

Tomorrow's Global Leaders

By Christie Caldwell



As global economic power shifts rapidly from West to East, a new generation of emerging leaders from Asian and Pacific's (APAC) fast-growth markets is beginning to wield greater influence in global organizations and may eventually redefine the nature of global leadership itself.

The Organization for Economic Cooperation and Development recently released data showing that China, APAC's primary fast-growth market, will be the No. 1 world economy by 2016 in Purchasing Power Parity. While multinational corporate culture in the past half-century has been largely dominated by American and European businesses and leadership models, the revenue shift toward Asia's markets means that the way business is conducted will evolve in these economies to reflect these changes. In these markets, the critical issue for most Western multinational companies is how to prepare their Asian emerging leaders to take their understanding of the local market and position the global organization to capture the large growth in the region.

In most cases, this is not yet happening, or not happening fast enough. What are the factors driving this leadership gap and what can be done about it?

Over the past four years, Aperian Global has conducted extensive research to explore global leadership development in Asia's fast-growth markets. The study has involved structured interviews with more than 100 professionals working across 27 multinational corporations (MNCs) in Asia. Represented in the sample in near equal numbers are 1) learning and development directors, 2) business unit leaders, and 3) Asian high-potential leaders.

The Leadership Need

For most Western MNCs, lack of leadership talent in Asia's key markets is the single greatest factor limiting growth. In a recent survey, executives reported that "just two percent of their top 200 employees were located in Asian emerging markets that would, in the years ahead, account for more than one-third of total sales."¹

A Bangalore-based director of leadership development at an American-headquartered

global technology firm described the imbalance as a threat to the organization's future:

"Currently 70 percent of our revenue is being driven out of Asia but only 10 percent of our leadership comes from this region. We are setting ourselves up to fail on a large scale if this equation does not change."²

More broadly, CEOs in Western MNCs identify the ability to hire, develop and retain talent in fast growth markets as "the main competitive differentiation" in today's market.³

Having local Asian leadership talent in place is crucial for organizations that wish to sustain growth and increase market share in the region's key fast-growth markets. In McKinsey's recent study, "Managing at Global Scale," researchers found that "fewer than 40 percent of the 300 executives at global companies surveyed believed that their employees were better than local competitors at understanding the operating environment and customers' needs."⁴

According to McKinsey, over the next 15 years, 400 tier-two cities in Asia, many of which are unfamiliar to the West, will generate nearly 40 percent of global growth.⁵ Organizations that do not have their finger on the pulse of rapidly shifting customer preferences in these locales will be left behind.

Strong local talent in key markets provides access to the global economic growth. Critically, this talent must be positioned at leadership levels where they have the ear of the global organization and are able to influence strategies that position the company for success. Multinationals need leaders who are not only adding value at a local level, but also taking positions of global relevance and influ-

ence. In our research, 80 percent of the business unit leaders interviewed cited *managing this transition from strong local capabilities to successful and influential global capacity* as the organization's critical challenge.

In one recent example, a China-based expatriate leader for a global manufacturing company came into conflict with his European offices over the sourcing of some high-tech equipment. The German offices insisted that China operations would need to import the equipment from Europe in order to ensure quality. The expatriate in China pushed back hard and escalated the issue to the corporate level, insisting that his source in China was high quality and less expensive. In the end, due to the expatriate leader's strong global relationship network, his good global business acumen around the organization's sourcing channels and his ability to push through a strong point of view, the company made China the sole sourcing agent for the equipment globally — at a huge savings to the company. The expatriate leader who drove this initiative said that the current Chinese local leaders would not have been able to succeed in the same situation. He continues,

"But this is exactly what we need them to be doing. What we are looking for is the ability to leverage that in-depth local knowledge, not just for the benefit of the local subsidiary, but for the entire global organization."

This example highlights key themes that have come up repeatedly in our research. When describing what they need from their APAC leaders, Western MNC business unit leaders and L&D directors highlight skills for working within a global matrix environment, including influencing global strategy decisions through strong global business acumen, leveraging a broad global relationship network and articulating a strong point of view to key stakeholders.

In an interview, the vice president of a global manufacturing company with presence across the APAC region observed:

¹ McKinsey Quarterly, "The global company's challenge," June 2012.

² Aperian Global, "Tomorrow's Leaders" research in progress, interview May 2012.

³ Price Waterhouse Cooper, "15th annual global CEO survey 2012: Delivering results, growth and value in a volatile world," 2012.

⁴ McKinsey Quarterly, "The global company's challenge," June 2012

⁵ Ibid.

“We need our APAC leaders to feel comfortable at the global decision-making level, to challenge authority, stand firm on issues and to stand toe-to-toe with colleagues of higher rank to defend their point of view. (Many) times our Asian leaders back down too quickly. We need them to be able to challenge someone at a higher level or in a different function in order to add value to the organization.”

In several client cases where the organization’s global growth trajectory has provided APAC leaders with a seat at the global decision-making table, the leaders are perceived as reticent to use it. In one recent client example, a 360 assessment showed the ability to “challenge the system” as the key weakness among Asian leaders. Oftentimes, silence in the meeting or the tendency to “back down too quickly” when challenged is misunderstood as a lack of engagement, a lack of conviction or a lack of ability.

A global manufacturing company recently reorganized, deepening its matrix structure, taking decision-making power away from country directors and putting it with global functional councils. The leadership skills needed to operate within these councils are vastly different. As one leader put it:

“Before, country-level leaders needed to be experts and made decisions with relative independence. They are now just one voice seeking to influence a joint global team decision. They need to understand the global business context and advocate decisions which are best for the entire global organization, not just their local context. Our Asian leaders are really struggling in this new environment.”

In one incident involving a decision at the global purchasing council level, the Indian leader did not articulate his business need in a way that was perceived as effective by his global counterparts, and he was overruled by the other council members. The decision had significant impact on the Indian market’s numbers for the year. The Indian leader said he felt the restructuring was damaging the Indian market. The other members of the global purchasing council perceived the situation differently. A European council member felt that “the Indian leadership can’t just let the data talk for itself. He has to present in a way that drives the outcome he wants from that data. He has to articulate his message in

an influential way. He was too soft and did not articulate the real need for the local market.” An American member of the council commented that the Indian leadership “said ‘yes’ too early without challenging the strategy sufficiently because he wanted to avoid a conflict. We need him to pull his weight so that we make the right global decision.”

When APAC leaders do present their ideas, there are often perceived gaps in their ability to articulate them in a compelling manner. Seventy-five percent of business unit leaders

As a result, some APAC leaders are perceived to focus on the business needs of their region or country. This, in turn, damages their credibility at the global decision-making levels and leads to accusations of “lack of global or strategic mindset” or “lack of global business acumen.” The vice president of a global organization based in Shanghai noted that an overly local focus damages a leader’s ability to influence:

“An influential leader is open-minded about whose idea may be the best



and L&D directors interviewed listed the “ability to articulate a strong point of view” as one of the top three development gaps for Asian high-potential leaders, and 60 percent listed the “ability to manage up” in their top three gaps.

Leaders need to articulate their points of view in the context of the holistic global business. This requires a cross-functional and cross-geographical breadth of knowledge and experience, which is rare in young leaders from the APAC region. Due to the growth and the relatively nascent establishment of many industries in the region, local leaders are pushed into relatively high positions much faster than their global counterparts elsewhere.

idea. Influence is not just about pushing one’s own idea onto others. Your idea may or may not be the best idea. Share the ideas, listen to others’ ideas, then try to sell your idea if you have the best idea. A good leader is one who is able to get the best ideas on the table.”

What makes the talent demands particularly challenging in Asia’s fast-growth markets is the need for a very high degree of competence in the local market coupled with global business skills and acumen. Local business acumen is non-negotiable in these fiercely competitive environments. A Shanghaiese high-potential leader working for an American manufacturer emphasizes this further: “If you look at the businesses running suc-

cessfully for the past five years in China, the senior management team is Chinese. Companies with few locals in their senior team have not been as successful. Companies have to link to the local market and operate under the local style.”

At the same time that talent stakes are being raised for these local markets. Local talent must be able to run regional operations and global business units, as well as align with and drive global strategy in an integrated matrix environment. But the transition from the local-only leadership role into regional or global roles is a big leap and the skills needed to be successful in each role are often at odds with one another. Sometimes the very competencies making an Indian leader indispensable in his home market are also inhibiting his growth in a global environment. Is the issue with the local talent or are Western MNCs asking the impossible? More importantly, is there a more global approach that is relevant for both the organization and its Asia-based leadership talent?

Leadership is Culturally Embedded

Leadership itself is culturally embedded. Successful leadership behaviors and expectations vary greatly across different cultural contexts. Many of the leadership behaviors which are perceived as needed in Western multinational organizations are based on a Western model of leadership. This model is more egalitarian and direct, promoting an approach where leaders are rewarded for speaking up and openly debating areas of disagreement regardless of relative rank and where influence is often based on strong communication skills and confident articulation of individual ideas.

Figure 1 depicts some of these key cultural differences across a validated research framework. The implications of the cultural gaps for different leadership values and approaches are evident.

Unlike their counterparts in Europe and the United States, for many cultures throughout Asia Pacific the “source” or the “who” in a situation is the critical factor in determining an appropriate response. Relationships are critical to getting things done, and the rewarded leadership behavior emphasizes harmony. Relationships are close and influence is a natural result of

that closeness. Decisions are rarely influenced through strong verbal argument. Hierarchy ensures relational harmony by creating clear roles with associated behaviors and preventing open conflict, which is perceived as harmful, not constructive. Promoting a strong point of view which runs counter to the views of more senior or experienced colleagues is perceived as immature, self-centered, rude and damaging.

Many of the leadership expectations of Western multinational organizations are inadvertently taboo requirements for their APAC leaders. Displaying Western-style leadership behaviors may create a strong global leadership brand for the young Asian leader, but he or she may not be trusted or respected locally. Thus, these Asian leaders often find themselves caught between the conflicting leadership demands of the local cultural context and the global organization.⁶

The Challenge of the Matrix

The matrix structure itself is particularly challenging for more hierarchical and relationship-based leadership cultures. First of all, the model creates ambiguity around who is in charge and the “leader” or decision-

maker can change on a project-to-project basis. Multiple reporting lines also create competing priorities and confusion around whom one should ultimately seek to please. One Chinese leader describes the chaos of the matrix like this:

“In China, there is always a head and he/she is always the one with the authority. Everyone recognizes this. He/she is the one whose position is highest.

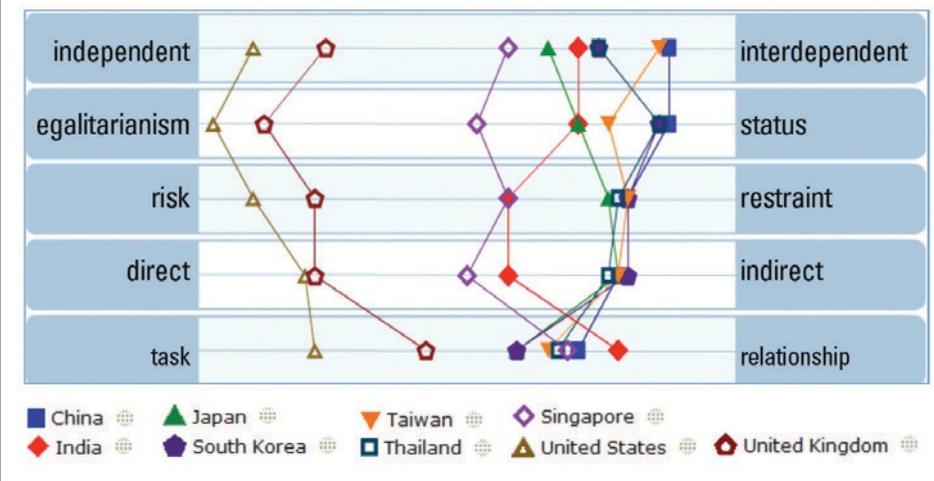
But in Western countries, the authority or the head isn’t always the person with the highest position. Many times someone is given the title of being the facilitator or coordinator, and they have the authority in this certain situation. Authority often shifts in a matrix environment.”

Secondly, the matrix organization strips APAC leaders of their local relationship networks and asks them to do the same level of work, leveraging a group of foreign strangers whom they have never met face to face. One Indian leader compared this experience to having his limbs cut off.

In response to these factors, many APAC leaders prioritize their local business context, in which they often thrive, and withdraw from the global, matrix dynamics of the organization. Many criticisms of Asian leaders can be linked to this withdrawal: *There is a lack of transparency in our China operations; we don’t know what is going on there. Our Asian leaders don’t have a global mindset; they are*

⁶ Academic research on cross-cultural diversity and findings from Winnie Ng’s and Kate Vernon’s Community Business report on *Adopting an Asian Lens to Talent Development*, March 2012, provide further detailed evidence that Asian talent differs from talent from other regions.

FIGURE 1: GLOBESMART® COUNTRY PROFILES DEPICTING CULTURAL DIFFERENCES ACROSS WORK STYLES.



too myopic and don't link to the bigger picture or strategy. Our APAC leaders lack global business acumen, et.al.

What Can Be Done Differently: Some Learning from the Field

A. Define Truly Global Leadership Behaviors for the Organization

Many Asian high potentials express frustration at not being promoted even though they execute perfectly the expectations for their role. The organizations' current leaders often list a lack of several key leadership traits (global business acumen, ability to articulate a strong argument, out-of-the-box thinking, etc.) that prevent these high potentials from advancing. When asked if these leadership traits are explicit requirements on which employees are measured, the majority of interviewees paused and then answered,

Defining truly global leadership competencies, as opposed to just steamrolling one leadership style across all markets, will create a more globally agile organization.

“No.” The harsh reality is that many emerging leaders working for Western multinationals are being evaluated on a set of implicit leadership expectations that are so culturally embedded that they are often not even articulated, much less measured.

Organizations who wish to be globally relevant need leaders who are effective within multiple disparate contexts. Rather than creating clones of the organization's dominant leadership culture, the leadership competency model needs to be truly global: recognizing the value of a broad range of leadership approaches while rewarding leadership agility and adaptation in different cultural environments. Reviewing the current leadership competency model for cultural bias and global relevance is a good place for organizations to start. How?

First, organizations should look for leadership models and behaviors based on truly global research and use this as a benchmark for their review. Second, organizations should gather stakeholders who represent the diversity of the companies' global presence in order to conduct this review. Reviewers can then focus on the following initial questions:

1. Which of our current leadership competencies are essential for operating in a global environment?
2. Which competencies are relevant for our new growth markets and are these reflected in our leadership model?
3. Are there other competencies necessary for success in a global market or individual growth markets which are not being measured or rewarded?
4. Which competencies are only relevant in a particular culture?
5. How are these competencies interpreted differently across different cultures and markets?

6. Are there competencies which are needed in the current organizational environment but which will be less relevant later?
7. Are there competencies which will be critical to the organization's future global presence which should be built now?

Reviewers should also work together to articulate culturally embedded leadership expectations and assess how many of these are explicit in the organization and where these expectations conflict.

In the 2012 Community Business study, “Adopting an Asian Lens to Talent Development,” researchers found that the leadership models and assessment processes used within MNCs operating in Asia were perceived to be “Western.” The Indian study participants agreed that “when assessing talent, this is done through a Western lens. They felt it was

essential to redefine successful leadership... and adapt leadership competencies to include the ‘Indian style.’”⁷ Companies must investigate the qualities required to be a successful leader in their markets and see if those qualities are being rewarded. Taking into account business reality of these markets is also critical. As noted in the Community Business study: “Rather than assessing performance in line with rigid adherence to global standards and processes, flexibility of approach and a focus on outcomes are critical.”

Defining truly global leadership competencies, as opposed to just steamrolling one leadership style across all markets, will create a more globally agile organization. Making these leadership expectations explicit also will allow organizations to assess what competencies are necessary for global success rather than culturally embedded expectations of leadership springing from cultural bias.

B. Build Global Mindset from the Top Down as well as from the Bottom Up

Reassessment of leadership requires commitment and change from both the current top decision-makers as well as the emerging Asian leaders.

In one of the best examples of a holistic global leadership initiative, a global automaker committed to development across all leadership levels. They defined global leadership behaviors critical to all levels of the organization based on a global research framework.⁸ They also built awareness of the cultural roots driving leadership expectations and norms across the organization's key geographies. Specific skills gaps were identified for leaders coming from all regions.

Development for the top 500 global executives, the majority of whom were from Western backgrounds, focused heavily on skills that would position them to receive critical business information existing outside their normal frame of reference or information coming from leaders who used unfamiliar leadership approaches and communication styles. The initiative brought the top leaders to extended stays in the company's key growth markets in China and India. Here, they heard perspectives from local leaders,

⁷ Ng, Winnie and Kate Vernon, *Adopting an Asian Lens to Talent Development*, Community Business, March 2012.

⁸ See Gundling, Ernest Ph.D, Terry Hogan and Karen Cvitkovich. *What is Global Leadership?* Nicolas Brealey, 2010.



met with important partners and experienced the realities of their global operations.

The content of the leadership program addressed how leaders can create space for and practice a variety of leadership approaches. It also built self-awareness around leaders' own tendency to assess highly and promote "like-me" leadership. The extensive learning engagement built awareness and skills that enabled these global leaders to adapt their leadership approach in order to skillfully navigate multiple cultures and markets, including their key markets in Asia.

In this same initiative, critical competencies were identified for APAC leaders to be successful in a matrix environment with diverse global stakeholders. Across a two-year, multi-module development engagement, the region's high-potential leaders honed skills tailored to bridge critical gaps for adapting a leadership approach for influencing Western stakeholders and succeeding in a global matrix. The participants were given tools and explicit leadership behaviors that would better enable them to get their ideas and expertise heard. Key classroom topics included:

- Communicating with impact.
- Positioning for visibility.
- Delivering a strong point of view.

- Building credibility through owning the solution.
- Increasing advocacy and collaboration in global decision making.
- Improving personal influence power vs. position power.
- Navigating the global matrix.
- Managing up effectively to change or challenge the process.
- Establishing a visionary leadership style.
- Developing global business acumen and capacity to lead across cultures.

In the words of a director of recruitment, learning and organizational development for Asia Pacific:

We live in a 3M world: matrixed, multicultural and all over the map. So your supplier is sitting in one continent, your employer in another, and you are sitting in another, and your customer and supervisor are somewhere else. What we need to look at is: What are the global competencies needed to be successful in a 3M organization? That is our goal. Once you are able to define those competencies and our Asian high potentials can demonstrate that consistently, then what role they go into does not matter.

The organization is waiting like a giant sponge that will absorb and engulf the people with that kind of global leadership capability.

Conclusion

The power base in most Western multinationals still lies in Europe or America, but that model is growing increasingly outdated and irrelevant. As economic power shifts from West to East, the organization itself must change to create space for new types of leaders, and existing leaders must adapt to drive growth in a completely "3M" environment. Those leaders who currently operate within the comfort of the organization's dominant leadership style must push themselves out of their comfort zone in order to engage tomorrow's leaders, whose approach to leadership will be very different. Today's leaders must also commit to supporting and growing tomorrow's leaders as a strategic imperative, providing them with the tools they need to succeed. The organization which insists on retaining a culturally narrow definition of leadership will be less capable of leveraging the unique strengths of tomorrow's leaders for competitive advantage in the markets that really matter. **P&S**

Christie Caldwell is Manager of Intellectual Property Research and Development and a Senior Consultant for Aperian Global. She is responsible for the creation of intellectual property to maintain thought leadership in the areas of global leadership, global teams, and global diversity and inclusion.

Currently based in Shanghai, China, Christie works with clients across the world to provide global talent development solutions, particularly in the area of global leadership development for high potentials from fast-growth markets.

Originally from the U.S., Christie has spent over 13 years as an expatriate in Asia and Europe. She holds a Masters degree from Harvard University and completed a Masters program in Chinese Studies at Johns Hopkins School of Advanced International Studies in Nanjing, China.