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### Firm size, technological capability, exports and economic performance: the case of electronics industry in Malaysia

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# FIRM SIZE, TECHNOLOGICAL CAPABILITY, EXPORTS AND ECONOMIC PERFORMANCE: THE CASE OF ELECTRONICS INDUSTRY IN MALAYSIA

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**Abstract.** This paper examines the joint effects of technology and exports on the economic performances of electronics firms in Malaysia. The empirical results based on the Partial Least Square (PLS) estimate procedure show that technological capability plays a multiple role in that it influences both the exports and performance of a firm simultaneously. More importantly, we find evidence that exports act as a mediating variable between technological capability and firm performance. Size is found to influence all three: product capabilities, exports and firm performance but not process capabilities. This paper concludes that researchers, in future studies, need to examine the dynamism between size, technology, exports and performance.

**Keywords:** technology, size, exports, economic performance, Malaysia.

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**JEL Classification:** O30, F14, L25, L60, L63.

## 1. Introduction

Studies examining the influence of internal and external factors (or resources) on firm performance are plenty (Barney, Ouchi 1986; Barney 1991). A large number of researches focus on the influence of technology on performance (Hitt *et al.* 2000) and many, among them, have also investigated the relationship among technology, exports and firm performance. Yet, the debate on technological capability, exports and economic performance has remained inconclusive. Likewise, issues of how they are related are less understood (Barney *et al.* 2001; Strandskov 2006). A large number of studies (Andersen, Foss 2005; Buckley, Casson 1991; Duysters, Hagedoorn 2000; Henderson,