

## Performance Aspiration and Rent-seeking

**Abstract:** What triggers rent-seeking by firms? Rent-seeking involves unproductive uses of resources to capture and redistribute value without creating new value, thus resulting in a net loss for society. Extending prior research, we explore rent-seeking as a response to performance aspiration levels and performance feedback relative to these aspiration levels. We suggest that rent-seeking may be a strategy of choice to achieve historical aspiration and sustain performance above both historical and social aspirations, but not to achieve higher social aspiration. Applying behavioral theory of the firm and utilizing a novel measure of rent-seeking as patent “evergreening” in the pharmaceutical industry, we hypothesize and find that higher historical aspiration increases rent-seeking, while higher social aspiration decreases rent-seeking. Furthermore, performance above social aspiration facilitates rent-seeking, while no such effect was found for performance above historical aspiration.