The human resource challenge to outward foreign direct investment aspirations from emerging economies: the case of China

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Abstract. The continued influx of foreign investment into China and the growing desire by indigenous Chinese companies to invest abroad have created an unprecedented demand for people who possess competencies to compete successfully in a global economy. Without this pool of human talent, China’s economic growth will slow and its outward foreign direct investment aspirations will be thwarted. This paper presents two inter-related studies that can shed light on China’s ability to meet this human resource challenge in the years ahead. The first study pertains to the intention of a sample of Chinese university students in Canada to return to work in China upon graduation. Most Chinese students were receptive to the idea of returning to China. The second study examines the willingness of non-Chinese university students to work for Chinese firms overseas or in China. In general, non-Chinese students were more willing to work in the North American operations of Chinese companies and less so in relocating to China. These two surveys are supplemented by in-depth interviews with Chinese who have returned to work in China and those who chose to remain overseas. The implications of these findings, both theoretical and practical, are discussed.

Keywords. Boundaryless careers; Chinese outward foreign investment; competitiveness; emerging economies; ex-host country nationals; global workforce; human resources; reverse migration.

While the majority of foreign direct investment (FDI) stock in the world is still held by multinational companies (MNCs) from the advanced, industrialized countries, in recent years, outward FDI (OFDI) from developing countries has become a ‘major factor in the world economy’ (Schifferes, 2006). As recipients of FDI, some developing countries have benefited from the massive infusion of foreign capital, technology and technological know-how that accompanied these investments. This inflow, coupled with endogenous factors, has enabled some of these recipient countries to develop into emerging economies (EEs). EEs are also known as emerging markets, developing or transitional economies. Over time, many of these EEs have become foreign investors themselves (Luo and Tung, in press).

Take the case of China, for example. In the past two decades, China has been an attractive destination for foreign investment. In 2003, China overtook the US to become the largest recipient of FDI in the world (http://www.nyconsulate.prcchina.org). Despite persistent perceptions of lack of transparency, China continues to be ranked as the top destination of FDI. Every year since 2002, based on surveys of CEOs and CFOs from...