ABSTRACT

Whether organizational slack contributes to or hampers firm performance is a constant debate in research and practice. Despite of many empirical studies, the issue remains inconclusive. Nevertheless, previous studies have offered valuable insight that monotonically pursuing a one-sided argument to the issue will unlikely leave the predicament. Instead, a more specific analysis of particular types of slack and the institutional context will be more fruitful in advancing research in this subject. Notwithstanding this insight, however, the mainstream in slack literatures largely focused on financial slack. Attention given to human resources slack is sparse, in particular human resources slack in research & development (R&D HR slack). In addition, most empirical works have confined their inquiries around slack in developed countries and drawn on theoretical perspectives that pay little attention to the institutional context in which the decisions in resources selection and utilization are embedded. It is not clear whether their findings could be applied to emerging economies where R&D supportive institutions are generally underdeveloped. Drawing on resource-based view and institutional theory, this study examined the relationship between R&D HR slack and firm performance as well as the moderating role of foreign ownership. This study argued that foreign ownership could bring in new institutional elements and improve the performance of indigenous firms in the long established manufacturing industries in China. The results show that R&D HR slack is positively associated with firms’ innovation performance and foreign ownership moderated this positive relationship. In addition, R&D HR slack is also positively associated with firms’ stock market performance, and yet unlike innovation performance, this positive relationship is not moderated by foreign ownership. Finally, despite R&D HR slack is positively associated with firms’ innovation performance as well as their stock market performance, it has no significant effect on their accounting performance. Based on these findings, this study proposed a new theoretical perspective borrowed from the symbiotic theory to describe the effect of foreign ownership on the relationship between R&D HR slack and firm performance for future studies.
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