

EXECUTIVE INSIGHTS

Written by Vincent Gauthier

Developing leaders in the Asian business landscape

Week 2 Asia's looming leadership crisis

Business is booming for companies in Asia but there is a chronic shortage of senior managers



On the road to nowhere

Businesses in Asia have a fantastic opportunity. They are part of the world's most dynamic regional economy, they have ready access to a generally hard working and educated workforce and they can drum up the financing for expansion from many domestic lenders or high-powered international investors.

But with so much seemingly stacked in their favour, many companies risk letting it all slip away. By paying insufficient attention to the development of the next generation of corporate leaders, there is a danger that, rather than moving to the next level of success and achievement, even pre-eminent organisations will stagnate, lose their edge and find they are soon overtaken by better-equipped competitors.

Hewitt Associates found in a study of the best employers in Asia that the top-ranked participants had noticed the effects of a general shortage of executive talent. More than 750 employers responded to the survey, and 23 per cent of those classified as the "best" and 41 per cent of the "rest" said there was a definite shortage of leadership skills in their organisations.

The chief executives of participating companies had little hesitation in identifying the factors most likely to affect general progress in the next three years. Most pointed to the quality of leadership and an ability to attract talent, but did not spell out what deficiencies in these areas could potentially mean.

It would be a cruel irony if opportunities were missed through lack of foresight, just when the Asia-Pacific region comes into its own as an economic power.

Last year, the Economist Intelligence Unit indicated that average gross domestic product growth in Asia should be 5 per cent from this year to 2020, and projected that 67 per cent of jobs created globally in the same period would be in Asia.

However, there are no guarantees. If companies whose performance is presumed to underpin such figures lack far-sighted and inspiring leadership, growth will stall and their prospects will fade.

Knowing this, you would expect most employers to be hard at work grooming the leaders of the future. Unfortunately, it appears that is not happening. Other Hewitt research has shown that just one in three chief executives in Asia feel that their organisations are effective at developing leaders, and the situation has seen little improvement since 2003.

Data collected then focused on multinationals operating in China, but the findings and themes are still broadly applicable on the mainland and further afield.

Three things emerged as the main factors slowing or blocking the development of future leaders. The first was an overemphasis on short-term operations. The second was a basic lack of know-how and experience in performing tasks, and the third was not having in-house staff with the time or aptitude to train subordinates to the required level. In what seemed a form of self-justification, some respondents claimed to have comparatively few opportunities to present career challenges, so did not want to raise unrealistic expectations. Others thought that staff who received more training would be more likely to defect to a competitor. Such views reveal that any company that puts its faith in this approach has some fundamental problems.

To face the future with confidence, employers in Asia must be prepared to put

It doesn't help to debate whether leadership is learned or something you're born with. Fact is, there aren't enough leaders to go around to manage the growth of our business. So we have to develop them

Roger Perlmutter
President, Merck Research Laboratories

time and money into developing talent internally. Inevitably, some good staff will leave to join the competition – that is a fact of business life. But companies which have a policy of grooming talent, providing challenges and encouraging staff to reach their full potential typically have lower rates of turnover.

Company growth in rapidly expanding economies may outpace the ability to groom leaders and bring them through the ranks. Sometimes that makes it necessary to find short-term fixes or bring in a layer of senior executives from outside. Great care is needed if that happens. The board must take full account of the likely concerns of all parties so that new arrivals understand what style of leadership is expected and staff do not feel their prospects of promotion will be permanently thwarted.

If a company claims to be committed to a policy of promoting from within it should do this wherever possible. If homegrown talent is considered not good enough to merit advancement, or is repeatedly overlooked, then the system is not working. In those circumstances, the policy and practices should be reviewed in detail, bearing in mind the long-term advantages that a reliable leadership "pipeline" will bring. A recommended procedure is to create a competency model that identifies the skills, technical knowledge and type of behaviour required of a firm's leaders.

In doing this, it is important to focus on present requirements and what will be needed in the years ahead, and apply a fair degree of insight and imagination. This involves considering changes in market conditions, the type of service or products customers will want, how the focus of the business may shift and the competencies needed to cope with those changes.

Such a framework makes it easier to identify individuals with the appropriate talent or potential, and line up the right training to give them new competencies.

In the best companies it is common for between 5 and 10 per cent of employees to be marked out as possible future leaders and then given the benefit of special training and attention. Typically, this will include on-the-job assignments, access to

senior leadership, academic programmes and better pay. There will also be career development opportunities which make it possible to acquire a breadth and depth of experience, and tie in with an internal succession plan that advances people towards leadership positions.

The chief executive and directors should champion these principles and display a commitment to making resources available.

If companies in Asia hope to prosper in the years ahead they must have a systematic and deliberate approach to leadership development. Without that, they will constantly struggle to take full advantage of whatever opportunities the market presents.

The CEO and the board of directors in the best companies champion leadership development. At these top companies, the board and the CEO are committed wholeheartedly to making available the resources necessary for sustained leadership development. In these companies the board and CEO will be involved in succession planning, talent reviews and leadership development. In many cases, CEOs will lead development sessions for high-potential talent.

Companies should develop a leadership competency model that clearly articulates the behaviour, skill and knowledge required of leaders in the organisation.

In developing leadership competencies, it is important for the company to focus on what will be necessary in the future and not assume that what has worked in the past will keep working. Changes in market conditions, type of service or products, or business focus need to be anticipated and the right competencies must be developed to meet those changes.

Once the competencies are developed, companies must identify their key talent. Typically, managers will nominate their most promising subordinates based on past performance and their potential to grow into future leaders.

Companies should then use a rigorous process in which senior leaders and managers debate the nominations and distil them down to a group that should represent about 5 per cent to 10 per cent of the staff. This group should then be rigorously assessed against leadership competencies to identify development needs. This group of high-potential employees benefit from special attention in best companies.

This special attention typically consists of tailored on-the-job learning assignments, access to senior leadership, academic programmes and, frequently, differentiated pay. High-potential talent is given special attention and gets accelerated growth opportunities.

The company should pay special attention to career development and make career opportunities available for high-potential talent and that talent should be on the succession plan for senior leaders. Other employees have access to

Building blocks

1 CEOs and directors provide leadership and inspiration One of the key enablers in building leadership quality is the active involvement of the organisation's senior executives.

Among the top companies, CEOs and board members play a full part in leadership development programmes and are personally involved in the selection, review and training of their best talent.

2 Clear differentiation of high-potential talent Forward-looking companies are serious about investing in their top talent and are more active in providing development opportunities. Employees with the potential to be leaders receive clearly differentiated compensation, extra training and exposure to senior management.

3 The right programmes, done right Although companies may have the right programmes in place, how they are integrated and executed is what makes the most difference. In the best cases, companies differentiate themselves by effectively utilising practices which develop leaders and support their ongoing business strategy.

4 Practical accountability Senior executives should be held formally accountable for three things – the success of leadership programmes, the development of employees, and the enhancement of their own leadership abilities. This can be done through their incentive packages, with some companies linking 20 per cent or more of incentive pay to these factors.

5 Consistent execution Great leadership practices must be planned and executed to a consistently high standard. This means having lean, non-bureaucratic practices and ensuring that line managers are fully involved. By focusing on execution, companies are better able to identify talent in their organisations and attract the best external candidates.

promotions and leadership positions but high-potentials typically have access to opportunities first. Companies in Asia that adopt a systematic approach to leadership development are far more likely to weather the leadership shortage storm and be better positioned to take advantage of market opportunities.

Vincent Gauthier is managing consultant at Hewitt Associates, a global human resources consulting and outsourcing company

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HR Trends Written by Jan Chan

Sage strategy puts all staff on same page

The Hong Kong Society for the Aged (Sage), which operates six care and attention homes for the elderly, has two key priorities – it must maintain a high level of service quality at all times while meeting the needs of more than 900 frontline staff whose day-to-day duties are sometimes far from easy.

To meet the challenge as effectively as possible, the organisation took a close look at its corporate culture in 2005 and made changes. The aim was to create a better working environment for employees and, with several knock-on benefits, the effort has clearly paid off. Staff have responded favourably and the initiative won deserved recognition last year with a Hong Kong Institute of Human Resource Management and *South China Morning Post* People Management Award.

"There are four core values underlying the new culture," Sage human resources manager Joanna Tam Wing-ye said. "These are to be united, innovative, impartial and communicative."

New direction

- The Hong Kong Society for the Aged rethought its corporate culture in 2005
- It decided to focus on four values – being united, innovative, impartial and communicative
- Activities were arranged to create stronger bonds between staff working at different locations
- Staff are encouraged to come up with innovative ideas for improving services
- Special forums allow employees to express their views directly to management

Homes are in various locations in Hong Kong so Sage took a step-by-step approach to promoting the new culture. This began with a series of activities designed to break down barriers between staff, encourage teamwork and create a sense of unity.

"In the past, colleagues working in different locations would not always co-operate closely with one another. But since 2005, we have held more activities so that staff working in different centres can make friends, and this has helped to create a stronger bond between them," Ms Tam said.

Colleagues have been encouraged to exchange cards, electronic greetings or small gifts on Valentine's Day and at other times of the year to promote a caring culture. They are also expected to be innovative.

"It is great if staff can serve the elderly in a creative way. That's why we have a 'creative ideas' award every quarter to stimulate new ways of looking at things," Ms Tam said.

Assistant training manager Chelsia Wong Chau-mei said that in 2005 the non-government organisation collected 182 ideas from colleagues for this award and, last year, there were 386. "This is very encouraging," she said.

Suggestions are welcome on anything that will help to improve the lives of the elderly or the way the organisation's services are run. One well-received idea was for Sage to help old people find employment.

"We have records, so we know what our members did before they retired," Ms Tam said. "Some of them can return to the workforce and still enjoy a meaningful life. This proved to be a very good idea and we have already made it happen." As an example, some elderly people who are experts in traditional Chinese culture have been helping as "lucky aunts" assisting brides at their banquets.

In promoting the value of impartiality, the management team has made a point of explaining the organisation's policies and direction to staff, and of being fair and objective when dealing with personnel issues. Specially arranged sharing sessions and "tea meetings" also allow employees to raise concerns and express opinions to management.

"A few years ago, our contract staff told us that they were insecure in their jobs because they had to renew their contracts annually. After soliciting opinions, we finally decided that contract employees who have worked for five years can become permanent staff," Ms Tam said.



Sage's Joanna Tam and Chelsia Wong. Photo: Edward Wong

QuickFixes

Benefits draw and retain talent

Some of my top staff have expressed the need for benefits other than financial incentives. What can we offer to remain competitive?

Retention of high-potential staff (hi-pos) in a dynamic and buoyant economy has become the number one issue that human resources specialists face. While money has traditionally been the main incentive to motivate employees, there are other factors organisations must consider when rewarding top talent.

A well-constructed training programme that is a combination of external and internal training should be implemented.

EMBA or MBA programmes could be offered to hi-pos to equip them with skills and knowledge to climb the corporate ladder. This also demonstrates that the company is willing to invest time and money in key staff.

On-the-job training is essential to keep employees stimulated and interested. Staff can develop soft and technical skills through continuous learning to enhance their work performance. This may include short-term training courses.

Personal enhancement training such as time management, how to handle stress and communication skills can help staff brush up on their skills.

Job rotation programmes that usually take between 18 and 36 months help develop hi-pos. They can be assigned to work in different departments in the company so that they can gain more exposure by experiencing various areas of responsibility.

Overseas assignment opportunities can be offered so that hi-pos can work in another region or country to gain regional exposure. Other than training, employees want good medical and dental coverage in their remuneration package. Attractive pension schemes also help draw and retain top talent.

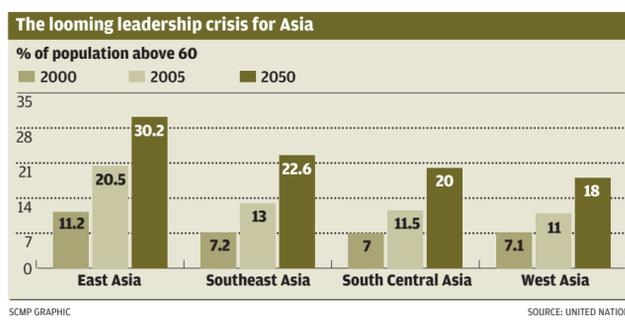
The work culture can influence an employee's decision to work in a company. Talented staff will not accept unsatisfactory relationships in the workplace.

Managers should create an environment in which employees feel valued and respected.

An open culture with two-way dialogue between the employee and manager should be maintained.

Many organisations have in place work-life balance measures to reduce employee burn-out. The rationale is that peak performance in the workplace is best achieved when people have time for activities outside of work.

Article contributed by Kensy Sy on behalf of Hudson, which delivers specialised professional recruiting, outsourcing and human resource solutions worldwide



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