

BUSINESS TRAINING IN TAIWAN: AN OPPORTUNITY ASSESSMENT FOR MEDIUM-SIZED AMERICAN UNIVERSITIES

Robert D. Winsor and Xiaoyan Yu, College of Business Administration
Loyola Marymount University, 7900 Loyola Blvd., Los Angeles, CA 90045
(310) 338-7413 E-Mail: rwinsor@lmumail.lmu.edu

ABSTRACT

This paper analyzes and discusses the business training opportunities available in Taiwan for American organizations. Based upon our analysis, medium-sized U.S. universities are judged to have the greatest opportunities for serving these markets.

INTRODUCTION

As a result of global competition, U.S. and foreign executives alike have been confronted with the need to broaden their conceptualization and understanding of the impacts of this competition. In response to these needs, both universities and independent training organizations have developed innovative programs for executive education. Observers predict that demand for this type of education will grow substantially during the next decade. In anticipation of this demand and in response to the requirements of the global economy, educational institutions of many forms have begun to focus on international opportunities, both in terms of new markets and also in terms of subject material.

Some of the most promising (and thus most pursued) international opportunities are in the Asia-Pacific region. This area has experienced faster economic growth than any other region of the world. Taiwan serves as an excellent example of this growth and corollary opportunity for business education. Due to economic development, technological evolution, and employment structural change, businesses within this country have increasingly realized the importance of well-trained workers. Consequently, the market for business education is expected to grow steadily as Taiwan's economy further develops.

This paper presents an array of research which was conducted in order to identify and evaluate the opportunities for business education within Taiwan. The primary objective of this project was to collect valid market information, identify future

opportunities, and provide a foundation for the formulation of marketing strategies for small and medium-sized U.S. educational institutions interested in pursuing this growing market. In this paper, efforts have been made to analyze Taiwan's market structure in terms of its business training and potential executive education opportunities. Potential strategic issues are also discussed in light of basic market identification and development techniques.

OPPORTUNITY IDENTIFICATION

The research results presented in this paper were derived from secondary data sources, personal interviews, and direct mail surveys. During the course of this research, a large number of organizations and individuals were contacted, including those associated with The Country Desk of Taiwan, The American Institute in Taiwan (AIT), The Taiwan Economic and Cultural Representatives Office (TECRO) in Los Angeles, The China External Trade Development Council (CETRA), the training and education departments of ten of Taiwan's largest companies, and local business commentators and managers.

Market Demand in Taiwan

Taiwan has an economy that is the fourth largest in Asia after Japan, China, and South Korea. Taiwan's foreign currency reserves total more than US\$70 billion, exceeding even those of Japan. In recent years, Taiwan's economic structure has changed considerably. According to the Taiwanese Ministry of Economic Affairs' report (TMEA 1996), high-tech products have constituted a significantly increasing percentage of exports, up from 27.6 percent in 1986 to 41.6 percent in 1994. Over the same period, the service sector's share of gross domestic product (GDP) rose from 47.9 percent to 55.9 percent. These statistics indicate clearly that Taiwan's economic structure has been transformed.

To cope with these changes, more and more Taiwanese companies, especially those of medium-

size, are under pressure to upgrade their technology and automate their equipment in order to remain competitive. Large firms are seeking not only international markets but also foreign operations in order to succeed, given the sharply increasing labor and overhead costs in Taiwan. Many labor-intensive companies have already moved their operations out of Taiwan. Traditional corporate structures, values, and operational philosophies are facing new challenges. Stan Chih, the chairman of Acer, says, "Taiwan's companies have to go international if they are to succeed We must adopt brand-new ways of thinking and seek out the most effective means to enhance our competitive edges in the global markets" (Chih 1996).

In response to these issues, the Taiwanese government has introduced a plan for developing Taiwan, and this plan is to be implemented by an agency known as the Asian-Pacific Regional Operations Center. This agency provides various programs which aim at upgrading infrastructure and encouraging the development of high-technology, high-value-added and capital-intensive export oriented industries. More importantly, due to economic development, technological evolution, and employment structural change, Taiwan has increasingly realized the importance of human resources and capital. According to one commercial specialist of AIT (Tien 1996), the Ministry of Economic Affairs declared in 1991 the "Status for Upgrading Industries," which provides tax incentives for private companies which invest over NTD 600,000 (approximately US\$23,000) annually in manpower training. In 1994, the "Economic Revitalization Program" further increased this investment tax credit for training.

Additionally, Taiwan's income level has risen substantially in recent years. According to a government source (Republic of China 1992), Taiwan's annual national per-capita income rose from US\$2,500 in 1982 to US\$9,000 a decade later. This increase suggests that the spending habits of upper and middle class Taiwanese are no longer focused on food and beverages, but rather now emphasize leisure and education. The statistics also indicate that the Taiwanese spend on average 30 minutes per day of their free time studying, researching, and preparing for tests. A representative at TECRO (Wang 1996) notes, "the Taiwanese now have more disposable income than ever before. Nowadays people are concerned about career enhancement and are willing to spend

money to gain advanced knowledge and skills."

Business Training in Contemporary Taiwan

Due to the expensive and time-consuming nature of U.S.-based executive training programs, many directors of these programs believe that only the largest foreign companies have the financial strength and thus willingness to invest in overseas staff training. Nevertheless, corporate training constitutes a significant market segment in Taiwan. In 1994, Dr. Liu Hsiang-Chi (Hsiang 1995) surveyed 100 leading corporations in Taiwan with business revenues over US\$1.9 billion. According to his survey, total spending of these corporations on training during the previous year amounted to US\$87.5 million, or 0.4% of the total business revenues of these firms. On a per-employee basis, training expenditure was NTD 7,979 or US\$306. Dr. Hsiang's research provides valuable information about the Taiwanese market for corporate training. The following list highlights some key factors:

1. Corporate training expenditures vary significantly among the companies. While some firms invest heavily in training, over 45% of the companies surveyed spend less than US\$38,000.
2. Although corporate training tends to be task oriented, 35.6% of the training was driven by the needs of advanced knowledge and skills for future development.
3. Training hours tend to cluster in both high and low quintiles. Forty percent of the corporations surveyed engage in more than 5,000 hours of training per year.
4. Training in general management consists of a large proportion of corporate training courses offered in both the manufacturing and service sectors. However, a strong demand for sales and marketing skills is also evident in the service sector.
5. Trainees are most commonly technical personnel, although 15.6% are middle and upper-level managers.
6. More than 35% of the corporations surveyed retain scholars, experts, or business consultants as in-house trainers.

Unlike Japan and Korea, whose industries are dominated by giant conglomerates, Taiwan's economy is primarily propelled by small to medium sized companies, constituting over 96% of its enterprises. These businesses create over 78% of the employment opportunities in Taiwan. In order

to stay competitive and take advantage of the government's financial incentives, these companies in Taiwan have made significant progress in implementing staff training. According to a 1994 survey conducted by the Taiwanese Council of Economic Planning and Development (1995), 92.2% of the local companies implemented training programs in order to give employees the knowledge and skills required to perform their jobs well. More than half of the local companies surveyed went even further "to design and conduct short-term training programs in line with long-term human resource development." The survey also indicated that small to medium-sized companies spent an average of 2.03% of their total payroll on training, compared to 1.6 % in 1990. In general, for firms of all sizes, employer-financed training amounts to roughly 35% of Taiwan's training industry.

Additionally, training demand in the personal or voluntary sector has grown rapidly. Tien (1996) says: "In Taiwan, for many employees, old and new, the pressure and materialism of modern life have also motivated the need for learning more up-to-date knowledge and advanced skills which are essential for employability and advancement." According to the Executive Yuan's Council of Labor Affairs (1995), there were approximately 350,000 people attending off-site local business training.

Competitive Situation in Taiwan

As demand for business training rises sharply, domestic competition in the Taiwan market for this training has become intense. Currently, there are hundreds of organizations, including university extension centers, quasi-official organizations, and private training companies that provide a large variety of business training programs.

In general, there are two main groups of training providers in Taiwan: public institutions and private firms. On average, the training courses provided by the public sector are primarily at the entry and intermediate levels, and these institutions charge lower prices. Private training companies develop and provide either standard or custom-made programs to meet the specific needs of clients. In Taiwanese business, there is an increasing trend toward favoring private training companies over public programs.

Due to language and cultural barriers, and high

operating costs, there are currently very few foreign companies or institutions offering business training in Taiwan. According to Henry Lee (Lee 1996), the deputy director of CETRA, many local training companies import training packages and materials from the U.S. and Japan, and then translate these materials into Chinese. Nonetheless, opportunities would seem to exist for U.S. organizations willing to make the necessary adaptations. Currently, Carnegie is one of the leading American-based firms operating successfully in Taiwan. Based on industry sources, more than 25,000 people have attended the courses provided by Carnegie in Taiwan since it started in 1987. Other U.S.-based firms active in the Taiwan market include *Personal Dynamic Company*, *Zig Ziglar, Success Motivation Institute Inc.*, and *AMA*.

Market Prospects for U.S. Programs

The market for overseas-based business training in Taiwan is still developing, and currently shows considerable potential. Many observers predict that the market will grow steadily as Taiwan's economy further develops. This is expected for two reasons. First, U.S. expertise in the training field is recognized and well-regarded in Taiwan. According to one industry analysis, the U.S. receives an average of four (on a scale of one to five) in terms of Taiwanese receptivity to U.S.-based business training. Second, the majority of courses designed and conducted by Taiwanese training companies are at the basic or intermediate level. As the need for high-tech or higher-level training programs grows in Taiwan, opportunities for U.S. firms will increase.

Based on observations and forecasts of industry professionals, the best prospects for business training in Taiwan for the next three years include:

1. *Personal Training:* The demand in this sector for personal development training is growing rapidly. Topics such as success motivation, time management, leadership, stress management, and individual career consulting should be profitable.
2. *Industry and Factory Training:* The demand will continue to grow for communication skills, collaborative quality management, preparation for multi-skills and new technologies (particularly in the computerized workplace), and quality management and control.
3. *Service Business and Office Training:* There are growing markets for sales and marketing strategy, financial management for local financial

institutions, communications, personal relationship (*Gongguan*) skills, and management training.

MARKET ENTRY STRATEGIES FOR AMERICAN EDUCATIONAL INSTITUTIONS

The results of this investigation suggest that potential market opportunities exist in Taiwan for U.S.-based executive education programs. However, the success of these American programs is dependent upon Taiwanese perceptions of their value in relation to the benefits provided and to the training offered by domestic providers.

The Dynamics of Executive Education

While business training is driven by the changes of economic conditions within Taiwan, executive education in the U.S. is enjoying an unprecedented period of growth. Due to its ability to utilize existing resources, universities find executive education to be highly profitable. It has been estimated that \$12 billion a year is spent on corporate learning internationally, including open-enrollment programs offered by university business schools. According to a *Business Week* survey (*Business Week* 1995), the 20 largest institutions for executive education in the U.S. have experienced an average growth rate of 95% over the last five years. In the future, executive educational course development will tend to: 1) be more company-specific and/or customized, 2) consist of shorter courses, and 3) have video-based or satellite-supported "distance learning" offerings.

Target Segments and Products

The business training market in Taiwan can be divided into various segments, based either upon the size of the companies or upon the type of business. One of the segments with the greatest potential would seem to be that consisting of higher-level managers from medium-sized Taiwanese companies. This segment should be attractive to smaller American university residential and distance executive programs for four main reasons. First, the size of this segment is large. Second, because this segment is somewhat fragmented, it may appear less attractive to flagship executive programs of large or prestigious universities. Third, the customers in this segment tend to be less sensitive to brand name, and generally have more price concerns. Fourth, businesses in this segment have a strong desire for

U.S. managerial and technological expertise in order to enhance their competitive strength in global markets. In providing training to this segment, capabilities such as teleconferencing would certainly be advantageous.

CONCLUSION

Currently, business and executive training is perceived as a value-added investment by many companies as well as by individuals. Business organizations in Taiwan look to the United States as the front runner of technological innovation and management education and development. As yet, however, the presence of U.S.-based educational training providers is not strong in this market. With the continuing growth in the economy of Taiwan and the corollary development of Taiwanese businesses, the demand for business training and executive education should increase significantly. As a result, the time is right for middle-sized American universities to venture into this market.

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