

Track 1 – Management, Work and Organization
Human Resource Strategy and Cross-Border Direct Investment:
Taiwan's Information Technology Industry's Relocation to China

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An important part of the economic reform process in China has been the promotion of foreign direct investment (FDI). China has become one of the most important destinations for cross-border FDI as a large number of foreign manufacturers, including Taiwan and the US, have shifted their production from other Asian countries either in search of lower costs or to target the domestic Chinese market. China accounts for the US's single largest bilateral deficit and this deficit has generally remained between 20 and 25 percent of the US total.

This paper investigates the human resources (HR) strategy, and the costs and benefits associated with it, pursued by the Taiwanese information technology (IT) industry as it invested more than 20 billion US dollars in mainland China.

IT has been a very important part of the economic development of Taiwan. The gross value of the IT industry, developed over 30 years, now accounts for one-fourth of the total value of Taiwanese manufacturing and the country ranks fourth in the global IT industry. There are 14 IT products made by Taiwanese firms either overseas or domestically that has the largest share of the global market and six others that rank second.

Taiwan's IT industry began its investment in mainland China in 1991 following a thaw in the relationship between the two countries. Since then most of the IT industry has relocated to China except for integrated circuits which have implications for national security. This move offshore was hastened by the preferential terms offered by China to attract capital and human resource talent from Taiwan, particularly from its IT industry.

The success of Taiwan's IT industry was originally built on an HR strategy of attracting high-talent workers of Chinese origin from North American IT firms. It offered a variety of opportunities including employee stock option plans and the benefits of working in an IT cluster. The industry successfully transferred this HR strategy, of attracting high-talent workers of a similar culture from one country to another, when it relocated to the Chinese mainland. Some adjustments were made in this strategy to accommodate the characteristics of the Chinese labor market.

Now, the relocation of the IT industry to China has raised a policy debate in Taiwan between, on the one hand its desire to deregulate and allow its companies to take advantage of globalization and, on the other hand, its loss of high-talent IT workers to China.

This paper explores the implications, to both the investor and receiver countries, of cross-border FDI as it relates to an HR strategy focused on high-talent human resources.