

THE RELATIONSHIP BETWEEN RESEARCH AND DEVELOPMENT (R & D) EXPENDITURE WITH COMPANY'S PERFORMANCE: EVIDENCE FROM HIGH TECHNOLOGY (HIGH-TECH) INDUSTRIES IN MALAYSIA

Prepared by: Ren Ting Yu

ABSTRACT

Product innovation is one of the most important competitive factors for succeeding in today's rapidly changing business environment. Research and Development (R & D) is a key factor of product innovation and has become an integral part of many companies, especially those in high-technology manufacturing or research oriented industries. R & D intensive companies compete to become the first with a new innovation that will catapult them to unprecedented sales and earnings. Some companies opt to capture a new and growing market base by developing a new technology not yet widely available.

Given the strategic significant of R & D, how would it relate to business performance? There is no easy answer to this commonly asked question. Although there is a broad link between sales and R & D expenditures, exact relationships change over time and differ greatly from country to country and from industry to industry.

Some industries require high R & D budgets while others can get by on much smaller budgets. To make any meaningful comparison at all, we narrowed our analysis to three of the most research-oriented industries, buy which to represent the whole situation of high technology industries.

This study attempts to describe the Malaysia high-tech industry R&D performance and furthermore, to identify if there is any statistical evidence of the effects of R&D intensity on four operational and performance measures: subsequent sales growth rate, subsequent year's profit margin (profitability), subsequent year's return on assets, and subsequent year's sales per employee (productivity) respectively. Finally, study will give some recommendations to improve the current situation of R&D in Malaysia high technology industries for the managers to refer.