



CHALMERS
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The Development of Next Generation Leadership in Malaysia

From early identification to executive
maturity: the views of top executives
and high potential leaders at 11
multinational corporations

Master's thesis in Management and Economics of Innovation

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MASTER'S THESIS E 2014:072

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Göteborg, Sweden 2014

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Chalmers Reproservice
Göteborg, Sweden 2014

ABSTRACT

One of the most important, yet hardest tasks for multicultural corporations in Malaysia today is finding and retaining the leadership talent capable of effectively leading the organizations tomorrow. The next generation leaders need to run organizations that are global and culturally diverse, in an ever-changing business and technology landscape. The purpose of this thesis is to investigate the most important aspects of developing the next generation leaders towards executive positions. Secondly it is to highlight opportunities for improving current leadership development practices in the Malaysian socio-economic context.

The findings of this study derive from 42 semi-structured interviews conducted with current executive level leaders and high potential leaders in 11 selected Western multinational corporations in Malaysia. By analyzing the differences and similarities in how current executives and high potential leaders view the expectations and realities of leadership development, the findings evidence a need for more practice-oriented and coordinated talent management strategies. High potential leaders are ready to take on executive leadership positions once they have developed a level of executive maturity. Executive maturity is a concept introduced by this research, and is defined through five dimensions that should simultaneously be developed through practicing leadership and strategizing in learning environments that are out of high potential leaders' comfort zones. In doing so, the high potential leaders are expected to become the change agents in driving towards innovative workplaces and open leadership styles in Malaysia.

This thesis brings a practical contribution to corporate leaders for reviewing current talent management practices, as it highlights discrepancies in how current executives and high potential leaders perceive the practices employed in their firms today. Additionally, academic scholars may find the developed models useful for further validation and theory development.

Keywords: Effective leaders, Next generation leadership, Future leadership skills, Leadership development, Talent management, Multinational corporations, Malaysia

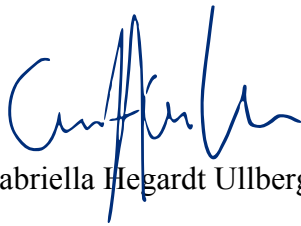
ACKNOWLEDGEMENTS

This thesis would not have been possible without the support and contribution of numerous people. First and foremost, we would like to express gratitude to our thesis supervisor, Professor Tobias Fredberg from Chalmers University of Technology, for asking the right questions at the right time and for treating us as if we would be future high potential leaders ourselves.

Secondly, we would like to send our regards to three other Master's thesis teams undertaking their research on the same topic in other countries in parallel to ours. Thank you for your valuable tips, ideas and fun stories!

We would also like to express our thankfulness to the people who took their time to support us with guidance regarding the practicalities of our trip to Malaysia and for sharing their insights regarding the research field: Col Dato Harbans Singh, Ann Dahlén, David Pardey, Sharmila A/P Jayasingam, Daromir Rudnyckyj, and Teresa Correia de Lacerda.

Lastly, our sincerest gratitude goes out to all the interviewees for agreeing to participate in our study and for taking the time to meet us. The knowledge created during the research would not have been possible without your contributions. We would additionally like to thank the assistants who helped to book the interviews in practice and made us feel warmly welcomed.



Gabriella Hegardt Ullberg



Teele Kundla

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1 INTRODUCTION

The following chapter provides a brief introduction to the relevance of the research topic, defines the problems that are going to be tackled, and presents the research questions that the study aims to answer. The chapter ends with outlining the main delimitations of the research project and offers a guide for how the report is structured.

“What if it really is the case that the ‘innovation challenge’ for our country – indeed for the entire world — is not a problem of money, or ideas, or policy or more public investment? What if it is simply a challenge of leadership?” (Doss, 2013).

How to shape the next generation leaders is a hot topic within academic communities and practitioners alike (Day, Fleenor, Atwater, Sturm, & McKee, 2014). It is not news that firms need to be more innovative and flexible than ever when competing globally, creating manifold challenges for the business leaders (Pardey, 2008). Beer, Voelpel, Leibold, & Tekie (2005) argue that leaders need to embed continuous learning capability to the organizations in order to remain fit in the changing business environments. Learning however needs to be facilitated, because as McCall (2004) claims, even though the primary source for leadership learning is experience, learning from experience does not happen automatically. The questions therefore remain, what kind of leaders and leadership are the most effective in the future (Day, 2001; Hollenbeck, McCall, & Silzer, 2006), what challenges the future leaders should be prepared to tackle (Fulmer, Stumpf, & Bleak, 2009), and what are the learning experiences that best provide the next generation leaders with the capabilities for doing so (McDonnell, Lamare, Gunnigle, & Lavelle, 2010)?

1.1 Problem Definition

From the academic perspective, broad variety of theories on leadership and leadership development have been developed over the past decades, aiming to explain the role of a leader in complex and changing environments (Dinh et al., 2014). But even though a wide range of theory has been developed, Dinh et al., (2014) argue that there are still more unexplored challenges, and there is a gap to be filled in the academia in how to think about leaders for the next generation. Day et al. (2014) have evaluated 25 years of leadership research, and agree that the understanding of leadership that matches the environment today is still immature.

The speed and breadth of change is especially prevalent in the Asia Pacific region, where the economic growth is challenging organizations to adapt to the global competition in the context of traditional culture and values (Hallinger, 1998). Malaysia, the country chosen for this study, is a middle-income country that has only recently transformed from a mere producer of raw materials to a multi-sector economy, aspiring to reach a high-income status by 2020 (CIA, 2014). The country has emerged in the international business arena as a stable Islamic country in which the business practices have demonstrated an international outlook, yet the leadership is still guided by Asian values (Kennedy, 2002). There is however no distinct leadership and management style that can be identified as Malaysian, and therefore

there is certain openness and willingness to learn from the best practices both in East and West (Ahmad, 2001).

This thesis will address the leader and leadership development questions from the perspective of large multinational corporations (henceforth: MNCs). The MNC leaders in Malaysia leverage between implementing global standards in local conditions, and therefore need to find an optimal balance between the Western leadership practices and Asian cultural and economic context (Rahman, 2012). In search for the optimum between the two, it is also necessary to consider the differences between generations. Lim (2001) argues that the economic development over the past few decades has initiated a change in the traditional values of Malaysians, and the leaders of tomorrow are therefore likely to have different incentives compared to the leaders today. This challenges current MNC leaders in how to provide the right opportunities to retain the leadership talents within the firms (Rahman, 2012) and how to develop their leadership capabilities (Hallinger, 1998). The leadership talents that this study focuses on are expected to enter an executive leadership level in coming 5-10 years and are referred to as *high potential leaders*. An *executive* leader refers to a member the senior leadership team within MNC's Malaysian subsidiary.

1.2 Purpose and Research Questions

The purpose of this study is to build an understanding of how MNCs in Malaysia are affected by potential differences in how leadership and leadership development is viewed by two leader generations: current top executives and the high potential leaders. By viewing the potential differences in the context of the main business challenges in Malaysia, the research aims to outline the main hindering factors to the development of high potential leaders to be better prepared to take over executive leading positions in coming 5-10 years. As a result, the thesis will offer a list of recommendations for improving currently employed leadership development practices in selected MNCs in Malaysia.

To fulfill the purpose of the study, the following research questions will be addressed:

- **RQ1:** Given the rapid socio-economic development of Malaysia over the past decades, what are the key challenges to the MNCs' business strategies for the future?
- **RQ2:** How are high potential leaders' views different from how current executives perceive leadership and leadership development?
- **RQ3:** What is important for high potential leaders to develop in order to be effective leaders in the future?
- **RQ4:** How do MNCs ensure that leadership development in today's business context is matching with what is needed for business strategies in the future?

1.3 Delimitations

The research focuses on the leadership development path of a high potential leader until reaching the first executive level position, leaving out the further development needs and practices of the leaders already on executive levels. Also, the research is limited to the Malaysian subsidiaries of large Western MNCs, excluding locally owned and Eastern-originated corporations as well as smaller firms. The definition of

MNC is following the one employed by Encyclopedia Britannica, which states that MNC is a company that is registered and operating simultaneously in more than one country and typically adhering to economies of scale both vertically and horizontally (Britannica, 2014). All MNCs included in the scope of the research employ between 16 000 and 150 000 employees globally and operate in more than 70 countries. The sizes of Malaysian subsidiaries vary from about one hundred to several thousand employees. Lastly, the research is limited to only MNCs that are present in Kuala Lumpur, Selangor and Putrajaya regions, as these in combination employ nearly 30% of the country's labor force (DOS, 2014a) and host larger amounts of MNCs compared to other areas (Ernst&Young, 2012).

1.4 Disposition

The report will start by presenting key facts about Malaysia. Subsequently the theoretical framework for the study is outlined, which firstly elaborates upon the background and challenges for doing business in the Malaysian context and thereafter describes the concepts for leadership, leadership development and organizational learning used for understanding and analyzing the empirical findings. The theoretical framework is followed by a description of the research design and methods employed in the empirical study.

The empirical findings are presented in the order of the research questions introduced in Chapter 1.2, firstly describing the challenges that the MNCs are faced with, secondly the views on leadership, leadership development and the needs for effective leaders, and finally the views on how the MNCs are linking between the leadership development and their future business needs. Key differences between the views of executive and high potential leaders are highlighted in all chapters. The empirical findings chapter is followed by analysis in which the findings are put in the theoretical context to explicitly address the research questions. Finally, the discussion chapter will offer a list of recommendations for practical use in selected MNCs in Malaysia, after which concluding remarks are offered.

2 KEY FACTS ABOUT MALAYSIA

Source: CIA (2014)

Geography

Capital: Kuala Lumpur
Area: 329,847 sq. km (land: 328,657 sq. km)
Location: Southeast Asia, bordered by Thailand, Indonesia, Brunei, South Vietnam and South China Sea

Government

Type: Constitutional monarchy
Chief of state: King Tuanku ABDUL HALIM Mu'adzam Shah
Head of government: Prime Minister Mohamed NAJIB bin Abdul Najib Razak

Demographics

Population: 30,073,353 (July 2014 est.)
Urban population: 72,8% of total population
Official language: Bahasa Malaysia
Official religion: Muslim (61,3%)
Ethnic composition: Malay 50,1%, Chinese 22,6%, other indigenous ethnicities 11,8%, Indian 6,7%, other 0,7%, non-citizens 8,2%

Economics

Currency: Malaysian ringgit - MYR
GDP per capita (PPP): \$17,500 (2013 est.)
Inflation rate: 2,2% (2013 est.)
Unemployment rate: 3,1% (2013 est.)
Natural resources: tin, petroleum, timber, copper, iron ore, natural gas, bauxite



Figure 1: Map of Malaysia (CIA, 2014).

3 THEORETICAL FRAMEWORK

The theoretical framework presents the most widespread theoretical concepts discussed by academics today about leadership and leadership development in general, and also more specifically for Malaysia. Chapter 3.1 explores challenges for MNCs business strategies in Malaysia, while Chapter 3.2 and Chapter 3.3 focus on various dimensions of talent management and organizational learning.

3.1 Future Challenges for MNCs' Business Strategies

The challenges that firms face when operating in a rapidly growing economic context, such as Malaysia, are manifold. The Challenges in Malaysia are further deepened by the deep-rooted Asian values that guide the business conduct. The following chapter will elaborate upon the Malaysian business landscape in the light of political, economic, demographic and cultural dimensions, and outline the main challenges for the business leadership and talent development in the MNCs.

3.1.1 Political Landscape

The Malay Peninsula's history dates back to the Buddhist kingdom of Srivijaya during 9th to 13th century, followed by a conversion to Islam early in the 14th century (Kennedy, 2002). Centuries of colonization under different regimes followed the kingdom era, Portuguese in the 16th century, Dutch in the middle of 17th century and finally British in the late 18th century (ibid.). Prior to the Brits, Malays predominantly inhabited the Malay states, while the British colonization brought in Chinese and Indian labor force to better exploit the abundant natural resources of the area (Rashid & Ho, 2003). During the World War II the Japanese occupied Malaysia for over three years, and the country finally attained its independence in 1957 (Selvarajah & Meyer, 2006). Since then, Malaysia has been a constitutional monarchy, headed by a king with mainly ceremonial function, and the prime minister (CIA, 2014).

The economic policies have failed to address the racial imbalance and corruption in the commercial arena

The political landscape of Malaysia has been unpredictable since its independence, mostly attributed to the tensions between the ethnic groups over socio-economic government policies (Selvarajah & Meyer, 2006). The Malays have traditionally remained in control of the politics, while the Chinese dominate the areas of locally-owned commerce (Kennedy, 2002; Lim, 2001). The government has failed to address the economic imbalance between the ethnicities (Selvarajah & Meyer, 2006), although efforts have been made by introducing a New Economic Policy (NEP) already in 1970 aiming to restructure the society and defeat poverty by removing the barriers between ethnicity and occupation (Lim, 2001). While the export sectors were liberalized to drive economic growth, the domestic industry was further centralized and regulated to favor ethnic Malays' own economic initiatives (Mocuta, 2014). The NEP was followed by Wawasan 2020, a strategy that envisions to develop Malaysia into a knowledge economy and to reach a developed nation status by 2020 (Rahman, 2012). The term *knowledge economy* refers to running strategic and knowledge-intensive industries, which in practice means reaching a higher number of educated

personnel in science and technology areas (Islam, 2010). The exact goals for Wawasan 2020 can be found in Appendix 1 together with the main challenges that were identified in 1991 when the goals were established.

Malaysians are starting to question the political leadership

One of the side effects of the NEP was its strong pro-Malay discrimination, which favored indigenous Malays over other ethnic groups on the commercial arena and has left a similar legacy also on today's policies (Mocuta, 2014). The latest elections for the House of Representatives, the legislative branch of the Malaysian government, culminated with protests against the re-elected coalition's pro-Malay attitude in their ethnicity-based policies in business, education and housing, as well as their heavy advantages in the electoral process (Grudgings & Hamzah, 2013). As noted by Lim (2001), Malaysians regardless of their original ethnicity have increasingly started to question the government in terms of corruption and cronyism, which are fostered by high degree of public sector centralization (Hallinger, 1998) and unhealthy closeness of selected political and corporate circles (Mocuta, 2014). The clashes between the incumbent coalition and ethnic minorities are predicted to persist unless no substantial electoral reforms are carried out (Dun&Bradstreet, 2013; MarketLine, 2013).

3.1.2 Economic Environment

The average growth rate of GDP between 1987-2012 has been 6% yearly, with only two negative years representing the aftermath to 1997 Asian and 2008 global financial crises, reaching 305 billion USD by the end of 2012 (World Bank, 2014). Wang (2014) and Fenner (2013) forecast the real GDP growth to slightly decline and stabilize around 4-4,5% year over year during 2013-2023. Figure 2 illustrates the GDP growth in Malaysia until 2012 and the forecasted growth until 2023.

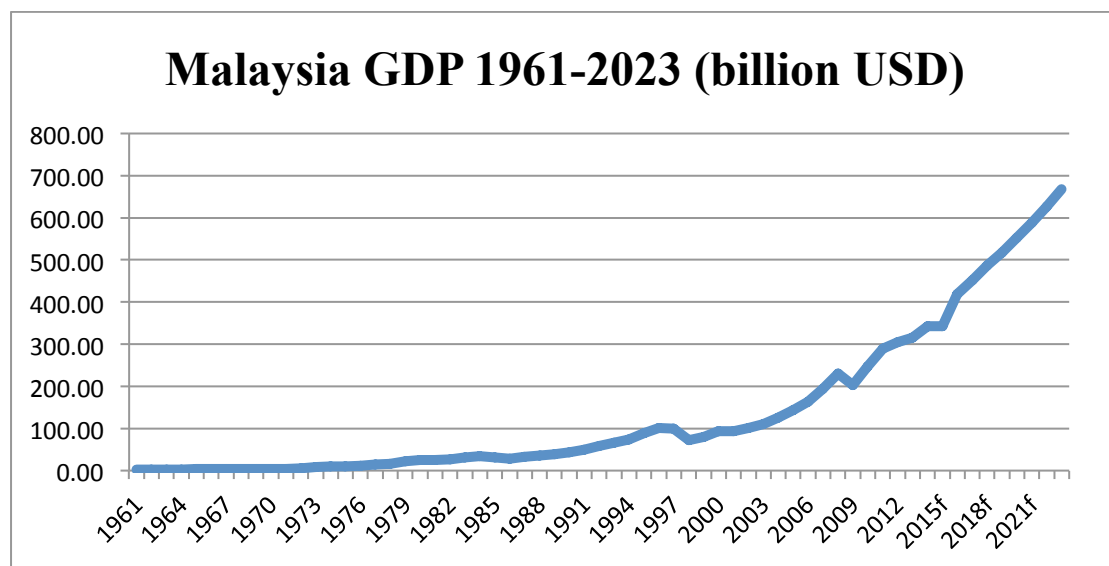


Figure 2: GDP Growth in Malaysia until 2012 (World Bank, 2014) and forecast until 2023 (A. Wang, 2014).

Services sector and domestic consumption are driving the GDP growth

Malaysia is a prime example of 21st century globalization, diversification and growth trends, in which the electrical and electronics industry are driving the exports as a leading manufacturing sector (Gharibvand, Mazumder, Mohiuddin, & Su, 2013). Oil has thus far been a valuable natural resource for exports, but as the reserves are

declining, it may soon become an import good instead (A. Wang, 2014). Furthermore, the high-tech sectors such as pharmaceuticals, nuclear products and ICT, as well as local palm oil and petroleum production, have been growing export industries over the past years (Dun&Bradstreet, 2013; MarketLine, 2013).

Thanks to its aggressive export-oriented approach to policy, Malaysia has transformed from predominantly agricultural and raw material production society to an industrialized multi-sector economy over merely two decades (Mocuta, 2014), challenging the organizations and the people to adapt to the new level of global competition (Hallinger, 1998). However, today the services sector accounts for the largest, nearly 50%, share of the GDP (Fenner, 2013). While agriculture, forestry and fisheries still remain of high importance next to the secondary industry (Mocuta, 2014), today a declining trend of exports as a share of GDP has been observed by the World Bank (Sander et al., 2013). Instead, domestic private consumption is now driving the GDP growth (ibid.), facilitated by the rising income levels, access to credit, low unemployment rate and stable consumer prices (Mocuta, 2014).

Innovation and economic growth has been fostered by external means

The ethnic Malays have traditionally not been highly business oriented nor entrepreneurial (Kennedy, 2002). During the British colonization, the Chinese and Indian workforce built the basis of modern economic sectors by taking care of the tin mining and rubber plantations, while the Malays remained farmers and fishermen (Lim, 2001). Since the latter of 1980s the economy has grown rapidly as a result of massive external borrowing, growing foreign direct investments (FDI), and imposed capital controls (Fenner, 2013; UN, 2013). Malaysia has been among the highest FDI receivers to East and Southeast Asia, peaking at 12 billion USD in 2011 (UN, 2013). FDI outflows from Malaysia have steadily increased over the years reaching over 17 billion USD in 2012, mainly targeted towards Africa (ibid.).

The transformation from primary resource-based industries to secondary industries was driven by American and Japanese multinational electronics corporations moving their operations to Malaysia (Yusof & Bhattasali, 2008). This implies that the innovation to Malaysian firms has traditionally come from outside-in, and is now challenging the organizations in how to lead the change towards more knowledge-intensive industries in which innovation capabilities are indispensable for success (Hallinger, 1998). Jantan, Nazuridin, & Fadzil (2003) observe that the levels of innovation in the manufacturing and service sectors are moderate and mostly focus on incremental process and administrative innovations. Typically the innovation has been stifled by the tall hierarchies and authoritarian leadership styles employed in the corporations (Pearson & Entekin, 1998).

Government is the largest employer across all sectors

Correlating with the shares in GDP, the services sector employed 59% of the labor force in 2012, followed by 28% in the industry and 13% in the agriculture (DOS, 2014a). The government still remains the largest employer across these sectors (Rahman, 2012), including the private sector in which the government is often a substantial shareholder (Ghazali, 2010). The firms with government shareholdings have been found to perform better compared to the ones under private ownership (ibid.), which can partly be attributed to the closeness of certain political and business circles and the resulting favoritism. Additionally, Haniffa & Cooke (2002) have found

it to be common for Malaysian firms to keep their professional circles tight by limiting to substantial family shareholdings. The pro-Malay policies have also led to so called “Ali-Baba” companies, in which well-connected ethnic Malays nominally lead companies that in practice are run by their Chinese counterparts (Kennedy, 2002). Consequently, corruption in terms of the public institutions’ power over private gains is still a concern for ‘outsiders’ such as foreign MNCs when operating in Malaysia (MarketLine, 2013).

3.1.3 Demographics

Along with changes in the economic environment, the structure of Malaysian society has also changed substantially throughout the industrialization era. Majority of the population was very young in 1980, when the country was still in the early phases of industrialization (UN, 2012). Within thirty years the population doubled and the age groups became more equalized (ibid.). Both UN and Malaysian authorities estimate the pace of growth to slightly decline due to controlled fertility rates and international migration, but still grow by about 10 million during the next forty years (DOS, 2014b; UN, 2012). The productive age group, 15-64 years, is predicted to increase, while at the same time the population aged over 64 years is expected to grow threefold and thereby transform Malaysia to an aging society (DOS, 2014b). Figure 3 illustrates the forecasted demographic transformation of the Malaysian society between 1980-2040.

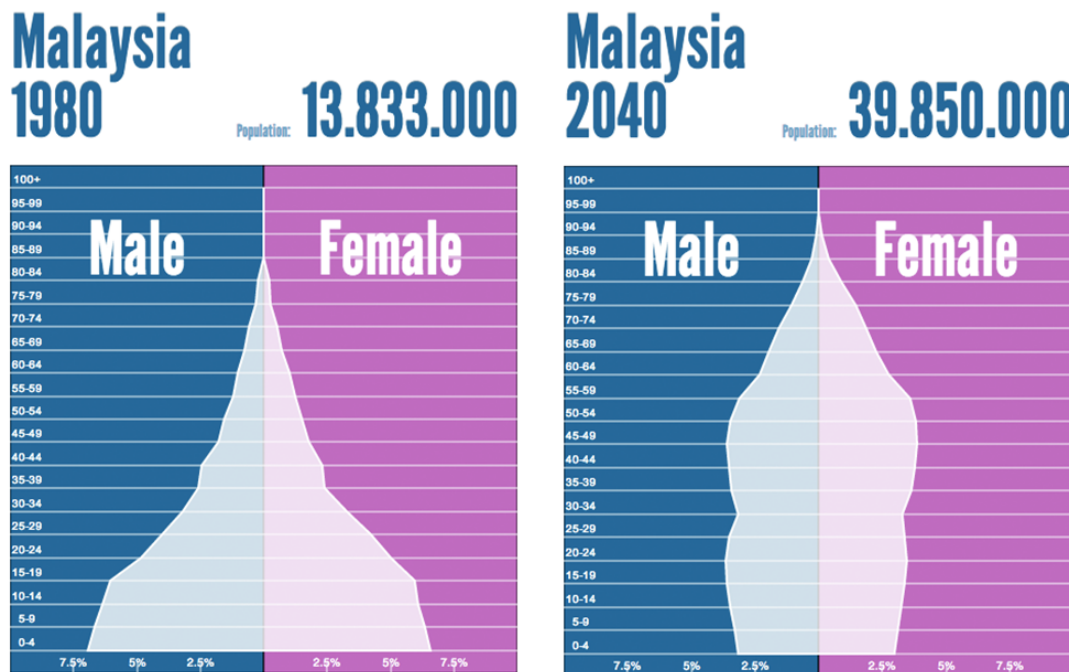


Figure 3: Population growth estimation in Malaysia (UN, 2012).

The population in Malaysia is multicultural

As briefly touched upon earlier, an important dimension of the Malaysian demographics is the multiculturalism. According to the latest census in 2010, the population consists mainly of ethnic Malays and other indigenous groups, commonly referred to as *Bumiputera* (62%), Chinese (23%) and Indians (7%) (DOS, 2014b). The remaining 8% accounts for other nationalities, both citizens and non-citizens. This composition differs from the previous one in 1990 in that the proportion of Chinese has decreased, while the proportion of other nationalities, mostly non-citizens, has increased (Storz, 1999). The growth of the non-citizens proportion, which includes

foreign workers, expatriates, foreign students and visitors, is expected to be minor until 2040, the main population growth is predicted to happen within the ethnic Malays and Bumiputera group (DOS, 2014b).

Lack of skilled labor to build and lead knowledge intensive sectors

The unemployment rate in Malaysia has been kept low at under 4% in average since early 1980s (World Bank, 2014). Constantly low unemployment rate in Malaysia over the past decades shows that the government's focus on boosting manufacturing industries have succeeded in providing enough jobs. As Malaysia progresses from production based towards knowledge based economy, naturally the demand for skilled labor is significantly higher and the labor costs are increasing compared to the industrialization era (A. Wang, 2014; Yusof & Bhattasali, 2008). Hence, China, Vietnam and other cheaper and more productive manufacturing centers are becoming increasingly threatening competition for the key electric manufacturing industry (Dun&Bradstreet, 2013). Due to the relatively poor higher education systems, especially in the entrepreneurship education (Cheng, Chan, & Mahmood, 2009), there is a severe lack of highly skilled labor who would be capable of running knowledge intensive industries (A. Wang, 2014).

The lack of skilled labor is predicted to remain a long-term problem (A. Wang, 2014), and the combination of high cross-boarder mobility and high employee turnover of existing skilled knowledge workers poses a threat to reaching the Wawasan 2020 goals (Rahman, 2012). Highly skilled knowledge workers are typically not comfortable with the traditional autocratic leadership styles, which is why 'job hopping' has become a trend especially among the younger generation (ibid.). The younger generation is increasingly open to leaving the country in pursuit of higher salaries and more adventurous work experiences (Rahman, 2012), and therefore the transforming age structure poses a challenge on the authorities to put new structures in place to effectively manage the societal shift from the labor market perspective.

3.1.4 Culture and Values

Malaysian values and culture are shaped by Islamic and Buddhist teachings over centuries (Kennedy, 2002). The Malaysian society is deeply hierarchical in its nature due to inherent high respect attributed to elders without questioning their authority, and indubitable focus on adaptation and preserving harmonious relationships (Ahmad, 2001; Pearson & Entrekin, 1998). The ideal behavior expected from Malaysians is encapsulated in the *budi complex*, which essentially emphasizes the awareness of one's place in the society and behaving accordingly (Lim, 2001).

Chinese and Malaysian values are converging

Considerable body of literature focuses on outlining vast cultural differences between the different ethnic groups in Malaysia, especially between the Malays and the Chinese. Chinese are typically depicted as more individualistic, masculine and materialistic compared to Malays (Ahmad, 2001; Haniffa & Cooke, 2002; Selvarajah & Meyer, 2008). Lim (2001) however presents very similar results for Malays and Malaysian Chinese and argues that the Malay and Chinese value structures are converging. Storz (1999) compares the core values of the *budi complex* and Confucianism and demonstrates distinctive similarities in how people perceive themselves, their knowledge and the time. Rashid & Ho (2003) also conclude that the Malays and Indians have adapted to the Chinese business culture. This study therefore

does not make a distinction between the ethnic groups at the workplace and refers to the citizens of Malaysia as Malaysians. Table 1 outlines the results of four research examples on the cultural characteristics of the Malaysian society. The dimensions are derived from Hofstede's original research at IBM (Hofstede & Bond, 1988).

	Power distance	Individualism	Masculinity	Uncertainty avoidance
Hofstede IBM study, 1980 *	High	Low	Moderate	Low
Lim (2001)	High	Moderate	Moderate	High
Kennedy (2002)	Somewhat high	Somewhat low **	Medium to somewhat low ***	Somewhat high
Haniffa & Cooke (2002)	High	Low	Low	High

Table 1: Cultural characteristics of Malaysian society.

* Based on Hofstede & Bond (1988) and Newman & Nollen (1996).

** Result is mirrored as it is originally measured by group/family and institutional collectivism (both found to be somewhat high).

*** Result is mirrored as it is originally measured by humane orientation (found to be somewhat high) and assertiveness (found to be medium).

The power distance is decreasing, but still prevalent at the workplace

Kennedy (2002) points out that there is a fundamental tension between the Islamic values and the hierarchical social structure in Malaysia. Despite Islam principally being an egalitarian religion, the power distance in Malaysia has been found to be the highest among all studied countries in Hofstede's original research. More recent studies have found that the power distance is still high, although it has been somewhat decreasing over the past decades (Haniffa & Cooke, 2002; Kennedy, 2002; Lim, 2001). While on one hand aiming for collective consensus and compromise are seen as important in decision-making (Ahmad, 2001), the level of participation and collaboration in work organizations are perceived to be only moderate (Jantan et al., 2003). Newman & Nollen (1996) further argue that participative style of decision-making could even evoke distrust and disrespect in a culture with high power distance.

Collectivistic values are declining

Despite high power distance and the importance of acknowledging status differences (Kennedy, 2002), high self-esteem and pursuit of self-actualization could traditionally be considered a deviant behavior in Malaysia (Ahmad, 2001). Malaysians place high emphasis on the collective well-being (Kennedy, 2002) and derive their identity from being a part of an extended family, good relationships, and closeness both in personal and professional circles (Ahmad, 2001). However, loyalty and commitment, the underlying attributes of collectivism in high power distance context, appear to be present only within existing, safe groups (Lim, 2001). Lim (2001) has additionally found that more individualistic attitudes are emerging, suggesting that the society is becoming a more egalitarian on one hand, and more stressful on the other.

Harmony in relationships is the predominant cultural trait for Malaysians

The masculinity dimension of Malaysian culture has been found low to moderate, referring to Malays' concern for saving face, maintaining harmony in their

relationships, and preference towards indirect persuasion as opposed to direct confrontation (Kennedy, 2002; Lim, 2001). Politeness, humility and sensitivity to feelings are traditionally reflected by apologetic behavior (Rashid & Ho, 2003), while tolerance for errors is high and acting otherwise might traditionally appear insensitive or arrogant (Kennedy, 2002). Conversely though, it is expected from supervisors to create a culture of open and honest communication in organizational settings for better learning and effectiveness purposes (Gharibvand et al., 2013). Lim (2001) notes that while traditionally family and friends have had priority over material wealth, Malays have started to show more masculinity and aggressiveness in their behavior.

Change and uncertainty is better coped with in the context of community

Similar to other Eastern cultures, uncertainty avoidance in Malaysia has traditionally been seen as low due to unwavering religious beliefs (Hofstede & Bond, 1988; Lim, 2001; Storz, 1999). The research by Lim (2001) suggests that Malaysians are increasingly seeking for clarity in their economic and business practices. This is exemplified by the NEP that used strict numerical targets and predetermined measures for reducing uncertainties (ibid.), as well as by the series of detailed plans that have guided Malaysia through its economic and social development over the past decades (Kennedy, 2002). Hallinger (1998) argues that such substantial change in East Asian culture is viewed in the community context rather than individually, since people cannot cope with high-level ambiguity alone.

3.1.5 Leadership Challenges for MNCs in Malaysia

The business environment is today characterized by increasing globalization, fast changing workplace dynamics, disruptive technologies and new competition entering markets (Caligiuri, 2006), hence the leaders of today and tomorrow need to deliver in a world with far less continuity and higher uncertainty (Pardey, 2008). This generates new demands and challenges on leaders to create and sustain their organizations in highly competitive markets (ibid). MNCs see leadership development and talent management as a top priority (Stahl et al., 2012b), as developing and keeping a sustainable pool of high potential leaders is the main way to gain competitive advantage (McCall, 1998).

Leaders need to consider the cultural context in driving towards business targets

Over the recent decades, Malaysian government has been taking actions in developing towards a knowledge economy, including efforts in boosting entrepreneurship (Cheng et al., 2009). Formal entrepreneurship education has however failed to teach the skills needed for leading knowledge intensive industries (Cheng et al., 2009). The transition towards a knowledge economy requires the business leaders in Malaysia to be systematic in how they ensure the sustainability of their organizations, by achieving business targets without compromising the cohesiveness of their communities (Hallinger, 1998). Leadership approaches therefore need to be rethought as the firms' priorities change, as Wahat, Krauss, & Othman (2013, p. 298) point out, the development of leadership in Malaysia should go hand in hand with organizational strategy, "*As leaders are the ones who define an organization's future.*"

The main leadership challenges for MNCs in Malaysia are enhancing competitiveness and retaining skilled labor

As elaborated in the previous chapters, the main leadership challenge for a Western MNC in Malaysia is the lack of skilled labor that is becoming less loyal on one hand,

while still maintaining a distinct mix of Malaysian values on the other hand. Dun&Bradstreet (2013) estimates that the demographic structure in Malaysia remains favorable in coming decades from the economic point of view, as the increase in productive population will balance the healthcare and pension costs of the growing aging population, as well as drive domestic demand in the medium to long term (ibid.). Consequently, together with redesigning the organizations to remain competitive in the transforming economic landscape and new type of competition on both local and global markets (Pearson & Entrekin, 1998), the retention of skilled labor is the key challenge for MNCs in Malaysia (Rahman, 2012).

3.1.6 Synthesis

Table 2 summarizes the key theoretical aspects brought out in Chapter 3.1.

Future Challenges for MNCs' Business Strategies
Theory: what was known about Malaysian business landscape
3.1.1 Political Landscape
- The economic policies have failed to address the racial imbalance and corruption in the commercial arena; - Malaysians are starting to question the political leadership.
3.1.2 Economic Environment
- Services sector and domestic consumption are driving the GDP growth; - Innovation and economic growth has been fostered by external means; - Government is the largest employer across all sectors.
3.1.3 Demographics
- The population in Malaysia is multicultural; - Lack of skilled labor to build and lead knowledge intensive sectors.
3.1.4 Culture and Values
- Chinese and Malaysian values are converging; - The power distance is decreasing, but still prevalent at the workplace; - Collectivistic values are declining; - Harmony in relationships is the predominant cultural trait for Malaysians; - Change and uncertainty is better coped with in the context of community.
3.1.5 Leadership Challenges for MNCs in Malaysia
- Leaders need to consider the cultural context in driving towards business targets; - The main leadership challenges for MNCs in Malaysia are enhancing competitiveness and retaining skilled labor.

Table 2: Summary of Chapter 3.1.

3.2 The Views on Leadership and Leadership Development

In the development of leaders and the development of leadership, it is firstly important to make a difference between the two (Day, 2001). Research on leadership development goes back many decades, hence a broad range of definitions exists for both (ibid.). Also, there is confusion between the meaning of leadership and management both in academia as well as in organizations, where definitions overlap or are non-excising (Day, 2001; Day et al., 2014; Kotter, 1999). Kotter (1999) argues that people say leadership but explain management. The differences between leader, leadership and management can be seen in Table 3.

Leader	Leadership	Management
The role of a leader is the actions that one takes, leaders reward excellency, encourage personal and professional growth, act as role models and set future directions (Winston, 2007).	Leadership refer the roles that come with and without formal authority (Day, 2001), it is the ability to inspire others to follow (Pardey, 2008).	Management is typically processes defined by the employees role, it is position- and organization-specific (Knippenberg, 2011).
Leader skills are the human knowledge and skills (Day, 2001).	Leadership is the social interaction and influence that engages people in the organization through building mutual commitment and trust (Day, 2001).	Management requires a certain skillset, for example management in budgeting, sales, or quality management (Knippenberg, 2011).

Table 3: Comparing the definitions of leader, leadership and management.

Talent management practices aim to identify, develop and retain high performing employees, i.e. high potential leaders (Winston, 2007). Succession planning is one of the talent management practices, and relates to how organizations identify and develop high potential leaders to fill key business leadership positions in the organization (Groves, 2007). However building up a strong and sustainable talent development program is one of the biggest challenges for an organization (Stahl et al., 2012b).

Day (2001) further advocates for importance of making a difference between leader and leadership development when talking about talent management. Both leader and leadership development are important parts of the development of a high potential leader, and MNCs should therefore link the two practices (Day, 2001). The differences are outlined in Table 4.

Leader Development	Leadership Development
Intrapersonal skills	Interpersonal skills
Leader development focuses on developing the individual skillset of leaders (Day et al., 2014).	Leadership development focuses on the collective leadership, by engaging organizational members to be active in leadership roles and processes (Day et al., 2014).
Leader skills are developed by training and development programs (Day et al., 2014).	Leadership is developed though experience and by the enhancement of leadership (McCall, 2004; Day, 2001).

Table 4: Comparing leader and leadership development.

3.2.1 Effective Leadership Styles

There has been a paradigm shift in the studies on leadership styles during the last two decades (Pardey, 2008). In comparison to transactional leadership, trends in the research show a shift in which transformational or charismatic leadership is seen as the recommended way to lead today, as it adopts a higher level of social involvement (Ivan, 2012; Pardey, 2008). In a study by Penney & Neilson (2010), the authors

present that the views from emerging leaders reflect a need for change in today's organizations, and argue from the view of emerging leaders that they do not like top-down leadership, instead, they value integrity and honesty as the most important values of leadership (ibid.).

Transformational leadership practices a high level of social influence

Transformational leadership is about motivating and mediating positive energy to followers, being an inspiration, creating a vision for the future and raising the importance of collective interests (Ivan, 2012). Researchers are building new theories by looking at transformational leaders, who adopt a higher level of social influence by providing followers with self-confidence to deliver beyond what is expected (ibid.). In a recent version of the transformational leadership theory, developed by Antonakis, Avolio, & Sivasubramaniam (2003), five key dimensions are described:

- a) The socialized charisma and if the leader is perceived as being confident and powerful;
- b) The behavior of the leader and the charismatic actions that are centered around values and beliefs;
- c) The way leaders energize their followers by being visionary and optimistic about the future, pushing for ambitious goals, mediating and communicating the vision to followers;
- d) The leader challenges the followers to think creatively and problem solve;
- e) Leaders are supporting, advising, and paying attention to the individuals needs.

Transactional leadership style adopts a top-down leadership approach

In contrast, transactional leadership style is based on the command and control thinking, and is arguably less complex leading style compared to transformational leadership (Ivan, 2012). When employing a transactional leadership style, the leader controls the decisions and the mindset of the follower, leaving very little room for the follower to express ideas and thoughts (ibid.). Transactional leadership is framed by using three dimensions (Antonakis et al., 2003):

- a) The leader focuses on clarifying roles and task requirements and providing followers with material or psychological rewards depending on the fulfillment of the tasks;
- b) The leader makes sure that their goals meet predetermined standards;
- c) Only intervene after noncompliance or mistakes have already occurred.

Leaders will successfully lead across cultures by adapting the transformational leadership style to the local values

Although the trends are favoring transformational ways of leading, this style is still argued to be lacking in some dimensions. Mittal & Dorfman (2012) argue that transformational leadership style is missing the connection to adopting the leadership style to national cultures and local communities. This is important as leadership styles normally are both organizational and culturally dependent, depending on the values, norms and cultural prejudgments that the people have (ibid.). The degree of local adaptation to leadership also affects the organization's financial performance and the success of the organization thereafter (Newman & Nollen, 1998). This is especially so when bringing MNCs to the Eastern societies, which on one hand are westernizing in the globalization turmoil (Lo, Ramayah, Min, & Songan, 2010), while the deep-rooted cultural and religious values remain to affect the business conduct on the other

hand (Selvarajah & Meyer, 2006). Thus if a link is created between effective leaders and the cultural values, transformational leadership style is likely to be effective in MNCs globally, and leaders will successfully lead across different cultures (Mittal & Dorfman, 2012).

3.2.2 Traditional Leadership Styles in Malaysia

Scholars typically define leadership in Malaysian context as the ability to influence and inspire, it is an attribute that one has to inspire others to want to do things (Ahmad, 2001), or the power to make others follow leader's vision (Selvarajah & Meyer, 2006). Leadership style refers to how the leader is giving direction to the employees (Gharibvand et al., 2013).

Traditional leadership is autocratic with low level of employee involvement

Lim (2001) argues that the leadership styles in Malaysia have traditionally been top-down, and even though the collectivism would assume decision-making to be consultative, it is in practice rather autocratic. Kennedy (2002) agrees that even though Malaysian managers find the idea of participative style of leadership to be more effective compared to autocratic styles, they find it unnatural and difficult to put in practice. Despite so, as Malaysia is progressing towards knowledge economy, the leaders are compelled to establish higher employee involvement levels in order to keep the talented high performers interested, challenged and satisfied (Gharibvand et al., 2013; Rahman, 2012). Naturally, supportive and collaborative work environment is also a prerequisite for elevating the level of innovation in Southeast Asian work organizations (Rodsutti & Swierczek, 2002).

The most preferred leadership style is paternalistic in which knowledge and trust are the most important attributes for a leader

Leaders in Malaysia are expected to genuinely care for their employees well-being (Gharibvand et al., 2013), to be generous, compassionate and patient (Kennedy, 2002), and to act much like caring parents who serve on the needs and concerns of subordinates while keeping authority and mutual respect intact (Ahmad, 2001). Effective leader in Malaysia uses paternalistic leadership style (ibid.), and is driven by advocating the strategic vision, continuous improvement and recognition for the good organizational performance (Selvarajah & Meyer, 2006). Paternalistic leadership style is an alteration of the transactional style, in which the directive command and control approach has become more considerate (Jogulu, 2010). An effective leader of knowledge workers in Malaysia balances between different bases of power, predominantly expert and reward power (Jayasingam, Ansari, & Jantan, 2010). One of the most important elements is the knowledge and level of trust attributed to the leader (Selvarajah & Meyer, 2008), which a leader can gain by sharing knowledge and experience with the subordinates (Gharibvand et al., 2013). Most importantly, the leader is guided by social, religious and cultural principles (Selvarajah & Meyer, 2008) and acts as a role-model (Rashid & Ho, 2003), which essentially means that they remain indirect, diplomatic and avoid internal disputes when conducting business (Kennedy, 2002).

Transformational leadership style fosters commitment in MNCs

Discussions about transformational and transactional leadership styles have also gained foothold in the Malaysian leadership studies. Based on the example of higher education in Malaysia, Lo, Ramayah, De Run, & Ling (2009) have found that

transactional leadership yields better commitment to change compared to transformational leadership. Conversely, Lo et al. (2010) found that in the context of MNCs, the commitment to change is significantly higher when transformational leadership style is employed instead of transactional style. The differences imply that the traditional values are more likely to remain superior in the local organizations, while the work culture in MNCs is more likely to be affected by the global corporate influences and therefore be able to adapt to change more rapidly. This also supports the view of Lim (2001) in that the Malaysian values are converging with Chinese and other nationalities that have brought new business practices to the private sector.

Effective leaders employ a multicultural leadership style and embrace diversity

Even though the leadership behavior in Malaysia has traditionally been evolving along the ethnic lines, what one can call a Malaysian leadership style today is only in its baby steps (Selvarajah & Meyer, 2008). The history has left its legacy in shaping the most appropriate cultural norms, but has also left the door open in terms of fostering openness and willingness to experiment with new leadership approaches (Newman & Nollen, 1996). Leaders in Malaysia run organizations that are culturally diverse, either by comprising local ethnic groups, or increasingly even more nationalities than that (Selvarajah & Meyer, 2006). Along with the transformational style of leadership, leaders therefore must take a multicultural orientation, which is usually demonstrated by empathy and respect for cultural diversity and long-term perspective in cultivating business relationships (ibid.). Multicultural management style entails highly developed skills in people management, more specifically, the diversity can increase firm's profitability and return on assets when it is leveraged by consistently involving employees in decision-making to a great extent (Rodsutti & Swierczek, 2002).

3.2.3 Leadership Skills for Effective Leaders

Doss (2013) argues that there is a need to start thinking differently on how leaders and leadership are viewed. He argues that in order to cope with the faster changing business environment there is firstly a need for innovative leaders, and secondly, for leaders who would be capable of driving innovation.

The success of a organization is heavily reliant on the ability to develop effective leaders who guide the organization forward (Kotter, 1999; Winston, 2007). An effective leader is defined as one who successfully manage diverse groups of talented employees in meeting challenging business needs (Winston, 2007). Furthermore, there are several leadership skills that are important of a leader to develop, and can be categorized into several areas. Mumford, Campion, & Morgeson (2007) uses a 'leadership skill requirements strataplex' to highlight different skills that are important as a leader develops towards more senior job executive position, as seen in Figure 4. As leaders are starting to develop towards more senior postions, the acquisition of strategic and business skills become more important for effective performance than the aquisition of individual and social skills (ibid.).

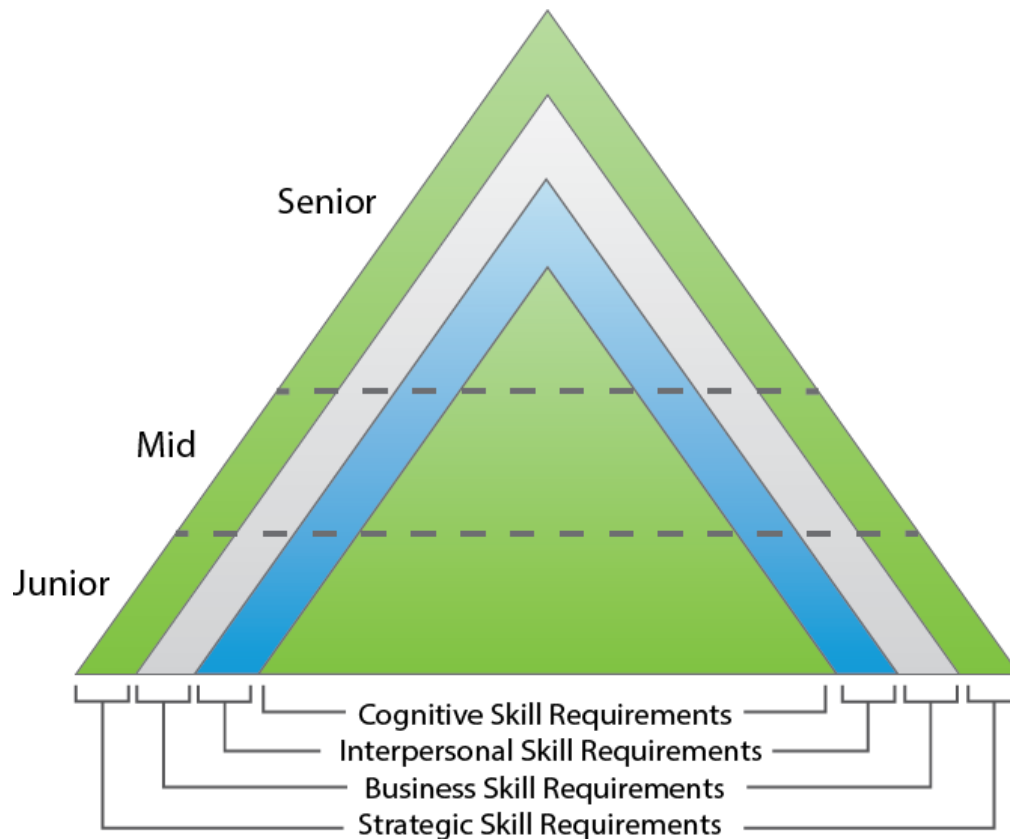


Figure 4: The leadership skill requirements strataplex (Mumford et al., 2007).

Cognitive and interpersonal skills form the foundation for leadership

The cognitive skills are seen as the foundation for developing leadership skills, and are described by Mumford et al. (2007) as the following:

- Communication skills: how well the leader communicate and engages with other leaders;
- Active listening: the ability to see which information that is important and why certain information should be mediated in a certain way;
- Communication through effective writing: so that a message is clearly understood and the ability in to understand complex written information.

Interpersonal skills involve a higher level of interaction than the cognitive skills and the ability to influence others (Mumford et al., 2007). More specifically, it includes skills such as the ability to coordinate actions, see to individual differences in employees and mutually satisfy relationships, influence others to accomplish organizational objectives in an efficient way (ibid.). Interpersonal skills are also about being open minded and dealing with a broad range of people (McCall, 1998, p. 78). From the perspective of followers, leader's ability to mediate self-development will also inspire others to continuously develop (McCall, 1998, p. 79).

Business skills are needed for meeting challenging business objectives and developing leaders who can champion change and innovation

Business skills include making prioritization of resources and allocation of products, technology and materials (Mumford et al., 2007). Furthermore, skills for leaders are

also to understand the core competences and skills required to meet challenging business goals (Winston, 2007). More specifically, as argued by Winston (2007), important business skills for effective leaders are fostering and developing besides themselves also other leaders to champion change, continuous improvement and innovation. Business skills also include abilities to nurture cross-organizational learning and aligning the executions among leadership teams at all levels in an organization (ibid.). Additionally, Winston (2007) argues that organizations should view these activities, developing to champion change and nurture cross-organizational learning's, as a source of sustainable competitive advantage.

Strategic skills are needed for coping with complexity and problem solving

Strategic skills include the leader's ability to understand complexity, deal with ambiguity, significant problem solving skills, and the ability to affect and influence change in the organization (Mumford et al., 2007). Strategic skills are about seeing relationships between problems and opportunities and creating a strategy to address those (ibid.). Pardey (2008) argues in a similar manner, and elaborates that effective leaders must focus on both their immediate targets as well as on the long-term goals. Leaders also need to take a more international and global scope into account when working with business decisions and strategy development (Caligiuri, 2006).

3.2.4 Identification of High Potential Leaders

In the process of creating a sustainable talent pool, the identification of high potential leaders is the first step in the talent management process. When employees perform over average, they are typically identified by the organization as future executive talent, i.e. a high potential leader (Hollenbeck et al., 2006). High potential leader can be defined in numerous ways, for instance McCall (1998, pp. 128-129) defines a talent according to eleven dimensions used for early identification of global executive talents:

1. *“Seek opportunities to learn;*
2. *Acts with integrity;*
3. *Adapts to cultural differences;*
4. *Is committed to make a difference;*
5. *Seeks broader business knowledge;*
6. *Brings out the best in people;*
7. *Is insightful, sees things from a new angle;*
8. *Has the courage to take risks;*
9. *Seeks and uses feedback;*
10. *Learns from mistakes;*
11. *Is open to criticism.”*

The most important part of leadership development lies in the person's ability to learn from a collection of experiences (McCall, 1998, pp. 128-129). For example the willingness of an employee to see beyond own development and gain an understanding of the business outside own work scope, as well as being a person that brings out the best in others (ibid.). It is suggested that the organization monitors talents' abilities to learn, more specifically, if a talent is able to learn from experience. After this, the next step follows up the learning by assessing how much the learning becomes a part of the individual's leadership capabilities (McCall, 1998, p 137-138).

High potential leaders should be identified at all parts of the organization to build up a diverse and sustainable talent pool

There are two places for an organization to look for and identify high potential leaders, either inside or outside the organization. McCall (1998, pp. 135-136) argues that a competitive advantage for an organization lies in creating an exclusive talent pool through well thought through development practices, instead of relying upon outside talent pool with high competition that everyone can draw from.

However one of the common problems for firms is having a short-term focus in talent management practices, which limits their abilities to develop high potential leaders (Colvin, 2009). Groves (2007) argues that a long-term perspective in identifying and developing high potential leaders through the organization should be adopted in order to create a more effective succession planning and avoid the 'replacement approach'. The replacement approach relies on the hierarchy in the organizational structure when identifying likely successors, which risks ending up with a less diverse senior team, as people tend to identify talents that they see themselves in (ibid.).

For an organization to gain a better understanding of which talents are needed to identify, develop and retain (McCall, 1998, p. 83), and what learning and challenges future leaders need to face in their development, it is argued that the corporate strategy is the natural starting point for thinking about talent management. (McCall, 1998; Stahl, Björkman, Farndale, Stahl, et al., 2012a). This will be further followed up on in Chapter 3.2.5.

High potential leaders should be identified according to their potential to run the business in the future

There are two approaches for identifying high potential leaders: selection perspective and development perspective. The selection perspective, also called leadership competence model, is the most common approach, in which talents are identified according to a set of characteristics that are considered to sufficiently describe effective leaders (McCall, 1998, p. 136; Hollenbeck et al., 2006). Although this approach is widely adopted among MNCs today, Hollenbeck et al. (2006) argue for the danger of using this model, as it is rooted in the transactional, command and control leadership style, and has outgrown today's way of detecting high potential leaders. It is not argued that looking at a set of competences is bad, but the competences should rather be put in interaction with situations and outcomes, since it is how talents are using their skills and learn from mistakes and experiences that creates a high potential leader (Hollenbeck et al., 2006).

The development perspective identifies those high potential leaders who are best able to take advantage of development opportunities when provided (Hollenbeck et al., 2006). McCall (1998, p. 126-127) argues that organizations should look for high potential leaders with capabilities to run the business tomorrow, not today. MNCs that are considered to be the most successful in creating sustainable talent pools make a great effort in early identification of people with leadership potential and provide the high potential leaders with development experiences that challenge and develop them (McCall, 1998, p. 136).

3.2.5 Leader and Leadership Development Tools

Several authors argue that in order to have effective leadership development practices, creating a link between the business strategy and the development of leadership is crucial (Beer et al., 2005; Day et al., 2014; McCall, 1998; McDonnell et al., 2010; Stahl et al., 2012b). As presented in the introduction of Chapter 3.2, Day (2001) further argues for the importance of distinguishing between leader and leadership. It is therefore important to link three dimensions – leader development, leadership development and business strategy – when developing executive talents, as illustrated in Figure 5.

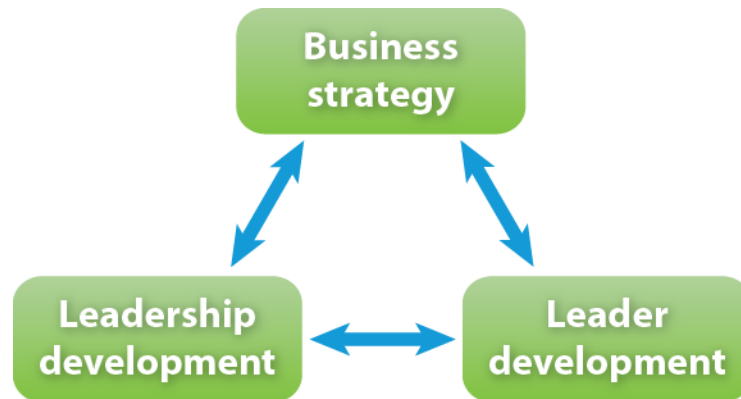


Figure 5: Linking leader and leadership development with business strategy (Day, 2001; Day et al., 2014).

Linking leader and leadership development with the business strategy will better prepare leaders to cope with change in the business environment

Firstly, Day (2001) argues that it is important to create a link between the leader and leadership development, as firms need to focus on developing both individual leader skills (intrapersonal skills) and collective leadership (interpersonal skills), in order to match future talented needs with the development practices. (McCauley, Eastman, & Ohlott, 1995). Most commonly organizations focus on developing the individual skillset, the leader development, as a method for developing leadership (McDonnell et al., 2010). The development of the individual skillset and collective skills, which refer to the practice and ability to build up commitment and trust among employees in an organization, play important roles in successful talent development, which is why it is necessary to combine both in developing future executives (Day, 2001).

Furthermore, creating a link between the leader and leadership development and the business strategy, will better prepare the organization and future leaders for the challenges put forth by future strategies and business environment (Colvin, 2009; McCall, 1998, p. 83). Organizations also need to have strategic flexibility in adapting to the changing business environments and to adapt the talent development approach thereafter (Stahl et al., 2012b).

Besides connecting executive development to the business strategy, McCall (2004) argues that the development of executive talents does not happen all at once, rather it takes time for the complexity of knowledge, abilities and skills to be mature enough to take on executive jobs and to perform efficiently. Therefore, it is important that

organizations have a long-term focus for executive development, to make sure to develop effective leadership (Beer et al., 2005).

3.2.5.1 Leader Development: Training and Development Programs

As defined in Table 4 in Chapter 3.2, leader development refers to the leader's intrapersonal skills and focuses on developing the individual skillset (Day et al., 2014). These skills are typically practiced and learned through traditional training programs, that organizations usually invest heavily in (Day, 2001). Leader development is about developing the self-awareness, self-regulation, and self-motivation. Self-awareness is the emotional awareness and self-confidence; self-regulation is the self-control and trustworthiness; and self-motivation refers to commitment, optimism and initiative (ibid.).

In order for a high potential leader to take use of the training programs, McCall (2004) argues for the important roles that this tool plays in the learning process. It is firstly an opportunity to reflect over learning and experiences and secondly it provides experiences that are not accessible online, as scenarios for states for the organization or an environment for direct exposure to the senior team.

3.2.5.2 Leadership Development: Practicing Leadership

Leadership development focuses on the social awareness and the social skills to develop the interpersonal skills of a leader. There are several tools that are used in organizations today with the purpose of developing employees to progress to higher levels (Day, 2001). The most reviewed and popular practices used to develop leadership are according to Day (2001) and Stahl et al. (2012b) the following:

- Job assignments
- Job rotations
- Networking cross-functionally
- Mentoring
- Executive coaching

Job assignments develop high potential leaders to become strategic thinkers and grow the ability to influence

Job assignments refer to learning on the job. Day (2001) argues that it is the development through job experiences where managers undergo personal change, learn and acquire leadership experience through the role, responsibilities, and tasks. Job assignment is seen as where a high potential leader especially gains team building experiences, learns how to be a strategic thinker, and acquires skills and abilities to influence others (Day, 2001; Groves, 2007). Day et al. (2014) further argue that there should be more focus on such assessments, in terms of matching individuals with the needed development assignments.

Job rotations and networking broadens the knowledge scope

For the leadership development to be successful, Stahl et al. (2012b) argue that job rotations across business or functions are the key tools. That is especially true in the technology and knowledge intensive industries, in which the main benefit is broadening the knowledge scope of the employees (Y.-L. Wang & Ellinger, 2011). However, job rotations are not very common today, as managers tend to focus more on their own interest in their own business unit, instead of looking to the best interest of the whole organization (Stahl et al., 2012b).

Networking creates broader individual networks, which in turn creates opportunities to break down barriers between functional areas (Day, 2001). Day (2001) further argues that networking will get employees more exposed to how others think and see business problems, and it has the opportunity to challenge simple assumptions about what leaders think they know.

Executive Coaching and Mentoring improves the leadership effectiveness

Executive coaching is the most commonly used term in leadership coaching, and refers to one-to-one relationship between the leaders and for example its immediate manager about work-related issues, with the purpose of improving the employee's leadership effectiveness (Ladegard & Gjerde, 2014). This method is proven to be a useful supplement to the traditional training and mentoring (Abbott, Stening, Atkins, & Grant, 2006). Important in developing global executive talents is for the coach to be informed about cross-cultural theory and experience (Day, 2001). Even if it brings the individual a close one-to-one learning, coaching is perceived as both expensive and time consuming (ibid.).

Mentoring relates to on the job experiences, and is practiced through both formal mentoring programs as well as informal processes (Day, 2001). Formal mentoring programs are assigned and monitored by the organization, while informal mentoring is usually also inside the organization but not administrated by it. The development usually comes in a mix of both (ibid.).

3.2.6 Leadership Development in Malaysia

As presented in Chapter 3.1.3, talented graduates and skilled labor in Malaysia tend to look for more lucrative and adventurous job opportunities abroad (Rahman, 2012). Keeping and nurturing the talent in Malaysia is however the key to reaching Wawasan 2020 goals (TalentCorp, 2011), and MNCs in Malaysia bear an important role in this. Wawasan 2020 goals can be found from Appendix 1. The ownership nationality of a firm has been found to have little correlation to the employed HRM practices in MNCs in Malaysia (Halid & Othman, 1998). However, it has been evidenced that proper internal training and employee development programs are present almost only in MNCs (Rahman, 2012), even though from a cultural perspective the leader of any company is expected to help his subordinates to succeed (Gharibvand et al., 2013). Lo et al. (2010) add that it should be the top management's responsibility to provide sufficient learning opportunities for leaders to adequately evaluate and develop their leadership skills.

Leadership development stems from collective learning experiences

Leadership development in Malaysia has been found to happen when people are collectively engaging in leadership roles and are learning from authentic experiences (Wahat et al., 2013). Learning how to lead is a continuous learning process, meaning that organizations should focus their efforts on improving their organizations' ability to collectively learn in order to keep up with the speed of today's marketplaces (Hallinger, 1998). As also highlighted in Chapter 3.2.2, Ahmad (2001) adds that leadership capability development in Malaysia takes time, since building the needed trust and relationships is an iterative process and is further complicated by the expectation for leaders to simultaneously be managers and a leaders.

Following McCall (2004) assertion that the predominant way of learning how to lead is experience, Wahat et al. (2013) have studied the role of informal and incidental forms of learning in Malaysia. They found three main themes in which most of the leadership learning happens through an interaction of three main areas:

- Informal mentoring;
- Reflection and observation;
- Challenging assignments.

These areas relate well to the collective leadership tools presented in Chapter 3.2.5. Difficult challenges stretch leaders' abilities to use their full capacity and interact across the organizations, and in combination with mentoring, the leaders learn leadership skills, attitudes and behaviors from multiple viewpoints (Wahat et al., 2013). Self-reflective and constructive observation capability over past experiences, such as own, mentors' or peers' leadership challenges, is arguably related to transformational leadership (ibid.). Much in line with these three learning themes, Idris & Ali (2008) claim that the organizational capability to change its management approach is necessary for becoming a world-class organization, and propose using best practices approach together with transformational leadership style as a suitable option for organizations in Malaysia.

3.2.7 Synthesis

Table 5 presents the key arguments regarding the theoretical views on leadership and leadership development presented in Chapter 3.2.

The Views on Leadership and Leadership Development
Theory: what was known about leadership and leadership development
3.2.1 Effective Leadership Styles
<ul style="list-style-type: none"> - Transformational leadership practices a high level of social influence; - Transactional leadership style adopts a top-down leadership approach; - Leaders will successfully lead across cultures by adapting the transformational leadership style to the local values.
3.2.2 Traditional Leadership Styles in Malaysia
<ul style="list-style-type: none"> - Traditional leadership is autocratic with low level of employee involvement; - The most preferred leadership style is paternalistic in which knowledge and trust are the most important attributes for a leader; - Transformational leadership style fosters commitment in MNCs; - Effective leaders employ a multicultural leadership style and embrace diversity.
3.2.3 Leadership Skills for Effective Leaders
<ul style="list-style-type: none"> - Cognitive and interpersonal skills form the foundation for leadership; - Business skills are needed for meeting challenging business objectives and developing leaders who can champion change and innovation; - Strategic skills are needed for coping with complexity and problem solving.
3.2.4 Identification of High Potential Leaders
<ul style="list-style-type: none"> - High potential leaders should be identified at all parts of the organization to build up a diverse and sustainable talent pool; - High potential leaders should be identified according to their potential to run the business in the future.
3.2.5 Leader and Leadership Development Tools
<ul style="list-style-type: none"> - Linking leader and leadership development with the business strategy will better prepare leaders to cope with change in the business environment; - Job assignments develop high potential leaders to become strategic thinkers and

grow the ability to influence; - Job rotations and networking broadens the knowledge scope; - Executive coaching and mentoring improves the leadership effectiveness.
3.2.6 Leadership Development in Malaysia
- Leadership development stems from collective learning experiences.

Table 5: Summary of Chapter 3.2.

3.3 Matching Future Business Needs with Leadership Development

High degree of fit between talent management processes and the firm’s business strategy constitutes a powerful tool for successful strategy implementation and thereby affects how well the business needs are met in the future (Stahl et al., 2012b). Global succession planning is one of the most important parts of talent management, as it on one hand creates a sustainable talent pool with more high potential leaders to draw from, while it also helps to retain more talents on the other hand (McDonnell et al., 2010).

3.3.1 Fostering Commitment at All Levels of the Organization

Tichy (2003) suggests that firms should become teaching organizations in which information and knowledge is shared between all levels continuously. Tichy & DeRose (2010) add that teaching organizations enable the development of leaders at all levels of the organization, which is needed for encouraging contribution to the organizational knowledge across the organization. Dalakoura (2010) further argues that having leadership developed at all levels of the organization in turn creates more ownership and entrepreneurial mindset in the employees, who will be more likely taking initiatives and willing to experiment, and gradually leading to more diverse senior leadership teams as argued in Chapter 3.2.4. Considering the pace of the business in 21st century, the qualities of CEO leadership are needed also beyond the board rooms, they are needed across the organization to teach people how to learn to be better at leadership and how to pass the leadership skills on to others (Barnett & Tichy, 2000).

All levels of the organization are responsible for developing high potential leaders

MNCs are suggested to create ownership over the leadership development at all levels in the organization (Stahl et al., 2012b). At the local MNC subsidiary, this means not only HR involvement, but also that managers at all levels, including the CEO, need to take responsibility and buy in to the leadership development strategy (ibid.). Similarly, Ready & Conger (2003) argue that pointing a single organizational entity to be responsible for leadership development would not be sufficient due to the complexity of global enterprises, and therefore the accountability should be shared between the top team, line managers, HR specialists and the high potential individuals. Building accountability for leadership development at all levels of the organization allows for flexibility in developing high potential leaders for key executive positions and develops a stronger organization-wide networks and visibility for the high potential leaders (Groves, 2007).

Stahl et al. (2012b) argue that although this is not very common in organizations, the senior team needs to actively engage in succession planning, recruitments, leadership development and retention as a top priority. The top leaders need to take the ultimate responsibility for the leadership development in the organization and energize other leaders to be the teachers (Barnett & Tichy, 2000), but at the same time make sure to not exercise too high level of control over the process because their information about high potential leaders might be too superficial (Ready & Conger, 2003). Furthermore, the line managers have a key role in the recruitment of talents and facilitating the development of skills and knowledge for the high potential leaders (Day, 2001). The line managers also play a crucial role in communicating proper messages and behaviors to the people below them, and thereby teaching the high potential leaders how they are expected to act as leaders (Dalakoura, 2010). Finally, the employees themselves need to play an active role in developing themselves, by seeking out challenges, cross-functional projects, and new positions (Ready & Conger, 2003; Stahl et al., 2012b). Groves (2007) suggests that all managers should additionally be engaged in mentoring relationships with high potential leaders across work units, creating project-based experiences for learning, and being involved in teaching courses.

Leadership development efforts should be measured by developed capabilities

As one of the main challenges to leadership development today, Ready & Conger (2003) argue that one of the main pitfalls for leadership development frameworks in MNCs is measuring the high potential leaders' progress based on the leadership development activities that the company has invested in, rather than the capabilities that high potential leaders have built up to drive business results. Black & Earnest (2009) suggest that the leadership development should be evaluated at three levels:

- Personal growth: broadening the perspectives of high potential leaders, raising their self-confidence and sense of self-efficacy;
- Professional growth: learning new and innovative ways of doing business and leading people;
- Policy and practice: building strong networks and thereby becoming resourceful.

Argyris (2002) adds that using solely performance evaluations can often even discourage learning and development because it evokes defensive reasoning across the organization.

To further add to the complexity of measuring the success of leadership development processes, Conger (2004) points out that organizations often rely on too simplistic models for leadership development, especially when it comes to the versatility of capabilities needed for a top level leadership role. He claims that even though the choice of leadership behavior should always be context-specific and situational, the development programs often focus on preventing leaders from derailing at their roles instead of building a capability for adapting the leadership approaches (ibid.). Furthermore, Dalakoura (2010) claims that leadership development efforts are in practice often not included in the strategizing process, while as presented in Chapter 3.2.5, leader and leadership development practices should be linked to the business strategy. This results in the high potential leaders developing strategic competency very late in their careers (ibid.).

3.3.2 Organizational Learning as a Tool for Enhancing Innovativeness

For an organization to stay competitive, Beer et al. (2005) have developed a method called the strategic fitness model, which builds on the fit between the business strategy, external environment, organizational design, leadership behavior and corporate culture. The strategic fitness process is a model for organizational learning, which is a central requisite for maintaining organization's performance and prosperity (Argote & Miron-Spektor, 2011), and therefore a necessity for MNCs to stay competitive in today's business environment (Beer et al., 2005; Stahl et al., 2012b).

Transparency in the organization is prerequisite for organizational learning

Y.-L. Wang & Ellinger (2011) have found organizational learning to have the most considerable direct impact on the individual's innovation performance, through which the firm-level innovation is heavily influenced. They further claim that the most important sub process of organizational learning is the distribution of information, referring to the transparency of communication structures and general openness for knowledge exchange (ibid.). In order to compete successfully, organizations need to align these structures and the business strategy with the environment, and maintain capabilities that match the strategy (Beer et al., 2005). Figure 6 illustrates the organizational learning process and its components.

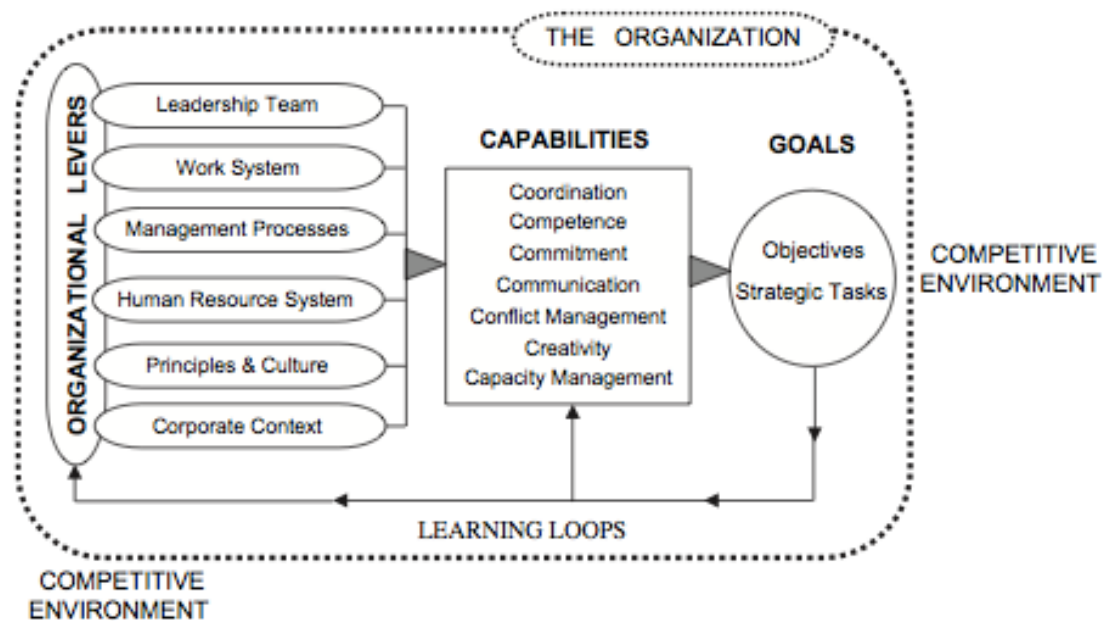


Figure 6: Strategic fitness model: Linking business strategy, the environment and capabilities (Beer, 2002).

Beer et al. (2005) highlight seven core capabilities that support organizational learning and strategy fulfillment. *Coordination* among teams will ensure a higher level of efficiency towards a common goal; *competence* means that the leadership skills are adaptable to change; *commitment* towards a common goal needs to be demonstrated by all levels of the organization; *communication* refers to the clarity in the ways of working; *conflict management* ensures that employees feel support in challenging situations; *creativity* should be encouraged at all levels; and finally *capacity management* matches human skills and knowledge with the strategy (Beer et

al., 2005). Guinot, Chiva, & Mallén (2014) further argue that organizational trust can be used as a mechanism for enhancing knowledge transfer within and across firm's boundaries, and thereby lead to higher performance by fostering organizational learning capabilities.

Self-reflection and constructive criticism enhance organizational learning

Leadership has a profound impact on the effectiveness of organizational learning, and it is recommended to promote double-loop learning capabilities combined with a corporate culture that encourages authentic dialogue for the learning to be effective (Mazutis & Slawinski, 2008). Double-loop learning reflects how people think, how they reason around designing and implementing the actions based on what they have learned (Argyris, 2002). The premise of double-loop learning is self-reflection and constructive criticism, which however can often be very difficult for top level leaders (ibid.) as they are concerned about face saving and maintaining power and control at their positions (Argyris, 1982).

3.3.3 Retaining High Potential Leaders for the Long Term

In the global "war for talent", retention of high potential leaders is becoming increasingly critical, not just because employee turnover is costly due to recruitment costs, but more importantly, it is costly in terms of the loss in productivity and customer satisfaction (Frank, 2006). Stahl et al. (2012b) suggest building alignment between three factors not only for developing high potential leaders, but also for keeping the talent for the long run within the organization. Alignment of the three dimensions will create a premise of organizational learning:

- Internal fit: refers to fitness and consistency between the different talent management practices employed in the organization to attract, develop and retain talents (Stahl et al., 2012b).
- Strategic fit: linking the leadership development to the business strategy and the long-term goals (Stahl et al., 2012b), as elaborated on in Chapter 3.2.5. Creating a link to the business strategy will not only better prepare high potential leaders for future challenges, but also ties them stronger to the company, and thereby retains them longer within the firm (McCall, 1998, 183-185).
- Cultural fit: linking the leadership development to corporate culture and values by integrating business principles and core values into talent management processes as leadership development activities, hiring methods, compensation and programs, and performance management systems (Stahl et al., 2012b).

Younger generation employees are becoming less loyal to organizations

Frank (2006) argues that a certain type of leadership, the retention leadership, is more likely to retain talents longer and thereby improve business metrics compared to other leadership styles. Retention leadership is exhibited by a leader's elevated abilities in building trust, esteem, enjoyable work climate, as well as being flexible and acting as a successful coach (ibid.). Building leadership capabilities that are more likely to retain future talents in the organization is important in the light of the generational shift, in which a decrease in organizational commitment has been observed in the younger generations (D'Amato & Herzfeldt, 2008). At the same time, the younger generations have a high learning orientation and prefer to learn within organizations rather than changing jobs for the sole purpose of learning, hence providing adequate

opportunities for learning is crucial for retaining today's high potential leaders within the organizations (ibid.).

Tangible rewards are becoming more important in Malaysia

Furthermore, the development of leaders is strongly tied with their motivations and the ways they are rewarded in the organization. Motivation refers to the willingness of reaching organizational vision and mission, which for Malaysians is determined by the quality of the relationship with one's manager and by the contribution of the job to the common good (Ahmad, 2001). Malaysians are motivated when they feel that they can contribute, therefore if leaders exclude employees from decision-making, the employees' organizational commitment and willingness to learn is likely reduced and they are more inclined to seek more fulfilling opportunities elsewhere (Rahman, 2012).

Traditionally Malaysians have been thought to seek social rewards over material rewards, such as approval and recognition (Jantan et al., 2003). Seniority has been playing a significant role in terms of the rewards and promotions (Ahmad, 2001), often regardless of the performance level (Kennedy, 2002). These views are however changing. While the need for social recognition and respect remains important, younger generation of Malaysians are attracted to more tangible, material rewards (Rahman, 2012; Rashid & Ho, 2003).

3.3.4 Synthesis

Table 6 summarizes the key theoretical findings about perspectives for matching business needs with leadership development that are elaborated in Chapter 3.3.

Matching Future Business Needs with Leadership Development
Theory: what was known about strategic talent management
3.3.1 Fostering Commitment at All Levels of the Organization
- All levels of the organization are responsible for developing high potential leaders; - Leadership development efforts should be measured by developed capabilities.
3.3.2 Organizational Learning as a Tool for Enhancing Innovativeness
- Transparency in the organization is prerequisite for organizational learning; - Self-reflection and constructive criticism enhance organizational learning.
3.3.3 Retaining High Potential Leaders for the Long Term
- Younger generation employees are becoming less loyal to organizations; - Tangible rewards are becoming more important in Malaysia.

Table 6: Summary of Chapter 3.3.

4 RESEARCH METHODS

The following chapter presents the research design and methods employed in conducting the study at hand. Research design refers to the overall framework for how the data is collected and analyzed, while the research methods refer to more specific techniques used in data collection (Bryman & Bell, 2011, pp. 40-41). Firstly the research design will be presented, followed by a description of three phases in which the research was conducted. The chapter will end with a brief elaboration upon the reliability and validity of the study.

4.1 Research Design

The thesis at hand is a theory-oriented research, aiming to contribute to the research field with how to prepare corporate leaders for the future business challenges. As the study focuses on drawing general findings across multiple cases rather than the unique contexts of specific cases, a cross-sectional research design is found the most applicable (Bryman & Bell, 2011, p. 63). Cross-sectional design entails collecting data from a variety of cases simultaneously, which will then be used to discover associations between multiple variables, such as people and organizations (Bryman & Bell, 2011, p. 53). A case can be considered to be either a single organization, location, person or event (Bryman & Bell, 2011, pp. 59-60), and is in this study defined as the development of a high potential leader within an MNC in Malaysia.

Cross-sectional design in qualitative research typically triangulates between several data collection instruments, such as open and semi-structured interviewing, to minimize the limitations of each of the methods (Bryman & Bell, 2011, p. 57). Triangulation between several data collection methods and sources is useful in the qualitative research to minimize the threat of misunderstandings the researchers may have from their observations (Bryman & Bell, 2011, p. 397). In current study, the main unit of analysis is the high potential leader's development in an organization, therefore the high potentials leaders' own perceptions are used as the first hand source of information. The insights of their executives are collected to gain a broader understanding of the high potentials leaders' views in the organizational context and thereby identify where the potential frictions between the generations views stem from. Additionally, secondary sources such as academic papers, newspaper articles and industry reports, are used to compare the perceptions of both high potential leaders and executives to the theoretical frameworks and understand their views from Malaysia's socio-economic dimensions.

4.1.1 Phase 1: Exploring and Preparation

The first phase of the research was a preparatory phase, in which the background of Malaysian business context and theoretical approaches to leadership and leadership development were studied. The aim of this phase was to gain a holistic understanding of the main challenges to leadership in the Malaysian context and consequently scope the research and develop the research questions. Additionally, practical preparations such as contacting MNCs in Malaysia for booking semi-structured interviews for the second research phase started early in Phase 1 to ensure meeting the research objectives. During Phase 1 secondary analysis and open interviews were used as research methods.

Secondary analysis entails using the data which the researchers themselves have not collected (Bryman & Bell, 2011, p. 313). Numerous peer-reviewed academic papers and industry reports were reviewed and eventually used as sources for the theoretical framework of the study. Secondary analysis is also necessary due to the academic nature of the research as it has supported in identifying the current research gaps and thereby assisted in formulating the research questions.

Open interviewing was used to complement secondary analysis as an exploratory tool for the researchers to understand leadership challenges in Malaysia. An open interview approach is useful when the aim of interviewing is to understand the views of participants on a relatively broad topic (Bryman & Bell, 2011, p. 472). Open interviews were used for identifying the most relevant research areas, broadening the researchers' understanding of Malaysian business and cultural context, as well as providing practical tips as preparation for the field study conducted in Phase 2.

4.1.2 Phase 2: Field Study in Kuala Lumpur

The second research phase took place in Kuala Lumpur, Malaysia, where the last open interviews and all semi-structured interviews with MNC executives and high potential leaders were conducted. The aim of the field study was to gather in-depth primary data around the research questions that would enable qualitative analysis.

Semi-structured interviews were used to gain a deep understanding of each participant's views on leadership, leadership development, and anticipated future business challenges. Semi-structured interviews typically follow an interview guide that has been developed to cover questions around a fairly specific set of topics, while still allowing for flexibility in how the interviewee frames the answers and how the interviewer picks up on those for further questioning (Bryman & Bell, 2011, p. 467).

Additionally, the participants of semi-structured interviews were asked to fill a self-completion survey from the global Next Generation Leadership research team prior to the face-to-face interviews. The aim of using the survey was twofold. Firstly, the initial aim was to use the survey responses as a quantitative measure to support the qualitative findings. The themes and resulting trends from the survey were however deemed as too general for the purposes of current research scope, which is why the results were disregarded. The second aim of the survey was to encourage interview participants to start thinking in lines of the research themes prior to the interviews without revealing the actual interview questions beforehand. Bryman & Bell (2011, p. 473) argue that given the cost implications and extreme busyness of managers, particularly at the senior level, it is necessary to ensure that the interviewing would be beneficial for both parties. The surveys served as a tool for preparing the interviewees' mindsets to think about their issues and concerns in a structured manner and thereby maximize the productivity at the face-to-face semi-structured interview.

4.1.3 Phase 3: Data Interpretation

The interpretation of primary data from semi-structured interviewing started already in the second research phase. The findings from each interview were thoroughly discussed between the researchers and key findings noted down at the end of each interviewing day. Additionally, a short document to highlight higher-level findings was created in the beginning and continuously reiterated after each day of interviewing. These tools helped the researchers in shaping the understanding of key

findings from the beginning, as well as for iterating the semi-structured interview guides to ensure the relevance of the questions. Furthermore, all interviews were fully transcribed in parallel to the interviewing in Phase 2 and coded in Phase 3, providing a structured pool of data to use when writing the findings of the research.

4.2 Data Collection Methods

The following chapter will describe in detail the different data collection methods employed over the course of the research.

4.2.1 Primary Sources

The primary information sources for this study include open and semi-structured interviews and a self-completion survey. Open interviews were used to create a basis for the directions of further research, while semi-structured interviews form the main body of empirical findings analyzed in this study. Finally, a self-completion survey was conducted with the purpose of contributing with knowledge to the global research project on the Next Generation Leadership.

4.2.1.1 Open Interviews

As mentioned above, the aim of the open interviews was for the researchers to gain a broader understanding of the research field and to explore the potential theoretical schools of thought to frame the study. The interviewees were chosen based on a convenience sample, which Bryman & Bell (2011, p. 190) argue to be suitable for the purposes of preliminary analysis to the research field, as long as the results are not used for generalizing across the population. Altogether six open interviews were conducted.

Two open interviews were conducted over Skype prior to the field trip to Kuala Lumpur, one with a representative of Business in Sweden to learn about expected behaviors in the Malaysian business environment, and the second interview with a leadership development researcher and professor to better understand the theoretical context of the study. One additional face-to-face interview was conducted with a working professional before the field study, also aiming to learn about what to expect when communicating with business professionals in the Malaysian corporate environment. Three additional face-to-face open interviews were conducted over the course of the field study in Kuala Lumpur. The first interview was conducted with a professor from the University of Malaya who focuses on leadership and knowledge management studies in Malaysia. The second interview was held with a visiting professor who provided further insight to the political and fiscal angles to the Asian studies. The last open interview was conducted after finishing the data collection to discuss the findings in the context of transformational leadership with a public speaker and researcher in the leadership development field.

4.2.1.2 Semi-structured Interviews

The empirical findings for this study have been derived from 42 semi-structured interviews conducted at 11 large Western MNCs in Kuala Lumpur over the period of six weeks. As in current research the aim is to simultaneously explore the most relevant themes under the leadership development topic as well as to compare between the different cases, semi-structured interviewing was found to be the most suitable research method as it allows for both flexibility and comparability (Bryman & Bell, 2011, p. 473). The main aim of the research is to assess differences between

two leader groups in general, rather than the differences within or between participating companies, hence MNC names and interviewees' names are anonymous for the purposes of protecting their identities. Furthermore, job titles that have been considered highly company-specific have been adapted to reflect the working field and level in a more general manner.

The MNCs as well as interviewees were chosen based on a combination of quota and snowball sampling. In given research, the goal was to reflect the Malaysian business landscape in terms of the different industries' shares of the GDP. Hence, a balance between the manufacturing and services sector was aimed for. Additionally, the MNCs were chosen based on further diversification in terms of the more specific industries they operate in, and direct competitors were avoided. To best fulfill these needs, a quota sampling was used, as this method produces a sample that would reflect the proportions of the population in terms of the different relevant categories of the research object (Bryman & Bell, 2011, p. 193). Table 7 summarizes the participating MNCs and their business areas, as well as introduces the aliases used to refer to specific companies throughout the report.

#	Company alias	Industry	Origin
1	CoAristotele	Manufacturing	Switzerland
2	CoCurie	Manufacturing	Sweden
3	CoDarwin	Manufacturing	Sweden
4	CoEdison	Information and Communications Technology (henceforth: ICT) services	Sweden
5	CoEinstein	Industrial goods	Sweden
6	CoGalilei	Industrial goods	Sweden
7	CoHawking	ICT services	US
8	CoMarconi	Manufacturing	Sweden
9	CoNewton	Financial services	US
10	CoPasteur	Financial services	UK
11	CoVolta	ICT services	US

Table 7: List of MNCs participating in the research.

Quota sampling was also used in setting up the criteria for selecting interview participants. To allow for a fair comparison between the executive and high potential leader levels, an equal number of both generations was aimed to be interviewed at each participating MNC. The goal was to conduct four interviews at each MNC, two with each leader generations.

The first contact in each MNC was made either directly with the managing director or with the HR department through email. Although Bryman & Bell (2011, p. 489) consider this method to be somewhat restrictive, as the researchers had no way of knowing who would be the most relevant interview candidates, therefore a snowball sampling was used. After receiving a positive response in terms of the MNC agreeing to participate in the research, the contacts were asked to select two interviewees from both executive and high potential leader levels. Despite the fact that snowball sampling may rise concerns regarding the generalizability of the findings across the population (Bryman & Bell, 2011, p. 193), the combination with predefined quotas for each interviewed MNC deemed to be sufficient for given research purposes.

In total 23 current executives and 20 high potential leaders were interviewed. Four interviews were conducted in majority of the companies. Three exceptions were made upon the requests from the companies, resulting in interviewing a larger amount of executives compared to the high potential leaders. Table 8 and Table 9 present the list of interviewees, their titles, and which MNC they belong to. Each of the interviews was conducted face-to-face at the MNC premises and lasted between 60 to 90 minutes. An exception was made for one of the companies due to that all interviewees were available for maximum of 30 minutes.

#	Alias	Title	Company
1	Mr. Nyambek	President	CoAristotele
2	Ms. Shanti	Head of Communications	CoAristotele
3	Mr. Jamaluddin	Managing Director	CoCurie
4	Mr. Shanmuganathan	Head of Industrial Engineering	CoCurie
5	Mr. Wei	President	CoDarwin
6	Mr. Alwi	VP Sales and Logistics	CoDarwin
7	Ms. Ismail	VP Marketing	CoDarwin
8	Mr. Rajakumar	CEO	CoEdison
9	Mr. Vadivellan	Head of Operations	CoEdison
10	Mr. Abidin	General Manager	CoEinstein
11	Ms. Jayanthi	Head of HR	CoEinstein
12	Mr. Ahmad	Managing Director	CoGalilei
13	Ms. Mary	HR Manager	CoGalilei
14	Ms. Palaniappan	Director of Corporate Affairs	CoHawking
15	Ms. Yufang & Ms. Mei	HR Directors	CoHawking
16	Mr. Woo	Commercial Director	CoMarconi
17	Mr. Majid	Business Line Director	CoMarconi
18	Ms. Salam	CEO	CoNewtonA
19	Mr. Manikavasagam	CEO	CoNewtonB
20	Mr. Thevar	Head of HR	CoPasteur
21	Mr. Muthiah	Head of Sales	CoVolta
22	Mr. Murusamy	Head of Communications	CoVolta

Table 8: List of executive level interviewees participating in the research. The real names are anonymized according by the names of athletic record holders in Malaysia.

#	Alias	Title	Company
1	Mr. Tinus	Head of Department	CoAristotele
2	Mr. Hussin	Senior Manager	CoAristotele
3	Mr. Saravanan	Senior Engineer	CoCurie
4	Mr. Ibrahim	Purchasing Manager	CoCurie
5	Ms. Yee	Service Strategy Manager	CoDarwin
6	Mr. Muhamad	Sales Manager	CoDarwin
7	Mr. Mogan	Operations Manager	CoEdison
8	Ms. Samsu	Project Manager	CoEdison
9	Mr. Sing	Sales Manager	CoEinstein
10	Mr. Tobias	Branch Manager	CoEinstein
11	Mr. Jackie	Sales Manager	CoGalilei
12	Mr. Imran	Project Manager	CoGalilei
13	Ms. Din	Sales Manager	CoHawking

14	Mr. Thirukumaran	Technical Manager	CoMarconi
15	Mr. Singh	Senior Manager	CoMarconi
16	Ms. Samivellu	HR Manager	CoNewtonA
17	Mr. Shamshuddin	Head of Department	CoNewtonB
18	Mr. Lim	HR Manager	CoPasteur
19	Ms. Khalid	Account Manager	CoVolta
20	Ms. Kaur	Account Manager	CoVolta

Table 9: List of high potential leaders participating in the research. The real names are anonymized according by the names of athletic record holders in Malaysia.

The interview guides, one for interviews with executive leaders and another for interviews with high potential leaders, were prepared prior to the field trip as a collective effort with other student researchers conducting a similar research simultaneously at other countries, and reiterated to fit the cultural specifics of Malaysian context in the beginning of the field study. As Bryman & Bell (2011, p. 475) suggest, efforts were made to ensure that the interview guide would cover the areas of interest and the interview questions would be formulated to support answering the overall research questions. The interview guides were pretested prior to the first interviews to ensure a logical flow of questioning and to avoid leading questions. Both interview guides can be found in Appendix 2.

All semi-structured interviews were audio-recorded and fully transcribed by the researchers. To ensure that the interviewees would remain open in their arguing while being recorded, the confidentiality of the recordings was assured prior to starting the interviews. A coding structure was developed in parallel with the daily interpretation of findings and applied to the data upon the completion of all transcriptions, by using NVivo 10 for Mac coding program. The coding structure was built to reflect the different themes that were recurring in the interview responses and would support answering the research questions in a detailed manner. A selective coding approach was used, in which categories were systematically related to one core category and the categories were refined over the course of coding (Bryman & Bell, 2011, p. 578). The coding structure can be found in Appendix 3.

4.2.1.3 Self-completion Survey

The sample for the survey followed the semi-structured interviews sample. Each participant received the survey 3-5 days prior to the interview. Data collected from the survey will anonymously contribute to a larger body of global research led by professors at Chalmers University of Technology and Harvard Business School.

4.2.2 Secondary Sources

The secondary sources used for the research contained books and academic research papers on the topics of leadership development, talent management and Malaysian business studies. Additionally, various industry reports were used to gain an overview of the Malaysian industrial and economic context. The academic literature was accessed through the electronic library at Chalmers University of Technology, and the industry reports were either found online from trusted sources or through databases available to Chalmers University of Technology library. For example, the following search strings were used: leadership, next generation leadership, leadership development, talent management, business strategy, Malaysian economics, Malaysian culture, Malaysian values, etc. Specific references made in academic papers were also used as additional literature search strings.

4.3 Reliability and Validity

Qualitative research is critiqued to be very subjective and biased towards researchers' own views and interpretations, and difficult to replicate due to its unstructured nature (Bryman & Bell, 2011, p. 408-409). As the aim of current study has been to bring a contribution to the theory rather than to the entire population, qualitative study is deemed suitable as it provides in-depth assessment of the theoretical views. Nevertheless, efforts have been made by the researchers to ensure a high degree of reliability and validity of the findings. The reliability dimension of business research refers to the consistency of the measures and concepts used in the study, i.e. whether or not the results of the study could potentially be repeated by using the same research process (Bryman & Bell, 2011, p. 41). The validity of a research concerns the integrity of the conclusions and is therefore arguably the most important criterion when assessing the quality of a research (Bryman & Bell, 2011, p. 42).

External reliability of a qualitative study refers to the degree of replicability of the research, which according to Bryman & Bell (2011, p. 395) can be difficult as the research results are highly dependent on the social setting and circumstances of the study. The researchers have however kept a detailed log of the research proceedings and the used tools, such as interview guides and coding structures, which would help in replicating the study at different contexts.

Internal reliability comes into question when there has been more than one researcher involved in collecting and analyzing the data (Bryman & Bell, 2011, p. 395). The concern of potential misunderstandings between the researchers has been minimized by attending majority of the semi-structured interviews together, as well as by ensuring fully transcribing all interviews. Additionally, the findings from all interviews were discussed and analyzed together after the interviews, thereby reducing the risk of misinterpretations.

Internal validity refers to the level of congruence between the empirical observations and the concepts derived from them (Bryman & Bell, 2011, p. 395-396). In order to assure a high level of internal validity, triangulation between different cases was used, i.e. interviewing more than one person at each MNC and more than one person at each level. As the research aims to draw comparisons on the generational level instead of comparing the specific views of specific cases, respondent validation was found to be unnecessary as the findings are derived on a higher level than the views of a single respondent.

External validity assesses the degree to which the results of the study can be generalized across different social settings or populations, and typically poses a challenge to qualitative research due to small sample sizes and context-dependent cases (Bryman & Bell, 2011, p. 395). The number of interviewees at each MNC was kept similar to reduce potential bias to specific companies. Due to the availability of the respondents at certain companies this was not possible. Nonetheless, the variation between the number of respondents is relatively small (2-5 respondents). On the other hand, as the research employs a non-random sampling method both in terms of choosing the participating companies and the participating employees, the external validity cannot be considered particularly strong.

5 EMPIRICAL FINDINGS

The following chapters will present the empirical findings gathered from 42 semi-structured interviews with current executives and high potential future leaders at 11 MNCs in Malaysia. The findings will firstly present the challenges that the interviewees perceive as the most relevant in terms of how they affect the future business strategies and needs for leadership. Thereafter the findings on how the executives and high potential leaders view leadership and leadership development practices and what is the most important for leaders to develop will be presented. The connections that the interviewees draw between the business strategies and leadership development will be followed through all chapters, and most explicitly addressed in the last chapter.

5.1 Future Challenges for MNCs' Business Strategies

According to the background study of Malaysian business context, the most prominent challenges for the business leaders are to remain competitive in the rapidly changing environment and to find ways to retain the skilled labor. The empirical findings confirm that the MNC leaders consider these challenges as the most important. The competitiveness dimension relates mostly to enhancing the level of innovation in the MNCs and the retention of skilled labor is crucial when it comes to finding ways to retain the high potential leaders who are trained to become future executives. The following chapters will present these challenges from different points of view and highlight on which areas the interviewed MNC leaders suggest that strategies should focus on to effectively compete in Malaysia.

5.1.1 Political Landscape

The political leadership in Malaysia plays an important role in how several interviewed MNC leaders view future opportunities and threats in the business context. Mr. Abidin, the General Manager at CoEinstein, considers Malaysia to already be a developed nation instead of a developing one, and points out, *"It's not a good or a bad thing, it is whether the government has prepared the country to face the changes. Unfortunately I must say that the Malaysian government did not, and that is a problem."* At the same time the government appears to have a strong say in how MNCs choose to staff their offices in terms of gender and ethnic quotas, as well as subsidiary ownership structures. Mr. Rajakumar, CEO at CoEdison explains, *"What government wants to see is that we are committed to Malaysia and we are building Malaysian business, building Malaysian talent. That makes us better than let's say our competitors, that will help us win the business."*

Political leadership has failed to groom local leadership talent

The biggest drawback of governmental policies is the failure in grooming local talent to become effective leaders. Several interviewees think that the government initiatives to solve the skilled labor deficiency have so far been *"at best only a part of the solution."* (Mr. Rajakumar, CEO at CoEdison). When talking about future challenges, Ms. Salam, the CEO at CoNewtonA, explains, *"Malaysia is going to struggle if they do not start building their future leaders, because right now what I see is, I see a fairly immature job market."* As two high potential leaders point out, the lack of talent issue holds true for leadership qualities in private sector, in the government itself as well as for the engineering talent: *"The majority of them are not educated*

and some of them probably only finished primary school.” (Mr. Hussin, Senior Manager at CoAristotele); *“Malaysia is not a typical country where you can find competent engineers.”* (Mr. Thirukumaran, Technical Manager at CoMarconi).

Political leadership today has been found to have a negative effect on the high potential leaders' generation in shaping how leadership is perceived as a discipline, as argued by one of the high potential leaders: *“The mentality of the employees depends on the Malaysian mentality, the Malaysian government. The political people can actually change the mentality of people, and that will also affect mentality of people in big organizations.”* (Mr. Ibrahim, Purchasing Manager at CoCurie). Mr. Hussin, a high potential leader at CoAristotele, elaborates upon the openness and information abundance in today's global society, which further adds to the distrust towards the Malaysian political leadership and decreases the talents' willingness to stay in the country: *“I think the younger generation, especially generation Y and generation Z, they see this kind of comparisons of what other cultures in other countries can do. And when they look at what we have here, they feel distrust and discontent.”*¹

MNCs need to contribute to the economic growth to retain a favorable position

Mr. Rajakumar, CEO at CoEdison, brings another large global political challenge to the discussion, *“The second big thing we look at happening is the polarization of East and West. That could have a negative impact on our business because the world aligns with the US or with China, and that's going to impact the companies who are unable to stay out of that. And of course, China is a very big export market for Malaysia. China makes a lot of foreign direct investment in Malaysia.”*

He adds that this could bring both opportunities and threats for the MNCs, especially for the Western ones operating in a country where the Chinese government has established very strong presence in supporting and subsidizing Chinese business. According to another executive leader, Mr. Murusamy, Head of Communications at CoVolta, so far the taxation for the MNCs has been favorable as long as the MNCs keep bringing in foreign direct investments and contributing to economic growth, and if this policy remains unchanged, the operations for MNCs can remain fairly steady. On the other hand though, Mr. Murusamy adds that governmental restrictions could also be viewed as opportunities to innovate, *“Most companies would hit a wall when it comes to the legal questions, because the country does not allow it, we cannot do it. But CoVolta would be, how can we change the laws of the country, so that it accommodates this innovation that would benefit people in the long run.”*

5.1.2 Economic Environment

Following the industrialization era, *“In Malaysia and Singapore in the last 10 years, a lot of the manufacturing base centers have moved out. And they have moved out to China, Vietnam, Philippines.”* (Mr. Abidin, General Manager at CoEinstein). All interviewed manufacturing and industrial goods MNCs are placing their main focus on the premium segments globally, which the interviewees point out is not the strongest strategy in current Malaysian economic context. They describe the

¹ The interviewees have referred to generational differences often as differences between Baby Boomers, generation X, Y, and Z. Baby boomers represent the people born roughly between 1940-1960, generation X between 1960-1980 and generation Y between 1980-2000. Generation Z is considered as the generation born after 2000 and haven't entered the labor market yet.

customers in Malaysia as mostly the ones who take purchasing decisions based on the initial investment cost rather than based on the lifecycle cost of the equipment. A high potential leader, Mr. Sing, Sales Manager at CoEinstein, describes: *"For customers, now what they do is they compare prices without comparing your specifications."*

Competition from low cost providers renders MNCs' strategies obsolete

Due to the Chinese vendors' lower prices and better customization to the Asian markets, the loss of market shares for the interviewed MNCs became especially evident after the financial crises in 2008, for example as one high potential leader states, *"So when it came to the year 2008 it went right down to the drain, because the Chinese company came here. So the customers got interested in the price that they were offering, and was no longer interested in CoEdison."* (Ms. Samsu, Project Manager at CoEdison). Manufacturing MNCs were at that time locked to differentiation strategies based on brand image, tackling premium segments and employing traditional sales approaches. Another high potential leader, Mr. Mogan, Operations Manager at CoEdison, gives an example: *"CoEdison is normally a very traditional company. The Chinese have a different way of working. They will use what ever channel that is needed in order for them to be there."* Ms. Samsu further explains that MNCs have less leverage in terms of lowering the prices due to inherently higher costs compared to the competitors in Malaysia: *"Chinese competitors have money, so they don't care about the margins, but in CoEdison we have so many processes and staff."*

Realizing that traditional strategies may not work for much longer in this part of the world started a snowball of turnarounds in most interviewed MNCs after 2008, during which the leadership teams were revised and many leaders were replaced. Ms. Mary, an executive level HR Manager at CoGalilei, argues that the toughening competition forces the MNCs to become more innovative at everything they do, *"We need to be more innovative in our approach to the market and in our approach to even managing the people."* One of the high potential leaders, Ms. Khalid, Account Manager at CoVolta, adds that firms need to innovate to be able to also retain their people: *"If you were a static company that didn't change and didn't innovate and didn't have new products and didn't have new anything, then people in your organization get a little bit like restless and bored. And that's when attrition starts to happen."*

Customers are getting more knowledgeable and demanding

The interviewed leaders in manufacturing and industrial MNCs also foresee that even though the Malaysian customers prefer low prices, they are getting more knowledgeable and more demanding about the product quality dimension, *"You can probably see that Malaysian market, that's what I'm hoping and I think that I can see, the market will evolve more to lifetime productivity focus."* (Mr. Wei, President at CoDarwin). This is generally seen as a good sign for premium segment vendors, for instance as one high potential leader, Mr. Sing at CoEinstein, argues: *"If customers are more educated, when they start looking into specifications, then definitely we would be there first because this is our direction for many years already. Then those, I would say that below, or low end competitors or other brands, then they would not stand a chance if most customers are more educated in the future."*

However, at the same time the interviewees admit that the technology is developing very fast, even in the industries that have been traditionally viewed as the slow movers. This means that the Chinese vendors who today are seen as low-cost players with considerably poorer quality compared to the brands of interviewed MNCs, might soon be able to deliver on a similar level of quality. An executive leader Ms. Shanti, Head of Communication at CoAristotele, argues: *“The completion will force change in the market landscape in the sense that they will be able to deliver to our customers the same level of technology and at a more competitive price.”* This trend poses a challenge for the premium brands such as the interviewed MNCs, because they have less leverage to play with profit margins compared to the Chinese vendors. One of the high potential leaders, Ms. Yee, Service Strategy Manager at CoDarwin, elaborates: *“Moving forward when the world will become more competitive, are people willing to pay more for premium any more? Or you can pay even lesser for equally good quality product? [...] Of course we can still position us as a premium brand, by having the kind of image, but if our cost is not competitive, I think it will be very hard for us to survive.”* Hence the MNCs need to find novel solutions to mediate between high internal costs and high price sensitivity at the customer's side, while still making their numbers.

Technology convergence changes the industry power structure

The interviewed service-oriented MNC leaders agree that the competition will get much tougher in coming 5-10 years and add the dimensions of speed and technology convergence to the equation. Mr. Rajakumar, CEO at CoEdison, talks about the ICT industry: *“We're at a major inflection point of what the role of ICT is in our society. [...] What is very interesting is that although the innovations that are coming are amazing, the speed will never be slower than it is right now.”* Another executive, Mr. Vadivellan, Head of Operations at CoEdison, further explains that as ICT segments are converging and becoming increasingly prevalent in all types of industries, the competitiveness of firms is threatened if they do not succeed in attracting and retaining young talents who are able to learn at the same pace as the technology advances, *“There's a lot of very senior, in terms of age, managers. They have a problem to catch the market trends, you see that more and more when ICT subsectors are merging.”*

Mr. Rajakumar adds that once ICT becomes an integral part of other industries, the role of the government will become increasingly important in the industry. The trend of ICT convergence is global, it is happening in developed and developing countries simultaneously, regardless of the maturity of their governance structures. Consequently, *“Both the trend of the ICT convergence and the polarization (see Chapter 5.1.1), things like security and transparency become very important. And we are a populist company that is extremely transparent and not all the players in the market are. So it's an opportunity but it's also a threat.”* (Mr. Rajakumar, CEO at CoEdison). Similarly, a high potential leader Ms. Khalid, Account Manager at CoVolta, contrasts highly mature US market to Malaysia, in which both customers and the government are less mature in dealing with advanced ICT. Similarly, she sees the current ICT inflection point as an opportunity to create differentiation and competitive advantage: *“Here I think we are a louder voice in a community that is more eager to listen. Basically the market is more sensitive to what CoVolta says. [...] You have to choose where you want to position yourself, and position yourself very clearly.”*

5.1.3 Demographics

The theoretical background of Malaysia in Chapter 3.1 presents multiculturalism and racism as important dimensions of the Malaysian social structure. The findings evidence that in MNC context multiculturalism is embraced and there is no ground for racism, which is by several interviewees explained as one of the reasons for people to choose MNCs over local companies. For instance a high potential leader, Ms. Yee, Service Strategy Manager at CoDarwin, claims that the first thing that attracted her to the company was one of the core values that fundamentally embraces the diversity in people. Mr. Rajakumar, CEO at CoEdison, explains at a higher level: *“I think people can make a choice here in Malaysia. Some people can choose to join companies that are Bumiputera companies, that’s the word to say where the Malays are, because they feel they are more aligned or more comfortable in this environment. The ones who choose to work in a company like CoEdison are more comfortable with the multicultural environment.”*

Low unemployment rate increases the job hopping of talents

Another piece of the puzzle is the low unemployment rate, which is a result of the government’s efforts in creating jobs locally, for example at the expense of not allowing manufacturing firms to freely import and export complete products. Many interviewed executives mention low employment as an important variable in their ability to retain talents. Mr. Manikavasagam, CEO at CoNewtonB, explains when asked about the biggest upcoming market challenges: *“I think that talent will always be an issue, and I think that the unemployment level will always continue to be low. So that makes it difficult because our top talent today they are constantly being approached by competitors for jobs, so we have to make sure that we pay them appropriately, but also you don’t want to overpay.”*

MNCs give the talents a good reference, which further raises the talents’ value at the labor market, as Ms. Salam, CEO at CoNewtonA, explains: *“Once they get a little bit of, especially CoNewtonA type of experience, they can jump where ever they want.”* Multiple interviewed high potential leaders elaborate upon cases in which rival companies have tracked them down with offerings to double or triple the offers from their current employers. They have not taken the offers because typically the overall package that the MNCs offer outweighs the higher salary the local firms offer in the long-term perspective. Ms. Yee, high potential leader at CoDarwin, sums it up: *“If I’m good, I know I’ll easily get a new job. So I think it will be very important for a leader to demonstrate a very strong character, to be able to motivate the people, to make them loyal to him.”* It is therefore crucial for the MNCs themselves to take charge of developing effective leaders, as Ms. Salam, CEO at CoNewtonA, advocates, *“Our responsibility is to build the future leaders, either for CoNewtonA or for the market.”*

High potential leaders from generation Y are hungry to learn and impatient to succeed

The characteristics of the high potential leaders’ generation appear to be different compared to the generation X, who has exhibited more humility and ‘no questions asked’ mentality throughout their careers. One of the executive leaders, Mr. Thevar, Head of HR at CoPasteur, observes that more individualistic behaviors are emerging: *“Next generation is much more ‘I want to shine’, which is interesting. But then you must give them opportunities, they are always hungry for opportunities.”* Another

executive, Ms. Ismail, VP Marketing at CoDarwin, agrees: *"I think it's the 'me' generation, [...], they were brought up to be about 'me'."* The interviewed high potential leaders at large agree that they have high ambition to grow and learn fast within the organizations. From a high potential leader viewpoint, Mr. Lim, HR Manager at CoPasteur, elaborates: *"I don't know whether it's a Gen Y thing, but we tend to want a lot of things. When I talk to my seniors, they always talk to me on the level that you guys are just moving too fast, you need to relax. But I think that inside of us is that hunger to want to climb the corporate ladder as fast as you can."*

While the *"young people's optimism and hunger for success"* (Mr. Nyambek, President at CoAristotele) is considered very positive as it is breaking out from traditional Malaysian hierarchy-oriented mindset and thereby showing signs for increasing openness to innovation at the workplace, the impatience is something that the executive level has mixed feelings over. Mr. Wei, President at CoDarwin, explains a recent case with a young high potential leader: *"Here it's quite normal that they apply very high. We have another girl, she's 29, she applied for a CFO position and she didn't get it. Now she's going to another company."* Several interviewees attribute the impatience to the diminishing loyalty of this generation, as in *"whoever pays the highest, gives the best challenge in terms of job opportunity and such, they will jump ship quite quickly."* (Mr. Shamshuddin, high potential leader at CoNewtonB). One of the high potential leaders from generation Y, Ms. Yee, CoDarwin, agrees: *"In average I don't work for more than 5 years in a company. I keep moving when opportunities come."* She argues that declining loyalty towards employers is a prevalent trend within everyone born after 1970s, and it makes it very difficult for the business leaders to motivate the talented people to stay in the company for long term.

High potential leaders from generation Y need to feel a sense of higher purpose and contribution of their role

General understanding among the interviewed MNC leaders is that the most important in leading the high potential leaders from generation Y is to ensure that they understand and buy into the bigger picture of what they are doing, what the MNC is envisioning and feel ownership over their work. An executive leader, Mr. Majid, Business Line Director at CoMarconi, explains that it's necessary to understand that this generation has different priorities compared to the older generations, they want to see the purpose of what they are doing and they have the bargaining power at the labor market to place demands on the employers. Ms. Salam, CEO at CoNewtonA, explains: *"I would say my generation was much more willing to put in their dues so to speak, I think this generation has a perspective that they are in demand, or at least here in Asia they are in demand, and that they shouldn't be required to give up too much of their personal time."* Ms. Salam further adds that although the high potential leaders' generation is hard-working and dedicated, they do need to be ready to put in more effort into their work compared to others if they want to move higher up in the organization.

Executive leaders need to adapt to the high potential leaders working styles

The high potential leaders from generation Y are no longer willing to take orders, and instead of looking at primarily at the seniority as noted by one of the high potential leaders, *"Evaluate a manager or the top management by looking at what they can do."* (Mr. Muhamad, Sales Manager at CoDarwin). This is different from previous

generations, who according to high potential leaders rather prefer to *“follow the book, do everything by the book”* (Mr. Ibrahim, Purchasing Manager at CoCurie) and traditionally attribute respect to people primarily according to age, job rank and job title. Several interviewees describe that there have been strong clashes between employees from different generations due to these differences, while the older generation is starting to adapt to the younger one. Ms. Salam, CEO at CoNewtonA, acknowledges, *“I think my generation, and maybe the generation above me, has to adapt better to the way that people want to work today. And it's difficult, it's tough for us to recognize that the way that we were promoted isn't necessarily the way that we should promote people going forward.”*

One of the high potential leaders, Mr. Jackie, Sales Manager at CoGalilei, puts the generational differences in the perspective of the retirement age in Malaysia, which was recently been raised to 60 years. Even though the population in his company is rather young, he stresses: *“The company needs to grow, that means for instance the people who are talented, people who are ambitious, are able to move along.”* An executive leader, Ms. Palaniappan, Director of Corporate Affairs at CoHawking, believes in mixing the generations in order to benefit from the diversity in the leadership team that can be leveraged once the conflicts over different work approaches have been overcome, *“I have also seen that the gen X and gen Y are beginning to... What used to be head on, is slightly more collaborative. [...] If you see them as a group of leadership team, they make a good group.”*

5.1.4 Culture and Values

The challenge of retaining talents is further deepened by the inherent respect for elders and hierarchical nature of relationships in Malaysia. Many interviewees express that Malaysians are more reserved compared to Europeans and Americans, *“Culturally people in Malaysia tend to be more reserved, so they have to be promoted and encouraged.”* (Mr. Ahmad, CEO at CoGalilei); *“They are very quiet, they are not the kind of people who would ask for things.”* (Ms. Jayanthi, executive Head of HR at CoEinstein); *“That's a big thing here in Asia, people are afraid to speak their mind.”* (Mr. Rajakumar, CEO at CoEdison). The preference towards being reserved in communication and avoiding confrontation are seen as the most challenging cultural aspects, because they restrict the openness of the work environment.

Traditional mindset threatens to impede innovation in organizations

Even though the high potential leaders from generation Y are starting to change the traditional culture as discussed earlier, the interviewed high potential leaders generally admit that they do feel a certain barrier towards the top levels. Mr. Lim, high potential leader at CoPasteur, explains: *“In the Asian culture we tend to respect our senior leaders, so we would never go out of our way to look like we are above them or we are better than them. [...] We'd like to drive a lot of innovation, but we are aware of these cultural boundaries that we have, maybe we don't push ourselves too high.”* Several interviewed executives see this as a challenge, both in terms of getting the people to contribute more to discussions with fresh ideas, as well as to understand their needs and thoughts regarding their own roles and thereby increasing the likelihood of keeping them within the firms. An executive, Ms. Ismail, VP Marketing at CoDarwin, explains: *“A lot of Malaysians they just sit and wait. That means that if the boss don't give me the opportunities, I will look elsewhere beyond the organization.”*

One of the biggest impediments of the reserved culture appears to be the way that conflicts are handled, as Mr. Manikavasagam, CEO at CoNewtonB, claims: *“I think that the only frustration is more an Asian thing, when you got some good leaders, leaders who have a natural quality, but they tend to be reserved and they tend to shy away from conflict. And that is hard because you have to push them to feel comfortable and feel comfort.”*

Relationships and trust remain the most important values

Mr. Rajakumar, CEO at CoEdison further elaborates that the fundamental fear of conflicts springs not only from the cultural trait, but also from lack of trust between the employees, *“I’ve been working with a model on how we can build a really high performing team, and the fundamental part is how you build trust, how you can make people comfortable to talk and deal with conflict. [...] That’s because you’re afraid of conflict, and then you’re afraid of conflict because you lack trust, because you don’t know what’s going to happen in a conflict.”*

Additionally, majority of the interviewees point out that building trusting relationships is a very important aspect when doing business in Malaysia, not only within the company, but also when communicating externally. Mr. Wei, President at CoDarwin, explains: *“It really seems to make a difference for customers if they know who they are talking to, that you have shaken hands. Then it will still be tough negotiations and you can still have issues afterwards, but if you have a certain trust, you can solve issues easier.”* In line with the low masculinity of Malaysian culture described in Chapter 3.1.4, people in Malaysia are claimed to be working on a personal basis, as for instance an executive leader, Ms. Ismail, VP Marketing at CoDarwin, argues: *“The culture is that when we know each other well, you get favors and you get things done.”* From a high potential leader viewpoint, Mr. Sing, Sales Manager at CoEinstein, explains that the same applies when dealing with Malaysian regulatory bodies: *“You have to spend a lot of time in the local agencies to get to know their people, the right people, to recommend you to the correct channels.”*

5.1.5 Business Strategies for the Future

As a combination of the challenges described above, one of the current weak spots, especially stressed by the customer-facing high potential leaders, is the degree of local adaptation to the corporate strategies. Although the local subsidiaries are expected to at large follow the MNCs' global business strategies, the adaptation of the strategies to the Malaysian market requires increasingly higher level of innovation from the local subsidiaries for the reasons described in above chapters. The local strategizing process typically works as described by Mr. Nyambek, President at CoAristotele: *“So the business strategy is what dominates, I would say its more adapting that strategy locally or taking that strategy locally, tuning it to the best advantage to be able to see if you can pick up the synergies, not just in terms of the cost but in terms of market opportunity.”* The market opportunities refer both to tweaking the strategies towards meeting the local customers' demands, as well as taking into account the local restrictions as argued by an executive leader, *“In Malaysia, certain things cannot be done, it is a fact because of our politics, our bureaucracy, our legislation issues.”* (Mr. Alwi, VP Sales and Logistics at CoDarwin).

Insufficient local adaptation to global strategies decreases competitiveness and harms MNCs' image

Several high potential leaders claim that too low level of local adaptation to how business is supposed to be conducted at the local level makes them less competitive compared to the rival vendors, because the solutions are not tailored enough. For instance a high potential leader, Mr. Hussin, Senior Manager at CoAristotele, argues: *"There are of course cases where there are certain things that the global comes back and they will say no, we should do it this way. And in the end of the day the team here will have a major problem. We are building something that is not what the customer wants."* Ms. Palaniappan, executive at CoHawking, explains that the clashes between the global strategy and local adaptation happen as a result of being too inward looking as a company and therefore not being aligned with what the market needs, especially at the top management level, *"Everybody would be sitting and doing meetings, internal meetings, and updating internal meetings. Whereas you should be out there selling. Or talking to partners, talking to the government, talking to different stakeholders."* She states that the high potential leaders are very good at engaging externally, and that it has become critical to do so in order to gather true market intelligence and to be able to come out with novel solutions for the local customers.

Local adaptation of business strategy is described to be important also for how the MNC subsidiary operates internally. For instance a high potential leader, Ms. Yee, Service Strategy Manager at CoDarwin acknowledges the benefits for process alignments globally, but thinks that it could be a bit more customized to specific countries. She adds: *"The processes are very established, but a lot of time you want to follow processes and then we are paying at the cost of customer satisfaction."* Similarly an executive leader, Ms. Jayanthi, Head of HR at CoEinstein, explains that since the global organization typically runs many pilot tests before actually implementing new strategies, this slows down the rollout from local divisions and consequently increases the time to market.

Local adaptation means becoming more service-orientated and customer-centric

When talking in more detailed level about what local adaptation means in terms of business strategy and future competitiveness, several interviewees emphasize the need for higher service orientation and the need for putting the customers in central focus points. Similarly to the need for higher local adaptation, these views are uniform regardless whether the MNC is in the service or manufacturing business. Service-orientation and customer-centricity are necessary since not only is the employee loyalty declining as discussed earlier, but the same also applies for the customers. Mr. Shamsuddin, Head of Department at CoNewtonB, argues from a high potential leader viewpoint: *"The economic environment is moving towards that customer loyalty is diminishing, now they are looking at the level of service. Our current strategies are formed around the customer and delivering service rather than, we are CoNewtonB, we are going to focus on our brand, we are loud, we are MNC. That doesn't say so much any more."* Mr. Abidin, General Manager at CoEinstein, adds that focusing strategies around services is crucial, as the manufacturing sector is no longer growing in Malaysia.

Similarly another high potential leader, Mr. Singh, Senior Manager at CoMarconi, explains that even though a strong brand is an advantage, it is nothing if the firm doesn't have the resources to back it up service-wise. He adds that some competitors

are very good at making themselves indispensable for the customers and thereby raising the switching costs, and switching costs are something that CoMarconi should pay more attention to. An executive leader, Mr. Vadivellan, Head of Operations at CoEdison, also compares the service orientation and customer centricity of his company to the competitors, and claims: *“I think we are not that fast, our relationship with customers can be improved if you ask me. Compared to the Chinese vendor, they are very good at tackling customer in terms of relationship and stuff like that, we are a little bit too shy and polite.”*

5.1.6 Synthesis

Table 10 summarizes the main arguments from the findings presented in Chapter 5.1

Future Challenges for MNCs' Business Strategies	
Theory: what was known about Malaysian business landscape	Findings: what has been found to be relevant for MNCs in Malaysia
3.1.1 Political Landscape	5.1.1 Political Landscape
<ul style="list-style-type: none"> - The economic policies have failed to address the racial imbalance and corruption in the commercial arena; - Malaysians are starting to question the political leadership. 	<ul style="list-style-type: none"> - Political leadership has failed to groom local leadership talent; - MNCs need to contribute to the economic growth to retain a favorable position.
3.1.2 Economic Environment	5.1.2 Economic Environment
<ul style="list-style-type: none"> - Services sector and domestic consumption are driving the GDP growth; - Innovation and economic growth has been fostered by external means; - Government is the largest employer across all sectors. 	<ul style="list-style-type: none"> - Competition from low cost providers renders MNCs' strategies obsolete; - Customers are getting more knowledgeable and demanding; - Technology convergence changes the industry power structure.
3.1.3 Demographics	5.1.3 Demographics
<ul style="list-style-type: none"> - The population in Malaysia is multicultural; - Lack of skilled labor to build and lead knowledge intensive sectors. 	<ul style="list-style-type: none"> - Low unemployment rate increases the job hopping of talents; - High potential leaders from generation Y are hungry to learn and impatient to succeed; - High potential leaders from generation Y need to feel a sense of higher purpose and contribution of their role; - Executive leaders need to adapt to the high potential leaders working styles.
3.1.4 Culture and Values	5.1.4 Culture and Values
<ul style="list-style-type: none"> - Chinese and Malaysian values are converging; - The power distance is decreasing, but still prevalent at the workplace; - Collectivistic values are declining; - Harmony in relationships is the predominant cultural trait for Malaysians; - Change and uncertainty is better coped with in the context of community. 	<ul style="list-style-type: none"> - Traditional mindset threatens to impede innovation in organizations; - Relationships and trust remain the most important values.

3.1.5 Leadership Challenges for MNCs in Malaysia	5.1.5 Business Strategies for the Future
<ul style="list-style-type: none"> - Leaders need to consider the cultural context in driving towards business targets; - The main leadership challenges for MNCs in Malaysia are enhancing competitiveness and retaining skilled labor. 	<ul style="list-style-type: none"> - Insufficient local adaptation to global strategies decreases competitiveness and harms MNCs’ image; - Local adaptation means becoming more service-orientated and customer-centric.

Table 10: Summary of Chapter 5.1.

5.2 The Views on Leadership and Leadership Development

Comparing the views on leadership in Malaysia between the two leader generations, top executive level and the high potential leader, the findings illustrate that the views do not differ significantly. Mr. Manikavasagam, CEO at CoNewtonB, states, *“The quality that one looks for in leadership are those that can connect with people, inspire them, lead them, so that they can do more than they ever thought was possible before.”* Ms. Jayanthi, Head of HR at CoEinstein, argues that the evidence of a leadership lies in people’s commitment to the leader and the willingness to follow. It is similarly argued by high potential leader, Mr. Jackie, Sales Manager at CoGalilei, that a leader is, *“Someone who is able to inspire others, someone who is able to lead by example.”* It is further argued from both the executives and high potential leaders that, in order for a leader to be influential, charisma and the ability to be inclusive are crucial. A leader should also have the passion and the charisma to bring out the best in people and to make them walk the extra mile.

The following chapters will evaluate the development of high potential leaders, reviewing what is important in effective leadership today and for the future, the identification process and development tools towards effective leadership. This chapter will end with a review of the progress and success in developing leadership in the Malaysian context today.

5.2.1 Effective Leadership Styles

Findings illustrate from the reasoning among the interviewed MNC leaders that the traditional leadership approaches in Malaysia differ greatly from the corporate leadership styles mediated by the interviewed MNCs. The investigated MNCs in Malaysia evidence both Asian ways of leading, but at the same time are influenced by the corporate culture. Mr. Vadivellan, Head of Operations at CoEdison, argues that in traditional Asian culture people are used to a more hierarchical structure, taking orders and they expect to be told what to do. It is argued similarly by the majority of the interviewed MNC leaders, that the traditional leadership in Malaysia is top down. The leadership style in MNCs is seen to adapt a higher level of openness, where employees are encouraged to drive themselves to a larger extent. Findings also show that while the MNCs leadership style demands more consensus between different people, the Asian leadership style has a faster decision making process. Some people take all the decisions and the rest of the people follow orders, and pushing products out in a faster pace on the market.

High potential leaders show strong evidence of wanting to change from the Asian leadership style to more open leadership styles

While the top executive level argues the mindset is important to change in people, and to create a more open leadership culture is important. Findings clearly illustrate a stronger will from the majority of the high potential leaders to break free from the Asian leadership. As presented in Chapter 5.1.3, generation Y are no longer willing to take orders. High potential leader Mr. Shamshuddin, Head of Department at CoNewtonB argues, *“We are the generation of performance, no more task-orientation meaning that we are no longer order takers.”* He further describes that now they are given the objective and expected end results from their managers, while he needs to later figure out the way to get there. Another high potential leader states, *“CoGalilei are encouraging us to take our own way and to guide our own decisions.”* (Mr. Imran, Project Manager at CoGalilei). Furthermore he argues, *“I like this style, it is more open and we can actually contribute and develop a lot. And we are able to talk to the leaders more, we can learn things about problems, a lot of things.”* It is argued by several high potential leaders that they will share more knowledge if they feel that they have a more family oriented relationship with their leader.

Adaptation of the applied leadership style in MNCs will make a more efficient transition towards an open culture

Even if the majority of interviewed high potential leaders show strong evidence of wanting to change, executives still see people who adopt the Asian leadership style at all levels. Several interviewees at the top executive level see problems in getting people to adopt open culture and leadership style, in which the subordinates need to take charge of more decisions lower down in the organization. One executive claims, *“Some people may think that if you don't micromanage some people feel lost, because they are used to that kind of leadership style, to be told what to do.”* (Mr. Woo, Commercial Director at CoMarconi). Furthermore, Mr. Vadivellan, Head of Operations at CoEdison, argues: *“Sometimes for new manager that we hire from the outside, they sometimes have problems to adapt to the culture, it will take a while for them to adapt to the culture.”*

In order to change this mentality, one of the high potential leaders argues, *“If you are a better leader you don't spoon-feed but you teach them to catch their own fish, and tell them why they should do this. And at the same time you tell them why they should manage change, because as time changes and as needs change, their job scope and mentality changes, and what is being expected of them changes.”* (Mr. Tobias, Branch Manager at CoEinstein).

Furthermore, several of the interviewed executive leaders argue for the importance of adapting their leadership style to the local conditions. This is seen as very important for being able to build trust in the employees, as building trust takes time and change is a gradual process. For example, one of the top executives presents, *“You have some employees that are more consistent because you need to know them personally, because some of them are very friendly oriented and you need to adapt.”* (Ms. Ismail, VP Marketing at CoDarwin).

5.2.2 Future Knowledge Needs for Effective Leadership in Malaysia

Findings show that for a leader to be able to develop an effective leadership style, there are several challenges around what kind of knowledge is needed for effective leadership in the future. Additionally to discussing about the future challenges to the business strategies in Chapter 5.1.5 and how these challenges affect the main focus points in the strategies, the interviewees were also asked about what they see are the most important skills that leaders need to possess in order to be effective in the future. This chapter presents the dimensions of knowledge on a higher level, followed by detailed level skills in Chapter 5.2.3.

Next generation leaders need to be change agents within their organizations

First and foremost, the executives as well as the high potential leaders argue for the importance of the ability to drive change in order to stay competitive in the long run. On of the high potential leaders, Ms. Samivellu, HR Manager at CoNewtonA, brings up the role of leaders in the changing business environment, *“As leaders, we have to make sure that our team are open to change.”* In a changing environment the main role of a leader is seen as aligning people in the organization to the change strategy, as for instance one of the executives, Ms. Ismail, VP Marketing at CoDarwin, argues: *“Share with them vision, the strategy, to make sure that they are communicated and so that everyone goes in one direction.”*

The ability to change applies not only to the leaders; rather the leaders need to be the change agents in transforming the mentality across the organization to become more agile in general. Becoming a service- and customer-centric MNC subsidiary implies implementing new ways of working, as a high potential leader, Mr. Shamshuddin, Head of Department at CoNewtonB, explains: *“It starts off internally, to really look at what the customer wants and we being able to take that first step, to break out of the old so to speak. Going out of your comfort zone to do, really do things.”* Mr. Majid, an executive leader at CoMarconi, also stresses that a leader cannot be stuck in the ways that things were done in the past, instead the leader needs to quickly grasp new situations and come up with solutions. The organizational learning extends to being in touch with macro trends and technological development, as one high potential leader, Mr. Singh, Senior Manager at CoMarconi, argues: *“We cannot be just reading about our industry. The kind of crisis in 2008 has taught us that the financial impact is actually a ripple effect. We can’t say we’re in the manufacturing industry, we’re not affected. Everybody’s affected when there’s less money.”*

Role models who will be leading by example will create a more open culture and break hierarchal mindset

Leadership in Malaysia is typically top down and hierarchal in nature. It is argued by several interviewed executives and high potential leaders that in order for MNCs to create a leadership culture that will have a good balance between the MNC and the Malaysian way, creating role models that can lead by example is crucial. Mr. Ahmad, Managing Director at CoGalilei, argues: *“First of all, we start from management, we have to be more open. We have to be the platform to encourage openness.”* The leaders need to show the way and walk the talk. Another executive believes that people will always look for role models in the search for their own personal leadership brand. Therefore in order to create a more open culture, Ms. Salam, CEO at CoNewton, claims: *“We need to develop the future role models that can follow it for the next levels down.”*

Furthermore, an important role of a future leader is according to an executive leader, *“Lead the people, groom the people to be more independent, to be able to take care of functions, to be able to lead the next group of people.”* (Ms. Jayanthi, Head of HR at CoEinstein). Another executive, Mr. Thevar, Head of HR at CoPasteur, further states: *“The leader also need to be someone that engages their people and inspire them, coach them and help them through that journey of achieving objectives. And the third portion is to recognize, reward and also compensate them.”*

Next generation leaders show high level of empathy to build trust internally and externally

In order to build lasting customer relations for the future, both executives and high potential leaders point out that showing empathy and building trust are essential for future leaders. Mr. Manikavasagam, CEO at CoNewtonB, explains the necessity of empathy as in the ability to put oneself in the customer’s shoes and really understand their needs. Although trust has been an important cultural part in Malaysia, it is a problem today because the ways people connect have become very superficial. Another executive leader, Ms. Shanti, Head of Communications at CoAristotele, agrees: *“Don’t just sell your product and then go and forget all about the customer, you need to build and maintain them, and that is how you build trust.”* Similarly, Mr. Murusamy, Head of Communications at CoVolta, argues that being empathetic towards the customers is the only way to truly be customer-oriented, *“I think that is the spirit of using user feedback and taking it in to improve your products.”*

Due the paternalistic understanding of leadership, showing empathy and humility is argued to be important both towards the clients as well as the employees, *“I think that human connection is really important to have because then you know the organization believes in the people. That we are looking at their personal interests and then they look at contributing towards the organization, to stretch and to go beyond the job scope and the role that they have.”* (Ms. Shanti, Head of Communications at CoAristotele). An executive leader Mr. Thevar, Head of HR at CoPasteur, adds that in Malaysia trust in an organization is essential for the people to believe in what the leader is saying, and to buy into it rather than just follow the leader because the leader is the superior. As evidenced in Chapter 5.1.3, the high potential leaders have less loyalty towards the workplace, which makes the retention efforts more difficult. Several interviewed high potential leaders argue that by receiving tasks with high accountability shows trust from their leaders, and thereby the ability to make an impact in the organization creates more ownership of the business.

Future leaders should build teams from people with various technical expertise who complement one another

Along with the rapid development of the technological landscape, the interviewees stress that the future leaders need to understand the technological base of their offerings in general terms, as one of the executives advocates, *“To be able to articulate what you are selling, even if you’re not selling.”* (Ms. Palaniappan, Director of Corporate Affairs at CoHawking). Ms. Palaniappan further argues: *“CTOs and the CIOs will be the new CFOs. [...] I think the business decision maker, plus the technical decision maker, the line will be more blurred.”* Another executive, Mr. Muthiah, Head of Sales at CoVolta, further adds in the context of technological advancements, *“So as a leader if you are not in the peak of this change that is already*

happening in some cases, then you are setting yourself up for failure, according to me.”

In line with the technology convergence described in Chapter 5.1.2, Mr. Rajakumar, CEO at CoEdison, argues: *“It’s important to find a balance between the people with relevant experience, but also the willingness to learn.”* He adds that it’s more valuable to construct a leadership team of people with diverse experiences who would complement one another in terms of knowledge, rather than trying to find people who would know everything about everything. High potential leader Mr. Imran, Project Manager at CoGalilei, agrees that getting team members to contribute is the key for a future leader, *“Instead of knowing everything, the leaders need to know how to expose the potential from the team.”* Mr. Rajakumar, CEO at CoEdison, further believes: *“Because the real objective in leadership is to have a team that thinks different based on experiences, so you can cause creative conflicts, you can move things forward.”* Mr. Manikavasagam, CEO at CoNewtonB, argues for the same from the customers’ perspective: *“In a leadership team, have as diverse people as possible. Because the world is made up of diversity, our customers are diverse.”*

Moreover, the interviewees point out that it is more valuable to build in the constant learning capability in the organization rather than focusing on building up steep core competences in only few technologies. Mr. Murusamy, Head of Communications at CoVolta, explains from an executive leader perspective: *“I think that just sticking to core competencies is not really a strategy for the long term, you need to get beyond your comfort zone and invest in really blue ocean stuff, either only you have the resources, or you have the audacity to bet on those things.”* One of the high potential leaders, Mr. Thirukumaran, Technical Manager at CoMarconi, sees this as a constraint already now: *“We have our customers talking about new technologies, but in order for us to catch up with all this new technology, we need to develop our people.”*

5.2.3 Executive Maturity: Leadership Skills for Effective Leaders

Majority of the interviewed executives highlight that high potential leaders need to develop a mature mindset, behavior and extended leadership skills in order to become effective leaders for the future. How well the skills and the mindset are matured during the development process will determine when a high potential leader is ready to take on an executive position. ‘Executive maturity’ is a concept introduced by one of the interviewees as an indication for a high potential leader who is mature to take on an executive position. Ms. Yufang, HR Director at CoHawking defines the concept as the following: *“Executive maturity is the ability to look at the situation beyond personal own belief, personal agenda, and beyond promotions.”*

As other executive level interviewees elaborated upon more dimensions that are important to consider when evaluating high potential leaders’ readiness for executive roles, the concept of executive maturity is further developed according to the findings. The additional dimensions are skills for leading people, being scalable, having a holistic perspective, and developing a strategic mindset. These different parts together with thinking beyond own role will be elaborated on further below.

Thinking beyond own role is the ability to view problems through the best interest of the company

As argued by the executive Ms. Yufang, HR Director at CoHawking, who introduced the executive maturity term, thinking beyond own role is the ability to look at situations beyond personal agenda, own beliefs, and own promotions. Another executive, Ms. Palaniappan, Director of Corporate Affairs at CoHawking states that they are looking for consistency in someone that takes on leadership beyond its own role, *“A potential leader is usually someone who you know will be able to take on leadership role beyond responsibility.”* Mr. Muthiah, Head of Sales at CoVolta, also describes a characteristic of a person who is ready to take on an executive position, *“The ability to lead beyond your role.”* One of the high potential leaders argues in line with the previous from the mindset perspective, *“Driven mindset to see what we can do that are the best for the company.”* (Ms. Kaur, Account Manager at CoVolta).

Leading people entails aligning employees to collaborate towards common vision

As argued by majority of the executive leaders, the ability to engage people and get them aligned to one common vision is one of the key attributes of an effective leader. Mr. Woo, Commercial Director at CoMarconi, states: *“How well they can engage and motivate people as a leader, how you inform them right things at the right time. Also the communication skills and the ability to getting your vision and purpose across to people.”* Moreover, as a leader starts to demonstrate a mature mindset, leaders need to have the ability to create diverse teams. This is crucial according to one executive, Mr. Manikavasagam, CEO at CoNewtonB, as he argues in Chapter 5.2.2 that as the world is made of diversity and the customers are diverse, they need to have as diverse people as possible.

High potential leaders also need people managing skills to deal with MNC politics. Mr. Nyambek, President at CoAristotele, presents this as a challenge that the high potential leaders need to be able to cope with in order to continuously develop. He claims, *“One of the challenges in all these organizations is the internal politics. For example, someone who will perhaps have benefit from business initiatives and sometimes become a challenge, when you are growing the business.”* Another executive adds, *“High potential people need to grow in maturity level and their ability to deal with the political aspects, as dealing with difficulties among different stakeholders.”* (Ms. Salam, CEO at CoNewtonA).

Scalability enables coping with diversity and changing business environment

Mr. Rajakumar, CEO at CoEdison, argues that the skills of a high potential leader who is ready to take on an executive position need to demonstrate scalability, referring to the ability to cope with diversity and manage multidiscipline. He argues, *“I believe that it is important to demonstrate that you are scalable. And what I mean by that is that you demonstrate that you can perform in different kinds of roles. Because once you are at the executive level, normally you are managing multidiscipline. So if you have somebody who has only been successful at sales, I am not necessarily convinced they are ready for an executive role.”* Secondly, as a leader starts to demonstrate a mature mindset, it is also the ability to work across teams and business units. Mr. Nyambek, President at CoAristotele argues: *“A good visibility is if you are able to show that you can work across teams, by demonstrated the ability to work across business in a collaborative way.”*

Dealing with diversity in an executive role is also about having a flexible mindset to cope with constant change and ambiguity. Mr. Manikavasagam, CEO at CoNewtonB, argues: *"The most important quality in a leader of today, I think that you need to have a lot of flexibility with and how to manage change."* Managing change is highlighted as both the ability to adapt to and drive change. Furthermore, an executive Mr. Muthiah, Head of Sales at CoVolta, argues in line with this: *"One thing is for sure, as a person who is building a career and wanting to be a leader in a near future, the fact remains that you need to constantly be able to change and adapt to the environment and to the business that you are in."*

Holistic perspective means understanding the macro perspective of the business

In order to be a successful leader while technologies are converging and industries are changing, some of the executives argue for the great importance of gaining an understanding of the macro picture of the business landscape. In conversations with high potential leaders, Mr. Rajakumar CEO at CoEdison tells that, *"I am trying to hear how they are approaching problems, how they deal with it, are they thinking holistically from different dimensions: the customer dimension, employee dimension, shareholder dimension, and thinking creatively. So the same thing I am looking in executives and to see signs of that in the lower level."* The executive, Ms. Jayanthi, Head of HR at CoEinstein, elaborates that this is important because high potential leaders need to have an understanding of how various industries work, because then it will be easier to also solve problems.

One of the high potential leaders argues in the same manner about the importance of gaining an understanding of the business landscape. *"For me it is the leaders should be able to understand the challenges that we are facing now, and also understand the total surrounding of the business in Malaysia. How is the business landscape and who will make decision on different organization."* (Mr. Mogan, Operations Manager at CoEdison).

Strategic mindset is needed for coping with complex problems

As developing towards senior positions and as the business environment is becoming more complex, high potential leaders need to become strategy thinkers, which means developing a high level of problem solving skills. Ms. Salam, CEO at CoNewtonA, argues: *"They need to be strategy thinkers, so they should have been exposed to. They don't have to have a strategy role but they need to be able to problem solve I can have them asking me for, you know, play by play plans and still expect them to be a leader, that does not work. I need people who can adapt and understand and who can adjust to the very complex problems that arise in an organization."* Furthermore, Mr. Rajakumar, CEO at CoEdison, tells that an important ability is to not only to work with problems in their own business unit, but to understand the organization as a whole and solve problems creative way.

The views of the interviewed MNC leaders regarding the dimensions of what is important for high potential leaders to develop in order to become effective leaders for the future are presented collectively in in Figure 7.



Figure 7: Executive Maturity: the collective views from interviewed executives on the dimensions that high potential leader needs to develop to reach an executive position.

5.2.4 Identification of High Potential Leaders

Findings illustrate that as an employee performs over average and starts to demonstrate signs of leadership capabilities and improved level of problem solving skills, they will be identified as a high potential leader. As presented by several executives, the identified high potential leaders are employees who are envisioned to develop towards an executive position in the near future. These people are identified after early signs of executive leadership.

After being identified as a high potential leader, the findings from the interviewed executives show that several employees then get more visibility and exposure across the organization, as well as access to special leadership programs. One executive expresses, *“If you become an high potential in this organization your world just start to open up because you get direct interaction with the business leaders.”* (Mr. Thevar, Head of HR at CoPasteur). Figure 8 illustrates the two steps that have been found to precede reaching executive maturity.



Figure 8: The process from a high potential leader towards reaching executive maturity.

Succession planning: building a sustainable talent pool is a competitive advantage

In the process of identifying and developing high potential leaders, succession planning is argued by some interviewed executives to be a crucial part for MNCs to focus on. Mr. Manikavasagam, CEO at CoNewtonB, argues: *“Succession planning is probably one of the most important pieces of talent development. You have to develop the successors.”* Another CEO, Mr. Rajakumar at CoEdison, argues that this is something that he is putting large efforts in, *“I am working now on reinforcing our talent process and succession plan further down in the organization. [...] My ultimate objective is to go back to sustainability. I mean for example the company should be able to work without me, and for sure when I leave it should be possible to appoint somebody locally”*.

Mr. Manikavasagam, CEO at CoNewtonB, further explains that although succession planning is one of the most important parts of talent management, it is also one of the hardest tasks for a leader, since a leader needs to be able to choose people that are different from them. Some more executive leaders, who add that succession planning plays a key role in building up and maintaining a sustainable talent pool, follow this line of arguing. Although the succession planning is mostly mentioned by executive level interviewees, one high potential leader also states, *“Succession planning is for me towards as a leader you need to make sure that you know what will happen next, you should have a plan.”* (Mr. Mogan, Operations Manager, CoEdison).

5.2.4.1 Step 1: Early Signs of Demonstrated Executive Maturity

When talking about how high potential leaders typically stand out in MNCs, the executives do not only mention their superior performance, but most of all stress a combination of social skills as an early sign of being able to deal with change. Six main themes emerge as the most common indications. Consistency in demonstrating the different areas is seen as the key part for a person in the organization to be considered as a high potential leader. The different areas will further be elaborated on below.

Positive attitude shows the ability to turn challenges into opportunities

The number one characteristic that the executives notice when looking for leadership potential is positive attitude. As Mr. Ahmad, Managing Director at CoGalieli, argues: *“Knowledge and skills are important, but most of the time what we are looking for is that it is better if a person has the certain attitude, a positive and motivated attitude.”* Mr. Wei, President at CoDarwin, further elaborates on this, and that positive attitude is about turning challenges into opportunities, *“You need to have the right attitude, try to be positive and show that you are taking initiatives and that you see more opportunities. You can see the challenges, difficulties, but try to make it as challenge and try to focus on solutions.”*

Networking demonstrates the ability to communicate and build relationships

The attitude to engage with a lot of people in the organization and create networks is also mentioned as one of the key things that executive leaders look at when identifying leadership potential. *“Maturity I believe you can see when a person is starting to engage with different stakeholders.”* (Ms. Shanti, Head of Corporate Communication at CoAristotele). Furthermore, *“We look for people who are able to*

build relationships and be able to communicate effectively with clients for certain level.” (Mr. Muthiah, Head of Sales at CoVolta).

Performance and passion in combination evidence commitment and willingness to walk the extra mile

The performance in combination with passion for the work and the organization are further mentioned as something that several executives look at, in the sense that whether or not a high potential leader is willing to walk the extra mile, and thereby illustrate commitment to the organization. One of the top executives argues, *“In this organization what we look for in high potentials, one is hunger and one is passion. Hunger is, are you hungry enough to succeed and do you have a passion your work and for the organization to get things done?”* (Mr. Thevar, Head of HR, CoPasteur). Furthermore, Mr. Shanmuganathan, Head of Industrial Engineering at CoCurie, claims: *“The people who lead are the ones that have passion for of their work.”*

Continuous learning is crucial for future development of a broad perspective

Passion to continuously learn new things is also seen as a key attribute that executives look for in the process of identifying employees as high potential leaders. Mr. Ahmad, Managing Director at CoGalilei presents: *“They have to self-develop, they have to keep learning, which is very important. If they don't have the urge to continually improve and learn, that is where they will stagnate in their career.”* From the perspective of one of the high potential leaders, Mr. Mogan, Operations manager at CoEdison, is showing the willingness to learn, *“For me learning never ends. If you don't take on new things, and just continue with whatever you have been doing, you will never learn.”*

Intellectual curiosity keeps the leaders up to speed with changes at the business landscape

Intellectual curiosity is the ability of asking questions and raising problems, and it is argued by executives as crucial for creating a better understanding of changes in the market and the business landscape. Ms. Salam, CEO at CoNewtonA, argues that a challenge today is to find high potential leaders who are comfortable to raise their hand and say for example, *“I just noticed this process is no longer working.”* She further argues: *“I think the business problems today are not simple. They require a lot of perspectives, there needs to be a diversity of thought that's brought to the table to actually work through problems. And there an intellectual curiosity, are looking outside of where you're traditionally are working.”* Furthermore, she explains what she means with intellectual curiosity, *“I think you need to be comfortable asking questions about why things happen, what is it? Is there a better way to do this? And if we don't do that, you know the world's going to change and we won't notice.”* (Ms. Salam, CEO at CoNewtonA). Mr Woo, Commercial Director at CoMarcon, argues in a similar manner, stating that high potential leaders will have a wider view of the business landscape if they start to engage themselves more outside their own comfort zone, by asking more questions.

Leading yourself means learning how to strategize

Finally, an important aspect as employees are developing towards becoming people leaders, it is argued by some of the executives to first develop the ability to lead yourself. Leading yourself is argued to be the knowledge on how to self-develop and, by having a vision and strategizes on a lower level in their own roles. Firstly, one of

the executives highlights, *“The company has an obligation to have all the structure in place, but no matter how much structure and how well it works, it is totally meaningless if the individual does not take accountability for where they are taking themselves.”* (Mr. Rajakumar, CEO at CoEdison). Secondly, another executive argues how they are looking for early signs of the ability to strategize, *“We look at what his character is like, you can see him always thinking of one side or he has a broader scope or how does he strategies his role, and how does he see what tools that are important to use.”* (Mr. Majid, Business Line Director at CoMarconi).

Table 11 summarizes the most common dimensions in how high potential leaders are identified by the MNC leaders in Malaysia.

The six dimensions of Early signs of Executive Maturity

Positive attitude

Networking

Performance and passion

Continuous learning

Intellectual curiosity

Leading yourself

Table 11: Summary of early signs of executive maturity.

5.2.4.2 Step 2: More Visibility, Exposure and Access to Special Leadership Programs

Findings further evidence that when employees are identified as high potential leaders, they get access to special development programs, more visibility in the organization, and some also get direct exposure to their managing directors and the senior business leaders. From the perspective of the high potential leader, it has been expressed that getting into such special leadership programs gives them the feeling of that the company really invests in them. For instance, an executive, Ms. Ismail, VP Marketing at CoDarwin, argues: *“You see that some people are very ambitious and they want to get higher. So you need to develop them in that way, you know they get more exposure, they get to go to special programs.”*

To create more visibility for high potential leaders in an organization, one of the executives argues, *“I pay special attention to a certain people that we have identified, together with the managers, together with them informal or formal, to shake up their ambition. So I try to provide opportunities for them to become visible and step up.”* (Ms. Mary, HR Manager at CoGalilei). Mr. Muthiah, Head of Sales at CoVolta, adds: *“When we identify somebody that has a lot of potential to become a future leader, we make sure that he/she is given enough opportunity to get exposed and to experience leadership.”*

Furthermore, when being identified as a high potential leader, several high potential leaders also expresses that they start getting invited into senior level meetings. For instance, a high potential leader Ms. Samivellu, HR Manager at CoNewtonA, presents: *“Some of the things that my manger have been doing so far is to getting me involved into really senior leadership meetings. His intention with that, was that he wanted me to have a voice and to get opportunities to get involved, and to make sure*

that what I feel and what I think is said. So I know that that opportunity and that development is something that he is actively doing for me.”

5.2.5 Leader and Leadership Development Tools

This chapter will present the most mentioned tools on how high potential leader are developed today at MNCs in Malaysia.

5.2.5.1 Leader Development: Training and Development Programs

It is presented by the interviewees that the leadership and management training programs play an important role in the talent management strategies. Both levels of the MNCs leaders present that several training programs that the company has invested in with the purpose of developing leaders.

Training programs need to be combined with on the job learning for effective leadership development

A few of the executives highlight that the training programs need to be combined with on the job learning in order for a high potential leader to take use of the individual classroom learning. One executive argues, *“They are sent to the right training, get them the right exposure, and so on and so forth. So it is a mixture you know. We give them a mix of on the job as well as formal training.”* (Mr. Muthiah, Head of Sales at CoVolta). As they are today, some of the high potential leaders view training programs mostly as something mandatory, for instance as Mr. Hussin, Senior Manager at CoAristotele, argues: *“So all managers are required and mandatory for them to do this particular training.”*

Nevertheless, generally the high potential leaders agree that the formal training needs to be combined with on the job learning to be useful. For instance, high potential leader Mr. Thirukumaran, Technical Manager at CoMarconi, argues: *“To me, on the job training plays a more important role, and what you are learning in the classroom is just 1-2 days, but what you face out there is every day. It gives you a more real life example.”* Another high potential leader is arguing in a similar manner, *“The best training is always on the job training.”* (Mr. Ibrahim, Purchasing Manager at CoCurie). It is argued by several of the high potential leaders that if the training programs would come more in relation to on the job learning, they will better take use of the classroom learning.

5.2.5.2 Leadership Development: Practicing Leadership

When the interviewed MNC leaders, both executives and the high potential leaders, talk about learning leadership, they mention a few different methods and tools.

Uncomfortable excitement underlies effective leadership development process

To have an effective leadership development process, a concept called ‘uncomfortable excitement’ is the most important prerequisite for leadership development, as argued by executive Mr. Muthiah, Head of Sales at CoVolta. It is presented as a method for high potential leaders to stay out of their comfort zones, and thereby keep up to speed with the changing business environment. Mr. Muthiah explains the concept further, *“While we do all these exciting projects, if you are just easy and like continuous, we are never going to change. We are never going to change people’s life. It has to be to a certain extent uncomfortable, but it must be exciting at the same time. So that there*

are enough excitement to keep us motivated to do it but at the same time there is enough challenge that keeps us focused on things that are really changing.”

A practical tool that helps to get the high potential leaders to think outside the box is taking on challenges outside their normal job scopes. One of the executives is arguing, *“Especially at the junior level, it’s relatable and they understand the context of it, but they’re working outside of their normal role to actually solve a business problem.”* (Ms. Salam, CEO at CoNewtonA).

On the job learning: strategic projects enable practicing problem solving

Several of the executives are putting high potential leaders in strategic projects to test their ability to lead and solve problems. Mr. Abidin, General Manager at CoEinstein, states: *“The training just prepares them to have better competency. But it is the projects, how they carry on the projects, how they execute, that is where we judge them to see weather they are the right leaders.”* Several high potential leaders point out that the involvement in big, strategic projects is a great way for widening their perspective of the business, and thereby develop as a leader. Such projects are also seen as a good way for pushing high potential leaders outside of their comfort zone. Mr. Jamaluddin, Managing Director at CoCurie, explains how problem solving learning happens in practice, *“People need to explore knowledge within a certain frame and when you do this, you can build up peoples minds to do better problem solving. So that they can handle situations better, which is operational, tactics of strategy.”*

On the job learning: Own initiatives enable practicing the ability to drive change

Interviewed MNC leaders from both levels agree that the high potential leaders should take the responsibility to drive initiatives within the firms. Examples of initiatives taken by the high potential leaders presented by the interviewees are for improving documentations and smaller processes in the firm. Several executives however state that they see too few own initiatives coming from the high potential leaders today.

It is further argued by a few executives that leadership requires the ability to drive change, and learning on the job as driving own initiatives plays a role in developing that. Consequently, as argued by a few executives, employees in Malaysia are becoming better at adapting to change, but so far not many are able to drive change. Mr. Woo, Commercial Director at CoMarconi, argues: *“The first step is to adapt to change, and the next step will be when we want people to lead the change. And it will require leadership. Most people are quite good at adapting to change nowadays, but they are not good at leading change.”*

On the job learning: Job rotations and working across functions will broaden perspectives and improve the ability to deal with new challenges

Working across functions and rotating between different jobs is mentioned as the key tool for leadership development by several executives, because these enable the high potential leaders to develop more holistic perspective on the business, as well as a cross-functional and flexible mindset. High potential leaders need to also take initiatives to get involved cross-functionally, *“The leaders themselves need to get involved, because if nobody there is nobody following them, they lead who?”* (Mr. Abidin, General Manager at CoEinstein). Another executive argues that leadership is

also informal among peers at the workplace, bringing an example of one particular employee, *“She is excellent in cross-team projects and she always gets people to collaborate with her. [...] And that is leadership. It is not leadership by mentor, but it is a leadership among peers.”* (Ms. Ismail, VP Marketing at CoDarwin).

The immediate manager plays a large role in making job rotations and cross-functional work possible, because there appears to be a tradeoff between keeping the high potential leaders close to work for their teams or letting them go in terms of losing a talented person from their team. For example Mr. Manikavasagam, CEO at CoNewtonB, argues: *“The danger is that we label people. Because they are good at x, y, z, we will lock you in that role. And selfishly you will either say no that is too much pressure I can’t afford to lose her. But someone good will say: No actually that person can do a lot more for the company and I need to give her up, and build a successor and let her fly.”* Ms. Yufang, HR Director at CoHawking, agrees that this tends to be a problem: *“The tradeoff is definitely, hundred, two thousand percent there. [...] My view of that is that if they always want to keep their people and say no, don’t volunteer to be the leader of the project, don’t because I need your help right here, this is a very short-termish approach.”*

Coaching and mentoring: methods for opening up the minds of the employees

One-on-one coaching is one of the most frequently mentioned leadership development tools by the interviewees at both levels, as an important tool for opening up the mindset of the employees and guide them as they are developing. Ms. Jayanthi, Head of HR at CoEinstein, argues: *“One-on-one coaching is very important, it is building up the character. Don’t just leave them alone, teach them and guide them.”*

Several executives also argue that it is important to not give the whole solution to the high potential leader when talking through problems, instead, they need to come up with the solution themselves because that is where they learn. One of the executive leaders presents, *“If you coach them to get own solutions for me, then you teach them how to catch the fish instead of giving them the fish.”* (Mr. Shanmuganathan, Head of Industrial Engineering at CoCurie). This metaphor is used by several interviewees arguing that the best way for learning is practicing decision making and coming out with own solutions, but that the coaching plays a crucial role in the learning process as it enables high potential leaders to flesh out learning points in a more constructive way. From the perspective of the high potential leader, coaching helps to go in the right direction, build character, opened up the mindset, *“For me to develop to the next level, I basically need a coach.”* (Mr. Singh, Senior Manager at CoMarconi).

Furthermore the role of the mentor in high potential leaders’ development, as argued from both levels of MNC leaders, is being someone who advises both in terms of personal development and career development. Mr. Manikavasagam, CEO at CoNewtonB, highlights the importance of a mentor, *“I think that everyone needs a good mentor to help them, guide through and navigate, as the world is an ever-changing world.”* One of the high potential leaders argues in similar manner, *“At times, for advice the right people would be the mentor. My mentor will guide and influence me on what is best for me, the next step.”* (Ms. Din, Sales Manager at CoHawking).

Also, some of the executives present that mentoring can be both formal mentorship programs at the organizations, as well as informal relationships. The informal mentorship is argued to be up to the high potential leader to seek for, as Mr. Rajakumar, CEO at CoEdison argues: *“It comes up to the individuals as well. I mean the company can give you some things, but then it was to do with your network of friends and family that can help to advice you and help you learn”*. Mr. Rajakumar further argues that a good combination is to have both informal and formal mentoring simultaneously.

Table 12 summarizes the most common methods and tools to develop leaders and leadership as argued by the interviewed MNC leaders.

Leader Development	Leadership Development
Training Programs	Creating an environment of Uncomfortable Excitement: <ul style="list-style-type: none"> - On the job learning: Strategic projects - On the job learning: Own initiatives - On the job learning: Job rotations and working across functions - Coaching and Mentoring

Table 12: Tools for developing leaders and leadership.

5.2.6 The Progress and Success of Leadership Development Today

The MNC leaders at both levels were asked about if they believed the leadership development in their organization to be successful or not today. As presented below, the findings evidence that generally the high potential leaders show more pessimism towards the success for leadership development compared to the executive leaders.

Executive leaders see development processes to be successful, but want to see more openness and job rotations

More than half of the interviewed executives believe that the leadership development practices employed in their firms can be considered successful. The success is typically measured by the amount of employees who have progressed in their career by working their way up in the organization, and moving forward to regional leadership roles. Ms. Jayanthi, Head of HR at CoEinstein, admits, *“So far I am happy about it, that is why we have some managers gone up to global and regional.”*

Nevertheless, some of the interviewed executive leaders state that they still have some work to do in improving their talent management process and are still learning in how to do it the most effectively in Malaysia. Areas that could be improved in the development of leadership skills are for instance that more employees need to be comfortable in asking questions, driving change and being outside of their comfort zone. Mr. Woo, Commercial Director at CoMarconi, argues: *“Most people are quite good at adapting to change nowadays, but they are not good at leading change.”* Moreover, it is argued by some executives that there is a need for more openness between functions, because that would allow for high potential leaders to easier rotate between jobs. This is argued to be very important to gain a broader perspective over the business functions.

High potential leaders want to see a clearer leadership development strategy and clearer career opportunities

From the perspective of the high potential leaders, majority of the interviewees believe that the company is not particularly successful in developing leaders, and they generally don't see very many leaders developing around them. Firstly, several of the high potential leaders want to see clearer strategy for how leadership is being developed in the company, as for instance Mr. Hussin, Senior Manager at CoAristotele, argues: *"No, I do not think that it is a successful way of developing leaders. There is no clear strategy or plan to do that."* In contrast, the executive level at CoAristotele believes, *"The structure is really well structured. If you are a high potential you go through our program and get opportunities in the sense of you professional growth."* (Ms. Shanti, Head of Corporate Communication at CoAristotele).

Secondly, high potential leaders prefer to see their career opportunities more clearly, and where their next development step should be. The findings significantly differ between MNCs; some high potential leaders see a clear career path for themselves in the organization, while some others see the lack of it as one of the biggest gaps. One of the high potential leaders, Mr. Shamshuddin, Head of Department at CoNewtonB, sees that this was working really well in CoNewtonB today, and he states: *"CoNewtonB has really given me a clear career path where I got to try a lot of different things, to develop my performance, and feeling ownership of the business."* However, some of the of the high potential leaders argued that they are staying in the company with the belief that this will eventually improve, for instance as Mr. Tinus, Head of Department at CoAristotele, argues, *"I think that number one the company should do more to develop me, so that I can have a better discussion and feel more comfortable."* Few of the high potential leaders who are pessimistic about the career opportunities also mention that they do not get very much support from their immediate managers, neither in their everyday work nor in their career development talks.

Career opportunities globally could create clearer career path

It is argued by some of the high potential leaders that if the career opportunities are not visible in the high potential leaders' own department or in Malaysia, some for being more open about career opportunities elsewhere within the same organization. Mr. Imran, Project Manager at CoGalilei, argues: *"If they want to keep the employees here, if they want to keep me, they can also reassign the location to another country, or 1-2 years move someone to a different location, or different structure of the company."* The same reasoning was mentioned by some executives as something good to offer, but more highlighted as a need to offer by the high potential leaders. Nevertheless, being able to take advantage of career opportunities abroad is largely dependent for instance on the high potential leader's family situation, and it has been pointed out by some interviewees that Malaysians who have already families can often be reluctant to relocate.

5.2.7 Synthesis

Table 13 summarizes the key empirical findings presented through Chapter 5.2.

The Views on Leadership and Leadership Development	
Theory: what was known about leadership and leadership development	Findings: what has been found to be relevant for MNCs in Malaysia
3.2.1 Effective Leadership Styles	5.2.1 Effective Leadership Styles
<ul style="list-style-type: none"> - Transformational leadership practices a high level of social influence; - Transactional leadership style adopts a top-down leadership approach; - Leaders will successfully lead across cultures by adapting the transformational leadership style to the local values. 	<ul style="list-style-type: none"> - High potential leaders show strong evidence of wanting to change from the Asian leadership style to more open leadership styles; - Adaptation of the applied leadership style in MNCs will make a more efficient transition towards a an open culture.
3.2.2 Traditional Leadership Styles in Malaysia	5.2.2 Future Knowledge Needs for Effective Leadership in Malaysia
<ul style="list-style-type: none"> - Traditional leadership is autocratic with low level of employee involvement; - The most preferred leadership style is paternalistic in which knowledge and trust are the most important attributes for a leader; - Transformational leadership style fosters commitment in MNCs; - Effective leaders employ a multicultural leadership style and embrace diversity. 	<ul style="list-style-type: none"> - Next generation leaders need to be change agents within their organizations; - Role models who will be leading by example will create a more open culture and break hierarchal mindset; - Next generation leaders show high level of empathy to build trust internally and externally; - Future leaders build teams from people with various technical expertise who complement one another.
3.2.3 Leadership Skills for Effective Leaders	5.2.3 Executive Maturity: Leadership Skills for Effective Leaders
<ul style="list-style-type: none"> - Cognitive and interpersonal skills form the foundation for leadership; - Business skills are needed for meeting challenging business objectives and developing leaders who can champion change and innovation; - Strategic skills are needed for coping with complexity and problem solving. 	<ul style="list-style-type: none"> - Thinking beyond own role is the ability to view problems through the best interest of the company; - Leading people entails aligning employees to collaborate towards common vision; - Scalability enables coping with diversity and changing business environment; - Holistic perspective means understanding the macro perspective of the business; - Strategic mindset is needed for coping with complex problems.
3.2.4 Identification of High Potential Leaders	5.2.4 Identification of High Potential Leaders
<ul style="list-style-type: none"> - High potential leaders should be identified at all parts of the organization to build up a diverse and sustainable talent pool; - High potential leaders should be 	<ul style="list-style-type: none"> - Succession planning: building a sustainable talent pool is a competitive advantage; - Positive attitude shows the ability to turn challenges into opportunities;

<p>identified according to their potential to run the business in the future.</p>	<ul style="list-style-type: none"> - Networking demonstrates the ability to communicate and build relationships; - Performance and passion in combination evidence commitment and willingness to walk the extra mile; - Continuous learning is crucial for future development of a broad perspective; - Intellectual curiosity keeps the leaders up to speed with changes at the business landscape; - Leading yourself means learning how to strategize; - More Visibility, Exposure and Special Leadership Programs.
<p>3.2.5 Leader and Leadership Development Methods and Tools</p>	<p>5.2.5 Leader and Leadership Development Methods and Tools</p>
<ul style="list-style-type: none"> - Linking leader and leadership development with the business strategy will better prepare leaders to cope with change in the business environment; - Job assignments develop high potential leaders to become strategic thinkers and grow the ability to influence; - Job rotations and networking broadens the knowledge scope; - Executive coaching and mentoring improves the leadership effectiveness. 	<ul style="list-style-type: none"> - Training programs need to be combined with on the job learning for effective development; - Uncomfortable excitement underlies effective leadership development process; - On the job learning: strategic projects enable practicing problem solving; - On the job learning: Own initiatives enable practicing the ability to drive change; - On the job learning: Job rotations and working across functions will broaden perspectives and improve the ability to deal with new challenges; - Coaching and mentoring: methods for opening up the minds of the employees.
<p>3.2.6 Leadership Development in Malaysia</p>	<p>5.2.6 The Success Level of Leadership Development Today</p>
<ul style="list-style-type: none"> - Leadership development stems from collective learning experiences. 	<ul style="list-style-type: none"> - Executive leaders see development processes to be successful, but want to see more openness and job rotations; - High potential leaders regard leadership development unsuccessful, they want to see a clearer leadership development strategy and clearer career opportunities; - Career opportunities globally could create clearer career path.

Table 13: Summary of Chapter 5.2.

5.3 Matching Future Business Needs with Leadership Development

The following chapter will present how the interviewed MNC leaders view the responsibility over leadership development and organizational learning, followed by highlighting the factors that are claimed to help in retaining the high potential leaders.

5.3.1 Fostering Commitment at All Levels of the Organization

The views over whose responsibility it is to drive the high potential leaders' career development differ significantly between interviewed MNCs and between the levels. The views of who is responsible for high potential leaders development do not fully align between all interviewed executives and high potential leaders in any of the companies. The findings illustrate that the main difference lies in the fact that while the executives see the development of high potential leaders mostly as the company's responsibility, the high potential leaders view the responsibility to be more on them. There does not seem to be a correlation between how the people with similar occupations think on this matter.

Executives place the responsibility for developing leaders on the organization, while the high potential leaders prefer to drive their own development

Majority of the interviewed executives place the main responsibility for developing high potential leaders either to the senior team or to the high potential leader's immediate manager. For instance Ms. Yufang, executive HR Director at CoHawking, considers the immediate managers to have the highest impact on the high potential leaders, *"Person's development, or a person's failure, is highly dependent on the person immediately around them."* Several other interviewed executives place the main responsibility for leaders' development on themselves, but extend the operational work across their teams. Mr. Wei, President at CoDarwin, claims: *"I'm ultimately responsible I guess. I have to try to make sure that the people reporting to me have the right behaviors and take care of this."* Ms. Shanti, Head of Communications at CoAristotele further argues that the development should be a collective effort between the HR, business line and country leadership, in order to identify the real knowledge gaps of the high potential leaders. Mr. Manikavasagam, CEO at CoNewtonB, adds that although the immediate manager should maintain the ownership over the development process, the ideal combination would be a split responsibility between the line manager and a mentor.

When talking about their own development, several high potential leaders see it as their own responsibility and a learning opportunity. Mr. Shamshuddin, high potential leader at CoNewtonB, elaborates: *"I think being able to prove yourself is important and at the same time, rather than the leader is just telling you what to do most of the time, you get to develop that kind of cognitive abilities so that you can undertake bigger roles next time and make larger decisions."* Another high potential leader, Mr. Lim, HR Manager at CoPasteur, further claims: *"I would never have been here if I had not developed myself, it has to come from me."* These high potential leaders stress that as future leaders they have to know what they want and make it known, after which the role of the immediate manager is to support developing the necessary skills and creating opportunities for progressing in the desired career path. Ms. Kaur, high potential leader at CoVolta, further explains: *"I think you should drive it, you are the*

only person who knows what you want to achieve at the end of the day. But your manager should be very supportive.”

Immediate managers help high potential leaders succeed by stretching their abilities

Most of the high potential leaders describe that their immediate manager should place trust, confidence and freedom in them to do things their own way and realize their potential, but also to always be there to help them through difficulties and to reflect upon learning points every step of the way. One of the high potential leaders, Mr. Lim, HR Manager at CoPasteur, claims: *“They are the ones who are going to help to push you to those limits.”* Several high potential leaders further point out that the immediate manager is expected to help them progress on their career paths by opening up opportunities. As the immediate managers stand between the high potential leaders and the senior management, it is found important that they do not restrict potential but rather put effort in opening up as many lines of communication for the high potential leaders as possible. High potential leader, Mr. Ibrahim, Purchasing Manager at CoCurie, argues: *“I expect them to get me involved in the entire company’s business, to be exposed to the top management, for me to understand the operations on the floor and the business of CoCurie.”* Another high potential leader, Ms. Kaur, Account Manager at CoVolta, agrees and adds that being open about what’s happening at all organizational levels is in turn also beneficial for the company, *“A lot of transparency and honesty. We solve problems best when we know what the situation is.”* In doing so, continuous feedback and support from the immediate managers are mentioned by most interviewees as fundamental.

Senior management needs to be visible for the high potential leaders

The senior leaders serve as an important source of inspiration for the high potential leaders and for the organization, and as argued by Mr. Rajakumar, CEO at CoEdison, need to leverage between creating enthusiasm by their presence while respecting the official chain of command and lines of communication. More specifically, there appears to be a difference between the levels of involvement with the high potential leaders that the executives find feasible and necessary to have, ranging from daily contact to a monthly basis. Mr. Wei, President at CoDarwin, argues that the company benefits from fairly frequent interaction between senior leadership and the high potential leaders, *“Being the people who have a tendency to take initiative, that are coming up with rather smart ideas, quite well reflected not just something wild. I will add more engagement and they will rule out more interaction.”* Few of the executives mention open door policy as an approach to encouraging interaction, for instance Mr. Ahmad, Managing Director at CoGalilei, argues: *“We are quite engaged in the sense that we don’t have a high hierarchy, that means that people come in and out of my room as they wish and I will talk to them as I would like to.”*

Despite the executives claiming to be fairly open to discussions with high potential leaders, many of them admit that the initiative and first contact still comes from them rather than from the high potential leaders. Mr. Ahmad, Managing Director at CoGalilei explains: *“It works both ways, but it does start with me, because if I won’t start it then they will feel that there is hierarchy.”* This is argued by executives to be due to the Malaysian nature of the people, as they are very reserved and still follow an inherent hierarchy thinking.

High potential leaders play a central role in the MNCs, but the centrality is not always visible

Although most of the interviewed executives place the responsibility for the high potential leader's development to the organization, many of them also clarify that after the company's responsibility, it is in the end still the high potential leader's own duty to want to succeed. An executive, Ms. Jayanthi, Head of HR at CoEinstein, explains: *"If you are not keen to grow yourself, we cannot force you, so it's a both party equivalent."* Mr. Rajakumar, CEO at CoEdison, adds from his own experience: *"I'm not here because the company planned for me to be here, and it isn't something that I planned either. But I definitely made sure I would end up in different situations and then these things happen. So I don't think one should believe things are overly architected."* These executives argue that the high potential leaders need to make themselves visible, because as future executives, they need to show that they can step up, express their views and command respect.

The findings further illustrate that high potential leaders as middle level managers have a central role within the MNCs, mediating between the top management, lower level employees and the customers. From a high potential leader's viewpoint, Mr. Sing, Sales Manager at CoEinstein, argues that the centrality of his role entails a great challenge, *"We take the bombardment from all sides and we have to seek the output so that everybody is happy."* Another high potential leader thinks of his role as the main determinant in the strategy execution, *"We are the ones who are running the show."* (Mr. Saravanan, Senior Engineer at CoCurie), some other high potential leaders think of their roles as the sources for bringing market intelligence and information from the ground levels to the top management table, *"Actually we are sort of like informant spokespersons for the management team."* (Mr. Jackie, Sales Manager at CoGalilei). At the same time high potential leaders are typically people managers, who are expected to guide their staff in strategy execution and thereby improve upon their own leadership skills. Mr. Jackie continues: *"As this level manager you should be able to also think on the big picture, explain the bigger picture, explain the long term strategy."*

The findings evidence that both the immediate managers and the senior leaders play a crucial role in the high potential leaders' development and their ability to fully leverage the benefits of the centrality of their roles within the organizations. Conversely though, the findings also suggest that seeing high potential leaders as central figures is not very common among the interviewed executives. When asked about what the executives expect from high potential leaders, most answers revolve around work-related improvements and to growing themselves as people leaders. The high potential leaders are expected to take on more challenging roles and contribute to the company.

Some executives however argue very strongly for the high potential leaders' role in the strategy execution, for instance Mr. Rajakumar, CEO at CoEdison, claims: *"They are really the leaders, and if they are not executing on the strategy that we have all created together then we are smoked. So I mean that is critical, it's not about me, it's about those guys."* Another executive argues in a similar manner about the high potential leaders' value in bringing market intelligence to the organization, *"They will have better knowledge of what is working and what is not. So you know how to think from the point of a customer and you will be able to tailor strategy according to what*

they want and not according to what you think you do.” (Ms. Palaniappan, Director of Corporate Affairs at CoHawking).

Figure 9 illustrates the centrality of high potential leaders’ role along the communication structure within the MNCs. The grey lines illustrate how communication is found to typically flow in most of the interviewed MNC subsidiaries.

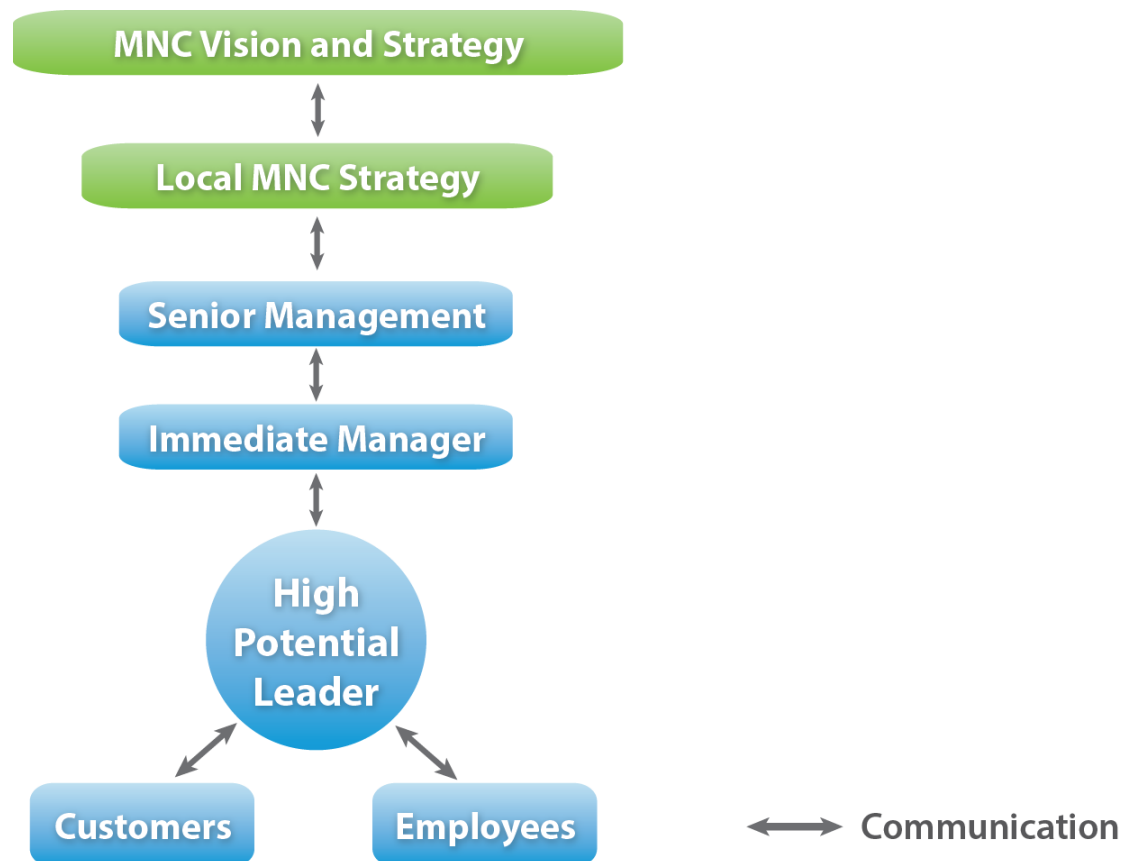


Figure 9: Central role of high potential leaders in the communication flow.

5.3.2 Organizational Learning as a Tool for Enhancing Innovativeness

In light of the technology convergence, industry convergence and shifting economic landscape in Malaysia presented in Chapter 5.1.2, the interviewed MNC leaders believe that their MNCs need to become more agile and quick in learning new things, and several of them admit that their organizations are not fast enough today. One of the interviewed executive leaders, Ms. Yufang, HR Director at CoHawking, explains: *“I think what needs to change internally, and the company actually recognizes that, is the ability to be able to break from the usual and realize that the marketplace is moving at such a high speed.”* She further explains that learning comes first, and if needed, then changing the organizational structure, leadership, incentive systems, etc. will follow if needed. Mr. Rajakumar, CEO at CoEdison, adds that organizations need to develop a learning agility because business strategies hardly ever turn out to be

executed exactly as they are planned, and learning agility is needed to turn the changes into opportunities. He argues: *“Of course I’m planning to build the team according to the plan I want them to execute against. But taking into account that everything will be changed in 10 years and that people are agile, you build in some sort of a mechanism to deal with change.”*

Business strategy determines the needs for future knowledge and leadership

When talking about the role of business strategy in how high potential leaders are being developed, some executive level interviewees explain that they are linking the future strategic directions with the people’s development plans from the knowledge and skills perspective. Ms. Jayanthi, Head of HR at CoEinstein, explains the executive level reasoning about the process of entering new business sectors, *“We see three years down the road we would like to go to that sector, so we start to send our people into sector-specific training, downstream, upstream, and all those things.”* Another executive, Mr. Thevar, Head of HR at CoPasteur talks about the strategic aim of building long term client relations, *“In order to build long term relationship with clients, we need a set of leaders, as I said will have humility, who has empathy and understanding of how you represent the bank stand for the bank.”*

Similarly to the executives, most high potential leaders also view business strategy as a guiding principle for shaping their leadership skills. Ms. Din, Sales Manager at CoHawking, explains: *“The strategy helps me to steer my course, steer my actions, and basically not to be afraid to do new things.”* Another high potential leader, Mr. Mogan, Operations Manager at CoEdison, elaborates that depending on the strategic aims, the leaders need to be developed either into being change agents or the types who maintain business. High potential leader Mr. Singh, Senior Manager at CoMarconi, agrees that the type of leadership needs to be derived by the strategic needs, *“You can have all the strategies in the world, but if you don’t have the execution, how are you going to actually do anything, you can’t.”*

High potential leaders catalyze change through multiple channels of influence

Due to the centrality of high potential leaders’ role within MNCs as presented in Chapter 5.3.1, the findings illustrate that they have considerable impact on how well the business strategies turn out in practice. Firstly, the high potential leaders’ typically bring market intelligence to the strategizing process, typically by giving feedback. One of the executive leaders, Mr. Vadivellan, Head of Operations at CoEdison, argues: *“If they can be my successor, they should be able to give me feedback and ideas, rather than just be receiving information.”* On one hand being involved in the strategizing process gives high potential leaders a sense of importance, but more importantly, they have valuable information to bring to the table. The information stems from more frequent contact with the market compared to the executive leaders, as a high potential leader, Mr. Mogan, CoEdison, argues: *“We are discussing with the customers on a day to day basis. So we have inside view of what customers are doing, what they plan to do next.”*

Secondly, another high potential leader Mr. Lim, HR Manager at CoPasteur, argues that the middle managers, including high potential leaders, are the key to making sure that the people in the organization are aligned to the strategic objectives in their everyday work. Another high potential leader, Ms. Din, Sales Manager at CoHawking, further explains the role of high potential leaders when it comes to

implementing global strategies, *“They expect that they high potentials will be the catalyzer for change. So we basically become an agent of change. [...] They expect for the change to come from us first and then we can actually cascade it down to the rest of the people.”* To ensure that the strategies are in fact effectively cascaded, a high level of transparency and good communication skills are argued to be of highest importance for the middle level leaders. Additionally, while high potential leaders are cascading the strategic objectives down the organization, this is also an opportunity for them to bring the concerns and ideas from the ground levels of the organization to the top management’s attention.

Lastly, high potential leaders are typically put in charge of ensuring the practical implementation of strategic objectives in how the lower level employees approach customers and their everyday tasks. The findings illustrate that this essentially means teaching and guiding the staff and sharing knowledge and experience. Several interviewed executives state that it is expected from the high potential leaders to guide the people below them. Ms. Salam, CEO at CoNewtonA, explains: *“I’m expecting them to develop their team below them. So their job is to make sure that their teams feel engaged, that their teams feel like their voices matter.”* One of the high potential leaders, Mr. Sing, Sales Manager at CoEinstein, further adds: *“I have to transfer my knowledge, to the guys so that hopefully they can become as good or even better than me. So if they can perform, then it will be much easier in the overall picture, the main thing is to hit the target.”*

High potential leaders’ circle of influence extends beyond structured communication, but the benefits are often left unleveraged

Mr. Abidin, General Manager at CoGalilei, talks about the need for high potential leaders to create a strong circle of influence within the organization, which is especially crucial for the people aiming to move up to the top level positions because they need to ensure they have built the necessary trust and respect as leaders. He adds that this is best done by working together with the people, *“To create a positive image of themselves as a mature, trustworthy person that people can depend on.”*

Despite the presented benefits of involving high potential leaders in the strategizing process, the interviewed high potential leaders feel differently about the degree to which they can actually influence the organization and the business strategies. Some feel that they are very much involved both in strategizing as a part of their everyday work, as well as in the long term strategic planning process, while others claim to have no say in the company’s direction. These views have differed even between the high potential leaders within the same MNCs, pointing at a general feeling towards not being able to use their knowledge in the strategizing process. Few interviewed MNC executives gather an extended group of leaders annually to discuss about strategic directions, for example: *“What we do to create ownership of the global strategy, we have annually a forum where we have leaders and high potentials coming together to look at where we are, and identify our gaps and come up with solutions to bridge those gaps.”* (Mr. Nyambek, President at CoAristotele). Some other executives prefer the involvement to be more frequent, as for example Mr. Jamaluddin, Managing Director at CoCurie, claims: *“We create the extended leadership team, where we get them involved on monthly basis with our management team on strategy and business.”*

Nonetheless, the findings illustrate that majority of the high potential leaders are involved in influencing the MNC subsidiary’s strategy one way or another. Most common among the interviewees is to be involved in the strategy execution phase by leading the employees below high potential leaders, while giving feedback to the strategy in terms of market intelligence gathered from frequent interaction with the customers, as well as mediating the vision and strategy down the organization, is less as common.

Figure 10 illustrates how the high potential leaders’ indirect influence on the local adaptation of business strategy has been found to relate to the organizational communication structure. Dotted green lines highlight the indirect influence that the high potential leaders have been found to have in pulling together information from different entities as presented previously, while the actual communication of gathered information has been found to typically flow along the grey lines. In doing so, high potential leaders have been found indispensable in ensuring that the information that should be mediated along the green dotted lines, actually gets introduced to the MNC by following the grey communication lines.

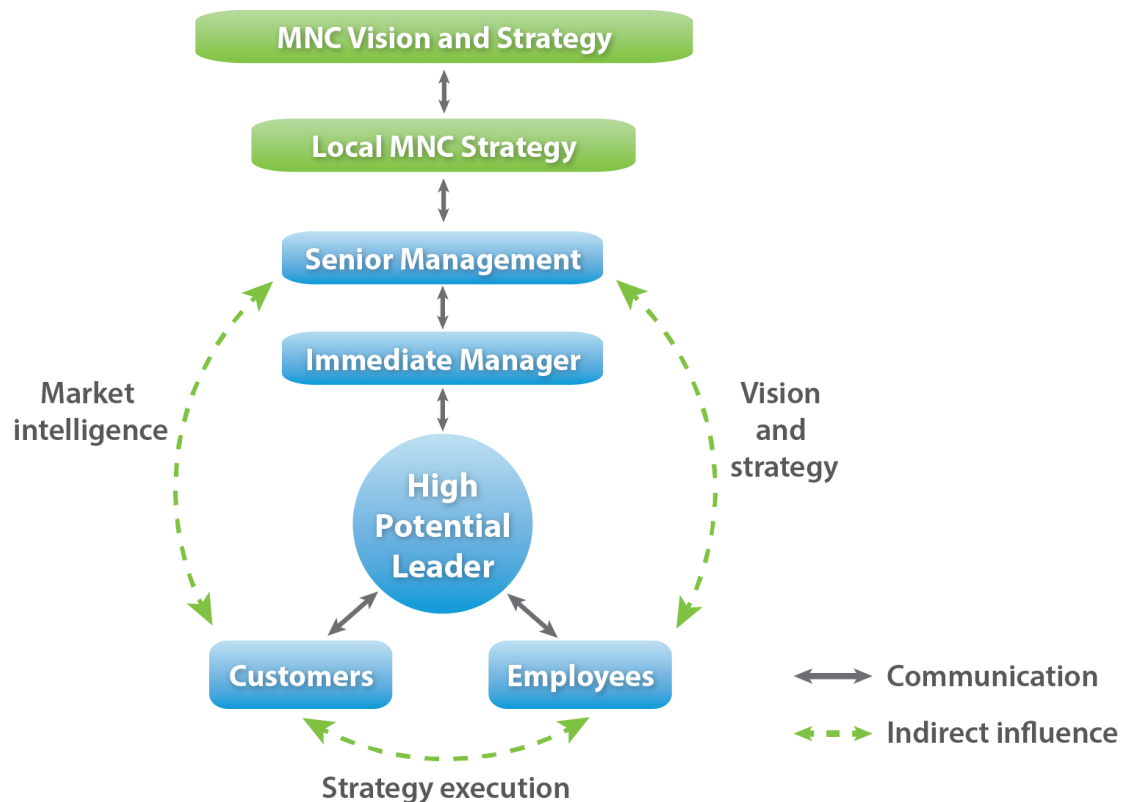


Figure 10: The circle of high potential leaders' influence within the organization.

5.3.3 Retaining High Potential Leaders for the Long Term

As presented in Chapter 5.1.3, the findings indicate that the growing generation of high potential leaders wants to feel ownership over their work and where their company is heading. The sense of purpose and ownership gradually translates into the high potential leaders’ willingness to stay within the firm. The findings further indicate that one of the most effective ways for creating the ownership is by involving

the high potential leaders in the strategizing process, in which the global strategic directions are adapted to local strategies and execution plans. Ms. Salam, CEO at CoNewtonA, argues that the involvement in strategic work is one of the fundamental ways for shaping the leadership qualities needed for the future: *“They recognize that this is an organization that isn’t going to give them a playbook, that they need to be a part of the formation of a playbook. [...] And then they will bring this forward in their careers as something that they do as just part of their normal leadership skills.”*

Executives believe high potential leaders are driven by career ambition and rewards

When talking to executive level MNC leaders about the things that drive high potential leaders forward in their careers, the most common answer is that they are driven by the prospect of career growth and ambition. For example an executive, Ms. Shanti, Head of Communications at CoAristotele elaborates: *“I think firstly they need to see, what’s in it for me? What is my next progression? That is really important I would say, because if they don’t see that and if you don’t answer that question, what’s in it for me, the high potentials will do other things.”* High potential leaders are seen to have an ambition to grow, *“I think that most importantly they have ambition, they want to grow in their career.”* (Mr. Ahmad, Managing Director at CoGalilei). Another executive argues in a similar manner, *“Number one is that they don’t want to stay in the same position for too long.”* (Ms. Jayanthi, Head of HR at CoEinstein).

The second most common answer among the executives is the monetary and social value of being promoted. Ms. Jayanthi continues: *“Number two is because the monetary value is there. Number three is at least if they know they are the leadership position, then they won’t starve, they are recognized.”* Some of the executives tie the recognition to the social status, which is very important in Malaysia. Another executive, Mr. Vadivellan, Head of Operations at CoEdison, states: *“Satisfactions are either job satisfactions or monetary satisfactions. Another part of the satisfaction is about the job title.”* Mr. Abidin, General Manager at CoEinstein, agrees, and adds: *“You know when someone is moving up the ranking, you see that they are achieving more in life.”*

The true drivers for high potential leaders are continuous learning and passion

Majority of the high potential leaders state that the most important factor that drives them forward in their career is continuously learning new things. Some of the interviewed high potential leaders argue as the following, *“Of course I want to learn more, I’d like to learn more not only on the products in my division, I’d like to learn more about products which is available in the market or products that are available in our group.”* (Mr. Sing, Sales Manager at CoEinstein); *“I guess for me I just like to learn more things, I like keeping myself busy.”* (Ms. Kaur, Account Manager at CoVolta); *“I’m still very motivated because there’s new things to learn, there’s exciting, the work environment is great.”* (Mr. Singh, Senior Manager at CoMarconi); *“I can learn and improve myself, I think that should be the main priority.”* (Mr. Muhamad, Sales Manager at CoDarwin).

The second most common professional career driver for high potential leaders is according to the findings the passion for their job, the ability to make an impact and to be recognized for that. One of the high potential leaders, Mr. Lim, HR Manager at CoPasteur, explains: *“So I think that what drives me forward is that having the*

opportunity, or the taste, of sitting in the role that requires very high accountability, and people look to you for advice and for help.” Another high potential leader, Mr. Singh, Senior Manager at CoMarconi, adds, *“I think in the end of the day you have to be passionate of what you’re doing.”*

High potential leaders mention monetary rewards mostly as a hygiene factor, rather than an actual driver. The expectation to earn higher salaries is connected with the need to take care of family.

Feeling recognition for the value brought to the company is the most important factor that retains high potential leaders in the company

Additionally to the driving forces, the high potential leaders were asked about the main factors that make them stay in a company. The most commonly highlighted factor is the importance of feeling ownership of the business, feeling part of the company, being invested in, and having their voices heard. One of the high potential leaders highlights why this is important, *“If your effort is not recognized, if you are not appreciated, then definitely you will not be motivated, so what are you doing then. Probably everyone or anyone will just move on”* (Mr. Sing, Sales Manager at CoEinstein). Another high potential leader argues, *“I think for my personal growth I definitely want to feel that I’m making an impact to my company, and as long as I feel like I’m making an impact in CoVolta and I’m doing something good for the organization, I will stay.”* (Ms. Kaur, Account Manager at CoVolta). Some interviewees argue that being identified as a high potential leader is important in itself, as it shows they being recognized for the value brought to the company. The second most common factor for staying within the company was pointed out by high potential leaders to see clear career opportunities in the MNC.

Many interviewed executives agree that in line with the generational shift, it is increasingly important for the high potential leaders to see the purpose of what they are doing at their jobs, as Ms. Salam, CEO at CoNewtonA, claims: *“Why is their job important, what do they do, what is important about the role that they play in the organization, how do they impact the lives of their customers or the lives of their colleagues. I think that is, they’re not willing to perform just because we tell them to.”* Several executives describe that it is important to have a belief and affiliation towards the brand of the company, because *“The brand itself attracts people, the history, the past, the goals, the presence.”* (Mr. Wei, President at CoDarwin).

5.3.4 Synthesis

Table 14 summarizes the key findings from Chapter 5.3.

Matching Future Business Needs with Leadership Development	
Theory: what was known about strategic talent management	Findings: what has been found to be relevant for MNCs in Malaysia
3.3.1 Fostering Commitment at All Levels of the Organization	5.3.1 Fostering Commitment at All Levels of the Organization
<ul style="list-style-type: none"> - All levels of the organization are responsible for developing high potential leaders; - Leadership development efforts should be measured by developed capabilities. 	<ul style="list-style-type: none"> - Executives place the responsibility for developing leaders on the organization, while the high potential leaders prefer to drive their own development; - Immediate managers help high potential

	<p>leaders succeed by stretching their abilities;</p> <ul style="list-style-type: none"> - Senior management needs to be visible for the high potential leaders; - High potential leaders play a central role in the organization, but the centrality is not always visible.
3.3.2 Organizational Learning as a Tool for Enhancing Innovativeness	5.3.2 Organizational Learning as a Tool for Enhancing Innovation
<ul style="list-style-type: none"> - Transparency in the organization is prerequisite for organizational learning; - Self-reflection and constructive criticism enhance organizational learning. 	<ul style="list-style-type: none"> - Business strategy determines the needs for future knowledge and leadership; - High potential leaders catalyze change through multiple channels of influence; - High potential leaders' circle of influence extends beyond structured communication, but the benefits are often left unleveraged.
3.3.3 Retaining High Potential Leaders for the Long Term	5.3.3 Retaining High Potential Leaders for Long Term
<ul style="list-style-type: none"> - Younger generation employees are becoming less loyal to organizations; - Tangible rewards are becoming more important in Malaysia. 	<ul style="list-style-type: none"> - Executives believe high potential leaders are driven by career ambition and rewards; - The true drivers for high potential leaders are continuous learning and passion; - The feeling of recognition for the value brought to the company is the most important factor that retains high potential leaders in the company.

Table 14: Summary of Chapter 5.3.

6 ANALYSIS

The following chapter presents the analysis of empirical findings described in Chapter 5 in relation with the theoretical framework presented in Chapter 3. The first research question about the main business challenges in Malaysia will be addressed in Chapter 6.1, while the second question about the potential differences in how current executives and high potential leaders view leadership and leadership development is tackled both in Chapter 6.2 and Chapter 6.3. The third question regarding future outlooks for effective leadership is analyzed in Chapter 6.2, and finally the fourth question about matching future business needs and leadership development is addressed in Chapter 6.3.

6.1 Future Challenges for MNCs' Business Strategies

The following chapter will analyze how the political, economic, demographic and cultural context of Malaysia has affected MNCs in their operations and how MNC leaders perceive the business challenges that they have today and expect to have in the future. This chapter will mainly address the first research question:

- **RQ1:** Given the rapid socio-economic development of Malaysia over the past decades, what are the key challenges to the MNCs' business strategies for the future?

6.1.1 MNCs are challenged in grooming and retaining local leadership talent in the transition to knowledge economy

The political arena in Malaysia has been described in Chapter 3.1.1 by Grudgings & Hamzah (2013), Mocuta (2014) and Selvarajah & Meyer (2006) as highly corrupt and racist towards minorities. Although Malaysia is very multicultural, the empirical findings evidence that the corruption and racism as such are not the biggest concerns for the MNC leaders; in contrast, MNCs aim to treat people equally regardless of their ethnicity and gender. Rather the biggest concern for MNC leaders is that the government has not prepared the country to face the changes and challenges that come along with the development towards knowledge economy. More specifically, the MNC leaders fear that the low amount of leadership talent will remain a problem for the long term, as the mindset of the talents today is strongly affected by how things are done on the country leadership level.

MNCs can leverage global presence for learning best practices from elsewhere

When looking at the GDP growth estimates in Chapter 3.1.2 (Fenner, 2013; A. Wang, 2014), and the population growth projections in Chapter 3.1.3 (UN, 2012), it can be seen that the economic growth aspirations are in line with the demographic outlooks. Nevertheless, it can be expected that the governmental and educational institutions are today too rigid to transform fast enough to facilitate this growth in a productive manner. This implies that the labor pool will grow, while the scarcity of skilled labor at the labor market persists. The governmental initiatives to turn this around are still in their baby steps as mentioned in Chapter 5.1.1, therefore a large responsibility for developing local talent is placed on the private sector. Chapter 3.1.1 describes the Malaysian government's heavy pro-Malay policy, which is why it can be assumed that bringing in majority of the workforce from abroad would not be an option for MNCs, as the government would then presumably set considerable regulative barriers to the MNCs' ability to be competitive. Nor would this option be a sustainable

solution for the long term, hence MNCs have to look for solutions to nurture and retain local talent that would be able to lead the growth rather than merely follow it. All interviewed MNCs compete in knowledge intensive industries globally, including countries with economic contexts that are comparable to Malaysia. This opens an opportunity for the MNCs to rotate Malaysian high potential leaders to countries that have faced similar challenges in enhancing innovativeness and retaining talents, and use the best practices for the benefit of their own subsidiaries in Malaysia.

Developing high potential leaders into change agents will help to embed open leadership styles in the country, but makes them more difficult to retain

The findings evidence that it is more important than ever for MNCs to invest in leadership development and retention activities, as MNCs have to take the responsibility for shaping next generation leaders both for the benefit of themselves as well as for the benefit of the country. As the political leadership affects the ways that the high potential leaders perceive leadership as a discipline, MNCs could be the change agents to embed a more open leadership culture as a new norm firstly in the private sector, and gradually diffuse it to the rest of the society. In Chapter 3.2.6, Wahat et al. (2013) argue that the most effective learning in Malaysian context happens within the community, in line with Hallinger (1998), who claims in Chapter 3.1.4 that the change in the East Asian context in general is much better coped with within social circles than individually. Hence it can be assumed that the effects of MNC efforts in embedding more open leadership mentality will not be seen in short term, however, the diffusion could potentially take off rather fast once reaching a critical mass of people commonly advocating the new leadership approaches, thereby forming a community in its own right. Today's high potential leaders, who already now are looking for ways to step out of the traditional leadership mindsets, could drive this critical mass. It is crucial for MNCs to retain these high potential leaders even if the direct benefits are broader than the context of their own firm, however, it can be predicted that these people will be even more in demand in the future and therefore the challenge of retaining them will be higher compared to today.

Speed and agility in leadership will enable MNCs to retain the technology leadership position in Malaysia

Moreover, as argued in Chapter 5.1.1, MNC leaders see that the global polarization between the West and China is becoming increasingly evident. Regardless of the pro-Malay policies that discriminate against the Chinese in Malaysia, it can be assumed that the political leadership might not be able to keep the Western MNCs untouched by this trend due to tight ties between the Malaysian and Chinese governments. On the other hand, as UN (2013) data presents, foreign direct investment is still an important source of income for the country, arguably giving the government incentives to support Western MNCs in the polarization. It is difficult to foresee the effects of the polarization due to the general unpredictability of Malaysian political landscape, but even so, according to the trends observed from the interviewed MNC leaders, it can be argued that such macroeconomic changes in the future will probably be happening faster compared to what the Malaysian labor pool today is used to, posing a challenge for the MNCs to push for more speed and agility in how their employees operate. This means also that the MNCs have the urgency to build up the capabilities for leading change fast, to mobilize their workforce for operating in a fast-paced marketplace and thereby be in the forefront of driving innovation in Malaysia.

Lastly, today the government still maintains control over a large part of the private sector (Rahman, 2012), which competitiveness at the local market is enhanced by the favoritism of the government. As exemplified in Chapter 5.1.1, several executives point out that the government is expecting MNCs to build Malaysian business and Malaysian talent, ultimately to be able to reach Wawasan 2020 goals. The MNCs play a leading role in providing thought leadership in technology innovation and creating knowledge-intensive job opportunities for the country, which means that the MNCs can play a focal role in supporting the country in reaching its goals. Leveraging this angle could potentially help MNCs to open up ways through the government bureaucracy and thereby gain competitive advantage over the Chinese vendors who are supported by the Chinese government entities in Malaysia.

6.1.2 The economic shift from manufacturing to services forces MNCs to redefine their business strategies and business leadership

Kennedy (2002) argues in Chapter 3.1.2 that the ethnic Malays have never been particularly business oriented. Hallinger (1998) adds that the innovation has mostly come from outside in to the country, due to the export oriented governmental policies and that traditionally the Chinese have been dominating the commercial arena. Today the manufacturing sector is starting to decline and the services sector is leading GDP growth, as exemplified by the shares of different industries in the GDP (Mocuta, 2014; Sander et al., 2013). The empirical findings in Chapter 5.1.2 illustrate that the transformation of the economic landscape towards service-centeredness has happened faster than MNCs have anticipated, and as a result, the MNCs are struggling to stay competitive at the Malaysian market. Therefore it is necessary to redefine the business strategies employed today and to find ways how to balance between the needs of the local customers and global business directions, while at the same time maintaining distinctiveness compared to the Asian competitors. This requires the MNCs' Malaysian subsidiaries to become more innovative from within.

MNCs should start the transition towards service-centeredness by establishing reciprocal relationships with existing customers

The interviewed MNC leaders point out that even though the customers are getting more knowledgeable and demanding in terms of product and service quality, traditional premium brand strategies employed by MNCs are still threatened as the low cost competitors are getting better in the quality dimension, while still keeping their costs lower compared to the MNCs. As noted previously, it is therefore important for the MNCs to become more service-centered to be in line with the economic developments in Malaysia. The turnarounds that have been taking place at several MNCs over the past years have started the snowball by pulling the subsidiaries out of their status quo mode. However, it appears that the change needs to happen faster than it is today, and it requires finding ways to innovate the service business. Similarly to Malaysians in general, also the Malaysian customers are very relationship oriented as described in Chapters 3.1.4 and 5.1.4, which might mean that if the MNCs are not quick enough in leveling up their services to be more customer centric, the local competition is likely to build up high switching costs for the customers based on the trust and relationships established earlier. Even though the loyalty towards brands and preference for long-term contracts appears to be diminishing as the interviewees claim, the innate feministic and relationship-oriented

cultural trait is likely to not change very fast. One of the options for the MNCs is to start improving their services by establishing a higher degree of reciprocity with existing customers and gradually build up new ones to win over bigger market shares.

Leadership development programs must enable high potential leaders to become resourceful and appreciative of diversity

It has been argued in Chapter 3.2.2 that multicultural leadership style, which essentially stems from the leader's ability to empathize and respect diversity, has been found to work well within the Malaysian context. As the role of ICT in the society is driving towards technology convergence in many industries, the interviewed leaders see that the power structures are changing, posing both opportunities and threats for MNCs. This shift further adds to the complexity of the business problems, and thereby challenges today's business leadership. The findings illustrate in Chapter 5.2.2 that in addition to building the capability to lead in constant change and discontinuity, it is also necessary for the high potential leaders to become resourceful in terms of networking through diverse teams.

This means that effective leadership constitutes leading in highly diverse teams of people in terms of cultures and backgrounds, because diversity adds to the breadth of professional network within and outside the organizations that leadership teams could leverage. The MNCs in Malaysia are in a favorable position for doing so due to the multicultural nature of their workplaces, compared to the local firms. While racism appears to be prevalent in the Malaysian society, the MNCs ability to look beyond the ethnic and gender dimensions can be an advantage in leveraging the diversity of their workforce. As the high potential leaders are observed to seek openness and equality at workplace, this could mean that the MNCs might also remain a favorable option for the talents compared to other employment options in Malaysia. Adopting the roots of multicultural leadership style therefore is beneficial in driving strategic change in Malaysia, because it clearly sets MNCs apart from other employers and thereby helps to retain the talents that are appreciative of diversity, and in turn encourage innovation through diversity of thought.

6.1.3 Traditional mindset impedes the innovativeness at workplace and incentives for retention for high potential leaders

In Chapter 3.1.2, Hallinger (1998) predicts that the shift in economic landscape poses a challenge to the business leaders in how to transform their organizations from traditional command and control structures to less hierarchical organizations with higher employee engagement in order to better facilitate innovation. The findings suggest that this challenge is ingrained in the MNC context in Malaysia, because of the inherent cultural dimensions described in Chapter 3.1.4.

High potential leaders should be prepared to encourage and facilitate conflicts

The innovativeness at the workplace is found to be the most restricted by high power distance and collectivistic culture dimensions. This means that even though the MNC structure is rather flat compared to the local firms, unofficial hierarchy is still felt by the lower levels of the organization, and also often by the high potential leaders. Additionally, the employees are typically concerned about maintaining face and relationships, often at the expense of directness and confrontation. More particularly, as exemplified in Chapter 5.1.4, this entails shying away from entering creative

conflicts and using the information gathered from the lower levels of the organization and customers in the strategizing process, thereby impeding the innovation at the workplace. As suggested by Groves (2007) and Beer et al. (2005) in Chapter 3.3.2, a higher degree of trust and strategic fitness would encourage innovation and organizational learning at the workplace. The leadership development efforts therefore need to focus on building higher level of trust across the entire organization, which would lay the groundwork for all employees to be more comfortable in entering conflicts. High potential leaders need to learn how to effectively facilitate such conflicts and flesh out creative outcomes that could be turned into innovative solutions for the business problems.

Older generation leaders need to adapt to the learning demands of high potential leaders' generation in order to not lose them to other firms

Ahmad (2001) further argues that self-actualization could be seen as a deviant behavior in the Malaysian society. This could potentially explain the sharp differences between the generations in Malaysia described in Chapter 5.1.3. The findings illustrate that while the current executive generation is still more comfortable with conventional top-down leadership, the younger generation prefers performance to seniority, questioning to following orders, and is driven by continuous learning and feeling of contribution to the company. As the executive generation today naturally has higher decision-making power, the high potential leaders are held back by the inherent cultural traits despite their willingness to experiment with new work approaches and to actively contribute to setting and reaching the MNC goals. The interviewed executives have expressed that it is difficult to adapt to the high potential leaders' ways of working because they are fundamentally different from theirs, but in a rapidly changing business environment it is necessary to do so to enhance innovation and keep up with the pace of the competition.

Further, in line with Rahman (2012), restricting young high potential leaders from higher levels of contribution could also be one of the reasons for the difficulties in retaining talents within the firms as it reduces their organizational commitment. As seen in Chapter 5.1.3, the high potential leaders have a high bargaining power at the Malaysian labor market as they are much in demand, which means they would in one way or another find a company that allows them to enter higher level discussions earlier than the others. D'Amato & Herzfeldt (2008) argue in Chapter 3.3.3 that although the loyalty towards organizations is decreasing in younger generations, the commitment to learning is increasing and is tied to both innovativeness and willingness to stay within companies. It could be therefore argued that creating a higher level of exposure, involvement in strategic work and challenging learning opportunities for the high potential leaders within the MNCs would help to both increase the innovativeness of the MNCs because more entities will be involved with high potential leaders cross-functionally, and also help to retain the high potential leaders longer as they feel the sense of higher level contribution to the company.

The speed of learning for high potential leaders is slowed down by time-consuming, yet paramount, practice of trust building

Lastly, the interviewed executive leaders highlight that the high potential leaders expect to learn and move up in the organization too fast, while high potential leaders themselves argue that the more senior leaders at times speed them down. However, as explained in Chapter 3.2.6, the most effective learning in Malaysian context stems

from collective experiences (Wahat et al., 2013), and it takes time to build up the true leadership capabilities due to the need to build up trust and relationships (Ahmad, 2001). There is therefore a certain tradeoff for the high potential leaders between the speed and depth of their learning curve in MNCs. On one hand, allowing the high potential leaders to learn and move up fast would likely increase their willingness to stay within the firms and thereby reduce job hopping, while on the other hand they may not then be capable of leading the MNC subsidiary in today's changing and complex environment due to lacking in the executive maturity dimensions. In order to find a balance in this tradeoff it is necessary for today's leaders to understand the true motives and drivers for the high potential leaders, and how do they define success for themselves. This challenge will be further elaborated in Chapter 6.3.3.

6.1.4 Synthesis

Table 15 summarizes the key arguments regarding future business challenges for MNCs from theoretical, empirical findings, and the analysis perspectives.

Future Challenges for MNCs' Business Strategies		
Theory: what was known about Malaysian business landscape	Findings: what has been found to be relevant for MNCs	Analysis: what are the effects of the findings for MNCs in Malaysia
3.1.1 Political Landscape	5.1.1 Political Landscape	<p>6.1.1 MNCs are challenged in grooming and retaining local leadership talent in the transition to knowledge economy</p> <ul style="list-style-type: none"> - MNCs can leverage global presence for learning best practices elsewhere; - Developing high potential leaders into change agents will help to embed open leadership styles in the country, but makes them more difficult to retain; - Speed and agility in leadership might enable MNCs to retain the technology leadership position in Malaysia.
<ul style="list-style-type: none"> - The economic policies have failed to address the racial imbalance and corruption in the commercial arena; - Malaysians are starting to question the political leadership. 	<ul style="list-style-type: none"> - Political leadership has failed to groom local leadership talent; - MNCs need to contribute to the economic growth to retain a favorable position. 	
3.1.2 Economic Environment	5.1.2 Economic Environment	
<ul style="list-style-type: none"> - Services sector and domestic consumption are driving the GDP growth; - Innovation and economic growth has been fostered by external means; - Government is the largest employer across all sectors. 	<ul style="list-style-type: none"> - Competition from low cost providers renders MNCs' strategies obsolete; - Customers are getting more knowledgeable and demanding; - Technology convergence changes the industry power structure. 	
3.1.3 Demographics	5.1.3 Demographics	<p>6.1.2 The economic shift from manufacturing to services forces MNCs to redefine their business strategies and business leadership</p>
<ul style="list-style-type: none"> - The population in Malaysia is multicultural; - Lack of skilled labor to build and lead knowledge intensive sectors. 	<ul style="list-style-type: none"> - Low unemployment rate increases the job hopping of talents; - High potential leaders from generation Y are hungry to learn and impatient to succeed; - High potential leaders 	

	from generation Y need to feel a sense of higher purpose and contribution of their role; - Executive leaders need to adapt to the high potential leaders working styles.	- MNCs should start the transition towards service-centeredness by establishing reciprocal relationships with existing customers; - Leadership development programs must enable high potential leaders to become resourceful and appreciative of diversity.
3.1.4 Culture and Values	5.1.4 Culture and Values	6.1.3 Traditional mindset impedes the innovativeness at workplace and incentives for retention for high potential leaders - High potential leaders should be prepared to encourage and facilitate conflicts; - Older generation leaders need to adapt to the learning demands of high potential leaders' generation in order to not lose them to other firms; - The speed of learning for high potential leaders is slowed down by time-consuming, yet paramount, practice of trust building.
- Chinese and Malaysian values are converging; - The power distance is decreasing, but still prevalent at the workplace; - Collectivistic values are declining; - Harmony in relationships is the predominant cultural trait for Malaysians; - Change and uncertainty is better coped with in the context of community.	- Traditional mindset threatens to impede innovation in organizations; - Relationships and trust remain the most important values.	
3.1.5 Leadership Challenges for MNCs in Malaysia	5.1.5 Business Strategies for the Future	
- Leaders need to consider the cultural context in driving towards business targets; - The main leadership challenges for MNCs in Malaysia are enhancing competitiveness and retaining skilled labor.	- Insufficient local adaptation to global strategies decreases competitiveness and harms MNCs' image; - Local adaptation means becoming more service-orientated and customer-centric.	

Table 15: Summary of Chapter 6.1.

6.2 The Views on Leadership and Leadership Development

This chapter will elaborate upon how leaders and leadership are identified and developed today at MNCs in Malaysia, comparing the views between two leading generations, current top executives and high potential leaders, with the views from the current stage of theoretical knowledge. Furthermore, the knowledge, skills and abilities important for high potential leaders to develop in order to create effective leadership will be analyzed. The following two research questions will be addressed in this chapter:

- **RQ2:** How are high potential leaders' views different from how current executives perceive leadership and leadership development?
- **RQ3:** What is important for high potential leaders to develop in order to be effective leaders in the future?

6.2.1 High potential leaders are the drivers towards transformational leadership style that will nurture creativity and innovation

Ivan (2012) argues in Chapter 3.2.1 that trends in organizations today evidence a shift from transactional towards a transformational leadership style. While the transactional leadership adopts a higher level of command and control, transformational leadership style practices a higher level of social influence. Lim (2001) states that the traditional leadership style in Malaysia is autocratic and adopts a top down approach with a low level of employee involvement, much in line with the transactional leadership. This style has its roots in the Chinese leadership, since as presented in Chapter 3.1, as the Chinese have traditionally been the drivers of the business practices in Malaysia.

As change takes time, leaders need to adopt their leadership style and not push change too fast

The empirical findings in Chapter 5.2.1, evidences a strong urge from the high potential leaders, the generation Y, to break free from the traditional leadership style, they see themselves as the generation of performance, and are no longer order-takers. Furthermore some of the interviewed executives argue that even if high potential leaders have a strong urgency for change, there is still strong evidence of Asian top down leadership styles in the MNCs. In Malaysian context it is crucial that change is not stressed too fast, as that might risk losing valuable employees. As an executive, Mr. Woo, Commercial Director at CoMarconi, explains: *“Some people may think that if you don't micromanage some people feel lost, because they are used to that kind of leadership style, to be told what to do.”*

As changing leadership styles and building up trust takes time due to the family orientation of Malaysians (Ahmad, 2001), it is therefore crucial that leaders at MNCs adopt a hybrid approach between the transactional and the transformational leadership style and follow a gradual change process. The most commonly adopted leadership style in Malaysia is the paternalistic leadership style as presented by Lim (2001) in Chapter 3.2.2. Paternalistic style is rooted in the transactional leadership style, but knowledge of the leader and established trust are the key attributes. This means that leaders in Malaysia need to start the transition from the paternalistic leadership style and gradually towards transformational leadership style that adopts a higher level of social influence. Furthermore Selvarajah & Meyer (2006) argue for the importance of leaders to take a multicultural orientation, referring to the ability to empathize with people and to respect diversity. This means that as Malaysia is multicultural in nature, it is important that the MNC leaders, both executives and high potential leaders adopts their leadership style thereafter. The adaptation of the transformational leadership style to the local country values is also crucial, and it is argued by Mittal & Dorfman (2012) as key for a leader to be successful across cultures, there need to be a connection to the local culture and community. This means that senior leaders also need to not stress the change too fast, rather acknowledging that the change takes time, and especially so in the Malaysian context.

More open leadership style will nurture innovation

As the leadership styles become transformational, through which more open environment with higher level of social involvement will be created, it will also affect the creativity and innovativeness of the MNCs. Y.-L. Wang & Ellinger (2011) argue in Chapter 3.3.2 that transparency in leadership and organizational communication is the key to organizational learning and capability for innovativeness thereafter. As the

high potential leaders are drivers for change towards more open culture, it is also crucial that the immediate managers adapt a higher degree of transparency and open leadership styles to drive change and innovation more effectively.

Also as mentioned in the empirical findings in Chapter 5.2.1, the Asian leadership style has a faster decision making process and therefore gets more products out on the market at a faster pace. However, despite the speed of decision-making, the lack of collaboration in the decision-making could mean that Asian type of leadership will not nurture innovation and creativity in the employees, as they do not have room to take own decisions and drive change. Therefore a leadership style that is more open and nurtures creativity and innovation could arguably create more sustainable competitive advantage in the long run.

6.2.2 The development towards executive maturity will create more innovative leaders and leaders with the ability to drive innovation

Doss (2013) in Chapter 3.2.3 argues that organizations need to start thinking differently about leadership, and there is a need for leaders to become more innovative and have the ability to lead innovation. This means that as high potential leaders are developing towards executive positions, there are certain knowledge, skills and abilities that need to be efficiently developed on the way.

Mumford et al. (2007) argue that as a high potential leader develops towards senior positions, the business and strategic skills are becoming more important, as seen the ‘leadership skill requirements strataplex’ in Figure 4 in Chapter 3.2.3. Furthermore, collectively with other authors, it is argued in the theory that business skills are for example meeting challenging business objectives and developing leaders that can champion change and innovation; and strategy skills are the ability to understand complexity and problem solve. The executive maturity concept presented in Figure 7 in Chapter 5.2.3 highlights what knowledge, skills and abilities a high potential leader needs to have developed in order to be mature enough for taking on an executive position. Table 16 compares the views of the authors and the views of interviewed MNC leaders regarding the skills needed for executive level positions.

Theoretical Framework: Skills for effective leaders	Empirical Findings: Executive maturity
<p>Interpersonal skills</p> <ul style="list-style-type: none"> - Ability to interact and influence others (Mumford et al., 2007) - Be open minded and mediate self-development (McCall, 1998, p78) 	<p>Leading people</p> <p>Ability to align employees to collaborate towards common vision, creating diverse team and dealing with MNC politics</p>
<p>Business skills</p> <ul style="list-style-type: none"> - Meet challenging business goals (Winston, 2007) - Developing self and other leaders to champion change, innovation and foster cross-functional learning (Winston, 2007) 	<p>Thinking beyond own role</p> <p>Ability to view problems through the best interest of the company</p> <p>Scalability</p> <p>Coping with diversity and changing business environment. Having a flexible mindset and the ability to adapt to and drive change</p>

<p>Strategy Skills</p> <ul style="list-style-type: none"> - Understand complexity, deal with ambiguity, significant problem solving skills (Mumford et al., 2007) - Have a both long term and short-term focus (Pardey, 2008) - International and global scope in to account in business decisions and strategy development (Caligiuri, 2006) 	<p>Strategic mindset</p> <p>Ability to cope with complex problems</p> <p>Holistic perspective</p> <p>Ability to see the business landscape from a macro perspective</p>
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Table 16: Comparison between theory and findings regarding the skills needed for executive level positions.

Comparing the theoretical framework and the empirical findings, Winston (2007) for example argues that an important business skill is fostering cross-functional learning, and the findings highlight the importance of being scalable by having a flexible mindset and the ability to deal with constantly changing business environment. This means that the findings present a more detailed view of the abilities and skills that need to be developed. Further, both the theoretical framework and the empirical findings are highlighting the importance of developing leaders to have the ability to deal with constantly changing environment, as well as driving change and innovation.

There is a need for a collective definition on what needs to be developed for effective leadership

It is also evident that there is a need for a more collective definition of what is important for high potential leader to develop in order to become effective leader for the future, as both the theory and findings are collectives of thoughts and opinions. Executive maturity illustrates the collective view from the interviewed executives on what is needed to successfully lead in the near future. This means that MNCs have an opportunity to create a more efficient talent development program, by adopting executive maturity as a vision of where future leaders should develop. It is further suggested that MNCs adopt the executive maturity concept to their business needs, to create stronger internal and strategic fit to their organizations. By developing more leaders to have excellent abilities in driving change and dealing with complexity, more leaders will also adopt a higher level of innovative mindset and the ability to drive innovation, which are a key parts for MNCs to compete successfully in Malaysia.

6.2.3 Talents should be identified as high potential leaders based on their ability to leverage learning opportunities

In the selection of high performing employees that can be identified as high potential leaders, McCall (1998) defines an executive talent by using eleven dimensions of early identification, as seen in Table 17. Similarly, in the empirical findings the most common dimensions in the identification process as mentioned by the interviewed executives, are presented in the table.

Theory: McCall (1998, pp. 128-129) eleven dimensions of early identification of global executive talent	Findings: Early signs of Executive Maturity
“Brings out the best in people”	Positive Attitude – ability to turn challenges into opportunities Networking - the ability to communicate and build relationships
“Is committed to make a difference”	Performance & Passion - commitment and willingness to walk an extra mile
“Seek opportunities to learn Is insightful, sees things from a new angle”	Continuously Learning - is crucial for future development of a broad perspective
“Seeks broader business knowledge”	Intellectual Curiosity - keeping up to speed with changes at the business landscape
“Has the courage to take risks”	Leading yourself - Learning how to strategize
“Seeks and uses feedback”	
“Is open to criticism”	
“Learns from mistakes”	
“Acts with integrity”	
“Adapts to cultural differences”	

Table 17: Comparison between theory and findings regarding the early signs of executive talent.

Comparing similarities and differences between McCall (1998) and the empirical findings, similar are for example the focus on commitment and passion for the organization, as well as seeking opportunities to continuously learn new things. Highlighted by both are also early signs of a business mindset, McCall (1998) mentions the ability to seek broader business knowledge and interviewees mention intellectual curiosity as an ability to increase the knowledge of changes in the market and the business landscape. Furthermore the differences are for instance that McCall (1998) places a larger focus on the human skillset, for example being open to criticism, and learning from mistakes compared to the empirical findings. Abilities such as networking are highlighted stronger in the empirical findings. This means that there are ranges of dimensions of how to identify high potential leaders, while the ones that overlap between the theory and empirical findings could be the ones that are becoming more important in an economic context such as Malaysia.

High potential leaders could be identified after the early signs of executive maturity

Connecting the early signs of identifying high potential leaders presented in Table 11 in Chapter 5.2.4 with the executive maturity concept from Figure 7 in Chapter 5.2.3, it can be seen that each of the early signs acts as a prerequisite for developing towards certain dimensions of executive maturity. The connections are illustrated in Figure 11.



Figure 11: The relation between early signs of executive maturity and executive maturity dimensions.

As presented by McCall (1998) in Chapter 3.2.4, a high potential leadership talent can be identified by using leadership competency model (according to a set of skills and knowledge), or by using the development perspective (looking at how talents best able to take advantage of developmental opportunities if provided). Figure 11 illustrates that there is a relation between the collective views on how high potential leaders are identified in Malaysia and the collective executive maturity concept. For example, leading yourself dimension refers to the alibies to self-develop and strategize at lower levels in high potential leaders' own roles, and can therefore be considered as early signs of developing a strategic mindset with abilities to cope with complex problems. Similar reasoning can be made for the rest of the dimensions. Drawing these connections indicates that high potential leaders are not necessarily identified only by the knowledge that they posses today or the performance targets that they hit, rather the MNC leaders are applying the development perspective by looking at the high potential leaders' mindset and what they have the potential to develop towards. It can be argued that by fully employing the development approach for all dimensions of early signs of executive maturity, the identification process will yield better results in identifying talent with the potential to develop towards executive maturity.

The early signs of executive maturity should be reviewed through the organization to create future diverse teams as a source of competitive advantage Furthermore it is argued by Groves (2007) in Chapter 3.2.4 that MNCs should have a long-term perspective in succession planning by identifying and developing high potential leaders through all parts of the organization, and thereby eventually create diverse senior teams. Dalakoura (2010) in Chapter 3.3.1 in chapter argues in line with

this, stating that having leadership developed at all levels of the organization in turn creates a more innovative mindset, and it gradually leads to more diverse senior leadership teams. However, it is also argued in the empirical findings and in theory by Groves (2007) to be one of the hardest things, as people tend to identify talents that they see themselves in. This means that leaders at all levels in MNCs in Malaysia need to have greater awareness of the long-term benefits of identifying high potential leaders at all parts of the organization. It also means that the early signs of executive maturity should be reviewed not only through a certain mass, but to more parts of the organization. It is therefore important that MNC leaders have a perspective above their own department and see to the best for the organization as a whole, in the process of identifying future high potential leaders.

Mr. Manikavasagam, CEO at CoNewtonB, argues that an effective succession planning plays a key role in building up and maintaining a sustainable talent pool that the organization can draw from. As more high potential leaders are identified within different parts of the firm, using the early signs of executive maturity, this will also leverage in competitive advantages for the organization, as the company has opportunities to tie talents stronger to the firm.

High potential leaders need to be made aware of being assets for the organization early on, to create a feeling of empowerment

It is further argued by Stahl et al. (2012b) that the main competitive advantage of an organization lies in the creation of a sustainable talent pool. In the empirical findings Chapter 5.2.4.2, it is presented that in some of the MNCs as people are identified as a high potential leaders, they get more visibility, exposure and access to special leadership programs. This means that in order to create a sustainable talent pool, the MNCs in Malaysia need to make the high potential leaders aware of that they are valuable assets for the company for now and the future early on, with the intention of retaining more talents in the firms. Hence creating the visibility and awareness of being a high potential leader and an asset for the organization is therefore key for MNC as they are identifying high potential leaders.

It is important to identify high potential leaders early, as McCall (1998) argues, that MNCs that are considered to be the most successful in creating sustainable talent pools make a great effort in early identification of people with leadership potential and provide the high potential leaders with development experiences that challenge and develop them. This could also create higher level of empowerment and feeling of belonging to the organization and thereby retain high potential leaders longer.

6.2.4 Matching the business strategy with leader and leadership development is the key for development towards executive maturity

In the process of developing future leadership, Stahl et al. (2012a) and McCall (1998) argue in Chapter 3.2.5 that the business strategy will help the organization to gain an understanding of what talents need to be developed and what challenges future leaders need to be put in front of to learn those talents, which is why the business strategy is a natural starting point for thinking about future leadership. Drawing these connections is therefore important for MNCs in Malaysia in order to develop leaders to develop towards executive maturity.

MNCs need better understand and align the leader and leadership development

Chapter 5.2.5.1 highlights that according to some interviewees, leadership training programs need to be combined with on the job learning for the leadership development to be effective, while some high potential leaders see the training programs as obligations, and argue that on the job learning is more important. This essentially means that the difference between leader development and leadership development is realized only by few of the interviewees. Day (2001) argues that the training programs play a key role in developing the self-awareness and self-motivation in high potential leaders, referring to the development of the individual skillset. McCall (2004) argues in Chapter 3.2.5, that training programs are also opportunities to reflect upon and make better sense of actual experience. Hence, leader development is an important addition to the leadership development even if the classroom learning can at first be perceived as too vague or unpractical. This means that firstly MNCs need to align the two development methods stronger, and secondly that high potential leaders also need to realize the importance of both parts in their development.

Matching the business strategy with leader and leadership development will create more learning opportunities for high potential leaders

As presented in Chapter 3.2.5, Day et al. (2014) highlight the importance of linking leader development, leadership development with the business strategy. Colvin (2009) further claims that by creating a link between executive development and the business strategy will better prepare future leaders for the challenges put forth by future strategy and business environment.

McCall (2004) suggests in Chapter 3.2.5 that training programs should offer scenarios for future states of the organization or a forum for direct exposure to senior executives for creating a link between leadership development and business strategy. Offering scenarios for future states would create the ground from where the leaders are developing. Secondly, on the job learning is argued by Groves (2007) as a viable too, where talents learn how to become strategy thinkers and develop the ability to influence others. This means the high potential leaders need to also be put in challenges and projects that would better prepare them for future challenges. This is also where high potential leader have the possibility to apply the learning from the training programs. It is crucial that immediate managers create opportunities where these learning tools are aligned.

6.2.5 More job rotations would keep high potentials uncomfortably excited in their development towards executive maturity

The previous Chapter 6.2.4 elaborates that effective development of high potential leaders lies in the alignment between the leader, leadership development and the business strategy. This Chapter 6.2.5 will further elaborate on what tools, presented in Chapter 5.2.5, will most effectively facilitate the high potential leaders' development towards executive maturity to create effective leaders for the future. Table 18 below illustrates the connection between the leadership development tools and dimensions of executive maturity.

Development Tools	Executive Maturity
Uncomfortable excitement' is the basic condition for an effective development process for the high potential leaders	All dimensions
Coaching and mentoring are practices for opening up the minds of the employees	All dimensions
Strategic projects help to practice the abilities for problem solving and develop leadership capabilities	Strategic mindset
Driving own initiatives helps to practice abilities to drive change	Scalability (cope with diversity, drive change, and have flexible mindset)
Job rotations & working across functions will broaden the perspectives and improve the ability to deal with new challenges	Holistic perspective, Scalability, Thinking beyond role

Table 18: Leadership development tools that enhance the development towards executive maturity.

Wahat et al. (2013) argue in Chapter 3.2.6 that leadership in Malaysia is developed through the collective engagement in leadership roles and from authentic experiences. It is further presented that there are three main themes in which most of the leadership learning happens: informal mentoring, reflection and observation, and challenging assignments. These are well aligned with the tools presented in Table 18, as explained further in this chapter.

Uncomfortable excitement is a necessity for nurturing effective development for all parts of executive maturity

In the process of developing leadership, the concept uncomfortable excitement is presented in Chapter 5.2.5.2 as a method for high potential leaders to stay out of their comfort zones, and thereby keep up to date with the changing business environment. Immediate managers and senior team should encourage high potential leaders to be continuously challenged, by taking and take on more complex and challenging assignments that at the same are exciting. This will arguably result in more effective development for high potential leaders because it creates commitment and motivation, and greater motivated employees can be expected to also perform higher. Uncomfortable excitement and being outside the comfort zone therefore plays a key role in nurturing the development of all dimensions of executive maturity.

Coaching and mentoring play a key role in building trust and creating more open communication in the organization

One of the main challenges for MNCs in Malaysia is to create a more open and creative environment to nurture innovation, which is the key for staying competitive on the market. As argued by Ahmad (2001) and Pearson & Entrekin (1998) in Chapter 3.1.4, the Malaysian society is deeply hierarchical in its nature due to inherent high respect attributed to elders without questioning their authority. Also as presented in Chapter 6.1.3, leadership development efforts need to focus on building higher level of trust across the whole organization, which would lay the groundwork for all employees to be more comfortable in entering conflicts. Therefore coaching and mentoring or mentoring programs play a key role in creating more open

communication and building trust. Further, as argued in the findings, in the process of coaching, high potential leaders should be taught to ‘catch their own fish’ instead of handing them solutions. This will encourage high potential leaders to develop creative mindsets, by being given more responsibly and having more freedom to take own decisions in the daily work. This will also encourage employees to speak up more and feel more comfortable in ask questions.

This means that in becoming more open and comfortable in asking questions and raising problems, coaching practices continuous learning and improving the intellectual curiosity. This will further help high potential leaders in becoming more comfortable taking initiatives to for example drive own initiatives, which will practice a both more flexible mindset to become more scalable, and to gain a more holistic perspective.

Job rotations and staying uncomfortably excited will create an environment where learning and excitement will go hand in hand

On the job learning is highlighted strongly as one of the best means to develop leadership in both the empirical findings Chapter 5.2.5 and in Chapter 3.2.5. Day (2001) and Groves (2007) argue that job assignments develop talents in to become strategic thinkers and build team experiences. Similarly in the findings, on the job learning for instance in:

- Strategic projects practices abilities to problem solve;
- Driving own initiatives practices abilities to drive change;
- Working across functions will broaden the perspectives and develops thinking beyond role and improves the ability to deal with new challenges.

This means that on the job learning and working cross-functionally plays a key role for a high potential leader to develop towards executive maturity, to develop a more mature mindset.

Ensuring that uncomfortable excitement is the basic condition on which the rest of the leadership development tools are built upon will presumably create a more open environment in the company, in which working across functions is encouraged. High potential leaders are the most challenged when they get the opportunity to learn and work with something new, and cross functional work is likely to provide opportunities for that. Both theory in Chapter 3.3.3 and empirical findings in Chapter 5.3.3 evidence that younger generation talents are driven by learning opportunities and continuous challenge, which is why it can be expected that high potential leaders in Malaysia might also feel motivated when they are continuously challenged and if they get to continuously learn new things. At the same time the sense of purpose and ownership over the work is highlighted as an important factor for the high potential leaders in Chapter 5.3.3, which is why it is important to keep the high potential leaders excited about the things they do and the ways they contribute to the bigger picture. Job rotations throw high potential leaders into new areas and thereby make them feel uncomfortably excited, thereby creating an environment where learning and excitement will go hand in hand.

6.2.6 Low level of communication between the MNC leaders and business functions risks losing out in development opportunities

Caligiuri (2006) argues in Chapter 3.2.3 that as leaders are developing, the skillset needed today and for the future is becoming more complex, and leaders need to take a more international and global scope into account in business decisions and strategy development. Furthermore, as presented in Chapter 6.1.2, the transformation towards service-centeredness has happened faster than MNCs have anticipated, they need to redefine their business strategies. This means that talent development should play a prioritized role of the business strategy to keep growing and staying competitive on the market, which is also acknowledged by many of the interviewed MNC leaders, as will be further elaborated in Chapter 6.3.1. Chapter 5.2.6 presents mixed views between the interviewed top executive leaders and the high potential leaders regarding whether or not the leadership development today is successful or not. The interviewed high potential leaders are more pessimistic compared to the executives who are more positive about the current development. This means that there could possibly be several opportunities for improvement to create more effective development processes.

High potential leaders are pushing for an improved and more effective talent management strategy

As the majority of the high potential leaders are in the middle management ranks, they have broad view on how the leadership development efforts actually work in practice, and not only their levels, but also on the levels down in the organization. This means that the executives need to have a more open conversation across the organization regarding how to improve today's approaches, and thereafter also open for changing the practices employed today. The interviewed high potential leaders raise a concern in Chapter 5.2.6 that there needs to be more clarity and transparency in the strategy for the development of future leadership, and more clarity in the career opportunities both regionally and globally in the same firm. This means that there are areas in the leadership development that the executive leaders have overlooked or development tools which value has been underestimated. As the business environment in Malaysia is already highly complex due to multitude of factors presented in Chapter 3.1 and Chapter 5.1, including the fact that high potential leaders seek for challenging learning opportunities in their career and are not reluctant to change firms if current employer is not offering those, MNCs' competitiveness in the long run might be jeopardized if change in leadership development practices is not initiated soon.

Low level of working across functions risks not developing high potential leaders along all executive maturity dimensions

Even if the top executive leaders are more positive towards the leadership development practices today, some of them still point at several areas that can be improved. Firstly, high potential leaders need to be more comfortable in asking questions and being outside their comfort zones, and secondly, more openness between functions needs to be established to encourage job rotations. The same is argued by Stahl et al. (2012b) in Chapter 3.2.5, that job rotations are not very common today, and it is argued that organizations need to put larger efforts in developing rotation opportunities.

Building upon the early identification and executive maturity model from Chapter 6.2.3, the connection between the leadership development tools and executive maturity concept discussed in Chapter 6.2.5, it can be seen that there are several areas and opportunities for improvement in the development process today. Arguably, if these areas are not addressed in combination, there is a risk in losing out in development opportunities, and thereby not developing high potential leaders in all dimensions of executive maturity. The circled areas in Figure 12 highlight the dimensions that might risk not being fully matured and developed if MNCs do not address the concerns that the high potential leaders have raised regarding today's leadership development practices.

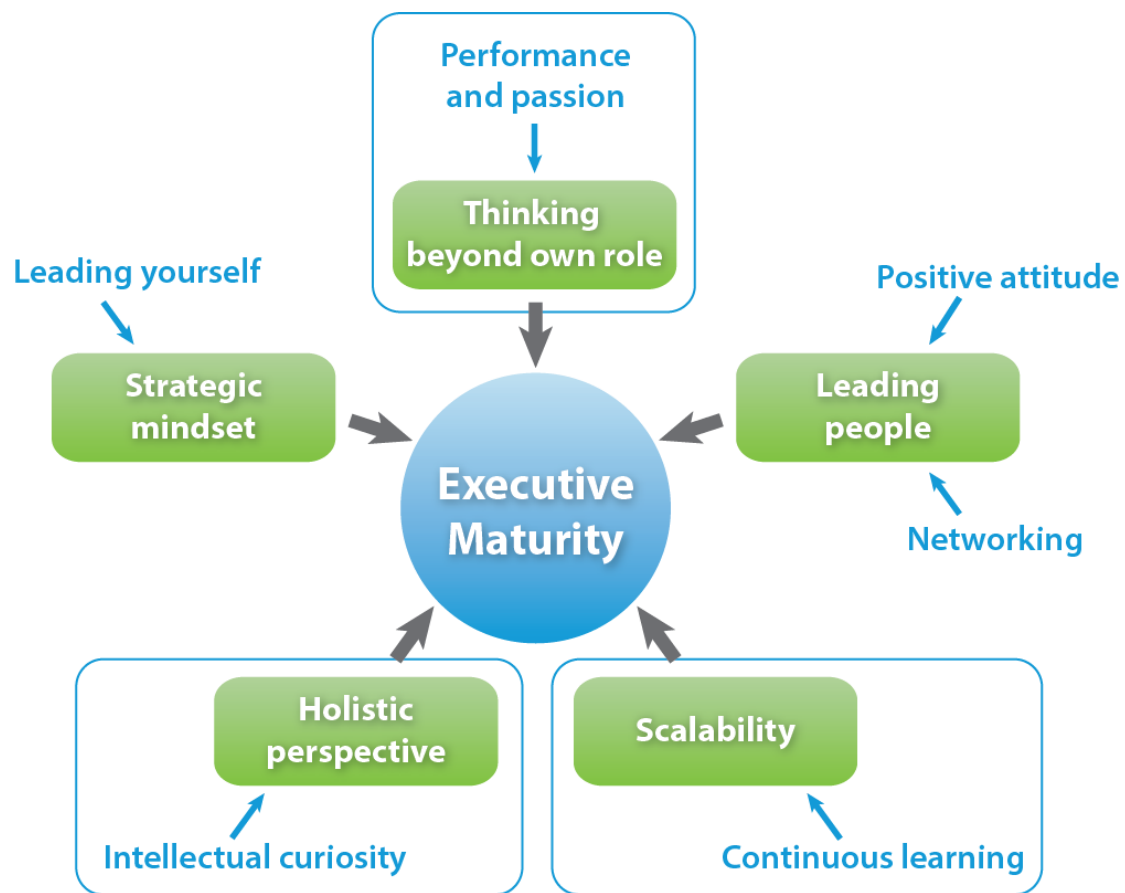


Figure 12: The circled areas highlight the dimensions that risk to not be developed if MNCs do not encourage working cross-functionally.

If high potential leaders do not get enough opportunities for working across functions, becoming scalable, thinking beyond role and the ability to have a holistic perspective might not be as successfully developed. Firstly by working in different areas and functions, opportunities to develop a broader perspective of the company's different business areas and connections to the market that the company is present in are created. This will build the capability for high potential leaders to see the business landscape from a macroeconomic perspective, which gradually develops to a greater holistic perspective. Secondly, by having a better view of more functional areas of the company also practices abilities to see benefits and opportunities for the company as a whole, and not only for the own function. This develops high potential leaders ability

to thinking beyond own role. Finally, working cross functionally develops high potential leaders to become more scalable, as a high potential leader has demonstrated abilities to perform in different kind of roles. It is argued by several executives that leaders need to have high flexibility in how to manage change. Therefore being scalability enables coping with diversity and changing business environment.

This means that if a high potential leader is working in one area and one function for a longer time, this high potential leader might have developed excellent skills in one of the areas, but not in the others. Having excellent leadership skills might not be enough to be successful at an executive position, where also the ability to cope with a changing business environment and additionally the ability to drive change are crucial parts of the job as the executive maturity concept highlights. This means that MNCs might miss out in developing leaders towards executive maturity, and it is therefore crucial that executives see to all dimensions in developing effective future leadership.

Day (2001) presents one way for breaking the barriers across functions by creating networks beyond own department, as broader networks enable challenging the assumptions leaders think they know. This means that immediate managers also need to have the ability to let a high performing employee go and work in other departments. Secondly by connecting back to coaching, Day (2001) presents in Chapter 3.2.5 that executive coaching plays a key role in improving the leadership effectiveness, and it is recommended to have coaches that either have cross-functional experience or informed by cross-functional theory. This will also give a more effective development towards the dimensions in executive maturity. This means that MNC leaders in Malaysia at all levels need to have a greater awareness of what knowledge, skills and abilities that are needed to be developed, and how they should be developed. If the communication is too low between departments, that will rather stagnate than nurture job rotations, and MNC leaders and business functions risks losing out in development opportunities thereafter. It is therefore key that more cross-functional working is encouraged by MNC leaders at all levels of the organization for high potentials to take part in.

6.2.7 Synthesis

Table 19 summarizes the key theoretical concepts, empirical findings, and points of analysis regarding the views on leadership and leadership development presented throughout the report.

The Views on Leadership and Leadership Development		
Theory: what was known about leadership and leadership development	Findings: what has been found to be relevant for MNCs in Malaysia	Analysis: what are the effects of the findings for MNCs in Malaysia
3.2.1 Effective Leadership Styles	5.2.1 Effective Leadership Styles	6.2.1 High potential leaders are the drivers towards transformational leadership style that will nurture creativity and innovation
- Transformational leadership practices a high level of social influence; - Transactional	- High potential leaders show strong evidence of wanting to change from the Asian leadership style to more open leadership styles;	

<p>leadership style adopts a top-down leadership approach;</p> <ul style="list-style-type: none"> - Leaders will successfully lead across cultures by adapting the transformational leadership style to the local values. 	<ul style="list-style-type: none"> - Adaptation of the applied leadership style in MNCs will make a more efficient transition towards an open culture. 	<ul style="list-style-type: none"> - As change takes time, leaders need to adopt their leadership style and not push change too fast; - More open leadership style will nurture innovation.
<p>3.2.2 Traditional Leadership Styles in Malaysia</p>	<p>5.2.2 Future Knowledge Needs for Effective Leadership in Malaysia</p>	<p>6.2.2 The development towards executive maturity will create more innovative leaders and leaders with the ability to drive innovation</p>
<ul style="list-style-type: none"> - Traditional leadership is autocratic with low level of employee involvement; - The most preferred leadership style is paternalistic in which knowledge and trust are the most important attributes for a leader; - Transformational leadership style fosters commitment in MNCs; - Effective leaders employ a multicultural leadership style and embrace diversity. 	<ul style="list-style-type: none"> - Next generation leaders need to be change agents within their organizations; - Role models who will be leading by example will create a more open culture and break hierarchal mindset; - Next generation leaders show high level of empathy to build trust internally and externally; - Future leaders build teams from people with various technical expertise who complement one another. 	<ul style="list-style-type: none"> - There is a need for a collective definition on what needs to be developed for effective leadership. <p>6.2.3 Talents should be identified as high potential leaders based on their ability to leverage learning opportunities</p> <ul style="list-style-type: none"> - High potential leaders could be identified after the early signs of executive maturity;
<p>3.2.3 Leadership Skills for Effective Leaders</p>	<p>5.2.3 Executive Maturity: Leadership Skills for Effective Leaders</p>	<ul style="list-style-type: none"> - The early signs of executive maturity should be reviewed through the organization to create future diverse teams as a source of competitive advantage;
<ul style="list-style-type: none"> - Cognitive and interpersonal skills form the foundation for leadership; - Business skills are needed for meeting challenging business objectives and developing leaders who can champion change and innovation; - Strategic skills are needed for coping with complexity and problem solving. 	<ul style="list-style-type: none"> - Thinking beyond own role is the ability to view problems through the best interest of the company; - Leading people entails aligning employees to collaborate towards common vision; - Scalability enables coping with diversity and changing business environment; - Holistic perspective means understanding the macro perspective of the business; Strategic mindset is needed for coping with complex problems. 	<ul style="list-style-type: none"> - High potential leaders need to be made aware of that they are an asset for the organization early on, to create a feeling of empowerment.
<p>3.2.4 Identification of High Potential Leaders</p>	<p>5.2.4 Identification of High Potential Leaders</p>	<p>6.2.4 Matching the business strategy with</p>

<ul style="list-style-type: none"> - High potential leaders should be identified at all parts of the organization to build up a diverse and sustainable talent pool; - High potential leaders should be identified according to their potential to run the business in the future. 	<ul style="list-style-type: none"> - Succession planning: building a sustainable talent pool is a competitive advantage; - Positive attitude shows the ability to turn challenges into opportunities; - Networking demonstrates the ability to communicate and build relationships; - Performance and passion in combination evidence commitment and willingness to walk the extra mile; - Continuous learning is crucial for future development of a broad perspective; - Intellectual curiosity keeps the leaders up to speed with changes at the business landscape; - Leading yourself means learning how to strategize; - More Visibility, Exposure and Special Leadership Programs. 	<p>leader and leadership development is the key for development towards executive maturity</p> <ul style="list-style-type: none"> - MNCs need better understand and align the leader and leadership development; - Matching the business strategy with leader and leadership development will create more learning opportunities for high potential leaders. <p>6.2.5 More job rotations would keep high potentials uncomfortably excited in their development towards executive maturity-</p>
<p>3.2.5 Leader and Leadership Development Methods and Tools</p>	<p>5.2.5 Leader and Leadership Development Tools</p>	<ul style="list-style-type: none"> - Uncomfortable excitement is a necessity for nurturing more efficient development for all parts of executive maturity;
<ul style="list-style-type: none"> - Linking leader and leadership development with the business strategy will better prepare leaders to cope with change in the business environment; - Job assignments develop high potential leaders to become strategic thinkers and the ability to influence; - Job rotations and networking broadens the knowledge scope; - Executive coaching and mentoring improves the leadership effectiveness. 	<ul style="list-style-type: none"> - Training programs need to be combined with on the job learning for effective development; - Uncomfortable excitement underlies effective leadership development process; - On the job learning: strategic projects enable practicing problem solving; - On the job learning: Own initiatives enable practicing the ability to drive change; - On the job learning: Job rotations and working across functions will broaden perspectives and improve the ability to deal with new challenges; - Coaching and mentoring: method for opening up the minds of the employees. 	<ul style="list-style-type: none"> - Coaching and mentoring play a key role in building trust and creating more open communication in the organization; - Job rotations and staying uncomfortably excited will create an environment where learning and excitement will go hand in hand. <p>6.2.6 Low level of communication between the MNC leaders and business functions risks losing out in development opportunities</p>
<p>3.2.6 Leadership</p>	<p>5.2.6 The Success Level of</p>	

Development in Malaysia	Leadership Development Today	
- Leadership development stems from collective learning experiences.	- Executive leaders see development processes to be successful, but want to see more openness and job rotations; - High potential leaders regard leadership development unsuccessful, they want to see a clearer leadership development strategy and clearer career opportunities; - Career opportunities globally could create clearer career path.	- High potential leader are pushing for an improved and more effective talent management strategy; - Low level of working across functions risks not developing high potential leaders along all executive maturity dimensions.

Table 19: Summary of Chapter 6.2.

6.3 Matching Future Business Needs with Leadership Development

The following chapter will elaborate upon how to create an alignment between the organizational goals and the leadership development process, and thereby develop the high potential leaders to be prepared for the future business needs. In doing so, this chapter will address the second and the fourth research questions:

- **RQ2:** How are high potential leaders’ views different from how current executives perceive leadership and leadership development?
- **RQ4:** How do MNCs ensure that leadership development in today’s business context is matching with what is needed for business strategies in the future?

6.3.1 Coordination in how different levels of the organization interact is the key to cohesion in leader and leadership development

Chapter 3.3.1 presents that that in order for leadership development to be effective, all levels of the organization need to be held accountable and be involved in the process of developing high potential leaders (Ready & Conger, 2003; Stahl et al., 2012b). As argued in Chapter 5.3.1, the roles played by different entities of the MNCs in Malaysia in the leadership development processes have been found to be fairly similar to what is presented in the theory in Chapter 3.3.1: the executives often believe to have the ultimate responsibility for developing new leaders and ensuring that other leaders in the organization develop the people under them, while the majority high potential leaders claim it’s their own responsibility to seek out development opportunities. Furthermore, in line with Wahat et al. (2013) claims in Chapter 3.1.5, majority of the interviewed executives at MNCs in Malaysia acknowledge that the development of the next generation leadership should be seen as an organizational priority. This means that even though the leadership development is seen as an organizational priority, the actions in mobilizing the entire organization to commit to a common leadership development strategy have not yet followed in the MNCs.

In Chapter 3.3.3, Stahl et al. (2012b) argue for an internal, strategic and cultural fit between all employed talent management practices within a firm, meaning that the

leadership development practices should be aligned between each other, the business strategy and the organizational culture. Currently there appears to be little alignment between the different leadership practices employed by the MNCs, indicating a low level of internal fit. Furthermore, as shown in Chapter 5.3.1, there appears to be a difference in views between the senior management and high potential leaders in whose responsibility it is to take the overarching responsibility for the development process, which would ensure cohesion between the different development practices and the organizational goals. More specifically, majority of the executives place the largest responsibility for developing high potential leaders either to the immediate manager or the senior team, while the majority of the high potential leaders see it first and foremost as their own responsibility.

Low level of coordination between organizational entities regarding leadership development impedes the speed and depth of learning

Beer et al. (2005) presents seven core capabilities that organizations need to develop in order to support organizational learning in Chapter 3.3.2: coordination, competence, commitment, communication, conflict management, creativity and capacity management. Y.-L. Wang & Ellinger (2011) add that the transparency within the organization is the most important when translating individual employee's performance and to organizational innovation performance and learning. In light of the findings elaborated upon in Chapter 5.3.1 regarding the confusion in the main responsibility for facilitating leadership development, it can be seen that the leadership development practices in MNCs in Malaysia are fundamentally lacking in the coordination dimension of the seven capabilities elaborated by Beer et al. (2005).

Coordination dimension relates to the degree of alignment between organizational entities towards common goals (Beer et al., 2005). If there is no common understanding of the coordination mechanisms and responsibilities within the MNC regarding leadership development practices, this means that the successfulness of leadership development path for the high potential leaders could potentially be at risk. This makes the coordination capability a critical priority to develop. On one hand, ambiguity in how the leaders are supposed to be developed can create redundancies in the sense that different organizational levels focus on developing the same things in the high potential leaders, and thereby neglect other essential parts of leadership development towards executive maturity as argued in Chapter 6.2.6. On the other hand, unclearness further deepens the lack of transparency within the organization, which could be assumed to have created the ambiguity within the practices and responsibilities in the first place.

It is argued in Chapter 6.1.3 that high potential leaders need to find an optimal balance between the speed and depth of learning. In light of the discussion in this chapter, it can be argued that the lack of coordination between the leadership development practices and responsibilities can result in ineffective development efforts and thereby impede both the speed and the depth of the learning for the high potential leaders. Mazutis & Slawinski (2008) further claim in Chapter 3.3.2 that the leadership in an organization profoundly impacts organizational learning. It can therefore be argued that poorly coordinated leadership development activities can have a destructive effect on the organizational learning in general, because leaders carry forward the attitudes towards learning in the organization.

Senior management and immediate managers should be involved in coordinating leadership development to avoid politicking

In Chapter 3.2.6, Lo et al. (2010) argue that the top leaders in Malaysia are expected to provide opportunities for high potential leaders to develop themselves. As elaborated upon in Chapter 5.3.1, the senior management and immediate managers have indeed been found to have a high impact on a high potential leader's progression within the MNCs in Malaysia. While Barnett & Tichy (2000) and Groves (2007) both suggest in Chapter 3.3.1 that the top leaders should take the main responsibility for the leadership development and energize other leaders to teach and mentor, top leaders should approach this role with care in order to not exercise too excessive and superficial power over the process (Ready & Conger, 2003). When planning for a higher degree of internal fit between the leadership development practices as suggested by (Stahl et al., 2012b), this means that the top leaders, senior team and immediate managers should form a common coordinating coalition, as seen in Figure 13, in which different levels play a different role in the development of a high potential leader.

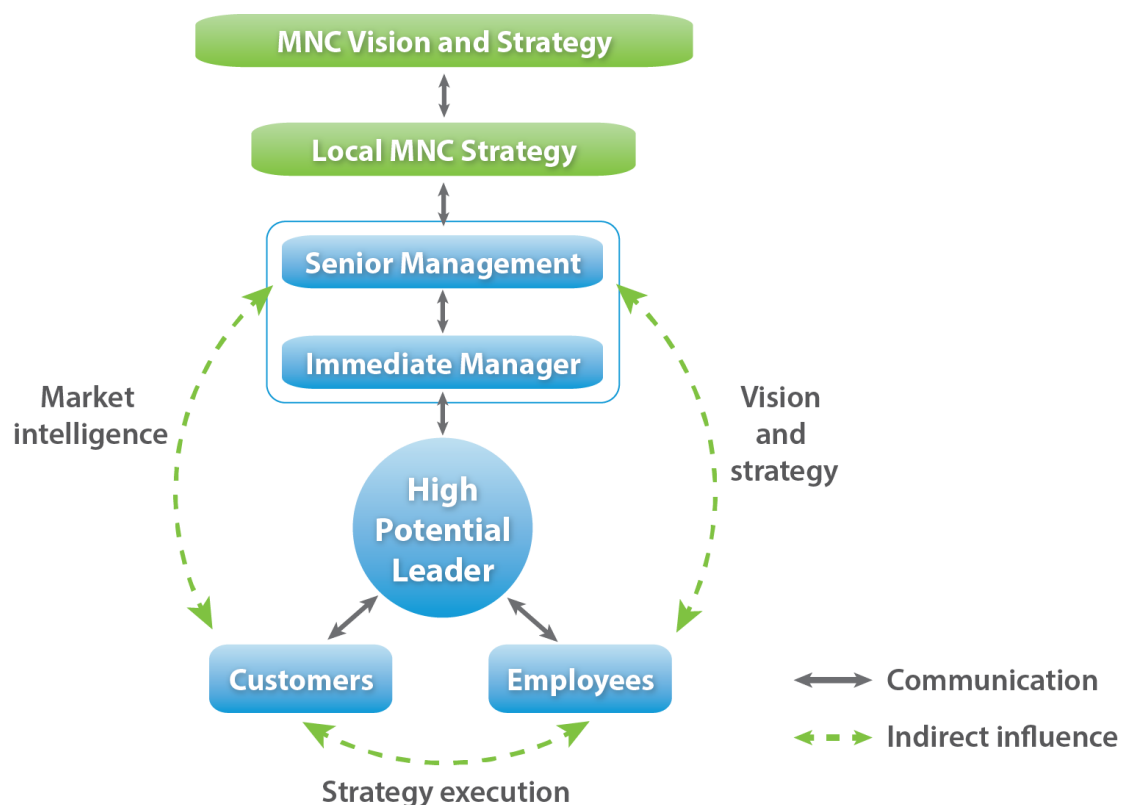


Figure 13: The senior management and immediate managers form a unified coalition when it comes to leadership development.

Forming a common entity from senior management and immediate managers for leadership development purposes is necessary for avoiding politicking and power struggles regarding the leadership development between the two levels, as the immediate managers are also found to often be the gatekeepers for the high potential leaders to access the senior management. Argyris (1982) argues in Chapter 3.3.2 that face-saving at the purpose of maintaining power and control in the organizations restricts double-loop learning and consequently organizational innovativeness through

hindering organizational learning. Although the interviews did not reveal any specific issues on the topic, the threat of politicking is high because of the face-saving tendency of Malaysians, who as presented both in theory Chapter 3.1.4 and findings in Chapter 5.1.4 avoid direct confrontation and conflicts. Forming a common coalition at the top who advocates openness and transparency when developing the next generation of leaders would likely pass on similar values to the next generation, and thereby start the transition towards open leadership styles.

6.3.2 High potential leaders can become change agents when the centrality of their roles is acknowledged within the organization

Chapter 5.3.2 describes that in the Malaysian MNC context the high potential leaders have a larger indirect influence within the organizations than their formal lines of communication allow for, as seen in Figure 10 in Chapter 5.3.2. In fact, the findings clearly illustrate that the high potential leaders have a great impact on how well the business strategies are implemented by the MNCs, and also how relevant to current local market conditions the strategies are. It is therefore important for the MNC leaders to acknowledge the centrality of the high potential leaders' role within the organization and to ensure that their accumulated knowledge from different entities can be put to a productive use for the benefit of a more localized strategy for the MNC subsidiary. In doing so, the high potential leaders play a larger role in developing the organization as a whole, while simultaneously developing themselves towards the executive maturity dimensions by practicing strategizing as a discipline.

Coordination should not be confused with control, instead, trust needs to be the cornerstone for driving change

Chapter 6.3.1 argued for the need of a higher degree of coordination in the leadership development practices in MNCs in Malaysia. However, exercising too high degree of control and coordination from the top on the contrary might further impede the innovativeness in the organization if it doesn't allow for new ideas to emerge from the bottom and from the high potential leaders. Instead, in line with Guinot, Chiva, & Mallén (2014) who suggest in Chapter 3.3.2 that organizational trust should be used for fostering organizational learning, the MNCs in Malaysia should rely upon their inherent traditional values, trust and relationships, when working towards breaking another set of traditional values, hierarchical thinking, when transforming the leadership styles into more open and collaborative.

Arguably such transformation starts from how the leaders are developed and how well they are trusted with driving themselves as well as leveraging their central roles within the organizations. If the immediate managers take too much responsibility on themselves when developing the leadership skills of high potential leaders, the risk of stagnating the creativity and innovativeness in high potential leaders increases, due to giving them less space to drive themselves forward and seek for own solutions to problems. The findings have illustrated signs of such tendency in Malaysia, as the executives see the need for having a very hands-on approach, while the high potential leaders prefer to drive themselves to a larger extent. At the same time, without the support and trust from immediate managers, the high potential leaders' initiatives to drive themselves might easily lose track due to the inherent complexity of MNCs and the business strategies. Nevertheless, the initiative to learn, ambition to climb the corporate ladder, and the will to drive change needs to originate from the high

potential leaders, as otherwise the development efforts would not be effective regardless of how well coordinated they are.

Cross-functional working encourages transparency and openness

As highlighted in Chapter 5.1.5, several of the interviewed high potential leaders feel that their organizations are lacking in the adaptation of global strategies to the local market conditions. At the same time, the high potential leaders argue for their level and generation of leaders having to become the change agents within MNCs in terms of implementing more open leadership styles and customer-centric business strategies as argued in Chapters 5.2.2. However, as seen in Chapter 5.1.4, deep-rooted Malaysian culture of avoiding conflicts and respecting hierarchy are often holding the high potential leaders back from doing so. It can therefore be argued that in order to use the high potential leaders' knowledge gathered from their central position in the organization for the benefit of a more effective strategy creation and implementation, the senior level management and immediate managers need to ensure that the high potential leaders have the ability to communicate across all levels and departments. This essentially means encouraging more transparency and openness within the organization. As argued in Chapter 6.2.5, a suggested option in the Malaysian MNC context is to increase the amount of job rotations and cross-department networking opportunities for the high potential leaders. Doing so will enable the high potential leaders to gain a higher level understanding of what the local conditions mean in the global business context and vice versa, and thereby gradually develop them into the change agent type of leaders who are much needed for leading in the changing business environment in Malaysia. High potential leaders as change agents will thereby become the role models for the rest of the organization, advocating transparency and openness, and mobilizing their organizations to stay on top of the constant change more effectively.

6.3.3 Competition and retention should be viewed hand in hand as a sustainable talent pool in Malaysia is a competitive advantage

In line with Pearson & Entkekin (1998) and Rahman (2012) arguments in Chapter 3.1.5, the empirical findings evidence that MNC leaders find the retention of talents and the competitiveness are the largest challenges for the future. In the Malaysian business context it has been found that future competitiveness is at large dependent on how well the MNC leaders are able to transform the organizations from traditional top-down ways of working towards more innovative and customer-centric organizations, and simultaneously being able to keep their high potential employees within the organization.

Leadership development should be aligned with what drives and motivates high potential leaders

McCall (1998) further argues in Chapter 3.1.5 that the competitiveness and retention should be viewed hand in hand, since the competitive advantage lies in creating an exclusive talent pool. In the Malaysian context there is a lack of skilled labor and leadership talent as evidenced in Chapter 5.1.1, which is why addressing the talent management challenges in combination with how the business strategies are being adopted to the local market conditions is how MNCs can find solutions that could work for long term for both problems.

The findings in Chapter 5.3.3 however illustrate that the interviewed executives and high potential leaders are found to not have a common understanding of what drives the high potential leaders forward in their professional careers. The majority of executives believe the high potential leaders are driven by clarity in career paths, ambition and social status, while in contrast, the high potential leaders point out continuous learning, passion for the job and recognition as the most important factors. This discrepancy is important to acknowledge, because differences in these views risk the MNCs putting efforts and resources for leadership development to the wrong things, thereby affecting the retention of the talents. Although in Chapter 3.3.3, Rahman (2012) and Rashid & Ho (2003) point out that the growing generation of Malaysians are starting to prefer tangible rewards over social rewards, the high potential leaders in MNCs see monetary rewards as hygiene factors rather than something that would keep them within a firm. High potential leaders are very much in demand at the labor market and can likely find a job with higher salary easily, which means that MNCs need to further stress on ensuring their whole offer is matching with what the high potential leaders truly care for.

In order to retain more talents in the firm, it is therefore important for the executives to have a clearer picture of what actually drives the high potential leaders forward, so that they can direct their effort and the resources in the right places. Instead of putting the largest focus on crafting career paths, opening up doors for the next career step should come in a combination with keeping the high potential leaders continuously challenged by creating more learning opportunities. Furthermore, the executives also need to ensure that the high potential leaders are recognized for the impact they make in the organization. Arguably, as also highlighted in Chapter 6.1.3, more learning opportunities does not only retain more talents in the firm, it also creates an environment with higher level of creativity that could nurture the innovativeness thereafter.

6.3.4 High potential leaders' progression should be evaluated along all executive maturity dimensions simultaneously

For the MNC leaders today it is not enough to be good leaders or to have good leadership skills, but high potential leaders need to develop these in combination with strategic thinking skills in a constantly changing environment if they aim to take an executive role in the near future (Day et al., 2014). The skills for effective leaders in the Malaysian context are described by executive maturity concept, which is discussed in Chapter 6.2.2. It is further argued by Black & Earnest (2009) in Chapter 3.3.1 that the evaluation of high potential leaders' progression should be done beyond the investments in programs or performance evaluations, rather it should assess both personal and professional growth in combination with what the high potential leaders do in practice.

Transparency and openness across the organization are prerequisites for developing along all executive maturity dimensions simultaneously

The executive maturity model presented in Chapter 5.2.3, aims to have a collective view on these angles based on the areas the interviewed executive level MNC leaders consider as the most important for high potential leaders to develop to prepare them for executive positions. In line with the described theory, high potential leaders are ready for an executive level when they have developed along all five dimensions of

executive maturity, which is why the leadership development efforts in MNCs should focus on all dimensions simultaneously. To compare the executive maturity model depicted in Figure 7 in Chapter 5.2.3 and the high potential leaders' communication and influence structure within the organization from Figure 10 in Chapter 5.3.2, it can be seen that awareness and transparency within the communication and indirect influence structure is a prerequisite for developing all dimensions of executive maturity simultaneously, as illustrated in Figure 14.



Figure 14: The connection between high potential leader's communication flow, indirect influence and the development of executive maturity.

Although high potential leaders need to follow the communication structure in how they conduct business (grey lines in Figure 14), doing so contributes most of all to developing only one dimension of executive maturity, thinking beyond own role. Other executive maturity dimensions are most prominently developed by ensuring that the indirect influence (green dotted lines in Figure 14) comes into practice through high potential leader's central role in the organization. Indirect influence typically is enacted by an effective use of the communication channels available for the high potential leader. Table 20 further explains how the development of each executive maturity dimensions relates to the different parts of the communication and influence structure depicted in Figure 14.

Thinking beyond own role, i.e. the ability to consider the viewpoints of all entities in decision-making.

- Developed by leveraging between the best interests of the three main entities described in the communication and influence structure.

Holistic perspective, i.e. being able to look at the macro perspective of the business environment.

- Developed by being involved at a higher level strategizing process with the senior management and by being exposed to different functions and disciplines across the organization.

Scalability; i.e. the ability to cope with constant change and diversity of the job role.

- Stems from leveraging between the strategizing and the customers by ensuring that the changing customer needs and interests get converted into usable market intelligence and implemented to the strategy rapidly.

Leading people, i.e. the ability to lead and develop others.

- Stems from leading the strategy execution at the level of developing employees to implement the business strategy when dealing with the customers as well as by building strategic thinking mindset in the employees.

Strategic mindset, i.e. high level problem solving skills.

- Stem from skillfully cascading the vision and strategy of the MNC down the organization and ensuring that the arising problems in the execution phase are tackled in accordance to the vision and strategy.

Table 20: The main factors of organizational communication and influence that affect the development of executive maturity.

Additionally, as argued in Chapters 6.2.6, 6.3.1 and 6.3.2, it is important for MNC leaders to realize that ensuring transparency and openness in the communication between the different organizational entities and allowing high potential leaders to act upon the different lines of influence they have in the organization, because otherwise the development of one or more executive maturity dimensions may lag behind others. Furthermore, developing along all executive maturity dimensions simultaneously can arguably better prepare the high potential leaders to face future business needs compared to developing only a few of the dimensions.

Furthermore, Figure 14 is also an illustration of how the arguments presented in Chapter 3.2.5 by Beer et al. (2005), Day et al. (2014), McCall (1998), McDonnell et al. (2010) and Stahl et al. (2012b), as well as discussed in Chapter 6.2.4, for the need of linking leader development, leadership development and the business strategy come into the perspective of developing a collective executive maturity skillset. The progression of high potential leaders towards executive roles needs to be assessed by the development of interpersonal, intrapersonal as well as business skills, which all come into surface when enabling the high potential leaders to fully leverage their ability to influence the organization. As argued by McCall (2004), one can only learn to lead through practice, which means that the high potential leaders need to be able to practice influencing the organization directly, instead of indirectly as it is often done today. Therefore, in order for the high potential leaders to develop along all five executive maturity dimensions, current leadership development tools in the interviewed MNCs have to be rethought. More specifically, the tools for learning how to be a leader and how to enact leadership are recommended to change towards higher degree of practice orientation and follow a stronger fit between each other, the business strategy and the organizational learning culture.

6.3.5 Synthesis

Table 21 summarizes the key arguments regarding matching the future business needs with how the next generation leaders are prepared in MNCs from theoretical, empirical findings, and the analysis perspectives.

Matching Future Business Needs with Leadership Development		
Theory: what was known about strategic talent management	Findings: what has been found to be relevant for MNCs in Malaysia	Analysis: what are the effects of the findings for MNCs in Malaysia
3.3.1 Fostering Commitment at All Levels of the Organization	5.3.1 Fostering Commitment at All Levels of the Organization	<p>6.3.1 Coordination in how different levels of the organization interact is the key to cohesion in leader and leadership development</p> <ul style="list-style-type: none"> - Low level of coordination between organizational entities regarding leadership development impedes the speed and depth of learning; - Senior management and immediate managers should be involved in coordinating leadership development to avoid politicking. <p>6.3.2 High potential leaders can become change agents when the centrality of their roles is acknowledged within the organization</p> <ul style="list-style-type: none"> - Coordination should not be confused with control, instead, trust needs to be the cornerstone for driving change; - Cross-functional working encourages transparency and openness. <p>6.3.3 Competition and retention should be viewed hand in hand as a sustainable talent pool in Malaysia is a competitive advantage</p> <ul style="list-style-type: none"> - Leadership development investments should be done
<ul style="list-style-type: none"> - All levels of the organization are responsible for developing high potential leaders; - Leadership development efforts should be measured by developed capabilities. 	<ul style="list-style-type: none"> - Executives place the responsibility for developing leaders on the organization, while the high potential leaders prefer to drive their own development; - Immediate managers help high potential leaders succeed by stretching their abilities; - Senior management needs to be visible for the high potential leaders; - High potential leaders play a central role in the organization, but the centrality is not always visible. 	
3.3.2 Organizational Learning as a Tool for Enhancing Innovativeness	5.3.2 Organizational Learning as a Tool for Enhancing Innovation	
<ul style="list-style-type: none"> - Transparency in the organization is prerequisite for organizational learning; - Self-reflection and constructive criticism enhance organizational learning. 	<ul style="list-style-type: none"> - Business strategy determines the needs for future knowledge and leadership; - High potential leaders catalyze change through multiple channels of influence; - High potential leaders' circle of influence extends beyond structured communication, but the benefits are often left unleveraged. 	
3.3.3 Retaining High	5.3.3 Retaining High	

Potential Leaders for the Long Term	Potential Leaders for Long Term	
<ul style="list-style-type: none"> - Younger generation employees are becoming less loyal to organizations; - Tangible rewards are becoming more important in Malaysia. 	<ul style="list-style-type: none"> - Executives believe high potential leaders are driven by career ambition and rewards; - The true drivers for high potential leaders are continuous learning and passion; - The feeling of recognition for the value brought to the company is the most important factor that retains high potential leaders in the company. 	<p>according to what drives and motivates high potential leaders;</p> <p>6.3.4 High potential leaders' progression should be evaluated along all executive maturity dimensions simultaneously</p> <ul style="list-style-type: none"> - Transparency and openness across the organization are prerequisites for developing along all executive maturity dimensions simultaneously.

Table 21: Summary of Chapter 6.3.

7 DISCUSSION AND RECOMMENDATIONS

This paper has explored the development of next generation leadership in Malaysia by comparing the views on leadership and leadership development between two generations, the top executive leaders and high potential leaders. The main challenge for business leadership in Malaysia is relatively poor labor market in an attractive economy, which is why the focus on talent management practices has to be both on retaining skilled talents and at the same time creating more leaders of innovation and innovative leaders in order for the firms to win in the toughening competition. Sustainable and innovative pool of leaders will be the key competitive advantage in Malaysia in its transition towards knowledge economy.

By reviewing the differences in similarities in how current executives and high potential leaders talk about leadership and leadership development in the Malaysian context, the authors have analyzed future challenges for MNCs' business strategies, what are key skills and knowledge for high potential leaders to develop in order to be effective leaders for the future, and finally how MNCs are ensuring that the leadership development is matching future business strategies and future business needs. The analysis provides conclusions for the four investigated research questions, which are presented below in Table 22.

RQ1: Given the rapid socio-economic development of Malaysia over the past decades, what are the key challenges to the MNCs' business strategies for the future?

- MNCs are challenged in grooming and retaining local leadership talent in the transition to knowledge economy;
- The economic shift from manufacturing to services forces MNCs to redefine their business strategies and business leadership;
- Traditional mindset impedes the innovativeness at workplace and incentives for retention for high potential leaders.

RQ2: How are high potential leaders' views different from how current executives perceive leadership and leadership development?

- There are no major differences in how leadership is perceived by the different generation of leaders, however, the high potential leaders' generation leaders opt for a higher degree of openness in the leadership compared to the older generation;
- Executives place the responsibility for developing leaders on the organization, while the high potential leaders prefer to drive their own development
- Executives believe high potential leaders are driven by career ambition and rewards, while the true drivers for high potential leaders are continuous learning and passion;
- Executive leaders show consider currently employed leadership development practices successful, while high potential leaders are more pessimistic;
- Too low level of communication and transparency between functions results in differences in views on leadership development between MNC leaders.

RQ3: What is important for high potential leaders to develop in order to be effective leaders in the future?

- High potential leaders are the drivers towards social and collective leadership

-
- style that will nurture creativity and innovation;
 - The development towards executive maturity will create more innovative leaders and leaders with the ability to drive innovation;
 - Talents should be identified as high potential leaders based on their ability to leverage learning opportunities;
 - Matching the business strategy with leader and leadership development is key for effectively developing towards executive maturity;
 - More job rotations would keep high potentials uncomfortably excited in their development towards executive maturity
 - Low level of communication between the MNC leaders and business functions risks losing out in development opportunities

RQ4: How do MNCs ensure that leadership development in today's business context is matching with what is needed for business strategies in the future?

- Coordination in how different levels of the organization interact is the key to coherence in leader and leadership development;
 - High potential leaders can become change agents when the centrality of their roles is acknowledged within the organization;
 - Competition and retention should be viewed hand in hand as a sustainable talent pool in Malaysia is a competitive advantage;
 - High potential leaders' progression should be evaluated along all executive maturity dimensions simultaneously.
-

Table 22: Answers to the research questions.

Interviews with MNCs leaders in Malaysia clearly evidence that there is a need for a more effective approach for developing the next generation of leaders. As concluded from the analysis, there are several opportunities for improving how we think about future leaders and how they should be developed in the Malaysian context.

To create a sustainable pool of innovative leaders and staying competitive on the market on Malaysia, firstly MNCs need to groom local leadership talents and to build up capabilities to lead change fast. As there are clearly opportunities for improvement in the talent development practice as conclusions from the second research question evidence, the senior management needs to have a greater awareness of what knowledge, skills and abilities high potential leaders need to develop to become effective leaders for the future. The concept executive maturity, developed in this report, could play a larger role by more strongly aligning the future business strategy with leader and leadership development, aiming to develop more innovative leaders and leaders with capabilities to drive innovation.

Secondly, by acknowledging the centrality of the high potential leaders role, as concluded in Chapter 6.3, for themselves and for leaders at all levels within the MNCs, more transparency would be created with the effects of better knowledge about the business landscape at all levels, and the knowledge needs of the customers. Additionally, this will create a more efficient transition towards becoming more service-centric, where the opportunities to build capabilities to lead change fast are abundant. By creating a stronger buy-in and involvement in the business strategy for the high potential leaders, a higher sense of contribution and ownership is created, which in turn helps to retain more high potential leaders in the firm. As the results also show, competition and retention should be viewed hand in hand, as the creation

of a sustainable talent pool is a competitive advantage, MNCs will have a greater chance to stay on the competitive and continuously grow at the Malaysian market.

However, if the MNCs in Malaysia wait too long to employ more effective talent management practice, the effects are firstly that they risk losing talented employees to the competition, and secondly, the effects might also be missing out on innovative market opportunities and losing business to other vendors. As the markets are moving from manufacturing towards a higher level of services, the need to innovate and to be close to the market to keep track of market changes will be crucial. In considering these results, MNCs in Malaysia therefore need to act now.

The implications of the concluded findings are several opportunities for at MNCs in Malaysia in how their leadership development practices could be improved. The recommendations presented below are highlighting areas for improvement, and structured following a cycle of steps accordingly to the development path of a high potential leader. Figure 15 binds the main concepts developed through this research, executive maturity and the organizational communication and influence structure, together with the perspective of business needs and leadership development tools.



Figure 15: The high potential development cycle towards an executive position.

Step 1: Demonstrated early signs of executive maturity

- Business strategy is the natural starting point to see what is needed from leaders are needed for the future;
- Executive maturity concept is recommended to be a guideline for effective leadership development when it is adapted to the specifics of the organization and the business environment:
 - o MNCs are recommended to have a collective understanding of what the five dimensions mean for their specific firm;
- Leadership development needs to be addressed in combination with how the business strategy are being adopted to the local market conditions;
- Employees who perform over average and illustrate early signs of executive maturity need to be given opportunities to be visible earlier than it is done today:
 - o More recognition and visibility at an earlier stage develops employees faster and ties them stronger to the organizational strategy and vision.

Step 2: Identification of high potential leaders

- High potential leaders can be identified by demonstrated early signs of executive maturity;
- Effective succession planning lies in extra efforts in developing a sustainable talent pool within the organization;
- MNC leaders at all levels should feel ownership and buy-in to the development process of high potential leaders;
- Don't wait too long with identifying employees with leadership potential as high potential leaders, in order to earlier start developing effective leadership;
- In the identification process, high potential leaders should be made aware of their own responsibility for their development:
 - o Make sure high potential leaders are able to take control over their career, instead of handing them a fixed career plan;
 - o High potential leaders should seek out new challenges, job opportunities and make it clear where they want to go next;
- The immediate managers should encourage more responsibility, while the high potential leaders need to learn how to “catch their own fish”:
 - o The more they get to think for themselves and take decisions, the more they learn to problem solve at an earlier stage.

Step 3: Visibility and development opportunities

- The high potential leader's immediate manager and the senior team should create an aligned view on what drives the high potential leader forward by having an open discussion with the high potential leader on this topic:
 - o High potential leaders are typically driven by continuous learning and passion for the work;
- Developing towards executive maturity:
 - o Talent management practices need to be aligned with one another and the MNC strategy. For effective leadership development, the MNCs need to have an internal consistency, alignment between the tools and methods;

- By aligning the organization, that creates transparency and clearer communication. This will consequently lead to that changes can be implemented and driven faster in the organization;
- Efforts should be made in developing all dimensions of executive maturity simultaneously;
- Tools and methods for development need to be more practice oriented:
 - Creating an environment of uncomfortable excitement will enable more efficient development for all parts of executive maturity;
 - There should be a match between the business strategy and leader and leadership development to create greater learning opportunities for high potential leaders;
 - Training programs need to come in combination with on the job learning in order for a high potential leader to efficiently take use of the individual learning;
 - Immediate managers need to have an awareness of their coaching role, as it plays a large role in changing the traditional mindset;
 - For effective coaching the immediate managers should also be informed on cross-functional theory or have cross-functional experience;
 - Creating involvement opportunities in strategic projects develops people skills and strategic mindset;
 - High potential leaders should be encouraged to drive more own initiatives as it practices the ability to drive change;
 - Create cross-department networking and/or job opportunities for the high potential leaders to develop a more holistic view of the business;
- The immediate manager and senior team need to create development opportunities along all dimensions in the organizational communication and influence structure;
- Create buy-in to the strategizing process for the high potential leader:
 - This will create a feeling of involvement and ownership.

Step 4: High potential leaders start to play a central role in the organization

- Employees across the organization need to have awareness of the central role of the high potential leaders:
 - The high potential leader has a central role in mediating between local needs and the global strategy;
 - The high potential leader is the middle person of the organizational knowledge flow, and needs to leverage between the official communication channels and the ways they influence the organization;
- A higher awareness of the central role if the high potential leader will enable:
 - MNCs will better be able to adapt their strategy to the local market conditions;
 - The information flowing through official communication lines becomes more efficient;
- Managers at higher levels also need to make themselves more visible to the high potential leaders, to nurture a more open communication and information flow;
- The top management are recommended to be involved with the high potential leaders in their succession planning process, to create buy-in to the development plans at all levels.

Step 5: Taking advantage of learning opportunities

- High potential leaders are recommended to develop into change agents:
 - o To create a more open and innovative environment within MNCs;
 - o To build capabilities to lead change fast;
 - o Prerequisite for the high potential leaders to become change agents is ensuring that the centrality and level of influence of their roles is acknowledged by all levels of the organization;
- High potential leaders should be evaluated by their progression towards more senior positions along all executive maturity dimensions simultaneously;
- High potential leaders need to be made aware that developing towards executive maturity in Malaysia takes time as it demands experience:
 - o It is recommended to find a balance between the speed and depth of learning.

8 CONCLUSION

Although the research on leadership goes back many decades and engages plentiful researchers, there are still unexplored challenges and gaps to fill on what defines the next generation of leaders and how to best prepare them to successfully run corporations in the future. It is certain though that organizations need to look for people with the potential capabilities for running high performing organizations tomorrow rather than today, and that the business environments they need to operate in are getting more complex by the day. This thesis research set out to explore how to best develop the next generation leadership in the subsidiaries of large Western multinational corporations (MNCs) in Malaysia, by looking at how current executive leaders and high potential leaders view leadership and leadership development.

When looking towards the future, this study has found the next generation leaders need to demonstrate executive maturity in order to effectively lead innovative firms and retain high potential employees. High potential leaders need to develop a mature mindset in five dimensions: they need to be able to think beyond their own roles, lead people, be strategic thinkers, view business problems holistically and be scalable across functions. These dimensions have to be better aligned with the MNCs' business strategies compared to today, and can best be developed when high potential leaders are enabled to practice leadership and strategizing out of their comfort zones. The authors conclude that the prerequisite for doing so in the Malaysian context is ensuring that high potential leaders are uncomfortably excited: uncomfortable as in being continuously challenged and pushed over their limits, while at the same time excited as in truly believing in the higher purpose of their roles. The authors encourage increasing the amount of job rotations across functions, as this could form a strong starting point for building an organization that is open for continuous learning and innovation through diversity of thought.

In doing so, the high potential leaders develop the ability to not only adapt to and cope with change, but to drive change. The next generation leaders in Malaysia are best characterized as change agents, because they need to be able to drive their organizations forward regardless of the constant disruption and volatility of the business landscape. The authors conclude that the ability to drive change stems from effectively leveraging the indirect influence that high potential leaders have in their organizations. The traditional communication structure in a typical MNC subsidiary in Malaysia does not necessarily work in mediating between the global strategy and local business needs, because it does not always support the flow of the most relevant knowledge. Instead, as central figures in the MNCs, the high potential leaders pull together the most up to date knowledge regarding the market and the strategy execution progress. The authors suggest creating a higher degree of openness towards leveraging the indirect influence and knowledge that high potential leaders possess, and enable using the knowledge in a more direct manner.

Furthermore, as the rapid pace of economic growth and technological discontinuity skyrockets the amount of knowledge organizations need to possess for being able to stay competitive, the authors conclude that the next generation leaders need to be able to build diverse leadership teams. In doing so, different perspectives are brought to the leadership table on one hand, while the collective scope of network is increased on

the other. Therefore the authors recommend that high potential leaders need to be identified at all levels and functions of the organization, to ensure that a diverse team of future innovative executive leaders and leaders of innovation are groomed from within.

Coming back to the question raised in the beginning of the thesis by Doss (2013) – whether the world’s innovation challenge is simply a challenge of leadership – it can be said that in the Malaysian context the challenge lies in leadership indeed. The leadership styles employed in MNCs today evidence an emerging shift towards more open and collaborative workplaces, but nevertheless, breaking the innate hierarchical thinking and encouraging the employees to open up will inevitably take time. As Malaysia progresses towards knowledge economy, the change towards creative and innovative workplaces is crucial. Consequently, the authors conclude that the current executive level business leaders need to enable high potential leaders to create the future of Malaysia, rather than trying to anticipate and cope with it. As the pace of growth and change is unlikely to level off any time soon, the authors stress that MNCs in Malaysia need to be quick in rethinking their leadership development practices by starting to embed higher level of coordination and transparency to the leadership development practices.

The approach taken in this thesis has been rather explorative, and due to the breadth of dimensions that can potentially affect leadership and leadership development, the study is far from being exhaustive on the topic. There are several directions to which the findings presented in this research could be used as pre-material for further studies, for instance:

- The differences in the views of MNC leaders has not been found significantly different across different industries, but there have been indications of substantial differences when comparing MNCs to the local firms. Therefore, a comparative study between foreign and local firms could create a stronger body of knowledge in explaining the cultural context for retention issues in Malaysia.
- This research tackles job-hopping as a negative circumstance for MNCs in Malaysia as it results in sunk costs in terms of leadership development investments. On the other hand, keeping a healthy turnover could also be beneficial for nurturing innovation in firms since the employees do not get locked into their conventional ways of working and there is an inflow of new perspectives. Hence a study addressing the positive effects of job-hopping could benefit the MNCs in Malaysia with new knowledge in how to take advantage of this social phenomenon instead of fighting it.
- Current thesis leaves out further development path of the executive leaders and only focuses on the path towards the first executive position. As the Western MNCs have only subsidiaries in Malaysia, naturally the vertical career path is limited after the executive level has already been reached if the leader wishes to stay in Malaysia. Although social ranking and vertical career growth is traditionally important for Malaysians, further research focusing on horizontal career growth as an alternative would benefit MNCs in finding ways to retain executives for their next career steps within the same subsidiary.

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APPENDIX 1: WAWASAN 2020

Wawasan 2020, Malaysian government's strategic plan for reaching a fully developed nation status by 2020, was put forward by the prime minister and unanimously approved by the Malaysian cabinet in 1991 (Islam, 2010). The more specific objectives for the Wawasan 2020 are the following:

- “To have sufficient food and shelter with easy access to health and basic essentials;
- To reduce the present level of poverty;
- To remove the identification of race with major economic functions and to have a fair distribution with regard to the control, management and ownership of the modern economy;
- To maintain annual population growth rate of 2.5%;
- To double real GDP every ten years between 1990 and 2020 AD;
- To have a balanced growth in all sectors namely: industry, agroforestry, energy, transport, tourism and communications, banking, that is technologically proficient, fully able to adapt, innovative, with a view to always moving to higher levels of technology.” (Islam, 2010, p. 200)

Along with the objectives, the prime minister identified nine key challenges that have to be overcome in order to reach the developed nation status by 2020:

1. “Establishing a united Malaysian nation with a sense of common and shared destiny. This should be a nation at peace with itself, territorially and ethnically integrated;
2. Creating a psychologically liberated, secure, and developed society with faith and confidence in itself, robust enough to face all manners of diversity;
3. Developing a mature democratic society, practicing a form of mature consensual, community-oriented democracy;
4. Forming a community that has high morale, ethics, and religious strength;
5. Establishing a mature, liberal and tolerant society wherein people of all colors and creeds are free to practice and profess their customs, cultures and religious beliefs and yet feeling that they belong to one nation;
6. Establishing a scientific and progressive society, a society that is innovative and forward-looking, one that is not only a consumer of technology but also a contributor to the scientific and technological civilization of the future;
7. Establishing a fully caring society and a caring culture, a social system in which the society will come before self and the welfare of the people will revolve not around the state or the individual but around a strong and resilient family system;
8. Ensuring an economically just society, a society in which there is a fair and equitable distribution of the wealth of the nation;
9. Establishing a prosperous society, with an economy that is fully competitive, dynamic, robust, and resilient.” (Islam, 2010, p. 200)

APPENDIX 2: INTERVIEW GUIDES

Executive Interview

Introduction

- Brief background of us and the research
- Agenda for the interview
- Confidentiality

Background

- Could you please tell us a bit about yourself and your background – how did you end up where you are today?

Leadership

- What is expected of you as a leader at XX in Malaysia?
 - *Biggest gains of being a leader at XX?*
 - *How does that compare to other companies?*
 - *What should a leader do?*
 - *What characteristics do you think a leader should have?*
- How do you identify high potential leaders?
 - *What do you expect from your high potentials?*
- What do you think drives high potentials forward in their professional career?

Business strategy

- Looking at the top three market challenges or XX Malaysia today, and comparing them to 5-10 years ahead, what do you think will change?
- What do you think is necessary for high potentials to develop in order to meet these challenges?
 - *Why do you think these things are necessary for them to develop?*
- Who is responsible for developing high potentials' leadership skills needed for future challenges?
 - *If XX – which function?*
 - *How does XX make sure that these skills are developed?*
 - *How would you characterize a person who is ready to take an executive position?*

Development and retention

1. Individual

- Can you describe a situation or experience that helped you develop as a leader at XX in Malaysia?
 - *Was it initiated by you or XX?*
 - *Was this situation inside your usual scope of work? How often do you receive tasks that are outside your usual scope?*
 - *How was the balance between the amount of challenge you faced and the amount of support you received?*
 - *What did you learn from this experience?*

- Compared to your experience in developing as a leader, what initiatives do you think high potentials today should take on their own to develop themselves and the organization?

2. Organizational

- How does XX in Malaysia help high potentials to develop as leaders?
 - *Is it successful, in your opinion?*
 - *In your experience as developing from high potential to a top leader, has there been anything that frustrates you?*
- How much are you or your senior team in touch with the high potentials regarding their everyday work?
 - *Who typically initiates the contact?*
 - *Do you give advice to them in any way?*
 - *Who is guiding the high potentials in their development the most?*
- What does XX in Malaysia need to do to keep the high potentials in the company for long term?

Strategy and leadership development

- What is the role of strategy in developing new leaders?
- To what extent are you involving the high potentials in the creation of future business strategies?
- What has a bigger influence on the high potentials' development in XX Malaysia, the XX global corporate culture or Malaysian culture?
 - *How do you work with accommodating corporate culture to national context?*

Ending

- What does XX Malaysia need to do to keep you in the company for the long term?
 - *Which are the most important company values for you?*
- Do you have anything to add?

High Potential Leader Interview

Introduction

- Brief background of us and the research
- Agenda for the interview
- Confidentiality

Background

- Could you please tell us a bit about yourself and your background – how did you end up where you are today?

Leadership

- What is expected of you as a leader at XX in Malaysia?
 - *Biggest gains of being a leader at XX?*
 - *How does that compare to other companies?*
 - *What should a leader do?*
 - *What characteristics do you think a leader should have?*
- What do you expect from your leaders?

Business strategy

- Looking at the top three market challenges or XX Malaysia today, and comparing them to 5-10 years ahead, what do you think will change?
- What do you think is necessary for you to know, and know how to do, in order to meet these challenges?
 - *Why do you think these things are necessary for you to develop?*
- Who is responsible for developing your leadership skills needed for future challenges?

Development and retention

1. Individual

- Can you describe a situation or experience that helped you develop as a leader at XX in Malaysia?
 - *Was it initiated by you or XX?*
 - *Was this situation inside your usual scope of work? How often do you receive tasks that are outside your usual scope?*
 - *How was the balance between the amount of challenge you faced and the amount of support you received?*
 - *What did you learn from these experiences?*
- How often do you drive your own initiatives in the organization?
 - *What kind of initiatives?*
 - *What makes you take these initiatives?*
 - *Incremental or radical change initiatives?*

2. Organizational

- How does XX in Malaysia help you develop as a leader?
 - *Is it successful, in your opinion?*
 - *Do you see many leaders developing around you?*
 - *What frustrates you, what do you like?*

- Do you have someone that gives you leadership advice/guidance for how to act in different situations?
 - *Someone other than your manager?*
 - *What does he/she help you with?*
 - *Who typically initiates the contact?*

-

Strategy and leadership development

- What is the role of strategy in developing new leaders?
- Are you involved in the creation of future business strategies in XX in Malaysia?
 - *How – can you give an example?*
 - *Was the entire organization involved or only specific parts?*
- What has a bigger influence on your development in XX Malaysia, the XX global corporate culture or Malaysian culture?
 - *How do you work with accommodating corporate culture to national context?*

Ending

- What drives you forward in your professional career?
- What does XX Malaysia need to do to keep you in the company for the long term?
 - *Which are the most important company values for you?*
- Do you have anything to add?

APPENDIX 3: CODING STRUCTURE

The views on leadership

- Definitions - leader and leadership
 - Characteristics and roles of a leader
 - Definition of leader and leadership
 - Manager vs leader
- Leadership
 - Ability to adapt your leadership style
 - Building personal brand
 - Executive maturity
 - Ability and the will to lead people
 - Ability to deal with MNC politics
 - Appreciate diversity
 - Competence
 - Consistency, continuous learning and improvement mindset
 - Dealing with ambiguity and constant change, out of comfort zone
 - Global mindset, holistic perspective
 - High level of problem solving skills
 - Intellectual curiosity
 - Leading yourself
 - Making things happen
 - Thinking beyond role
 - Knowledge for the future
 - Education
 - Mindset, behaviors
 - Soft skills
 - Technical knowledge
 - Leading by example
 - Malaysian traditional leadership (autocratic styles, etc)
 - Preferred leadership style
 - Trust & ownership

Internal and external challenges

- Culture
 - Asian people are reserved, hierarchy thinking
 - Baby Boomers, Gen X and Gen Y
 - Consensus thinking
 - Everything is based on relationships
 - Malaysian versus corporate culture
 - Corporate mostly
 - Equal mix
 - Malaysian mostly
 - Values between ethnic groups
- Economic background
 - Becoming a developed nation
 - Global trends
 - Low amount of talents in the job market
 - Low unemployment

- Political status affects the mindset of people

Business strategy and the roles of different levels

- Business strategy
 - Adaptation of strategy to local market
 - Building future talent - alignment with strategy
 - Competition is becoming tougher, customers are more knowledgeable, less loyalty
 - Convergence of technologies
 - Core competencies should be continuously reviewed
 - Decentralization, structure, thoughts on hierarchy
 - Organizational mentality for learning
 - Ability of let go of the past
 - Higher mobility, multicultural teams, diverse backgrounds in leadership teams
 - Internal change, e.g. being faster, more innovative, creative, etc
 - Learn new knowledge, networking (external)
 - Higher purpose - company perspective
 - Higher purpose - employee perspective
 - Know the purpose of your role
 - Make a difference
 - Pride and belief in the company brand
 - The role of the high potential leader in the company
 - Visibility – high potential leader needs to make himself visible
 - The role of the immediate manager, what high potential leaders expect from leaders
 - The role of leaders, what executive level thinks is expected of them

The development of a high potential leader

- Development
 - Driving forces for high potential leaders
 - Informal interactions
 - Involvement and role of senior team in high potential leaders work
 - Who initiates the contact
 - Involvement in strategic work
 - Bring market intelligence and info from ground to the strategy process
 - Cascading strategy and change down to the organization
 - Exposure to strategic planning as a discipline
 - Make your own playbook instead of following one - ownership over strategy directions
 - Responsibility for developing high potential leaders
 - High potential leader himself
 - HR
 - Immediate manager
 - Mix between high potential leader and immediate manager
 - Senior team, MD
 - The role of HR
 - Speed versus depth of learning

- Successful or not
- Time tradeoff- daily work versus self-development
- Tools
 - Advice
 - Career plan
 - Coaching, 1o1s
 - Feedback, performance reviews
 - Job rotations, exposure to different functions
 - Mentoring
 - On the job learning
 - Opportunities abroad
 - Own initiatives
 - Reading and e-learning (individual)
 - Strategic projects (out of direct scope)
 - Succession planning
 - Training, leadership programs
- Uncomfortable excitement - what do high potential leaders get from out of scope work
 - Network
 - Respect
 - Wider perspective
- Identification of high potential leader
 - Cycle - steps of identification
 - Step 1 - You are a high potential leader
 - Attitude
 - First step from individual contributor to people manager
 - People skills, empathy
 - Performance and effort
 - What's expected of high potential leader
 - Step 2 - put into A-team or B-team
 - A - team and B-team follow different paths
 - A-team gets more attention, visibility and opportunities
 - Challenges versus support
 - Level of experience has a role whether you are a A-team or B-team
 - Step 3- whether you move from B-team to A-team
- Retention
 - Clear career opportunities
 - Company values
 - Continuous challenge and learning
 - Cultural adaptation
 - Loyalty to people - people follow people
 - Money versus investment in people
 - Recognition
 - Social status
 - Social versus monetary reward
 - Voice is heard, contribution