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Family control, R&D expenses and firm efficiency: evidence from Taiwanese cultural and creative industries

Qian Long Kweh
Faculty of Management, Canadian University Dubai, Dubai, United Arab Emirates
Hanh Thi My Le
Benchmarking Research Group, Faculty of Accounting, Ton Duc Thang University, Ho Chi Minh City, Viet Nam
Irene Wei Kiong Ting
Faculty of Industrial Management, Universiti Malaysia Pahang, Gambang, Malaysia, and
Wen-Min Lu
Department of International Business Administration, Chinese Culture University, Taipei, Taiwan

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Abstract

Purpose – First, this study assesses the link between research and development (R&D) expenses and firm efficiency. Second, this study explores how family control moderates the link between the two.

Design/methodology/approach – This study uses two measures of time-based firm efficiency, namely, a window slacks-based measure (WSBM) and a window epsilon-based measure (WEBM) of data envelopment analysis (DEA). Then, 216 firm-year observations are analyzed in the Taiwanese cultural and creative industries from 2005 to 2017.

Findings – This study finds that R&D expenses significantly worsen firm efficiency, and that family control positively moderates this effect. A further test separating the sample into family-controlled and nonfamily-controlled firms indicates that R&D expenses negatively affect the efficiency of nonfamily-controlled firms but positively affect that of family-controlled firms.

Research limitations/implications – The existing literature has examined the link between R&D expenses and corporate performance. However, the process by which R&D expenses affect corporate performance from a production perspective remains unknown.

Originality/value – Overall, this study provides insights for policymakers to scrutinize resource management and R&D expenses from the production and resource-based perspectives.

Keywords R&D expenses, Firm efficiency, Family control, Data envelopment analysis, Culturaland creative industries

Paper type Research paper

1. Introduction

Studies on the relationship between a firm's research and development (R&D) expenses and firm performance have shown mixed findings (Eberhart *et al.*, 2004; Alam *et al.*, 2019; Bae *et al.*, 2008). R&D expenses is essential for the long-term development of firms (Bae and Noh, 2001), wherein increasing the R&D level contributes to innovation, long-term value creation and wealth accumulation (Cardoso and Teixeira, 2009). However, such an investment may be

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