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Opportunities For Non-Degree Executive Education in Taiwan

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Introduction

Few organizations today have remained untouched by globalization. Whether they are in direct competition with multinational businesses or simply experiencing the pressure of operating within a large competitive universe, virtually all firms now operate in a global economy. As a result of this global competition, U.S. and foreign executives alike have been confronted with the need to broaden their conceptualization and understanding of the impacts of these trends. In response to these needs, both universities and independent training organizations have developed innovative programs for executive training and education. Observers predict that demand for this type of education will grow substantially during the next decade, both within the United States and abroad. 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, and most notably East Asia, has recently experienced faster economic growth than any other region of the world. The Republic of China, hereafter referred to as Taiwan, serves as an excellent example of this growth and corollary opportunity for business education. One of the newly industrialized Eastern countries, Taiwan has an economy that is the fourth largest in Asia. 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 investigation that was conducted in order to identify and evaluate the opportunities for non-degree 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.

Executive Training and Non-Degree Education in the United States

According to a market study released by *Training Magazine* in October 2003, the U. S. market for corporate education and training is approximately \$51 billion. Of that amount, 14% is spent on education programs for executives, 23% for managers, 27% for non-managers, and 37% on non-exempt (hourly) employees. Executive education and training revenues for the top twenty business schools and private training organizations targeting open-enrollment programs alone totaled over \$662 million in 2002–2003 (Merritt, 2003). For colleges and universities that provide corporate education programs, non-degree corporate education adds an average of \$5 million to their revenues (AACSB, 2002). More importantly, corporate programs represent one of the few areas for significant growth available to universities. In the last year, executive education programs have jumped 20–30% in terms of enrollment, while some prestigious university programs have seen increases of 90–120% in the past year (Merritt, 2004). In short, non-degree corporate education programs are seen as the most certain avenue for traditional educational institutions to increase revenues in the face of otherwise flat markets and budget constraints.

According to a study of 240 firms by Hewitt Associates entitled "How Companies Grow Great Leaders" (Hewitt Associates, 2003), top-performing companies consistently display a substantial commitment to leadership training, managerial development, and the use of external management coaches and training programs. In the United States, leadership development and managerial training expenditures per employee for large companies averages \$8,000, and \$6,500 for smaller firms (Delahoussaye, 2001). From these figures, it is evident that the market for non-degree management and executive training in the United States is substantial. Nonetheless, increasingly intense competition among educational institutions and other programs has focused greater attention upon potential opportunities for executive education in other countries.

Opportunity Identification and Analysis for Executive Education Programs in Taiwan: Methodology

In 2000, the American Society for Training Development (ASTD) published findings from its large-scale “International Comparison Study” of management training opportunities. Over 500 U.S. companies and more than 400 organizations outside of the United States (representing 47 countries) participated in this research. Some of the key findings of the study were:

- Organizations in the United States spent the most on training, when expenditures were measured on a per-employee basis.
- When expenditures were measured as a percentage of payroll, organizations in Europe reported spending the highest amount among all regions.
- Organizations in Asia reported spending the least on training per employee, and Asian firms also reported spending the least on training as a percentage of total annual payroll.

As a result of this research and others that suggest that Asian firms spend less on corporate training for their employees, it would appear that future opportunities for executive education and business training programs conducted in Asia are considerable. Nonetheless, it is also evident that training firms and universities marketing their programs to Taiwan must first overcome what may be corporate resistance (either economic or cultural) toward external training systems if they are to succeed.

Because they cannot store or easily re-allocate “inventory” or supply, service businesses tend to be highly vulnerable to mismatches between supply and demand. Educational institutions, like other forms of service businesses, must thus carefully identify and analyze potential market opportunities if they are to avoid costly losses. For every organization, defining the business, determining its mission, formulating functional strategies, and setting budgets are complex inter-related decisions requiring considerable forethought and analysis (Barney, 1997). Thorough market research is the foundation for these strategic processes, and it is from this perspective that the present project was conducted. The research results presented in this paper were derived from secondary data sources¹, personal interviews, and direct mail surveys. Personal interviews were conducted with individuals from a large number of public and private organizations, including those associated with The Country Desk of Taiwan, The American Institute in Taiwan (AIT), The Taiwan Economic and Cultural Representatives Office

1. Where data is obtained from official Taiwan government publications (either published or online), no further reference will be listed in the References section.

(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.

Research Results

The following findings provide information about Taiwan's economic development, market demand, competitive situation, and market development opportunities. Specifically, the goals of the research were to shed light on issues of:

- The overall level of need for non-degree executive education and other forms of business training in Taiwan
- The areas or segments presenting the greatest needs for training in Taiwan
- The specific types of training that are most needed in Taiwan
- The level of resources available in Taiwanese businesses for external education and training programs

Taiwan's Economic Development, Government Policies, and Market Demand for Executive Training Programs

As one of the newly industrialized countries (commonly referred to as Asian Tigers or Little Dragons), Taiwan has an economy that is the fourth largest in Asia after Japan, China, and South Korea. The decreasing control from government authorities in the areas of foreign investments and trade has resulted in Taiwan's dynamic economic growth. Furthermore, many large industrial firms and government-owned banks are being privatized and are seeking opportunities for international growth. To cope with these changes, an increasing number of 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 remain competitive, given the sharply increasing labor and overhead costs in Taiwan. Many labor-intensive companies have already moved their operations out of Taiwan and into mainland China. Traditional corporate structures, values, and operational philosophies are facing new challenges. Stan Shih, the Chairman and CEO of Acer, a \$3.5 billion manufacturer of laptop computers based in Taiwan, 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" (Shih, 1996).

Adding to this dynamic growth is Taiwan's substantial foreign exchange reserves of more than US \$230 billion (Central Bank of China Data, 2004), which ranks as the world's third largest. In recent years, Taiwan's economic

structure has transformed considerably from an agriculture and manufacturing-based economy to a technology and service-based economy. Today the service sector employs 57.9% of total labor force and accounts for 69.1% of gross domestic product (GDP). According to Taiwan's Industrial Development Bureau (Taiwan Ministry of Economic Affairs, 2003), the added value per employee jumped from US\$13,000 in 1986 to US\$33,500 in 2001, while the percentage of exports by technology-intensive industries climbed from 2.7% in 1986 to 54.4% in 2001. In terms of export value, Taiwan has become a world-class manufacturing hub for more than thirty products and manufacturing services such as semiconductor foundry services, notebook computers, monitors, scanners, motherboards, IC design, bicycles, etc. In addition, there are eight Internet Service Providers and over 11.6 million Internet users in Taiwan (The World Factbook, 2002). These statistics indicate clearly that Taiwan's economic structure has been significantly transformed in recent years.

In response to this transformation and resulting challenges, the Taiwanese government has introduced a "Blueprint for Green Silicon Island Development," which aims to vigorously promote a knowledge-based economy and technology modernization in order to transform Taiwan into a high-value-added production center (Council for Economic Planning and Development, Executive Yuan, Republic of China, 2003). In its effort to build Taiwan's global competitiveness, the "Challenge 2008: National Development Plan" provides various programs to enhance Taiwan's knowledge and innovation capabilities, to accelerate the upgrading of traditional industries, and to continue the development of high-tech and value-added industries. More importantly, due to the changes in the economy, technology, and employment structure, Taiwan has started to invest even more effort in the development of human resources and human capital. The newly implemented economic vision focuses mainly on (1) developing sustainable human-based capital and on (2) "Linking with the world and acting locally" (Council for Economic Planning and Development, 2003).

To accomplish the first goal of human resource advancement, Taiwan's government aims to enhance knowledge and innovation capabilities of high-end personnel in technology and emerging industries, as well as to allocate educational resources to train semi-skilled or lower-skilled workers in localized domestic-demand industries (e.g., tourism, medical care industries). In addition, to accomplish its second goal of global competitiveness, the government encourages local firms to take advantage of the Internet and division-of-labor trends to "cultivate Taiwan while deploying globally." In sum, the National Development Plan will need to be implemented by investing substantially in human resource training and by promotion of continuing education (Taiwan Ministry of Education 2003).

Additionally, Taiwan's income level has risen substantially in recent years. According to the Taiwan Ministry of Economic Affairs (2003), Taiwan's GNP per capita has increased to US\$13,156. The ratio of income between the richest 20% and poorest 20% of the population also displays an upward trend from 4.4

in 1984 to 5.18 in 1990. This disparity tends to increase the pressure upon many in Taiwanese society toward self-improvement through education. In addition, this increase implies 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."

Overall, then, Taiwan's economic development, favorable business conditions, and government incentive policies have resulted in largely positive impacts upon its business training industry and upon future opportunities for organizations in this field. There has been, and will continue to be, not only a rapid increase in demand for basic business training but also the need for high level and advanced training programs.

The Current State of Executive Education in Taiwan

The official language of Taiwan is Mandarin. To encourage internationalization and communication, foreign languages are taught in primary school, with English as the primary focus. With a literacy rate of 96% and government expenditures of 18% of GNP on educational outlays, Taiwan's educational system reflects the traditional Confucian values of hard work and high achievement. Statistics on education show that 4.88% of the population in Taiwan is college educated (Department of Statistics, 2001), and that number increases to 5.41 when open university (non-degree) enrollment and supplementary junior college coursework is included. Over the last 40 years, Taiwan's economic advancement has been supported by a well-educated and highly motivated workforce. Although the structure of this workforce has changed over the years, people have retained the traditional values of high work ethic and dedication. Key economic indicators provide a positive view of the employment situation in Taiwan (Taiwan Ministry of Economic Affairs, 2003), showing that Taiwan has a diversified and skilled workforce of more than 10 million people with a labor force participation rate of more than 57% and an unemployment rate of only 4.99%.

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, Liu Hsiang-Chi (Hsiang, 1995) surveyed 100 leading corporations in Taiwan with business revenues over US\$1.9 billion. According to his findings, total spending of these corporations on training during the previous year amounted to the equivalent of US\$87.5 million, or 0.4% of

the total business revenues of these firms. On a per-employee basis, average training expenditure was the equivalent of US\$306. Hsiang's research provides further valuable information about the Taiwanese market for corporate training. The following list highlights some key findings of his study:

- Corporate training expenditures vary significantly among Taiwanese companies. While some firms invest heavily in training, over 45% of the companies surveyed spend less than US\$38,000.
- 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.
- 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.
- 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.
- Those receiving training are most commonly technical personnel, although 15.6% are middle and upper-level managers.
- More than 35% of the corporations surveyed retain scholars, experts, or business consultants as in-house trainers.

A unique characteristic of the Taiwanese economy is also relevant to the executive education programs targeting firms in the country. Unlike Japan and Korea, whose industries are dominated by giant conglomerates, Taiwan's economy is primarily propelled by small- to medium-sized companies, which constitutes over 96% of its enterprise. 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 for 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) notes: "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 are approximately 350,000 people attending off-site local business training sessions or programs each year in Taiwan. One example, AsiaWorks, a training company launched by Americans in 1993 and based in Hong Kong, has provided over 100,000 individuals with training in Asia since its founding.

Competitive Situation in Taiwan

As demand for business training rises sharply, domestic competition in the Taiwan market for these executive and business training programs 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. Much of the private training is done through local (Taiwanese) franchises of large U.S. organizations. Furthermore, in Taiwanese businesses, 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 United States and Japan and then translate these materials into Chinese. Nonetheless, significant opportunities would seem to exist for U.S. organizations willing to make the necessary adaptations. Currently, Dale Carnegie Training is one of the leading American-based firms operating successfully in Taiwan. According to industry sources, more than 25,000 people have attended the courses provided by Carnegie in Taiwan since they started in 1987. Other U.S.-based firms active in the Taiwanese market include Personal Dynamics, Zig Ziglar Training Systems, Success Motivation International, Inc., and the American Management Association (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 is well regarded in Taiwan. According to one industry analysis, the United States 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 Development:** 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 are generally popular and should thus 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 skills 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.

Dynamic Executive Education

While business training is driven by the changes of economic conditions within Taiwan, executive education in the United States can be seen as now entering a sort of renaissance. As a result of a shift in corporate learning priorities, executive education 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 twenty

largest institutions for executive education in the United States have experienced an average growth rate of 95% over the five years between 1990 and 1995. This trend has increased over the last decade. However, there are both winners and losers in this billion-dollar battlefield, as the demand increases for custom designed programs to achieve specific goals. 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 technology-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 education 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. However, program design for this market segment should be relatively short in order to fit busy managerial schedules. In providing training to this segment, capabilities such as technology-enabled instruction and 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 institutions and training providers is not as strong in this foreign market as it is in many others (particularly in Europe and Japan). 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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