

EXPLORING THE LINK BETWEEN R&D INTENSITY AND EMPLOYEE DOWNSIZING: A U-SHAPED RELATIONSHIP

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ABSTRACT:

This study explores the relationship of R&D intensity and employee downsizing in an attempt to clarify seemingly contradictory evidence from economic and managerial research.

Based on the Resource-Based View of the firm, our conceptual framework suggests that a linear relationship poorly approximates the complex and dynamic effects of the progressive accumulation of firm-specific technological knowledge on organizational size. Using a sample of Spanish manufacturing firms during the period 1994-2006 as an empirical setting, our results corroborate that there is a U-shaped relationship between the level of R&D intensity of firms and the propensity of such firms to carry out significant reductions in workforce. Some important implications for managers and policy-makers are derived from this study.