

Singapore Management University

Institutional Knowledge at Singapore Management University

Perspectives@SMU

Centre for Management Practice

9-2013

Closing the Leadership Gap in Asia

Singapore Management University

Follow this and additional works at: <https://ink.library.smu.edu.sg/pers>



Part of the [Business Administration, Management, and Operations Commons](#)

Citation

Singapore Management University. Closing the Leadership Gap in Asia. (2013).

Available at: <https://ink.library.smu.edu.sg/pers/49>

This Journal Article is brought to you for free and open access by the Centre for Management Practice at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Perspectives@SMU by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email cherylds@smu.edu.sg.

Closing the leadership gap in Asia

Published:
25 Sep 2013



By Brad Adams

With anaemic growth in Europe and North America slowly stabilising, CEOs face a stark choice of steering investments to developed economies or to emerging economies poised to deliver solid long-term growth. Accelerating leadership performance in the world's most dynamic markets is imperative.

A. Introduction

Emerging Asian markets – which are expected by the International Monetary Fund to grow by 8.5 percent in 2014 – are indispensable for any large firm with aggressive growth commitments. Although such projections may prove optimistic, companies still rely on Asia to compensate for under-performing mature markets. CEOs in Asia report that their targets for regional business units average 5 percent above the rate of regional economic growth — a target that can only be reached by capturing significant market share from the competition. Over-performing in hypercompetitive

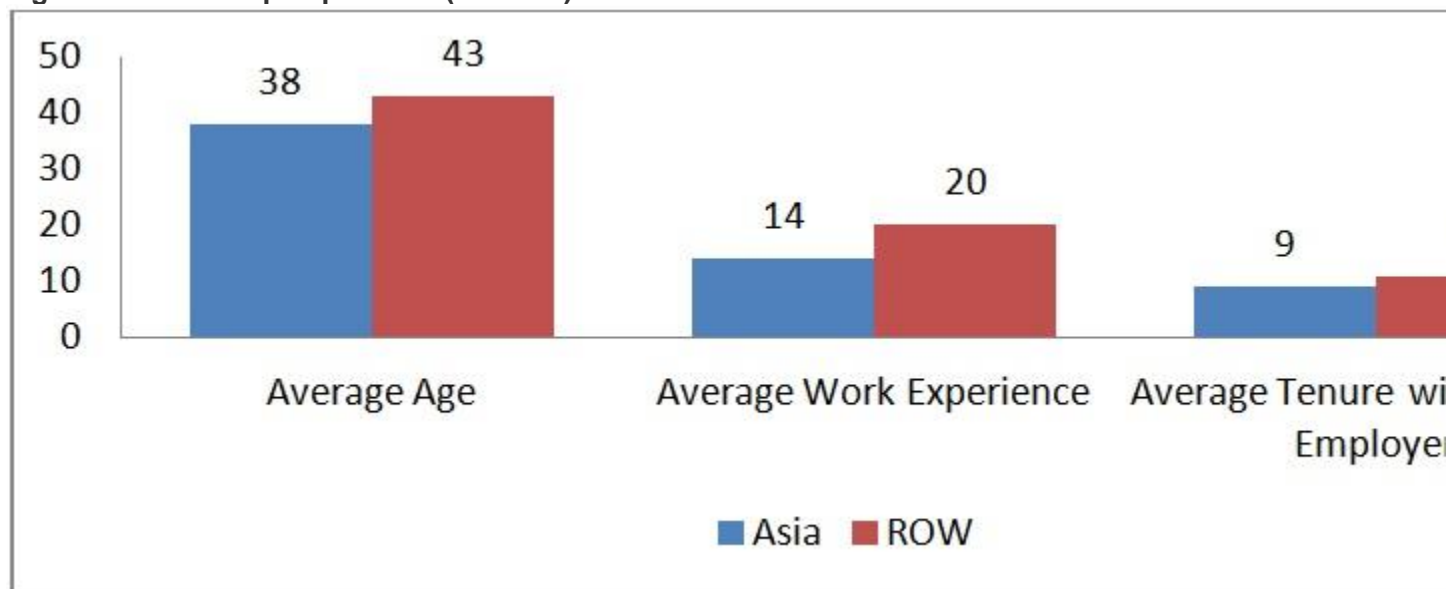
Asian markets depends, in large part, on the quantity and quality of Asia leadership teams. Unfortunately, qualified leaders are in short supply in the region. Recognising that leadership is the essential ingredient for success, senior executives ranked Leadership Performance and Retention as one of Asia's top-three business risks in CEB's survey of CEOs in Asia.

While the specific nature of Asia's leadership gaps vary across large local organizations and multinational corporations (MNCs), the magnitude and components of the challenge are consistent. MNCs can fill skill gaps with expatriates but struggle to capitalise on local expertise and relationships. Local family-owned enterprises often struggle to make the transition to a new generation's way of leading.

There will be more losers than winners in the battle for leadership talent in Asia. There are simply too few senior leaders with the management experience and business acumen necessary to succeed in the world's most competitive and unpredictable markets. A recent CEB survey of employees in Asia revealed that just 17 percent are confident that their organisation has the leaders it needs to compete. Traditional management systems that take for granted an expansive, ready-now leadership team are failing in this environment.

Leaders in Asia should be the strongest: the fast pace requires operational excellence and high uncertainty requires wisdom. But most leadership teams in Asia are made up of relatively young, inexperienced executives with a more tenuous commitment to their employers. As Figure 1 shows, the experience gap is reflected in decreasing confidence in leadership capability.

Figure 1. Leadership Experience (in Years)



Only a quarter of employees in Asia feel that their leaders are fully prepared for future challenges. While CEOs may believe that they are investing aggressively in the world's most crucial and competitive markets, the evidence indicates that the leadership teams in place are not equipped to deliver the promised results.

B. Root causes of the leadership gap

Failure to build a robust cohort of qualified leaders and a healthy leadership pipeline puts an MNC's Asia strategy at risk. HR organisations in the region struggle to recruit and retain enough leaders to keep seats filled around the executive table.

CEOs, boards of directors, and executive teams confront three critical challenges when seeking to stabilise and elevate leadership performance in Asia. Investing in individual leaders' skill development is necessary but not sufficient to close the leadership gap in Asia. Organisations must attract and retain the best leaders—and enable them to succeed—by making more profound organisational changes.

- **Challenge #1. Leaders in Asia lack key leadership experience and skills**

Asia's rapid growth has propelled a generation of executives into leadership roles with significantly less experience than their U.S. or European counterparts, with the average age of leaders in Asia being 38 years, as opposed to 43 years elsewhere. More importantly, leaders in Asia have six fewer years of work experience than executives with comparable responsibilities in other countries. Since leaders in Asia also switch employers more frequently, they are relatively less familiar with their employer, and in some cases, even their industry.

Unfortunately, many MNC's Asia strategies rest on relatively inexperienced shoulders. Also, because of their rapid career advancement, many rising leaders in Asia lack the fundamentals required to succeed in the transition from operational to leadership responsibility.

- **Challenge #2. Leaders in Asia are disenfranchised and disengaged**

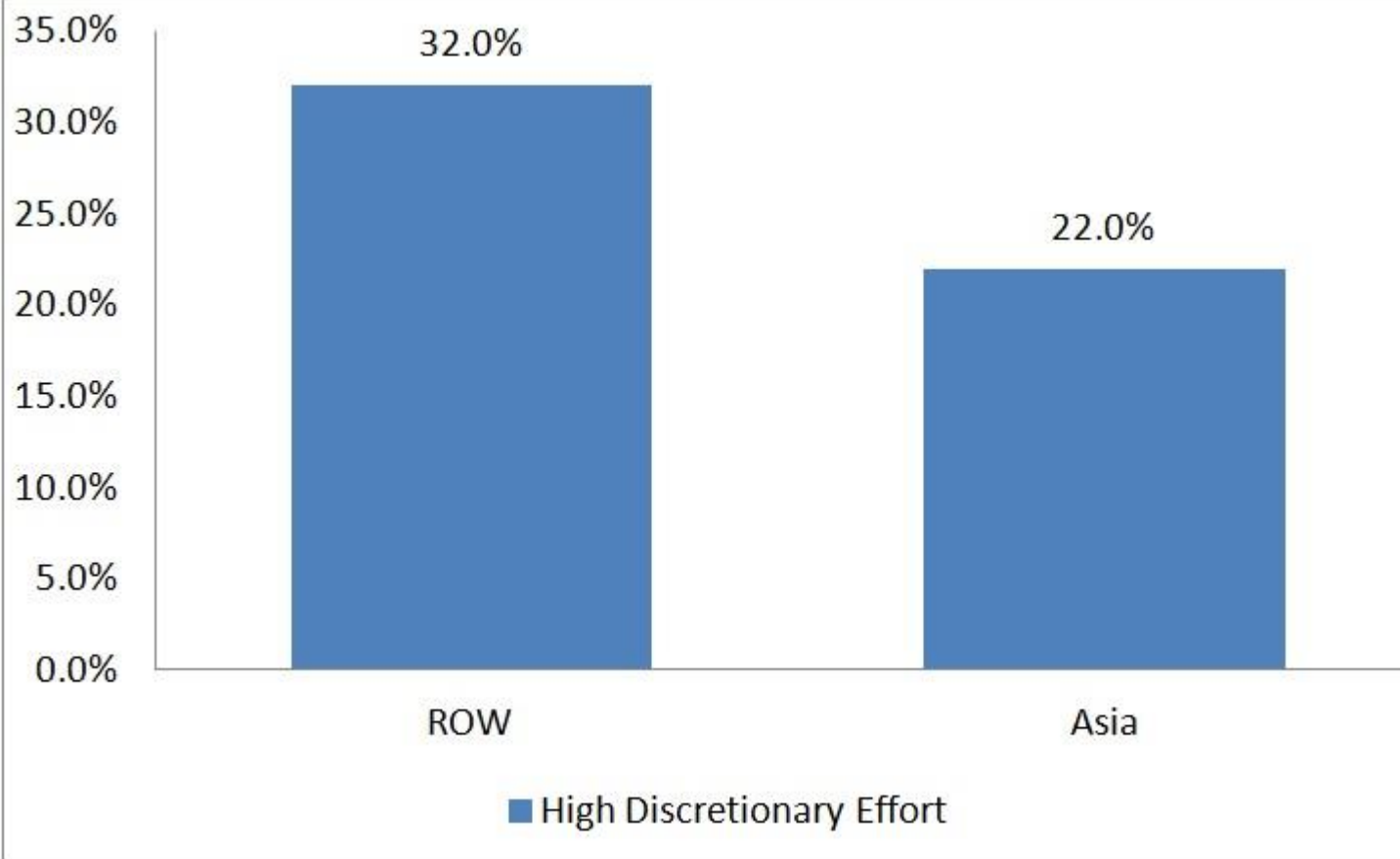
Leadership teams in Asia often have little time to develop true leadership skills and find it difficult to set aside time for strategic thinking. Just keeping up with near-term targets is all that many leaders can handle, and the short supply of HIPOs limits the ability of leaders to delegate or prepare strong deputies.

Leaders in MNCs are particularly vulnerable to being left 'out of the loop' on decisions made in distant headquarters, while many rising leaders in local firms find themselves on the outside looking in on strategic decisions made by family-dominated boards, close-knit advisors to the founder, or government stakeholders.

Too many leaders are expected simply to implement the decisions of others. CEB found that many leaders surveyed feel significantly disempowered in their role, leading them to question their effectiveness with their current employer.

Leader disengagement also affects team performance with employees saying that they lack confidence in their leaders' ability to deliver on business objectives. When disengagement persists, promising careers are cut short. New leaders in Asia are more likely than the global average to suffer career derailment. And leaders in Asia provide less discretionary effort, as Figure 2 shows.

Figure 2. Percentage of leaders willing to commit high discretionary effort



Note: ROW = the rest of the world

- **Challenge #3. Leaders in Asia pose a chronic departure risk**

Even the most committed leaders endure extreme pressures and CEB's survey of executive stress has hit an all-time high. Many hard-working executives extend their workdays to coordinate with stakeholders on the other side of the world, to consistently hit aggressive targets, and to manage across diverse Asian markets. They will continue to do so until the moment they burn out or abandon their company for another organisation that promises less stress or greater rewards. Too often, employers are blindsided by such departures without ready successors available to keep teams and projects on track.

Unanticipated, or just unwanted leader turnover in a hypercompetitive job market is an important strategic risk, not just an HR issue. Given the abundance of available jobs in the Asian market, few talented executives escape the notice of external recruiters. It's no surprise that many surveyed leaders in Asia have been in touch with a recruiter or head-hunter in recent months, as compared to their peers outside Asia. The pipeline of high-potential talent is even more exposed to poaching. Overall, leaders in Asia are among the most active job seekers, especially in India and China. The most recent CEB survey found that only two in ten employees in Asia plan to stay in seat. Ironically, Western MNCs' standardised HR processes can increase the risk of leader attrition. Global consistency in career progress, performance management, and skill development often compares unfavourably to local firms' openness to accelerated career paths and rapid advancement for ambitious young leaders.

Moreover, MNCs suffer from the perception that a 'glass ceiling' exists for local leaders.

Even if world-class training and development resources are in place, few leaders in Asia see the need to wait until their current employer deems them ready to advance, especially not in a labour market where recruiters readily offer 20 percent or greater pay increases, significant signing bonuses, or an immediate promotion.

C. Three essentials for high-performing leadership in Asia

Addressing the leadership gap in Asia is not simply a matter of investing more in traditional leadership development and succession planning. It requires rebuilding the firm's leadership capabilities and a profound rethinking of organisational and executive priorities.

The best companies attract and retain leaders, and improve and enable leadership effectiveness by focusing on three critical objectives:

- **Essential #1: Stabilise leadership through better engagement**

The first step in any triage is to 'stabilise the patient'. No organisation can build a leadership team while haemorrhaging leadership talent to competitors. Retaining key talent through reactive measures, such as matching external pay increases, is unsustainable and ultimately counterproductive.

Provide compelling career paths to ease retention pressure. The most obvious cause of many regretted departures is a demand for unrealistic, rapid promotions. But a more profound concern among most employees in Asia is the alignment between their current job and their professional interests, with a minority of employees expressing satisfaction.

Because of this, a compelling career path is the single most important engagement driver for the workforce in Asia. Most large corporations, applying traditional development schemes, assume that the best career opportunities for HIPOs and rising leaders include rotations to different business units and new markets. What is actually more powerful is to create credible career plans that chart a trajectory with personally fulfilling jobs and leadership roles. Moreover, these plans need to be managed with frequent, consistent communication that involves both the leader and management successfully providing an engaging career path. So suspend their movement to slower-growth markets, avoiding questionable developmental rotations.

Make Asia the destination for your best leaders. CEOs should keep and concentrate their best leadership talent in their most crucial markets, which for many means Asia. They shouldn't just choose those who meet the basic requirements or are most willing to relocate. For global companies of both Western and Asian origin, bringing together the best available leadership team requires a balanced mix of local leaders and expatriates. To build Asia as a true leadership hub:

Build enterprise-wide succession plans that naturally increase leadership expertise in local markets – and for MNCs, headquarters. The best organisations enjoy as much as a 30% lift in leadership bench strength when they manager an enterprise-wide succession management portfolio. Firms must ensure their succession management system allows enough visibility into rising talent across market, functional, or business silos.

- **Essential #2: Strengthen leadership capabilities in the competencies that matter**

Although successful leaders in Asia are not fundamentally different from global leaders, some important competencies are much scarcer in Asia. Figure 3 highlights the five specific leadership competencies most beneficial to improving performance.

Figure 3. Five Scarce Competencies that Set Apart the Best Leaders in Asia

FIVE SCARCE COMPETENCIES SET APART THE BEST LEADERS IN ASIA

Leader Competencies in Asia
Importance Versus Effectiveness



These can be addressed through three important activities:

- developing the next generation of local leaders through team building and developing people;
- bringing a strategic, global perspective to operational leadership by boosting enterprise vision and strategic thinking, and
- improving core business analytical and decision-making skills to accelerate problem solving.

Organisations that focus on developing these competencies throughout a leader’s career will build essential capabilities into their leadership pipeline in Asia.

Develop the next generation of local leaders through team building and developing people. In short, use current leaders to develop new leaders. Organisations in need of experienced leaders fall prey to relying on the ‘quick fix’ hire: leaders who have moved from organisation to organisation building their career portfolio. Similarly, MNCs in Asia often fall into the trap of over-relying on expatriates and head-hunters as ‘easy’ ways to quickly fill vacancies. But time to productivity is slow for

outsiders who lack company or market knowledge. Fishing in the relatively small pool of executives with deep qualifications and local experience can be an expensive and high-risk proposition. The best alternative for hiring costly, experienced leaders (including expats from other markets) is to speed the development of local talent. By prioritising coaching and mentoring skills in select senior leaders, companies can more rapidly prepare a new generation of leaders with greater firm loyalty. To reinforce this strategy, leaders must be held to explicit performance objectives that require them to identify and build local successor pools. These objectives must be fully supported by the CEO and the HR organisation and backed by tangible incentives similar to rewards offered for broader business objectives.

Deliver skill-building stretch roles in Asia. Too often rising leaders get 'stuck' in specific roles, jobs, and functions, which creates a perception of limited upward mobility and slows the development of broader business skills and perspectives. Finding stretch roles in Asia is not difficult, but just any job won't do. Stretch roles should be 'crucibles of development'— real jobs with significant business impact and importance to the company. In Asia, these roles are more than an opportunity to deepen knowledge of an important market; they allow leaders to sharpen specific problem-solving and decision-making skills as well as learn from success and — yes — even failure.

Accelerate the learning experience in stretch roles. This can be achieved by: providing structured roles that are tied to individual career paths and strategic business objectives; allowing leaders to take on sufficient responsibility to risk failure (possibly the best learning tool that exists); and enhancing localised development support systems, including mentoring, performance monitoring, and feedback mechanisms.

- **Essential #3. Enable leaders to lead, not just manage**

Leaders who succeed in challenging stretch roles rarely do so alone. They have strong teams, committed colleagues, or robust organisational support. Companies must enable stronger leadership by providing powerful support systems without building costly leadership development bureaucracies.

Support leaders moving into stretch roles and avoid the 'Quick Wins Paradox'. Many new leaders believe they have to prove their worth by achieving big, quick wins in their new roles. Counter-intuitively, driving too hard for early, individual success is more likely to lead to failure, giving rise to the "quick wins paradox." While scoring early points may be important in winning the confidence of superiors, companies create a lasting foundation for success when they help new leaders identify and achieve quick wins for, and with their teams and organisations.

The best companies support their leaders in stretch assignments by: balancing performance incentives by protecting leaders from the negative effects of failure, especially the impact on future career opportunity; providing access to an expansive peer-support network; and requiring transitioning leaders to focus on team success rather than individual success.

Improve mobility within Asia to match leaders with opportunities. The diversity within Asian markets means that the best leadership talent for a specific opportunity may be in the wrong country — even if they are in neighbouring countries. Fortunately, leaders in Asia are open to moving within the region. Building a culture of mobility requires leaders to be viewed and managed as a corporate asset. Business leaders may be more than reluctant to lose their best rising talent to stretch opportunities in other regions or divisions. If mobility is to work, companies must establish dedicated HR processes to identify rising leaders and match them to available opportunities, while minimising the negative impact of a move on the incumbent unit.

Moreover, immobility on the part of leaders themselves may be the biggest constraint to getting leaders where they are needed most. With focused career paths and plans, clear development benefits, and appropriate incentives, leader opposition to movement can be reduced. Overall, organisations that directly link mobility to established career plans, support leader transitions, establish flexible policies, or centrally subsidise mobility are better able to channel talent to its best use.

Trust leaders with autonomy to move with the market. Given Asia's combination of critical importance and distance from mature markets, MNCs in particular tend to alternate between headquarters' "radio silence" and bouts of micromanagement—neither helps leaders to capitalise

effectively on emerging opportunities. However, those organisations that trust regional offices with greater autonomy in operational planning and resource allocation find that local leaders adapt better to unexpected market changes. Moreover, organisations that move assertively to stabilise leadership attrition risks, build capabilities that provide competitive differentiation, and enable leaders to lead can attract, retain, and benefit from the very best leadership talent that the world's most dynamic market has to offer.

Brad Adams is Senior Director and Head of HR Research, Advisory Services, and Market & Program Management, Asia at the Corporate Executive Board (CEB)