dependent variables based on whether or not an employee review mentions "ideology," "collaboration," or "isolation/alienation," as a *con* of working for the organization. We also estimate the effect of ideological distance on how likely survey respondents are to offer a *negative evaluation* with respect to: (a) recommending working at the firm and (b) the firm's culture/values.⁹ Because they are likely to belong to a different ideological group, we expect that employees in areas that are more ideologically distant from the rest of the firm to be more likely to evaluate the organization negatively in terms of culture/values, and to be less likely to recommend working at their firm to others. We also expect that employees in ideologically distant areas will be more likely to report alienation/isolation, collaboration and ideology as "cons" of working for the firm.

We estimate the effects of ideological distance on our employ review variables using OLS. We control for whether the respondent was currently employed by the firm at the time of the review, the number of employees at the firm, the employee's tenure at the firm, as well as year and company fixed effects. We also control for several subjective evaluations of the firm by each employee in their reviews, including the employee's satisfaction with compensation, the employee's evaluation of work-life balance at the firm, and the employee's perception of career opportunities.

We present our results in Table 4. As our dependent variables measure negative evaluations of the organization, we expect a positive coefficient for ideological distance. All of the results are thus consistent with our theory in that employees at more ideologically distant facilities are more likely to list collaboration, alienation, and ideology as a *con*, although the coefficient for the latter has a *p*-value of .1. Employees at ideologically distant locations are also more likely to have a negative view of their organization's values and are more likely to not recommend working at the firm. It is important to note these results hold with firm fixed-effects, suggesting that employees *within the same firm* differ in their perceptions of the firm depending on ideological distance. Overall, the Glassdoor data provide evidence consistent with our claim that ideological distance adversely affects the development of constructive relationships that support collaboration and resource-sharing.

4.2.2 | Ideological distance and facility closures

As a second probe into our mechanism, we focus on the assertion that firms are deterred from opening new facilities in ideologically distant locations because the associated obstacles to

⁸Glassdoor does not provide information regarding the employee's industry or BU. Therefore, our measure is distance relative to the rest of the firm.

⁹These two dummy variables take a value of one if the respondent gave the firm a score of less than three, on a scale of one to five.



TABLE 4 Ideological distance and employee ratings: Glassdoor data.

	Dependent variable				
	Cons of firm			Do not recommend	Low rating of values
	Collaboration	Isolation	Ideology		
	(1)	(2)	(3)	(4)	(5)
Ideological distance	0.06 (.04)	0.06 (.02)	0.01 (.10)	0.70 (.01)	0.48 (.04)
Currently employed at firm	-0.01 (.67)	-0.05 (.01)	-0.01 (.09)	-4.46 (.01)	-3.77 (.01)
Employment tenure	0.01 (.57)	-0.01 (.01)	0.01 (.40)	-0.11 (.01)	0.08 (.01)
Work/life balance	-0.02 (.20)	0.01 (.53)	-0.01 (.01)	-10.07 (.01)	-9.90 (.01)
Career opportunities	-0.06 (.01)	-0.03 (.01)	-0.002 (.36)	-15.90 (.01)	-11.77 (.01)
Compensation	0.07 (.01)	0.03 (.01)	-0.01 (.34)	-5.63 (.01)	-3.15 (.01)
Number of employees	-0.02 (.71)	-0.01 (.56)	-0.004 (.60)	-0.57 (.19)	0.16 (.61)
Year fixed effects	✓	✓	✓	✓	✓
Firm fixed effects	✓	✓	✓	✓	✓
Observations	235,281	235,281	235,281	206,486	154,318
R ²	.02	.01	.02	.50	.37

Note: Firm clustered *p*-values in parentheses.

collaboration and resource-sharing across facilities negatively affect performance. To test this assumption more directly, we analyze how ideological distance contributes to performance in terms of establishment closures. Our approach mimics Shaver and Flyer (2000) who examine location choice through the opening of new establishments, and performance as the survival of facilities. If our theory is correct, establishments that are more ideologically distant from the rest of their BU will be more likely to be associated with poor performance, and therefore more likely to be closed than establishments that are less ideologically distant.

We test this using our NETS dataset by looking at which establishments are closed in a given year. We restrict our sample to only BUs that experienced at least one facility closure in a given year but did not shut down all of their facilities, and include fixed-effects at the BU/year level. We also eliminate three types of facilities from our sample: (1) the firm's headquarters, (2) facilities with fewer than five employees, and (3) facilities that were moved during the sample period.¹⁰ We then estimate the effect of ideological distance on facility closure using the same controls as in our original analysis of firm location¹¹ plus two additional variables that are associated with facility closure: (a) facility size, which is a dichotomous variable set to 1 if the facility has more than the median number of employees found in facilities in the same industry and (b) facility age, measured as the number of years the facility has been open in our dataset. The results from the full sample are presented in Table 5, and the split sample for low and high

¹⁰Relocated facilities are rare in our sample (less than 3%) and we exclude them due to a different decision being made about their viability. However, our results are functionally identical with their inclusion.

¹¹We do exclude the HQ and non-BU ideological distance from our analysis due to the high collinearity between the main explanatory variable and these controls, although the point estimate is roughly similar when they are included suggesting there is little omitted variable bias with their exclusion.

polarization in Tables 6 and 7. Once more, to conserve space we only present estimates for our main variables of interest and place full tables in Supplementary Appendix A.

Overall, the impact of ideological distance on the closure of existing facilities is consistent with our findings on ideological distance and the location of new facilities. First, we find that ideological distance is positively related to the likelihood that a facility will be closed down. This suggests these facilities are underperforming or are a source of BU underperformance. Furthermore, in line with our final hypothesis (H4), the effect of ideological distance on facility closure is most pronounced in times of high polarization where the effect is more than 10 times as large compared to times of low polarization. This indicates that greater societal polarization exacerbates the negative effects of ideological distance on performance. In addition, we find evidence in support of our second hypothesis as the effect of ideological distance on facility closure is stronger in more knowledge-intensive industries. This suggests that when BUs rely more on collaboration and resource-sharing across facilities, ideological distance is more closely associated with

TABLE 5 Ideological distance and facility closures.

	Dependent variable: Closure		
	(1)	(2)	(3)
Ideological distance	1.36 (2.08)	1.57 (2.20)	1.35 (2.07)
Ideological distance × Knowledge intensity		1.40 (2.12)	
Ideological distance × Young firm			0.48 (0.18)
Controls	✓	✓	✓
BU-year fixed effects	✓	✓	✓
County fixed effects	✓	✓	✓
Observations	1,433,644	1,215,244	1,433,644
R ²	.17	.15	.17

Note: Coefficients are presented as percentages, that is, multiplied by 100. *t*-values in parentheses (calculated using decision clustered standard errors).

TABLE 6 Ideological distance and facility closures—Low polarization.

	Dependent variable: Closure		
	(1)	(2)	(3)
Ideological distance	0.18 (0.20)	0.52 (0.51)	0.20 (0.22)
Ideological distance × Knowledge intensity		1.14 (1.18)	
Ideological distance × Young firm			−1.30 (−0.28)
Controls	✓	✓	✓
BU-year fixed effects	✓	✓	✓
County fixed effects	✓	✓	✓
Observations	773,530	655,635	773,530
R ²	.17	.17	.17

Note: Coefficients are presented as percentages, that is, multiplied by 100. *t*-values in parentheses (calculated using decision clustered standard errors).


TABLE 7 Ideological distance and facility closures—High polarization.

	Dependent variable: Closure		
	(1)	(2)	(3)
Ideological distance	2.70 (2.94)	2.86 (2.82)	2.67 (2.89)
Ideological distance × Knowledge intensity		1.64 (1.81)	
Ideological distance × Young firm			2.35 (0.75)
Controls	✓	✓	✓
BU-year fixed effects	✓	✓	✓
County fixed effects	✓	✓	✓
Observations	659,969	559,446	659,969
R^2	.18	.12	.18

Note: Coefficients are presented as percentages, that is, multiplied by 100. t -values in parentheses (calculated using decision clustered standard errors).

underperformance. Further, as predicted in H4, this relationship is stronger in times of high polarization than in times of low polarization. Finally, the effect of ideological distance on facility closure is larger for young firms, however, the estimate has high variance (t -value = 0.75) suggesting we cannot reject the null hypothesis. This variance is largely because young firms are focused on growth and, therefore, it is very rare for them to close facilities. Thus, the sample size for young firms closing facilities is minute (only 0.01% of our closures sample).

Overall, the results of these additional analyses of employee reviews and facility closures support the mechanisms we argue cause ideological distance to have a negative effect on firm location. Firms prefer not to locate facilities in ideologically distant locations, particularly when societal polarization is high, because ideological distance impedes collaboration and resource-sharing across facilities, which negatively affects performance.

5 | DISCUSSION

This study bridges theory on political identity, affective polarization, intra-firm integration, and firm location to offer novel arguments about the effects of political ideological distance on firm location. Rigorous empirical tests on a large sample of firm location decisions in the United States reveal a clear, and negative, relationship between ideological distance and firm location. We argue that this relationship is driven by organizations seeking to promote constructive relationships between personnel across facilities that are important drivers of the effective collaboration and resource-sharing that supports performance within multilocation organizations. Consistent with this argument, we find the effect of ideological distance intensifies for BUs in industries where knowledge sharing is more critical, and when the firm is young and relies more on informal connections to facilitate engagement across facilities. Furthermore, we find evidence that the level of affective polarization in society positively conditions the impact of ideological distance. Additional analyses of employee reviews and facility closures provide further evidence that ideological distance has a negative effect on collaboration and performance. Overall, this study contributes to, and has implications for, research in three main areas.

5.1 | Political ideology and polarization

As affective polarization escalates, and animus grows across ideological lines, political identities are influencing more social interactions in the United States. Thus, it is incumbent on strategy scholars to investigate the strategic and managerial implications of polarization and ideological identity. To date, these remain frontier topics in strategy research. There is little work on how firms respond strategically to affective polarization, and the link between ideology as identity (as opposed to ideology as values) and firm strategy remains undertheorized. Our study thus helps fill an important gap in the strategy literature and complements work on issue polarization (Benton et al., 2022; Mohliver et al., 2022) and consumer behavior (Hou & Poliquin, 2023; Neureiter & Bhattacharya, 2021), by explaining how ideological identity dynamics associated with affective polarization can shape core strategic decisions.

A growing number of studies reveal that at work: political issues are discussed; individuals' political identities are known; and conflict and discrimination across ideological identity groups occur to a significant degree (Swigart et al., 2020). Therefore, the effects of ideological identity on firm strategy are unlikely to be limited to location decisions. With growing polarization, one particularly important direction for future research is to investigate how to manage ideological distance and identity conflict effectively. Our argument and findings regarding firm age suggest that appropriate routines and organizing principles may help mitigate the impact of polarization. We believe the precise content of such routines is an important area for future investigation. Simply seeking to suppress political discussion and identification at work is unlikely to succeed. Research shows that Americans find more people with whom to discuss politics in the workplace than in any other social context outside of their families (He et al., 2019; Mutz & Mondak, 2006). This suggests that, at least for the foreseeable future, firms will find it difficult to keep political identities out of their organizations.

Another potential direction for future scholarship is to examine the effect of ideological polarization on strategic decisions. This study focuses on the social identity dynamics that are associated with *affective* political polarization. However, firms may also encounter changes in the level of *ideological* polarization, which refers to the level of divergence in peoples' beliefs and policy preferences (Iyengar et al., 2019). Affective and ideological polarization need not move in unison and ideological polarization is not a precondition for affective polarization (Iyengar et al., 2012; Mason, 2015). Therefore, the effects of the two forms of polarization on firm strategy may occur through different pathways. For example, one potential consequence of ideological polarization across a country is greater variance in institutional conditions (laws, regulations, and norms) across locations where different ideologies predominate. Research on multinational firms suggests that such variance may affect firms' location decisions, among other strategies (e.g., Beazer & Blake, 2018; H. Berry et al., 2010; Madsen, 2009).

5.2 | Collaboration and resource-sharing within firms

The literature on intra-firm integration highlights the importance of social ties in facilitating the transfer and sharing of resources and collaboration across facilities in multilocation firms (e.g., Ghoshal & Gratton, 2002; Zeng et al., 2018). In this study, we extend this research by explaining how ideological identities affect the formation of collaborative ties across facilities. In doing so, we also contribute to this literature by endogenizing location choice as a strategic decision that can exacerbate or mitigate difficulties that firms may encounter in forming bridges



across facilities in the same BU. While ideology is a core driver of social identity, it is not the only one. Thus, future scholarship can investigate how other social identities that vary with location may also affect collaboration and resource-sharing across facilities, and also potentially impact firm location decisions.

5.3 | Theories of firm location

Extant research has largely viewed political factors as theoretically separate drivers of firm location from location-specific economic resource endowments. In particular, while the availability of human resources is recognized as an important strategic consideration when firms select locations (Arauzo-Carod et al., 2010), the impact of political considerations, and specifically political ideology, on the attractiveness of a location's human capital has not been considered in current research. Even research focusing on human resource fit and firm location focuses on the economic aspects of fit such as differences in training, skills, and affinity with technology (Estrin et al., 2009), without considering workers' political identities. Yet, our argument and findings show that political ideological distance can affect where firms choose to locate through its impact on human resource fit. Moreover, the argument we present is, to the best of our knowledge, the first to explain how social identity dynamics of conflict across and affinity within groups can affect firm location decisions. In doing so, this article argues that distance shapes location choices not just through its tendency to increase uncertainty and adaptation costs (Kostova, 1999; Siegel et al., 2013).

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study, derived from NETS and Glassdoor.com, cannot be shared due to legal restrictions.

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SUPPORTING INFORMATION

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