

## **The Effect of Business Strategy and Life Cycle on Myopic R&D Investment**

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*This study examines whether a firm's business strategy and life cycle will influence managers' myopic behaviour in R&D investment. Using a sample of listed Taiwanese firms who have high incentives to meet earnings benchmarks from 1996 to 2010, we find that firms adopting the prospector strategy are more likely to cut R&D expenditures. In addition, we find that firms in the growth stage exhibit lower likelihood of cutting R&D expenditures to meet earnings targets. These results suggest that prospector firms are concerned more about the cost of investor undervaluation due to R&D expensing than about the future benefits that could be derived from current R&D spending. Further analysis indicates that such myopic behaviour tends to exist in firms with poor governance.*

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