

EFFECTS OF ORGANIZATIONAL POLITICS ON DECISION-MAKING AND PROJECT PERFORMANCE IN PROJECT-BASED ENVIRONMENTS

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ABSTRACT

Organizational politics is a pervasive element in modern project environments, influencing both managerial decision quality and project success. Guided by Behavioral Decision Theory (BDT), this study investigates the direct relationship between decision-making and project performance, and the moderating role of organizational politics in this relationship. A quantitative research design was employed, drawing on survey data collected from 322 project professionals across diverse industries in Sri Lanka. The moderation analysis was performed with SPSS and PROCESS Macro. The results reveal a strong positive relationship between effective decision-making and project performance. Conversely, organizational politics negatively affects both decision-making and performance and weakens the relationship. These findings empirically validate the moderating role of organizational politics within the BDT framework. Practically, it underlines the need for open governance arrangements, political risk management, and stakeholder arrangement strategies to safeguard project success.

Keywords: Behavioral Decision Theory, Decision-Making, Organizational Politics, Project Management, Project Performance

1. Introduction

Decision-making in today's project environment is the most critical managerial function that fuels success on dimensions of time, cost, quality, and scope. Effective decision-making enables the project

managers to find the best alternatives, allocate resources wisely, and address risks arising expeditiously. Empirical research into project management suggests that timely, high-quality, risk-conscious, and participative decision-making significantly contributes to improved project performance (Dean & Sharfman, 1996; Kester et al., 2011). However, the effectiveness of such processes is rarely exercised in a neutral organizational context. Instead, decision-making is most practiced in environments entrenched in organizational politics, implied and often hidden power arrangements that influence priorities, resource allocation, and relationships. Political behavior in organizations distorts the decision-making process, with individual interests taking precedence over the shared goals of projects.

Globally, researchers have emphasized that political dynamics—such as favoritism, manipulation, and coalition-building—create uncertainty and weaken governance structures (Amegbe, 2024; Hassan, 2023; Maenuddin, 2020). These behaviors often shift priorities from organizational goals to personal interests, reducing trust and accountability (Ferris et al., 2000; Braun, 2020). Despite this growing recognition, few empirical studies have quantitatively tested how organizational politics influences the relationship between decision-making and project performance within developing-country contexts.

In Sri Lanka, project-based industries such as construction, IT, and manufacturing are heavily affected by hierarchical decision systems and politicized environments, yet there is limited evidence on how these political dynamics affect project outcomes. Understanding this relationship is crucial, as politicized decision-making can lead to cost overruns, schedule delays, and quality compromises.

Behavioral Decision Theory offers a powerful framework to explain how decision-makers' cognitive limitations and emotional responses interact with the political context (Lipshitz & Strauss, 1997; Sætrevik, 2019). Within such settings, even competent managers may rely on heuristics or political appeasement rather than rational evaluation.

Hence, this study seeks to address an empirical gap by examining how organizational politics moderates the relationship between decision-making quality and project performance within Sri Lankan project

environments. Accordingly, the study aims to achieve three main objectives: to examine the relationship between decision-making quality and project performance; to assess the direct impact of organizational politics on project performance; and to investigate whether organizational politics moderates the relationship between decision-making and project performance.

This investigation contributes to both theory and practice by extending BDT into project management and offering evidence-based insights for managers seeking to minimize political interference and enhance project success.

2. Literature Review

2.1. Decision-Making in Project Contexts

Decision-making is the core of project management, determining how resources are allocated, risks are managed, and objectives are achieved. In project environments, effective decision-making encompasses timeliness, quality, risk consideration, and stakeholder involvement. Timeliness helps prevent schedule delays and helps keep momentum going. Forbes and Milliken (1999) argued that prolonged decision-making deliberately led to cost escalation and scope creep. Quality of decisions refers to the degree to which chosen actions align with project goals. Dean and Sharfman (1996) and Nanayakkara and Wickramasinghe (2014) showed organizational performance directly linked to decision quality, and Kester et al. (2011) found that high-quality, data-driven decisions increase the likelihood of project success. Risk consideration involves predicting uncertainties and implementing mitigation strategies. According to March and Shapira (1987), managers who perform structured analyses of risk make more definite project decisions. Miller and Waller (2003) further added that the use of scenario planning results in more resilient decisions under an uncertain event. Stakeholder involvement offers greater legitimacy and acceptability to decision-making (Nanayakkara & Wickramasinghe (2015). Yang et al. (2009) demonstrated that inclusive decision-making reduces conflict and increases stakeholder acceptability. Savage et al. (1991) also took into consideration that involving several viewpoints ensures better-balanced and sustainable project outcomes.

2.2. Project Performance

Performance of the project has traditionally been assessed through the "iron triangle" of cost, time, and quality, with some theorists adding scope as a fourth dimension. Time performance measures the ability to meet planned timings. Schedule adherence was highlighted by Vanhoucke (2013) as a success factor, and schedule variance was introduced by Cioffi (2006) as a useful performance metric. Cost performance reflects the success of the project in meeting its budget. Alarcón and Mourgues (2002) pointed out that one of the main determinants of success is cost control, and Flyvbjerg et al. (2002) warned that poor cost estimates frequently undermine performance. Performance quality gauges whether deliverables meet required standards and customer expectations. Scope performance examines alignment between the delivered outcome and original project objectives. Successful project performance thus relies on the harmonized attainment of these interconnected dimensions.

2.3. Characteristics of Organizational Politics

Organizational politics refers to casual, regularly hidden behaviors geared toward influencing decision-making and resource allocation for personal or group benefit (Mintzberg, 1985). While some political behavior can facilitate decision-making by aligning stakeholders, excessive politics undermines transparency and erodes trust.

Influence tactics such as coalition building and manipulation can have the potential for deflecting project priorities from strategic intentions. Favoritism damages morale by rewarding loyalty over competence. Ferris et al. (2000) demonstrated that perceived favoritism reduces team performance, while Kacmar and Carlson (1997) found it discourages high performers. Blame-shifting prevents organizational learning and reduces accountability. Hochwarter et al. (2003) found that avoiding responsibility contributes to repeated project failures. Manipulative communication, including withholding or distorting information, can mislead decisionmakers and reduce decision quality (Gotsis & Kortezi, 2010). Power play centralizes control, restricting participation and innovation. Zivnuska et al. (2004) observed that high-power environments often produce rigid, politically driven decisions.

2.4. Behavioral Decision Theory as a Lens

Behavioral Decision Theory posits that decisions are influenced not solely by rational analysis but also by psychological biases, emotions, and contextual forces (Lipshitz & Strauss, 1997). In project settings, BDT helps explain why even experienced managers may deviate from optimal choices when political pressures, cognitive shortcuts, or affective responses are at play. Decision-makers may adjust judgments to align with influential stakeholders, protect personal reputation, or maintain organizational harmony (Hassan, 2023).

Applying BDT to project management provides three key insights. First, from a cognitive perspective, decision quality varies because human judgment is constrained by heuristics and limited information. Second, from a contextual perspective, political climates can distort decisions, biasing them toward self-interest rather than collective project goals. Finally, the behavioral outcome perspective highlights that political interference moderates how decision quality translates into measurable project performance.

This framework positions organizational politics as a contextual moderator that can amplify or weaken the impact of decision-making on performance outcomes (Sætrevik, 2019; Amegbe, 2024).

2.5. Theoretical Framework

Grounded in BDT, this study conceptualizes decision-making as the independent variable (IV), project performance as the dependent variable (DV), and characteristics of organizational politics as the moderator (M). In environments with low political interference, rational and participative decision-making directly enhances project success. Conversely, in politicized contexts, decision quality may deteriorate due to favoritism, blame-shifting, and manipulation (Ferris et al., 2000; Hassan, 2023). Figure 1 illustrates this theoretical framework.

This model allows empirical testing of how politics shapes the strength and direction of the decision-performance linkage within Sri Lankan projects. Building on this conceptual foundation, the following

hypotheses are proposed to examine the direct and moderating effects among the study variables.

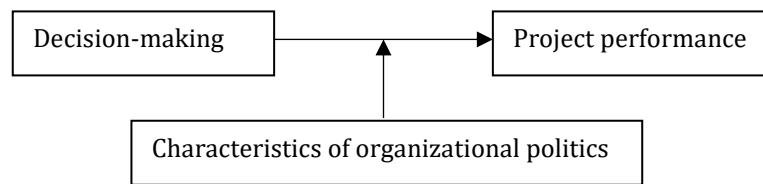


Figure 1: Theoretical Framework

Decision-making plays a crucial role in ensuring project success by influencing the timeliness, quality, and consistency of project execution. Strong, timely, and participative decisions enhance outcomes across dimensions such as time, cost, quality, and scope (Dean & Sharfman, 1996; Kester et al., 2011; Braun, 2020). When decision-making processes are well-structured and inclusive, teams are more aligned and responsive to project challenges, ultimately leading to improved project performance. Therefore

H1: Decision-making is significantly associated with project performance.

Organizational politics, on the other hand, often manifests as favoritism, manipulation, or hidden agendas that distort fair decision-making processes. Such political behavior can lead to reduced trust, poor coordination, and lower overall team morale, all of which hinder project success (Ferris et al., 2000; Hassan, 2023). In politically charged environments, performance declines because individuals prioritize personal or group interests over organizational goals. Thus,

H2: Organizational politics is negatively associated with project performance.

Moreover, organizational politics can alter the strength of the relationship between decision-making and project performance. In highly political environments, even strong decision-making processes may lose effectiveness due to biased inputs, lack of transparency, or power-driven interference. Conversely, in environments with low political influence, decision-making tends to be more rational and collaborative, resulting in better project outcomes (Zivnuska et al., 2004; Amegbe, 2024). Therefore,

H3: Organizational politics moderates the relationship between decision-making and project performance.

3. Methodology

3.1. Research Design

This study adopts a deductive, quantitative research approach based in BDT. A cross-sectional survey approach was employed to collect standardized data from project professionals across diverse industries in Sri Lanka. This design enabled the examination of both direct effects and moderation effects using statistical modeling. Sri Lanka was chosen as the study context because it represents an emerging project-driven economy where political influences in organizational decision-making are widely acknowledged but under-researched. The context offers a valuable opportunity to empirically validate the moderating role of politics in project environments characterized by hierarchical structures and limited transparency.

3.2. Population, Sample, and Data Collection Procedure

The target population comprised project managers, team leaders, executives, and other professionals involved in decision-making within project environments. The sample frame included professionals from construction, IT, manufacturing, engineering, and other service sectors, which prominent project-based sector in Sri Lanka. A purposive sampling strategy was adopted to ensure the inclusion of respondents with relevant project decision-making experience. The final sample consisted of 322 professionals, which satisfies the recommended minimum for moderation analysis and regression modeling (Hair et al., 2010). A structured, self-administered questionnaire was distributed both electronically and in printed form. Participation was voluntary, and respondents were informed about the confidentiality of their responses. Consent was obtained before participation.

3.3. Measures

All constructions were measured using previously validated multi-item Likert scales ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Reliability for each scale was assessed using Cronbach's alpha, and all values exceeded the recommended 0.70 threshold. Decision-making was measured using sixteen items adapted from Dean and Sharfman (1996), Harrison and Pelletier (2001), and Yang et al. (2009). The scale captured four key dimensions: timeliness, quality, risk consideration, and stakeholder involvement, demonstrating excellent reliability ($\alpha = 0.977$). Project performance was measured using sixteen items adapted from Vanhoucke (2013) and Alarcón and Mourgues (2002). These items assessed performance in terms of time, cost, quality, and scope adherence, with strong internal consistency ($\alpha = 0.983$). Organizational politics was measured using twenty items adapted from Ferris et al. (2000), Mintzberg (1985), Zivnuska et al. (2004), and Hochwarter et al. (2003). This scale assessed influence tactics, favoritism, blame-shifting, manipulative communication, and power play, and demonstrated high reliability ($\alpha = 0.980$). Demographic variables such as gender, age, industry type, project size, and organizational tenure were collected to describe the sample and serve as potential control variables.

3.4. Data Analysis Methods

Data were analyzed using IBM SPSS Statistics (Version 28) and the Process Macro (Model 1) for moderation analysis. The analytical procedure involved several steps. First, data screening was conducted to identify and handle missing values and outliers. Second, the reliability of each construct was tested using Cronbach's alpha. Third, an Exploratory Factor Analysis (EFA) was performed to confirm construct validity, with acceptable thresholds of $KMO > 0.80$ and Bartlett's Test of Sphericity ($p < 0.001$). Fourth, descriptive statistics were used to summarize sample characteristics, followed by Pearson correlation analysis to examine bivariate relationships among variables. Fifth, moderation analysis was carried out to test the direct effects (H1 and H2) and interaction terms (H3). Finally, key statistical assumptions, including normality, multicollinearity, and homoscedasticity were tested to ensure model robustness. Statistical significance was determined at the 0.05 level, and all results were reported using standardized beta coefficients (β), standard errors (SE), and 95% confidence intervals (CI).

4. Results and Discussion

Descriptive statistics indicated generally positive perceptions of decision-making (Mean = 3.64) and project performance (Mean = 3.58), while organizational politics was rated neutrally (Mean = 2.99). Correlation analysis supported the hypotheses, revealing strong positive links between decision-making and project performance, and significant negative associations with organizational politics.

Moderation analysis (Table 1) confirmed that organizational politics significantly weaken the positive impact of decision-making on project performance. The hypotheses testing outcomes are summarized in Table 2.

Table 1: Results of Moderation Analysis

Predictor	β	SE	t	p	95% CI (LLCI, ULCI)
Constant	2.996	0.415	7.223	<.001	[2.180, 3.813]
DM	0.373	0.097	0.097	<.001	[0.183, 0.563]
OP	(0.764)	0.116	0.116	<.001	[-0.992, -0.537]
DM $\times$ OP	0.145	0.029	0.029	<.001	[0.089, 0.201]

Note: DM = Decision Making, OP = Organizational Politics, DM $\times$ OP = Interaction, β = Regression Coefficient, SE = Standard Error, t = t-statistic, p = p-value

Table 2: Hypotheses Testing Summary

Hypothesis	Statement	Result	Conclusion
H1	DM $\rightarrow$ PP	$\beta = 0.3731$, $p < .001$	Supported
H2	OP $\rightarrow$ PP	$\beta = (0.7644)$, $p < .001$	Supported
H3	DM $\times$ OP $\rightarrow$ PP	$\beta = 0.1450$, $p < .001$	Supported

Note: DM = Decision Making, OP = Organizational Politics, DM $\times$ OP = Interaction

The findings provide compelling empirical support for all three hypotheses and reinforce the central propositions of BDT. First, the study confirms that effective decision-making is a critical enabler of project success. The high beta coefficient found ($\beta = 0.3731$) and the strong explanatory power ($R^2 = 0.909$) indicate that structured, timely, and comprehensive decision-making processes are strongly associated with better performance in the areas of the "iron triangle," time, cost, and quality. These results are in line with existing literature (Dean & Sharfman, 1996; Kester et al., 2011) and confirm that even in complex

environments, formal decision-making routines yield measurable benefits.

Second, the results illustrate the detrimental effect of organizational politics on project execution. The negative coefficient ($\beta = -0.764$) indicates how this kind of political activity—manipulation, favoritism, and blame games—erodes trust, decreases transparency, and discourages collaborative problem-solving. The finding validates previous research (Ferris et al., 2000) and highlights that unchecked political behavior can harm performance regardless of technical ability. Third, the moderation effect highlights a nuanced insight, while effective decision-making improves outcomes, its strength depends on the level of political interference. This contextual dependency supports the Behavioral Decision Theory premise that decisions are not purely rational but shaped by social and political forces (Lipshitz & Strauss, 1997; Hassan, 2023). Unlike prior studies conducted in Western contexts, this research empirically validates these dynamics within Sri Lankan project environments, where hierarchical structures and informal influence networks are prominent.

This study extends the application of BDT by demonstrating how organizational politics moderates the link between decision-making and project performance. The results provide empirical evidence from Sri Lankan project environments, highlighting how hierarchical and relational power dynamics shape decision outcomes. The findings also reveal sectoral variation, particularly stronger political influence in construction and public-sector projects emphasizing the need to integrate political and contextual variables into future models of project governance and performance evaluation.

5. Conclusion, Contributions and Implications

This research makes an important contribution to the knowledge of how organizational politics impacts decision-making and, by extension, project performance. Framed in BDT, the research affirms that formalized, timely, and inclusive decision-making processes are strong determinants of project success. Likewise, the findings point out that those uncontrolled political forces expressed through favoritism,

manipulation, blame-shifting, and power plays can greatly undermine the efficacy of even the most well-structured decisions.

Theoretically, this study contributes to project management literature by empirically confirming the moderating effect of organizational politics on the decision-making– performance link. This study expands BDT by illustrating that political climate is not just a contextual influence but a determining variable that can enhance or destroy the conversion of decision quality into performance results. This refined argument informs and enriches current governance and decision-making frameworks, particularly in Sri Lankan project settings, which are still underrepresented in the international literature.

From a practical standpoint, this study offers actionable guidance for managers and practitioners operating in politically dynamic environments. Organizations seeking to enhance project success should institutionalize transparent governance frameworks to safeguard decision integrity, actively manage political risk through regular climate assessments and early intervention strategies and strengthen stakeholder engagement to ensure decision legitimacy and foster collaborative commitment. Moreover, leadership capabilities should be developed to enable managers to navigate political landscapes without compromising decision quality as shown by De Costa and Wickramasinghe (2026). Finally, accountability mechanisms must be embedded to deter political manipulation and promote performance-oriented decision-making. Collectively, these practices help minimize the adverse effects of organizational politics while increasing the likelihood that sound decisions will lead to successful project outcomes.

In conclusion, this study reaffirms that effective decision-making is indispensable to project success, yet its potential is contingent on the political climate in which it operates. Rather than viewing organizational politics solely as an obstacle, managers should acknowledge and strategically manage political dynamics to preserve decision integrity and enhance project governance.

6. Limitations and Future Research

Despite its contributions, the study acknowledges some limitations. Cross-sectional design hinders causal inference, and the utilization of self-reported data carries the threat of bias. Geographic concentration in Sri Lanka limits global generalizability, and performance was assessed using perceptions and not objective measures. The effect of other contextual moderators, such as leadership style or organizational culture, were not examined.

Future research should address these limitations by employing longitudinal designs or mixed method approaches to verify causal relationships and deepen contextual understanding. Comparative studies across countries or industries would also provide valuable insights into how political climates interact with decision processes in diverse project environments.

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