Journal of Business Research 67 (2014) 2393–2402

Contents lists available at ScienceDirect

Journal of Business Research

Strategic intent and performance: The role of resource allocation decisions

Babu John Mariadoss [a,*], Jean L. Johnson [a,1], Kelly D. Martin [b,2]

[a] Department of Marketing and International Business, College of Business, Washington State University, PO Box 644730, Pullman, WA 99164-4750, USA
[b] College of Business, Colorado State University, Fort Collins, CO 80528-1278, USA

ARTICLE INFO

Article history:
Received 22 May 2012
Received in revised form 18 February 2014
Accepted 21 February 2014
Available online 30 March 2014

Keywords:
Strategic intent
Slack
R&D investment
Resource allocation
Risk preference

ABSTRACT

The notion that a firm's strategic intent can affect its performance through managerial actions has become prominent in the organization literature. In this research, we propose that strategic aggressive firms will foster decisions that favor holding low levels of slack and low levels of R&D investments, resulting in increased firm ROI, and that a firm's risk preference will moderate the indirect effect of strategic intent on performance. Findings from moderated mediation analyses on data from 130 firms in manufacturing industries support our hypotheses. Specifically, the indirect effect of a firm's strategic intent on a firm's performance is moderated by its risk aversion, such that when risk aversion is high, the indirect effect of strategic intent on performance through slack is strengthened. Similarly, the indirect effect of strategic intent on firm performance through R&D investments is strengthened, when risk aversion is high.

Published by Elsevier Inc.

1. Introduction

A perusal of the popular business press illustrates that some firms like Microsoft or Safeco, for example, approach their strategizing, business decisions, and competitive activities with greater zeal and vigor relative to other firms. That is, as goal directed systems (e.g., Cyert & March, 1992), some firms are more strategically aggressive than others. In the literature, strategic aggressiveness of firms is also termed as strategic intent, a firm-wide dominant logic or orientation toward winning, growth, and supremacy along a range of dimensions (Hamel & Prahalad, 1989). It essentially involves the mental models, representations, expectations, and beliefs permeating the firm with regard to strategic advantage and performance (e.g., Day & Nedungadi, 1994; Marcel, Barr, & Duhaime, 2011), and empowers a firm to think beyond its limitations (Elaydi & Harrison, 2010). Though recent literature has addressed the importance of strategic intent for a firm (e.g., Chen & Yeh, 2011; Fatehi & Englis, 2011; Hutzschenreuter, Pedersen, & Volberda, 2007; Volberda, Baden-Fuller, & van den Bosch, 2001), the specific mechanisms of how it plays out in the firm has not been investigated.

A key implication of strategic intent involves performance. It seems likely that firms with more ambitious and aggressive strategies and that compete more vigorously would enjoy enhanced performance gains. However, potential performance gains do not automatically and directly result from strategic intent, but instead work through strategic action and decisions which then in turn impact performance (Chen & Hambrick, 1995; Santos-Vijande, López-Sánchez, & Trespalacios, 2011). Accordingly, we ask, what are the mechanisms by which strategic intent influences performance? In understanding the mediating mechanisms of strategic intent we look to resource allocation decisions. Specifically, we reason that strategic intent affects decisions regarding the level of slack held by a firm and the level of investment in R&D, which then influence performance.

Alongside the compelling importance of strategic intent, variedly addressed in the literature as aggressiveness (Chen, Lin, & Michel, 2010; Ferrier, 2001; Fombrun & Ginsberg, 1990), managerial intentionality (Hutzschenreuter et al., 2007), strategic renewal (Volberda et al., 2001), strategic flexibility (Santos-Vijande et al., 2011) and strategic orientations (Atuahene-Gima & Ko, 2001; Case & Shane, 1998; Lau, 2011; Wright, Kroll, Pray, & Lado, 1995; Venkatraman, 1989), etc., other critical elements come into play. Among them, risk has long been considered a central factor in a firm's strategic activities (Bromiley, 1991; Krueger & Dickson, 1994; March & Shapira, 1987). In particular, the management and organizational literature has focused on risk preferences as a key variable to be examined in the context of a firm's strategic orientations, resource allocation activities and performance (e.g., Alvarez-Gil, Berrone, Husillos, & Lado, 2007; Dillinger, Stein, & Mizzi, 1992; Hoskisson, Hitt, & Hill, 1991; Wiseman & Bromiley, 1996). Specifically, past research in strategic and general management has shown that firm risk preference is related to organizational

* Corresponding author. Tel.: +1 509 335 6354; fax: +1 509 335 3865.
E-mail addresses: bjohnmar@wsu.edu (B.J. Mariadoss), johnsonjl@wsu.edu (J.L. Johnson), kelly.martin@business.colostate.edu (K.D. Martin).
[1] Tel.: +1 509 335 1877; fax: +1 509 335 3865.
[2] Tel.: +1 970 491 7269; fax: +1 970 491 5956.

http://dx.doi.org/10.1016/j.jbusres.2014.02.006
0148-2963/Published by Elsevier Inc.

decisions on slack (Wiseman & Bromiley, 1996), R&D investments (Hoskisson, Hitt, & Hill, 1993) and firm strategic orientations (Atuahene-Gima & Ko, 2001).

In our research, we expect a firm's risk preferences to moderate the effects of strategic intent on performance through the mediating mechanisms of resource slack and R&D. We expect that the extent to which a firm tends to be risk taking or risk averse will essentially act to bound or amplify the effects of strategic intent. Simultaneously considering the mediating mechanisms of R&D and resource slack along with the moderating effects of risk preference leads us to propose conditional indirect effect hypotheses (e.g., Preacher & Hayes, 2004; Preacher, Rucker, & Hayes, 2007) regarding the strategic intent–firm performance relationship. The conceptual model shown in Fig. 1 depicts the relationships we examine.

While this research is informed by extant literature that posits that resource allocation decisions regarding slack and R&D derive from meeting or from failure in meeting previous performance aspirations (e.g., Chen, 2008; Chen & Miller, 2007; Greve, 2003), it also advances extant work by asking the related question of how and when firms resort to problemistic search versus slack-enabled search. In problemistic search, a firm allocates resources to R&D so that it can ramp up to correct aspiration relative performance deficiencies. With slack-enabled search, a firm has met or exceeded performance aspirations and thus holds resources that it allocates to R&D for generation of further performance gains (Cyert & March, 1992). A key issue in either of these cases is the performance aspiration level. From where do performance aspiration levels derive? Recent theory and research advances the awareness, motivation, and ability framework to examine the socio-psychological drivers of firm behavior (e.g., Chen, 1996; Chen, Su, & Tsai, 2007; Livengood & Reger, 2010). We suggest that a firm's strong strategic intent is, in essence, underpinned by awareness, motivation, and ability to take aggressive approaches in strategic action. Thus, we advance theory by considering how strategic intent provides a lens through which a firm sets its performance aspirations and views their attainment or failure to do so. Accordingly, the strategic intent lens influences resource allocation decisions, specifically regarding resource slack and R&D investment, and ultimately performance.

In addition, extant research largely considers resource slack in terms of surplus or excess economic rents generated in meeting or exceeding performance aspirations, which is then reinvested in R&D for future growth. As such, resource slack can be cast as causally antecedent to R&D (e.g., Greve, 2003). In contrast, we view slack in terms of providing padding for the firm (e.g., Mishina, Pollock, & Porac, 2004; Sharfman, Wolf, Chase, & Tansik, 1988; Tan & Peng, 2003; Thompson, 1967). The literature suggests that deliberately holding slack will enable and facilitate programs and activities that enhance performance (e.g., Daniel, Lohrke, Fornaciari, & Turner, 2004), yet it can also inhibit performance (e.g., Galbraith, 1973). Thus, we suggest that resource slack and R&D investments can operate as parallel mediating mechanisms between strategic intent and performance and have significant implications.

In the next sections, we provide the conceptual background on strategic intent and risk preference, and theorize resource allocation decisions in terms of slack held in the firm and commitments to R&D. These frameworks form the bases for hypotheses depicting the complex relationship between strategic intent and ROI as firm performance. Hypotheses are tested using a multi-industry sample coupling secondary data for resource allocation mediators and performance outcomes with reports from executives on strategic intent and risk preferences in the firm. After reviewing analytic approaches, we report results and close with our discussions.

2. Conceptual background and hypotheses

Hamel and Prahalad (1989) highlight the importance of strategic intent, viewing it as an obsession with winning over a specific key competitor, for example, Komastu dominating Caterpillar or Canon dominating Xerox. Similarly, related treatments seem to focus specifically on the characteristics and dynamics of competitive interaction (Chen, 1996; Chen et al., 2007; Ferrier, 2001; Ferrier, Fhionnlaoich, Smith, & Grimm, 2002). Associated concepts such as action aggressiveness, the extent to which a firm is likely to engage with its rivals and act swiftly in its engagement (Chen et al., 2010), as well as concepts such as propensity for action and competitive responsiveness (Chen & Hambrick, 1995), have been found to be positively related to firm profitability (Young, Smith, & Grimm, 1996) and market share (Chen & MacMillan, 1992; Ferrier, Smith, & Grimm, 1999). Yet in other treatments, researchers have addressed similar notions exclusively in terms of resource exploitation and allocation (Fombrun & Ginsberg, 1990). Strategic intent certainly encompasses competitive interaction and key rivalries, and it also involves resource exploitation. Yet, we see it as extending beyond these foci. Likewise, strategic intent is consistent with growth logics that reflect entrepreneurial ambition in a firm's top management team (Mishina et al., 2004), yet it is not contained exclusively in the top management team, instead going much deeper, inculcated into the fabric of the firm.

Building from Hamel and Prahalad (1989), we conceptualize strategic intent as a broad-based strategic posture (e.g., Fombrun & Ginsberg, 1990; Ginsberg & Venkatraman, 1992) that permeates the firm. It involves overall strategic aggressiveness with a focus on dominance

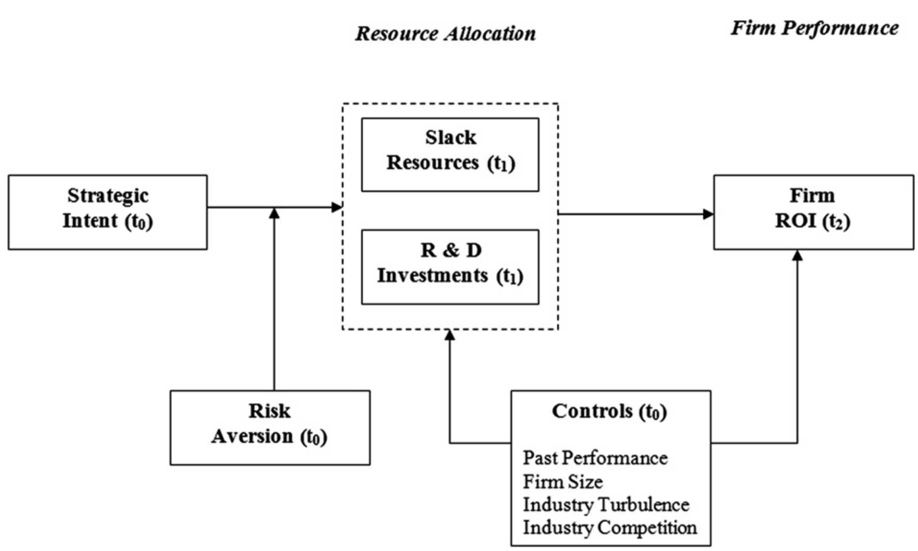

Fig. 1. Conceptual model.