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The biasing effect of networks in the implementation of innovations

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Abstract

We develop a theoretical framework about how the social network of a project leader can introduce bias in project-related decision making in the form of overvaluation. Overvaluation can increase *both* the likelihood of implementing projects that turn out to be successes *or* projects that fall below what is expected and thus turn out to be failures. We provide a deeper understanding of the contingencies under which the biasing effects of networks through overvaluation turn out to be more or less beneficial for organizations. More specifically, we theorize that overvaluation is more beneficial in organizations that have a low decision threshold for projects, whereas it can be more detrimental in organizations that have a high decision threshold.

KEYWORDS

bias, centrality, decision threshold, innovation, overvaluation, projects, social network theory

INTRODUCTION

Project leaders who occupy a central position in their organizational social network are often considered to be the ones who contribute most value to their organization (Oldroyd & Morris, 2012). Project leaders are considered central, when they are connected to many others in the organizational network—directly and indirectly relative to other organizational members in the organization (Ferriani, Cattani, & Baden-Fuller, 2009). Although prior studies have addressed the relationship between networks and individual or project performance (Burt, 2004; Carnabuci & Diószegi, 2015; Cattani & Ferriani, 2008; Ferriani, Cattani, & Baden-Fuller, 2009; Gilsing & Nooteboom, 2005; Mehra, Kilduff, & Brass, 2001; Moran, 2005; Rodan, 2010), the question of when and why central project leaders are actually *given scope* to realize success, or even to fail, remains largely unaddressed. Based on innovation management and social network theory, one would expect network centrality to be very important for the success of leaders and their projects because it provides, amongst others, access to information (Granovetter, 1973), valuable opportunities (Ferriani, Cattani, & Baden-Fuller, 2009), and help (Oldroyd & Morris, 2012), and also leading to trust

(Luo, 2011) and informal influence (Brass & Burkhardt, 1993).

In this paper, however, we propose a new theoretical framework which speaks to how these features of a central network position, which may seem positive at the first sight, can also facilitate project failures with possibly severe implications for organizational performance. Addressing this issue is of strategic importance for organizations because a single failure is often enough to lead a firm into bankruptcy (Van Oorschot et al., 2013). We theorize that the successful implementation of projects depends largely on the ability of key project members (most importantly the project leader) to affect key decision makers and project evaluators via their network position. Because central project leaders are better able to exert a strong influence on the organizational decision-making processes, they are more likely to contribute to the implementation of great successes—but, surprisingly, they may also push forward very poor projects.

Where projects are of comparable quality, the bias that a central network position of a project leader introduces may manifest itself during decision making regarding these projects. Specifically, we conceptualize that highly central project leaders benefit from overvaluation, meaning that they receive more positive assessments of

their projects regardless of their actual quality. As a consequence, these projects are more likely to surpass the decision makers' threshold that determines to which projects decision makers commit themselves or which projects they will weed out. In the case of a high-quality project, the involvement of a central project leader will make it more likely that the project is carried through to implementation and is likely to become a success. However, when the project quality is low and a central project leader is involved, there may be a greater likelihood of the project being implemented, too. Once launched on the market, such a low-quality project might indeed turn out to be a failure.

Our conceptual framework offers several important contributions to the literature on social networks, innovation management, and on temporary organizations. To the best of our knowledge, no attempt has so far been made to build a theory with respect to the biasing effect of networks in temporary organizations, such as the context of innovation projects (Sydow & Braun, 2018). We argue that there is a great need for such a theory because centrally positioned individuals play a prominent role in developing and implementing projects that determine the strategic position and development of organizations. Based on innovation management and social network theory, one could even expect that the biasing effect of networks is beneficial for projects, as it reduces barriers to development (Baer, 2012; Sethi, Iqbal, & Sethi, 2012) and gives access to high-quality resources (Packalen, 2007; Podolny & Baron, 1997). However, we adopt a more nuanced view of biases, arguing that networks might lead to resources being allocated not only to high-quality projects but also to projects of lower quality. To advance research in this area, we draw on social network theory and develop propositions about the biasing effects and project outcomes of network centrality. In doing so, we address what difference project leader centrality makes to the acceptance or continuation of projects. In addition, we investigate several projects, organizational, and industrial factors that influence the uncertainty surrounding the true quality of projects to explore the conditions under which project leader centrality may have a stronger or weaker biasing effect on organizational decision making.

THEORETICAL BACKGROUND

Biases in innovation management

Organizations engage in risky endeavors to generate higher profits, to increase their competitive advantage, or to realize their visions. These endeavors are typically organized in the form of projects (Shenhar & Dvir, 1996). The project development process is often risky, as the associated costs can be high and the probability of project success is often low (Markham & Lee, 2013). Because

organizations' aim is to select the development projects that will provide the highest revenues and incur the lowest costs, they often apply a formal project selection and review process (Barczak, Griffin, & Kahn, 2009). The purpose of the review process is twofold: (1) it drives the project in the desired direction, and (2) it regulates which projects should continue and which need to be terminated. Typically, this is based on the risk assessment of a cross-disciplinary review team in order to facilitate access to diverse resources and to ease integration of the diverse goals and interests of the different units in which the managers normally work (Schmidt, Sarangee, & Montoya, 2009). As such, the review points or stages should serve to ensure that weaker, low-quality projects are weeded out from the development process.

Some research suggests that organizations generally use both qualitative methods (e.g., screening questions and questions about the match to current and desired capabilities) and quantitative methods (e.g., cash-flow or return on investment calculations) to determine which new products are selected for further development and are given the green light for market launch (Markham & Lee, 2013). However, other research has shown that project acceptance and continuation cannot entirely be explained by these factors (Green, Welsh, & Dehler, 2003; Slesman et al., 2012). Informal and potentially biased decision making might be at play in these situations. Biases toward certain projects increase the likelihood of implementing those projects regardless of their actual quality by increasing their perceived value, which may help these projects surpass the decision threshold. The decision threshold determines whether a project gets accepted or is rejected from further implementation (Green, Welsh, & Dehler, 2003). If a project is perceived as high quality, it should meet the decision threshold and be accepted. In contrast, if a project is perceived as low quality, it should be positioned below the decision threshold and hence will likely be rejected by decision makers. Decision makers who are involved in innovation projects are particularly exposed to biases both in the project selection and implementation phases, because innovation projects involve a high level of uncertainty (Reitzig & Sorenson, 2013).

Some scholars have already addressed the problem of commitment to a failing course of action during the implementation phase of projects (Boulding, Morgan, & Staelin, 1997; Schmidt & Calantone, 2002). For instance, Schmidt and Calantone (2002) found that responsibility for initiating a project—which is often lies in the hands of a project leader—is positively related to commitment to failing projects. Biases, which, among others, may emerge because people use irrelevant information, can also be understood as sources of decision error (Knudsen & Levinthal, 2007). In fields that are particularly concerned with decision making (e.g., business, statistics, and jurisdiction), scholars and practitioners distinguish between two types of decision errors: Type I

and Type II. Because a bias in decision making might result in the overvaluation of certain qualities of objects or actors, it may reduce the likelihood that a good opportunity will be rejected (i.e., Type I error). At the same time, a bias in decision making may also increase the likelihood of a bad alternative being accepted (i.e., Type II error). In a simulation study, Csaszar (2013) showed that hierarchical organizations are more likely to reject high-quality projects, and organizations in which each member has the right to approve projects are more exposed to the danger of accepting low-quality projects.

However, field studies that addressed the issue of how to overcome decision biases have not adopted the same perspective. Their main concern has been on how to reduce one type of decision error, without considering the likelihood of committing other decision errors. For instance, scholars in the field of risk management have traditionally been concerned with risk reduction (McShane, Nair, & Rustambekov, 2011; Reboredo, 2013; Stulz, 1996), which would correspond to the reduction of Type II errors. That said, risk reduction can only happen at the expense of increasing the likelihood of Type I errors. On the other hand, scholars studying project management have typically focused on exploring ways to push projects forward in the implementation process. In an attempt to reduce the likelihood of rejecting a good opportunity (i.e., Type I error), however, projects are accepted that should have been rejected because of their low value (i.e., Type II error). Because there is often a trade-off between Type I and Type II errors, we argue that scholars investigating this issue have taken a somewhat limited view of decision biases.

To address this limitation, in this study, we are proposing a more nuanced theory of the biasing effects and are considering both types of error at the same time. We theorize that bias can be seen as a double-edged sword that affects both types of error simultaneously. Bias results in certain qualities of objects and actors being overvalued on the basis of using irrelevant information. Social network theory leads us to expect that networks will be an important source of bias, because networks serve as a source of informal influence (Brass, 1984) and status (Betancourt, Kovács, & Otner, 2018; Szatmari et al., 2021), both of which should help project leaders to affect decision makers in line with their interests. Hence, in the next section, we expand our theorizing on the biasing effect of networks.

Social networks in innovation management theory

Although there is reason to expect that network centrality will affect project quality both positively and negatively (e.g., see Durmuşoğlu (2013) for a review on the effects of network ties on new product development

performance), we seek to contribute to management literature asking a slightly different question: When a project leader works on a project with a given level of quality, how does his or her network centrality affect project-related decision making? Indeed, according to previous social network research, individuals who are in a good network position to disseminate information have been found to receive more positive evaluations and recognition, higher compensations, and faster promotions (Burt, Kilduff, & Tasselli, 2013). Drawing from these insights, we propose that centrality in the work-related network will bias the decision-making process (Chandler et al., 2013; Ertug & Castellucci, 2015; Grigoriou & Rothaermel, 2014; Ibarra, 1993; Kim & Rhee, 2017; Waguespack & Sorenson, 2011). To that end, project leader centrality leads to overvaluation in the decision-making process by increasing the perceived value of a project *regardless* of the project's true or underlying quality, which refers to its actual objective value (Kim & King, 2014). A project's quality is high if a project meets or exceeds performance expectations once it is implemented (Sethi, Iqbal, & Sethi, 2012). Naturally, project quality strongly affects a project's success; however, it is also very difficult to assess and to accurately predict project quality at the very beginning of an innovation process (Cantarello et al., 2011).

In this paper, we develop a theory on the biasing effect of network centrality and how it plays a role in both project selection and project implementation decisions. When we discuss centrality in this study, we examine the number of direct and indirect social ties (or the eigenvector centrality) of project leaders (Ferriani, Cattani, & Baden-Fuller, 2009; Kim & Rhee, 2017). In particular, we focus our theorizing on work-related social ties (i.e., ties through which actors communicate with each other to discuss work-related matters and, therefore, are observable to others in the vicinity of ego in the network) (Uzzi, Amaral, & Reed-Tsochas, 2007). We focus on work-related ties because previous research has shown that these ties are visible to decision makers and affect their decision-making processes (Waguespack & Sorenson, 2011). The centrality of the person most visibly associated with the project (i.e., the project leader) is of the greatest theoretical interest to us because we are exploring how bias acts to modify internal perceptions of projects. We see project leadership in a very broad way. To that end, we regard the leader of the project as being the person who is *perceived* to be the leader within the social hierarchy of the project (Sande, Ellard, & Ross, 1986). That is, he or she is the one who receives the most attention and has the greatest visibility on account of being thought to be particularly competent (Oldroyd & Morris, 2012). The project leader is the person most associated with the project by other organizational members outside the project. We now go on to explain our theoretical model and propositions (see Figure 1).

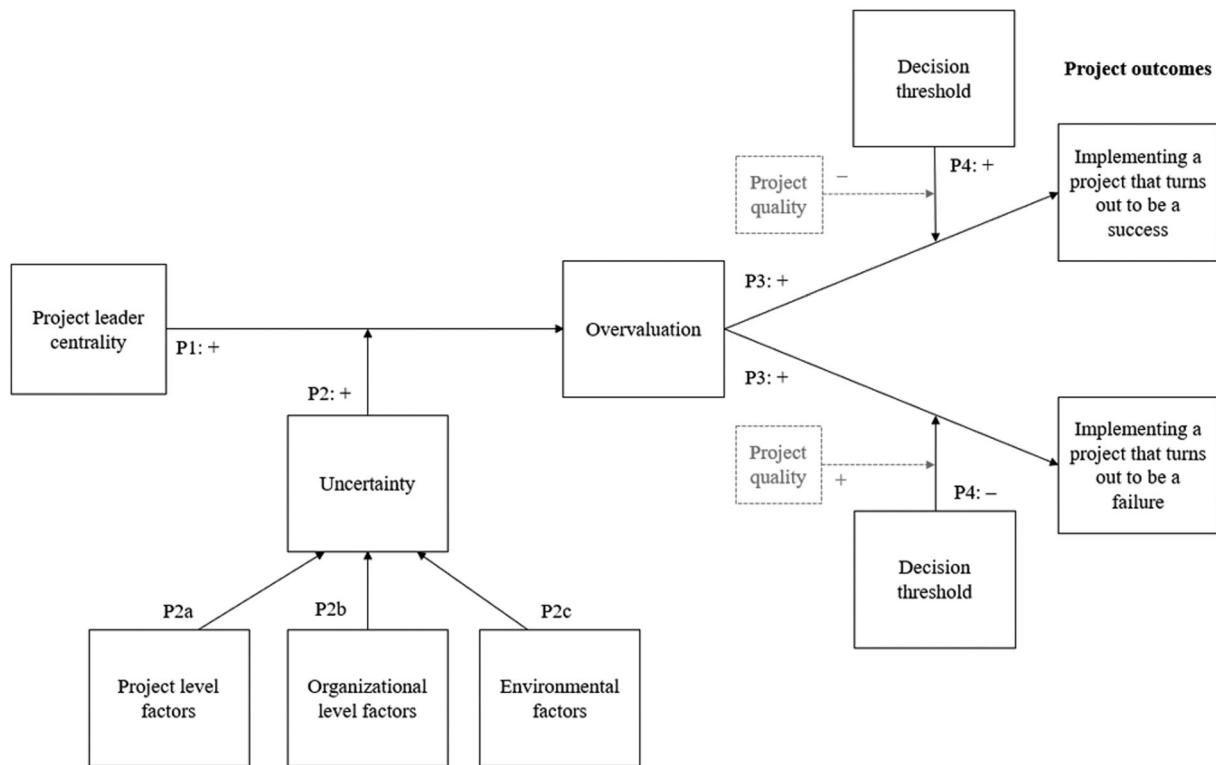


FIGURE 1 Theoretical model

PROPOSITIONS

The biasing effect of networks

We argue that social networks bias the decision-making process such that projects of central project leaders are overvalued because these project leaders are better able to exploit the socio-political dynamics that take place in organizations.

First, central project leaders tend to be in a particularly good position to disseminate positive information about their ideas and initiatives (Burt, 1992), which might reflect the intentionally or unintentionally distorted truth (Pfeffer, 1994; Van de Ven et al., 1999). This might lead to biased decision making because such information may be regarded as credible depending on where it comes from and the image that that person has within the organization (Schmidt & Calantone, 2002; Smith-Doerr, Manev, & Rizova, 2004).

Second, Brass and Burkhardt (1993) showed that those who occupy a central position in the social network of their organization possess more power than others. Consequently, they are better able to establish influence over other organizational members because of their capacity to build coalitions in order to achieve their personal goals (Pfeffer, 1994). Powerful individuals have the potential to get others to do what they otherwise would not do (Dahl, 1957). As such, central project leaders are more effective at mobilizing their networks in order to

influence key decision makers (Baer, 2012; Sargis-Roussel, Belmondo, & Deltour, 2017). As a consequence, more information is being transferred—information that is likely to be believed and transferred further because of the central network position of the original source.

Third, the contributions of employees who have a central position in the social network of their organization are typically more valued than those of others because centrality is a source of status (Ebbers & Wijnberg, 2010; Kim & Rhee, 2017; Oldroyd & Morris, 2012; Podolny, 2005; Szatmari et al., 2021; Waguespack & Sorenson, 2011). As status can be seen as an indicator of an individual's ability to carry out high-quality work (Podolny, 1993), high-status individuals are regarded as more competent than others (Chattopadhyay, Finn, & Ashkanasy, 2010; Szatmari, 2021). Their perceived competence is expected to play an important role for decision makers, especially when those decision makers must assess the potential of a project. However, project leader status, regardless of its source, is always an imperfect quality indicator (Podolny, 2005)—the perceived level of quality often does not correspond with the actual quality (Devinney, Dowling, & Perm-Ajchariyawong, 2008; Lynn, Podolny, & Tao, 2009; Simcoe & Waguespack, 2011; Sorenson, 2014). Thus, it can be said that status may therefore be an important source of bias in decision making in the form of overvaluation. Previous research offers ample evidence to support that claim (Sauder, Lynn, & Podolny, 2012). Indeed,

Kim and King (2014) found that high-status baseball players benefitted from referees' decision errors as a result of evaluation bias. In addition, Azoulay, Stuart, and Wang (2014) showed that status gains lead to increased quality recognition in academia.

To summarize, central project leaders are able to disseminate positive information, they can mobilize their network to influence decision makers, and they have a higher status which means that whatever they do is valued more than what people with a lower status do. Thus, central project leaders are better able to set out to bias the decision-making process and to make contributions that are likely to be considered as very valuable. Decision makers rely on information and signals that central project leaders diffuse in their organization to ease their decision-making process. However, the use of such information may bias them as the information provided might not reflect the actual truth and might not directly relate to the actual quality of certain innovation projects. Therefore, we conclude that centrality will lead to overvaluation in project-related decision making.

Proposition 1. Project leader centrality leads to overvaluation.

Potential moderators of the effect of centrality on the overvaluation of projects

Although most decision makers are exposed to biases and heuristics (Tversky & Kahneman, 1974), not all might be affected by these biases to the same extent. Previous research has repeatedly shown that the extent to which decision makers are affected by biases depends on the uncertainty surrounding the true underlying quality of projects in question (Azoulay, Stuart, & Wang, 2014; Collet & Philippe, 2014; Kim & King, 2014; Podolny, 1994, 2001). Although innovation projects are inherently uncertain (Moenaert & Souder, 1990), there might be various project, organizational, and industrial characteristics that affect the extent to which decision makers are uncertain about the true underlying quality of projects and, hence, their reliance on project leader centrality to ease their decision making. These potential factors are explored below.

First, we investigate the project level. There are two types of project novelty typically considered in innovation management: technological and market novelty, both of which increase the uncertainty about a project's quality (e.g., Baer, 2012; Moenaert & Souder, 1990; Sethi, Iqbal, & Sethi, 2012). When a project is technologically novel, decision makers are uncertain about the project's technological feasibility, whereas when market novelty is high, they are uncertain whether there is an actual demand for the new product or service. In these cases, decision makers rely more on information and

signals that central project leaders diffuse. Therefore, the biasing effect of centrality is stronger, because central project leaders are more likely to be given the benefit of doubt. On the other hand, when there is no novelty, decision makers can rely more on available information about the technology or the market from previous experience or from market analyses, which reduces their need to ease their decision-making process by relying on information or signals that central project leaders diffuse. Hence, it can be expected that project novelty positively moderates the relationship between project leader centrality and overvaluation.

Second, at the organization level, we theorize about the effect of resource availability, organizational age, and organizational size. We first consider resource availability, which corresponds to the availability of both financial and human resources. When there is high resource availability, the firm has more resources to invest in learning and knowledge diffusion (Gupta & Govindarajan, 2000). This should help organizational decision makers to learn more about the projects and reduce their uncertainty about the project's true or underlying quality as well as their reliance on information or signals that central project leaders diffuse. This means that resource availability will attenuate the biasing effect of centrality. Moreover, organizational age and size are also considered here, because they may correspond to organizational knowledge and learning, both of which may be crucial for reducing uncertainty in the organizational decision-making process. The higher the level of organizational learning and knowledge transfer in an organization, the more information decision makers have about the project itself as well as its potential. Because decision makers have access to more useful information, they should be less uncertain about the quality of projects, which should reduce the biasing effect of project leader centrality. We first consider age as a potential moderator. The meta-analysis of Zou, Ertug, and George (2018) revealed that the relationship between organizational age and learning is negative—suggesting that age leads to inflexibility, rigidity, and organizational inertia. Based on these findings, we propose that organizational age positively moderates the biasing effect of centrality. On the other hand, organizational size should negatively moderate the biasing effect network centrality, because larger organizations have more resources to devote to knowledge transfer (Gupta & Govindarajan, 2000), as well as more diverse knowledge resources in general (Cohen & Levinthal, 1990) than smaller organizations. In turn, the availability of knowledge resources should increase decision makers' access to relevant information about the quality of the project in question. Indeed, the meta-analysis of van Wijk, Jansen, and Lyles (2008) has found that the relationship between organizational size and knowledge transfer is positive. Hence, we propose that network centrality has a stronger biasing effect in smaller organizations, meaning that organizational size

should negatively moderate the relationship between project leader centrality and overvaluation.

Finally, we also consider industrial dynamics in our theory. Specifically, we investigate environmental turbulence, because it causes uncertainty in the decision-making process (Bourgeois, McAllister, & Mitchell, 1978). Environmental turbulence refers to rapid and unpredictable changes in the environment (Buganza, Dell'Era, & Verganti, 2009). Similar to project novelty, we can distinguish between technological and market turbulence (Buganza, Dell'Era, & Verganti, 2009). When environmental turbulence is high, it is very difficult for decision makers to anticipate what process or product innovations will generate value in the future and to assess the potential of innovation projects (Danneels & Sethi, 2011). Therefore, turbulence should increase decision makers' uncertainty and, hence, the biasing effect of network centrality.

Proposition 2a., 2b., 2c. The relationship between project leader centrality and overvaluation is dependent on contextual characteristics that affect decision makers' uncertainty about the project's quality at the project (2a), organizational (2b), and industrial levels (2c).

The performance effects of overvaluation

Previously, we developed a theoretical account for why and when centrality leads to bias and overvaluation. We now turn to theorizing about the positive and negative implications of this claim. Our initial assumption is that the higher the true or underlying quality of a project, the more likely it is to be accepted, developed, and eventually implemented. However, we also argue that other factors can significantly alter the outcome of project decisions. Social cues can bias the cognitive processing of information, especially when information is ambiguous, as it is in uncertain environments (Chaiken & Maheswaran, 1994). The cognitive process determines changes in attitude and hence affects judgment. When there is bias, the judgment may be significantly different from a judgment formulated under non-biased conditions. A different judgment is likely to have important consequences with respect to the likelihood of project acceptance and continuation.

It has been argued that organizational members tend to resist projects out of fear that they will disrupt the political status quo (Baer, 2012; Sethi, Iqbal, & Sethi, 2012), personal relationships (Lawrence, 1969), embedded routines (Hannan & Freeman, 1984), or organizational values (Klein & Sorra, 1996). Thus, even a high-quality project with little uncertainty can generate resistance that may lead to it being rejected or terminated. For instance, consider the case of the "dvorak" simplified keyboard. According to Frost and Egri (1991),

research studies repeatedly demonstrated its clear advantages over the "QWERTY" keyboard in terms of typing speed. Nevertheless, this type of keyboard could not replace its traditional counterpart in the US Navy because its adoption would have been against the interests of certain groups in the organization (Frost & Egri, 1991). However, where there is already a positive bias toward an innovation, decision makers may be more receptive to positive framing and may therefore construct reality in a different way (Kaplan, 2008; Sethi, Iqbal, & Sethi, 2012). In other words, decision makers may be more susceptible to influence and may see the same thing in a different light when bias is present.

During the evaluation of innovation-related contributions, overvaluation may manifest itself in a more positive attitude toward projects that have central project leaders. Biased decision makers are less likely to put up barriers to central organizational members. Instead, they might give those individuals more freedom to realize their projects and ideas. Overvaluation may help central project leaders to keep alive their high-quality projects that might otherwise be terminated because of organizational resistance or perception errors.

Figure 2 illustrates our arguments. We assume that project A is being considered for approval. The project should be accepted if the expected benefits are higher than the decision threshold, otherwise it should be rejected.¹ Without overvaluation, project A might be perceived as low quality. However, under uncertain conditions, individuals cannot accurately assess a project's true or underlying quality with 100% certainty. The interval around the project (denoted by a curly bracket in Figure 2) captures the different possible values of a project's true or underlying quality.² Because of perception error, decision makers may reject a project whose quality might actually be reasonably high. However, irrelevant information may change this perception. If project A's actual quality was above the decision threshold, overvaluation would be beneficial, because it would prevent such a project from being overlooked.

As another example, consider project B. Here, resistance can still kill such a project, as in the case of the dvorak keyboard described above. This is because those who reject the project will do everything to make decision makers undervalue that project. If the resisters are successful and if there is no overvaluation related to the project leader, the key decision makers may actually perceive such a project to be a low-quality one and reject it. Thus, in this case, overvaluation could also be beneficial, because it would lead to the selection and continuation of

¹The decision threshold is different for every organization. For instance, if we assume rational decision makers, the threshold would correspond to the minimum value of the expected value of projects that the organization can realize, given its resource constraints. If we relax the assumption of resource constraint, this threshold would be drawn where the expected value equals exactly zero.

²This interval is analogous to the confidence interval around an observed effect size in statistics, which includes the true effect size in the observed population with a high probability.

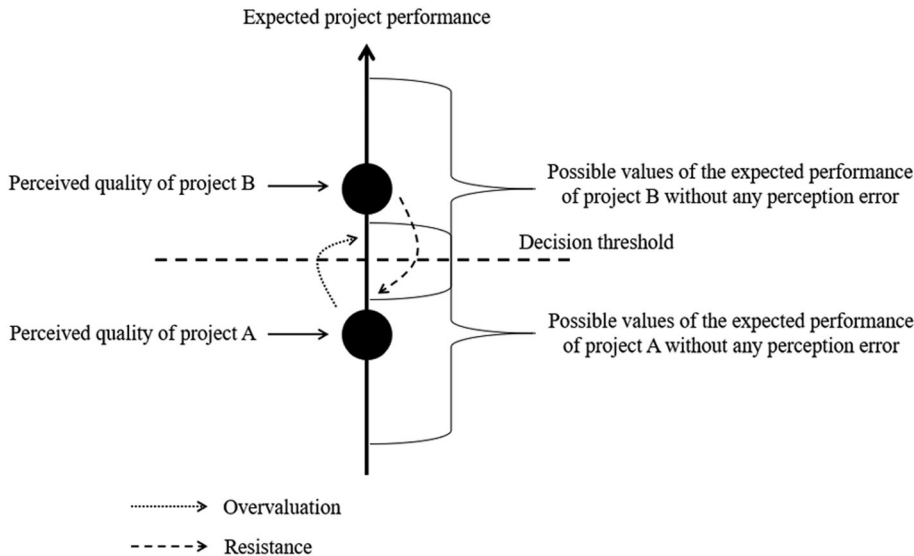


FIGURE 2 The effects of bias on project evaluation

a high-quality project that could potentially be terminated without it. To that end, network centrality and the overvaluation it causes might help to ensure that good opportunities are not overlooked. In addition, there is less of a chance that a high-quality project that likely would turn out to be a success if implemented will be abandoned.

Overvaluation may also lead organizations to go ahead with projects that are not very promising and that are, in fact, of low quality. Without any overvaluation, such projects are likely to be terminated, as their perceived quality is unlikely to reach the decision threshold. This is not the case, however, when decision making concerning the projects is biased, because perceptions of the true or underlying quality of such projects may be blurred by the decision makers' positive attitudes toward such projects. Consider again project A in Figure 2, which might be regarded as a low-quality project without the presence of overvaluation. In contrast to the previous example, let us now assume that this project is indeed a low-quality one. In this case, overvaluation coming from project leader centrality may push the project above the decision threshold. Thus, overvaluation would increase the likelihood of implementing a project that may, in the end, turn out to be a failure. Hence, we propose the following.

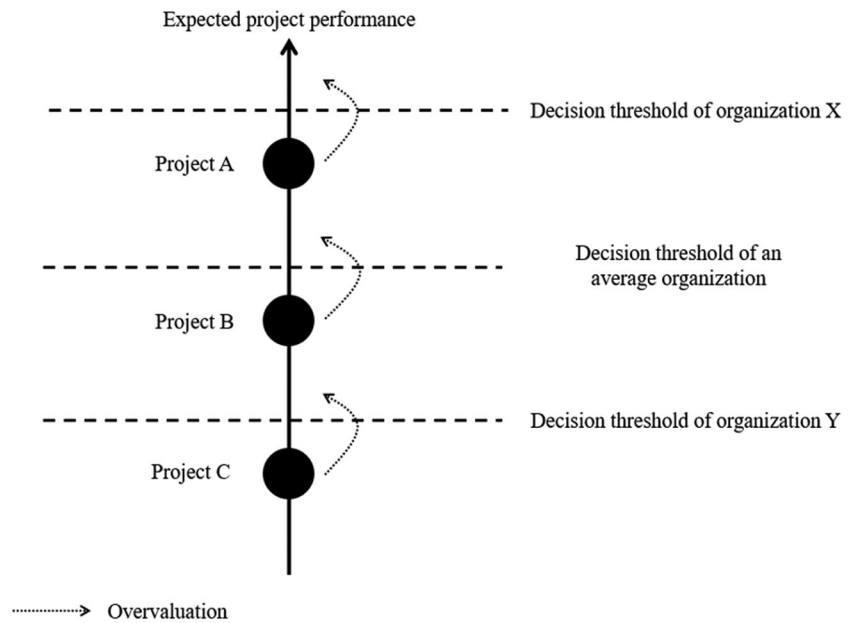
Proposition 3. The relationship between overvaluation and project outcome is dependent on the true or underlying quality of the project, such that when project quality is high, overvaluation increases the likelihood of implementing a project that turns out to be a success, whereas when project quality is low, overvaluation increases the likelihood of implementing a project that turns out to be a failure.

Potential moderators of the effect of overvaluation on project outcomes

We theorize next that the effect of overvaluation on project outcomes is contingent not only on the project's true or underlying quality but also on the organization's decision threshold. For example, organizations that are more entrepreneurial and, thus, have a higher risk propensity (Lumpkin & Dess, 1996) or tolerance for failure (Tian & Wang, 2014) can be considered as organizations that have a generally lower decision threshold than others. For illustrative purposes, consider Figure 3. For the sake of simplicity, let us now assume that the perceived quality of a project—without bias—is identical to its true or underlying quality. Relaxing this assumption would not change our conclusions but would make our argumentation unnecessarily complex and more difficult to comprehend. We depict the decision thresholds of three organizations: an average organization and organizations X and Y. X is an organization that has a higher decision threshold than an average organization, whereas Y is an organization that has a lower one.

As has been noted, positive overvaluation leads to a more positive attitude toward certain projects. When an organization has a high threshold, centrality can be advantageous, because it can result in a higher chance of implementing a high-quality project, such as project A in Figure 3. This is why we expect that, in organization X, project leader centrality will be more likely to lead to the implementation of a project that turns out to be a success when the quality of that project is high. In contrast, projects of lower quality (like projects B and C) are unlikely to receive the necessary support for implementation in such an organization, because such projects are unlikely to reach the decision threshold, regardless of the presence of any overvaluation. In contrast, overvaluation will be more likely to result in the implementation of

FIGURE 3 The effect of bias in organizations depending on the default position of their decision threshold



unsuccessful projects in organizations that have a lower decision threshold. In these organizations, high-quality projects, like project A, will be very likely to get the necessary support for implementation, because these projects are above the decision threshold, regardless of the presence of bias. In case of low-quality projects, however, like project C, overvaluation can make a difference for project implementation, such that it leads to a higher likelihood of implementing an unsuccessful project. Thus, it is expected that, besides project quality, the default position of the decision threshold is also an important contingency factor that influences the effect of overvaluation on project outcomes.

There are numerous factors that affect an organization's decision threshold. Here, two examples are discussed for illustrative purposes: risk propensity and tolerance for failures. In organizations that are more willing to pursue risky endeavors and that tolerate failure when developing innovations, decision makers are more supportive of taking action despite the uncertainty of these endeavors (Anderson et al., 2015; Covin & Wales, 2012; George, 2011). In addition, innovation projects in these types of organizations face significantly less political resistance (Sethi, Iqbal, & Sethi, 2012; Wales, Covin, & Monsen, 2020). Hence, these organizations are more likely to let projects transition to implementation before weeding them out, which manifests in their low decision threshold. Hence, we propose the following.

Proposition 4. The relationship between overvaluation and project outcome is dependent on project quality and the organization's decision threshold, such that when both project quality and the position of the decision

threshold are high, overvaluation will increase the likelihood of implementing a project that turns out to be a success, whereas when both factors are low, overvaluation will increase the likelihood of implementing a project that turns out to be a failure.

Our arguments are summarized in Figure 4.

DISCUSSION

This conceptual paper is aimed at building a theory on the biasing effect of centrality. Based on previous research, we theorized about why centrality might bias the decision-making process and then unpacked the positive and negative consequences of bias. Because central individuals are more visible and seen as highly competent, we argued that their contributions are more likely to be overvalued by others within the organization, which prevents the projects of highly central project leaders from being terminated. When decision makers are biased in favor of a project, their assessment of that project becomes more positive. It keeps high-quality projects alive—projects that could otherwise be terminated because of organizational resistance. However, the more positive assessment can also lead to the continuation of a low-quality project that would have been stopped without overvaluation. Hence, we proposed that overvaluation increases the likelihood of implementing successful projects that either fulfill expectations or failures that fall below what is expected. Furthermore, different contingencies were explored in this conceptual paper—contextual characteristics that influence the biasing effect of project leader centrality on the decision-making process and project outcomes.

		Project quality	
		High	Low
Decision threshold	High	Overvaluation increases the likelihood of implementing a project that turns out to be a success. Some of these projects would be rejected without any overvaluation in the decision-making process due to the high decision threshold in these organizations.	Overvaluation has no effect on the likelihood of implementing a project that turns out to be a failure. The project gets rejected regardless of biases in decision-making.
	Low	Overvaluation has no effect on the likelihood of implementing a project that turns out to be a success. The project gets accepted regardless of biases in the decision-making.	Overvaluation increases the likelihood of implementing a project that turns out to be a failure. Overvaluation ensures the survival of some low-quality projects during the implementation process due to a lower decision threshold.

FIGURE 4 Summary of our arguments concerning the joint effects of project quality, decision threshold, and overvaluation on the likelihood of implementing a project that turns out to be a failure or a success

Our theory offers several important implications for research. First, our paper represents an initial attempt to build a more nuanced theory of the effect of centrality on implementing projects. We argue that centrality plays a prominent role in the organizational political arena because it indicates well connectedness, status (Oldroyd & Morris, 2012; Podolny, 2001), and power (Brass, 1984; Ibarra, 1993). Therefore, individuals in a central position in their organizations are very effective at influencing decision makers in order to realize their goals. To the best of our knowledge, no previous research has investigated the biasing effect of individual centrality in temporary organization processes (Bakker et al., 2016; Burke & Morley, 2016). Future research should further explore this issue and, for instance, investigate whether or not centrality also attracts uncertainty. Indeed, in an organizational context, one may expect that decision makers assign highly uncertain tasks to those who are thought to be highly competent and able to deliver success in the face of high risk.

We also contribute to innovation management literature by theorizing how the network position that individuals hold may affect how their projects perform. Drawing on innovation management literature, one may argue that centrality is beneficial, because it leads to, what French and Raven (1968) call “expert power.” Thus, centrality can ensure that projects receive the necessary support and an adequate supply of resources (Ancona & Caldwell, 1992; Frost & Egri, 1991). As such, centrality can also decrease the need for potentially damaging political compromises (Sethi, Iqbal, & Sethi, 2012). Although centrality can indeed be considered beneficial for these reasons, we argue that central individuals may also contribute to the continuation of low-quality projects. We suggest that centrality is in fact a double-edged sword in the project-related decision-making process (Szatmari et al., 2021). Future research should therefore look at this duality in greater depth. For instance, studies

could investigate the effects of other sources of formal and informal power (French & Raven, 1968). Although our theory suggests that centrality leads to overvaluation that may increase the likelihood of implementing a project which turns out to be a failure, formal power might be less effective in mobilizing other organizational members. Therefore, formal power may be less likely to lead to overvaluation but could still ensure that the necessary support is made available for projects.

Furthermore, our conceptual paper deepens our understanding of the effects of biases on the organizational decision-making process by investigating both the positive and negative consequences of biases, as well as the organizational contingencies of these consequences. Investigating this issue is important because biases in decision making lead to decision errors (Christensen & Knudsen, 2010; Csaszar, 2013; Knudsen & Levinthal, 2007) and hence has implications for organizational performance. Some studies have already investigated how to overcome difficulties caused by uncertainty surrounding a project (Baer, 2012; Sethi, Iqbal, & Sethi, 2012). Yet, they provided an incomplete picture of the effect of biased decision making, given the trade-off between Type I errors (i.e., rejecting a good opportunity) and Type II errors (i.e., accepting a bad alternative). Although positive biases in the decision-making process might decrease the likelihood of Type I errors, they may, at the same time, increase the likelihood of Type II errors. Therefore, future research should take a multifaceted view of the effects of biases, considering its effect on both types of error. We contribute to this line of research by pointing out that the trade-off between not rejecting good opportunities and decreasing the likelihood that bad alternatives will be accepted might depend on the default position of the decision threshold in organizational decision making. Future research should consider investigating additional factors on which this trade-off may also be dependent.

For example, it might be expected that heterogeneous review teams will be able to act more effectively upon bias because they could be better at assessing ideas and projects (Rodan & Galunic, 2004).

In addition, we offer important insights for social network theory. Scholars of the social network literature have argued extensively that high-performing individuals gain relationships and, in doing so, increase their centrality. This opens important opportunities to them, as it gives them privileged access to high-quality information, influence, and support (Brass & Burkhardt, 1993; Oldroyd & Morris, 2012). Therefore, other actors expect central individuals to perform well in the future, and, as a result, they give central actors more opportunities to prove their competence (Webster & Entwisle, 1976). As such, central individuals benefit from others' evaluation bias and improve their performance even more (Merton, 1968). However, we argue that, because of the evaluation bias, central individuals may also manage to realize projects that perform poorly once implemented. We suggest that future research should investigate empirically the potential individual, project, and organizational characteristics that may modify the effect of centrality and overvaluation. We have provided propositions for the most important factors, but other factors may also play a significant role. For instance, narcissistic project leaders may be more effective at utilizing their centrality, as they tend to focus and speak about themselves more frequently than others (Chatterjee & Hambrick, 2007).

CONCLUSION

Implementing projects successfully is of strategic importance for organizations. Innovative projects are a key pillar for long-term success and increase organizational competitiveness. In order to facilitate the implementation process of such projects, a better understanding of the socio-political dynamics and decision-making biases in the innovation management process is of great theoretical and practical importance. Our paper contributes to such an understanding by analyzing and presenting the theoretical foundations of the biasing effects of social networks.

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