

How **Multinationals** Doing Business in Asia Can **Develop Leadership Talent During a Recession**

During the past six months, multinational companies that do business in greater China — which encompasses mainland China, Taiwan and Hong Kong — and Southeast Asia have experienced an abrupt about-face in their need to acquire new leadership talent. As international consumer demand has all but evaporated, these companies no longer have the same urgent need to fill open positions quickly, a need that contributed to leadership talent gaps and thrust many young and untested professionals into leadership positions prematurely. It's a situation most of these companies are facing for the first time, and one they can greatly profit from if they take the right steps to develop their existing leaders and high potentials. Forward-thinking organizations are shifting focus to developing the talent they already have and, in so doing, will help themselves emerge from this economic downturn not only more quickly, but also better off competitively.

The Roots of the Problem

The leadership talent gap arose for several reasons. Although local university programs produce smart, ambitious graduates with great technical skills, many of these people face a steep learning curve when making the transition into positions of leadership where general management skills, such as

QUICK LOOK

- ➔ Take advantage of workforce discontinuities that could offer significant leadership talent acquisition and development opportunities.
- ➔ Managing strategic leadership roles as a corporate asset will yield significant business value and help companies attract, grow and retain better leaders.
- ➔ To maximize investment and value to the business, leadership-development efforts should focus primarily on the strategic and core roles, which are most critical to executing strategy.

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strategic thinking, risk-taking and people acumen, are prerequisites for success.

Also lacking throughout these multinationals are well-established best practices to develop leaders quickly. Due to the business downturn, these companies are finding it increasingly difficult to depend on expatriates to fill talent voids because of the exorbitant costs of underwriting traditional foreign-assignment packages. Therefore, more emphasis is being placed on the rapid development of local nationals. (For comments about the current situation from leading HR practitioners who work in the region, see “Voices from the Trenches” on page 40.)

Making the Best of a Bad Situation

Given the sudden economic changes, the challenge is to remain focused and purposeful, even during significant fluctuations in the labor market. Multinationals doing business in the greater China and Southeast Asia region need to be alert to take advantage of workforce discontinuities that could offer significant leadership talent acquisition and development opportunities. For example, cost cutting or restructuring in various industry sectors is making transferable talent more available — talent that might otherwise have been difficult to obtain. In addition, fear and

uncertainty can cause existing high-performing talent to remain in place longer than expected. Organizations that recognize these discontinuities and take immediate action will find themselves in a more competitive position when better economic conditions return.

During times of uncertainty, it's also especially important to re-examine current leadership-development approaches and make the required investments to accelerate leaders' readiness to drive the execution of business strategy. Then, with a keen focus on strategic leadership roles, companies can employ innovative methodologies to enhance skill building. Managing strategic leadership roles, like any other corporate asset, will yield significant business value and help companies attract, grow and retain better leaders, which may prove to be the true competitive differentiator in the long run.

Those companies that can develop and execute a strategic leadership-development plan faster than the competition will be in the best position during these turbulent times. There are five steps organizations can take immediately: 1) make leadership development a core business process, 2) segment high-value leadership roles, 3) define strategic leadership behavior, 4) identify critical leadership gaps and 5) create a macro-leadership-

development plan that is embedded into company strategy.

1. Make leadership development a core business process.

A new and different leadership-development approach is required. Unfortunately, traditional leadership-development methodologies rely heavily on individual assessments, development plans, internal classroom training and external education. While such methodologies can be very effective, they also require significant money, staff and time — unaffordable luxuries for many multinationals in the current economic environment.

Unfortunately, leadership development has defaulted to an HR process, but in reality, it is a core success factor in driving organization performance and results. Few would argue that ensuring the right leaders are in place doing the right things at the right time is essential to achieving strategic objectives. Yet leadership capability assumptions are often conspicuously missing from strategic business plans. Why is this?

One of the reasons is that leadership development has traditionally been unfocused and undisciplined. Unlike other business processes that grow and/or protect corporate assets, leadership development activities have lacked

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the necessary rigor to tie people development actions and investments directly to the achievement of quantifiable business outcomes. Leadership capability requirements and assumptions need to be identified specifically for each strategic objective. In so doing, a formal link is established that will put developing leaders on par with other core business processes, such as quality audits, new product development and regulatory compliance. The first place to start is to identify those leadership roles that are the most critical.

2. Segment high-value leadership roles.

Many leadership programs cast a wide net, opening developmental opportunities to a broad array of employees. A more pragmatic approach is to segment leadership roles in much the same way that companies segment their markets and customers. This involves targeting and prioritizing only those leadership roles that are most critical to executing the company's business strategy. Individuals with the right combination of performance and willingness must then be fast-tracked through job-relevant learning experiences that quickly prepare them to perform at higher levels of responsibility.

For example, a global oil company trying to open new geographies for energy exploration may view as essential its geology managers, chemical-engineering managers and technical-marketing managers. Unless

these roles are filled with capable performers, the company's business strategy will more than likely be compromised. Therefore, these roles should receive higher priority for developmental investment than other roles less vital to the business.

Under Sibson Consulting's strategic workforce planning model, leadership roles can be segmented into four types: strategic, core, requisite and nonessential.

Strategic roles drive long-term competitive advantage and affect and directly influence strategy execution. These roles need to be treated like valuable corporate assets.

Core roles are critical to the company and should be considered the engine of the enterprise because of their contribution to daily operations. Due to this criticality, these roles should be owned and controlled by the company.

Requisite roles perform work the company cannot do without, but whose value could potentially be delivered through alternate staffing models (e.g., outsourcing, contracting and affiliations) or through more automated or technology-enabled means.

Nonessential roles possess skill sets and perform duties that are no longer a priority or relevant to the company's strategic direction.

To maximize investment and value to the business, leadership-development efforts should focus primarily on the strategic and core roles, which are the most critical to executing strategy.

3. Define strategic leadership behavior.

Understanding what leaders are expected to do relative to executing strategy allows a company to link leadership development to business requirements so that leadership development is perceived as a core business process rather than an HR program.

Because the objective is to invest primarily in roles that will yield the highest return in the shortest period of time, these roles must be defined in a rigorous and disciplined way. Before companies invest in development activities, they must fully understand the role's requirements. Role requirements go well beyond typical job descriptions, annual performance plans and management by objective processes; they should clearly specify the following three characteristics: strategic behavior, accountabilities and success metrics.

Strategic behavior involves demonstrable role modeling in actions and words. It reinforces tangible skills and competencies (e.g., financial, operational and organizational skills and competencies), as well as less tangible skills and competencies (e.g., ethics, interpersonal abilities and social responsibility), all focused on executing strategy.

Accountabilities are quantifiable results that the position is expected to deliver. The focus is on targeted outcomes, not tasks. A useful exercise is to ask, "If not for this role, what

strategic milestones and outcomes would not occur?”

Success metrics are specific measures that reinforce the leadership actions defined under the strategy. In other words, “How is the success of this role determined, from a business and an individual perspective?”

Being clear on strategy, understanding role requirements and identifying necessary behavior will help clarify what needs to be done to make the strategy operational. This level of clarity is missing from most strategic

planning and performance management processes. Behavioral descriptions are also helpful because they clarify critical decisions regarding the level, focus and timing of leadership-development investments. Moreover, unlike generic competencies, defining strategic leadership behavior helps hasten the identification of leadership-development needs.

4. Identify critical leadership gaps.

Once its strategic and core leadership roles and their respective behavior

requirements have been defined, a company is in a strong position to assess its current leadership bench strength for those roles. The aim is to identify incumbents’ capability to execute on strategy and deliver results. These incumbents typically fall into one of four profiles:

- Proven performers who are willing and ready for more responsibility. Companies need to identify what advancement steps and/or learning opportunities exist or should be created. Then move fast.
- High-potential performers who are willing to develop but are not yet ready for more responsibility. Companies should decide what behavior and capabilities need further development and create developmental experiences. Raising the accountability for the employee and supervisor to create and execute a personal development plan is essential.
- Underperformers who are willing to develop. Companies need to determine tangible steps to improve performance or, if that is not possible, then manage underperformers to a job that is a better fit or steer them out of the organization. Note that some underperformers who are willing to develop might not be a good fit for roles with higher responsibility due to lack of skill or aptitude. It is important to identify such underperformers so that, while their performance is targeted for improvement, they are not subsequently thrust into situations in which they will fail.
- Underperformers who are not willing to develop. Companies should resolve to move them out of the organization quickly, under the right legal and ethical protocol.

In contrast to traditional development, this approach — which applies not only to people in those roles currently but also to those who will be in those roles

Voices from the Trenches

The following comments are from interviews with HR practitioners working in greater China and Southeast Asia:

“Today’s economy allows us to focus more on developing our existing talent rather than always worrying about acquiring new talent.”

— James Zhang, HR director, Asia, Chemtura

“Export-oriented companies are not hiring. They are in a survival mode with serious cash-flow issues. And since the U.S. and European economies show no signs of picking up, the worst is yet to come.”

— Dr. Frankie Lam, managing director, HR-TotalSolution

“The good news is that we can now focus on developing the talent we have versus spending all of our time and resources trying to go find new talent.”

— Katia Konrad, senior manager of talent management, Bayer HealthCare Asia Pacific and Japan

“The Ministry of Manpower in Singapore, through its Workforce Development Agency, has created a national accreditation framework for human resource-related skills and is dedicating significant resources to address this issue.”

— Kwan Chee Wei, group chief HR officer, IMC Corp. Ltd.

“Today’s generation of graduates have more opportunities than their graduating predecessors. However, many of today’s positions outstrip young talent capabilities, especially those that demand the type of interpersonal skills indicative of leadership.”

— Ken Hui, director of human resources in Asia, Haworth Furniture Inc.

in the future — places sharp focus on critical leadership roles and their requisite behavior requirements. The result is a short list of individuals on which the company should focus its development investment dollars.

Identifying this high-leverage subset of the total leader population not only makes developmental action more affordable and nimble, but also creates a beneficial “spillover effect” because individuals not targeted model the behavior of those earmarked for accelerated development. The equity theory of motivation becomes a factor as people seek out common recognition and rewards for similar contributions. In other words, the larger group can be motivated to excel — sometimes with a modest investment.

5. Create a macro-leadership-development plan that is embedded into company strategy.

With the leadership talent gaps fully identified, the final step is to create a

strategic leadership-development plan and make it an essential part of the business. High-performance companies usually have a tight link between leadership-development activity and business strategy.

Like other business plans, a strategic leadership-development plan identifies the actions, resources, time and budget parameters for achieving results — in this case, cultivating and enhancing the leadership skills of targeted roles and individuals. Executing this plan should become part of senior management’s performance criteria and should be built into these managers’ total compensation. Taking this action will help demonstrate that developing strong leadership bench strength is a priority and a core part of running the business.

To create this fundamental shift, senior managers and HR practitioners alike must reframe the common perception that leadership development is just a program or a means to an end.

They need to look at leadership development as a business process designed to ensure the right talent is in the right place at the right time for the company to meet its strategic objectives.

The strategic leadership-development plan is essentially a rollup of the various strategic- and core-role development plans. As such, it should contain an array of learning opportunities tailored to the specific needs of the roles and the business. The key is to build education and real-time developmental experiences to meet these requirements. Thus, each role should have its own set of learning activities. Potential future leaders who are identified as “high-performing, highly willing, highly ready” would work through these activities much in the way a medical student gathers experience and learns to become a physician.

These development plans should include formalized approaches to education and work experiences, including job rotation, special

FIGURE 1: SIGNIFICANT MILESTONES ON THE ROAD TO RAPID LEADERSHIP DEVELOPMENT



Source: Sibson Consulting

A peer network outside the organization

(e.g., a professional engineering group or a group of MBA alumni) can broaden the participants' viewpoint and offer valuable perspectives on leadership.

assignments and high-visibility exposure to senior management. Participants should also be assigned a senior mentor to provide counsel and real-time feedback on the items outlined in their plan. Informal learning groups of peers at the same career stage may be particularly attractive to young professionals as well. Similarly, a peer network outside the organization (e.g., a professional engineering group or a group of MBA alumni) can broaden the participants' viewpoint and offer valuable perspectives on leadership.

Note that strategy cannot be articulated in technical or financial terms alone. Having the right talent available can determine the success or failure of strategic initiatives. Making personnel considerations part of the company's documented strategy will ensure that when the organization decides to introduce new products, penetrate new territories or provide additional value-added services, it will also consider the talent implications of those actions and create a strategic leadership-development plan to augment the business plan.

A Call to Action

HR leaders can take five key steps to jump-start the acceleration of their leadership-development efforts:

- Hold frequent conversations with senior management to determine the


leadership talent necessary to drive the business strategy and operating results.

- Conduct ongoing analysis to determine the actual cost of not having the right number, quality and type of leadership talent available. It is critical to use proven modeling and scenario testing tools to quantify impact.
- Define role requirements for those jobs determined as critical to the business — then treat the roles as company assets.
- Champion the creation and implementation of a leadership-development plan that is linked directly to the business plan.
- Integrate HR-development activities to focus more heavily on incumbents of strategic and core roles.

Several important milestones will let organizations know they are making progress: drivers of speed (factors that will help accelerate the process), indicators of progress and results achieved. (See Figure 1 on page 42.)

Conclusion

Building a critical mass of qualified leaders who are prepared to move the organization forward is no small undertaking for multinational companies doing business throughout greater China and Southeast Asia. Yet organizations that target the critical roles that have the most influence and impact and then develop individuals for those roles

will achieve results that grow upon themselves. Furthermore, they will help distinguish themselves as companies that invest in top talent, making them an attractive employment destination for the very best of tomorrow's leaders. 

ABOUT THE AUTHOR

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