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Next Generation Leadership in Mexico

A cross-sectional study of Swedish multinational companies in Mexico City

Master's thesis in Quality and Operations Management and Management and Economics of Innovation.

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Abstract

In the fast and changing environment today's multinational companies compete within, they increasingly need to come up with new methods to successfully differentiate from their competitors, with identifying, training and retaining great leaders gradually being seen as one of the key elements for firms to stay competitive. In fact, one of the most important tasks facing today's CEOs is to develop the next generation of leaders and leadership to take over, as having competent leaders in strategically important positions, serves as a block towards sustainable competitive advantage. Arguably, these people are even more important in a globalized business environment, resulting in the need for multinational companies to create a strong leadership pipeline, and tying it to the company's organizational strategy, if not to ultimately fall short against their competitors.

Further, the supply of experienced managers in growth markets is especially limited, with this shortage expected to remain for the foreseeable future. Therefore, multinational companies with ambition to grow in emerging markets need to attract and retain people that have ambition to advance in a global company, and the capabilities to work within its fast and flexible environment. Nevertheless, little research has been done on the subject in emerging markets such as Mexico, which is predicted to be the seventh largest economy in the world in 2050, with several Swedish multinational companies being well established in the country, with most of them located in the Mexico City area.

A qualitative cross-sectional study was carried out in Mexico, where 42 interviews with top executives and high potentials were conducted, in order to develop a deeper understanding about how Swedish multinational companies in Mexico form the next generation of leaders and how the leadership development efforts are tied to the business strategies. The Swedish multinational companies that participated in the study were ABB, Atlas Copco, Tetra Pak, SCC and Volvo Group.

The findings show how leadership and leadership development is perceived at the studied companies, as well as how leaders perceive future business challenges, and how these challenges and business strategies are aligned with the companies' leadership development efforts. The importance of preparing future leaders is highly recognized at all the studied companies, with all of them possessing some sort of leadership development programs. However, clear misalignment is between these programs and the companies' business strategies. Finally, suggestions have been made for improving said programs, making sure that a long-term business strategy is in place, and aligning development efforts with the strategy.

Keywords: *Leadership, Leadership development, Talent management, Next generation leaders, Multinational companies, Mexico*

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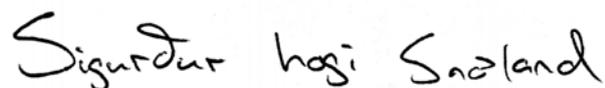
- ABB
- Atlas Copco
- SCA
- Tetra Pak
- Volvo

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1. Introduction

1.1. Background

As the pace of change in the dynamic environment firms compete in increases, firms have to be vigilant and flexible to survive, increasingly competing on how successfully they can differentiate from their competitors, manage change and stay vigilant in the face of ever-present competition (Eisenhardt & Martin, 2000). Continuing, Eisenhardt & Martin (2000) argue that it becomes vital for companies to identify and successfully manage critical factors that differentiate and ensure survival in the market, for example through strategic actions made by top management.

Moreover, Beer et al. (2011) highlighted that one of the most important, yet hardest task facing today's CEOs, is to develop the next generation of leaders and leadership to take over. In addition, according to Heinen and O'Neill (2004), having competent leaders in strategically important positions, serves as a competitive advantage in a sustainable manner as it cannot easily be replicated. Furthermore, Wright et. al (2001) suggest that prominent leaders can be classified as important blocks towards sustainable competitive advantage. Further, Kotter (1995) stresses the importance of good leadership in driving change, a critical skillset in dynamic market environment. It can thus be hypothesized that the identification and training of great leaders is one of the key aspects of healthy firms that want to stay competitive in the market. Additionally, Caligiuri (2006) specifically states that training global leaders, who, given the right developmental opportunities, can effectively steer business activities with an international scope. For multinational firms, these people contribute greatly to their competitive advantage – which, arguably, becomes increasingly more important in a globalized business environment.

In addition, Fernández-Aráoz et al. (2011) suggest that the supply of experienced managers is very limited, especially in growth markets, and that this shortage is expected to remain for the decades to come. Continuing, Fernández-Aráoz et al. (2011) note that a popular strategy in companies concerned with the next generation leadership is to create a specific leadership pipeline aimed at high potentials seen as those who will become the organizations' future leaders. According to Stahl et al. (2012), *“one of the biggest challenge facing companies all over the world is building and sustaining a strong talent pipeline”*. As a consequence of increasingly global market, changes in the preferences of upcoming generations and tougher competition for talented individuals, Stahl et al. (2012) suggest that effective firms need to be vigilant in maintaining a strong talent management pipeline that complements the strategic vision made by the firm.

Moreover, Garrow and Hirsh (2008) state that talent management should be tied to organizational strategy, asserting that while connected to the strategy, talent programs will remain future oriented

instead of becoming static, and that the attainment of strategic goals will dictate the pace of employees' development. Ready (2002) echoes this concern in his paper and points out that organizations facing tough competition due to globalization fail to address this issue but instead hope that the "cream would rise to the top" so to say. McDonnell, Lamare, Gunnigle, and Lavelle (2010) even go as far as stating that organizations that do not focus on leadership development through effective talent management will be ultimately fall short against their competitors in the long-run.

Further, Khanna, Palepu, and Sinha (2005) note that globalization of markets presents substantial opportunities for large companies, especially in developing countries. In addition, Fernández-Arároz et al. (2011) note that multinational companies that have ambition to grow in emerging markets need to prioritize people that can easily adjust to a dynamic and unpredictable business environment, and have ambition to advance in a company with a global footprint. For instance, Mexico is considered an upper middle-income country (Worldbank, 2014), and possesses the 14th largest economy in the world in nominal terms (United Nations, 2013) and the 10th by purchasing power parity (Worldbank, 2014). Mexico has recently experienced high levels of foreign direct investment (FDI) (International Business Times, 2013), indicating companies' confidence in the country's economy, predicted to be the 7th largest economy in the world in 2050 (PWC, 2013). Thus, as FDI remains high, it can be hypothesized that the country will remain a feasible location for multinational companies in the coming future. Thus, there is a simultaneous rise of the middle-class (New York Times, 2013) and reforms specified above in terms of infrastructure, tax system and labor laws, coupled with multinational company presence that will call for competent and insightful leaders in a dynamic political and economic environment – benefiting the companies and economy both financially and socially (Eisenstat et al., 2011).

1.2. Purpose

The Mexican economy has seen rapid development in industries such as automotive, electronics and pharmaceutical, to name a few (PTMCI, 2013; Economy Watch, 2010). This attracts multinational companies, which even further highlights the need for leadership and leadership development. Therefore, the main purpose of this study is to develop a deeper understanding about how companies form the next generation of leaders. This involved researching how high potentials perceive leadership and leadership development, and how it differs from the views of top executives. Moreover, to identify what could be possible consequences of this potential mismatch. Finally, the way companies manage to motivate and develop the next generation leaders in the global organization regarding leadership is explored.

1.3. Research questions

In order to understand how the next generation leaders are currently developed in Swedish multinational companies in Mexico, it is important to understand how leadership is perceived in this context. Therefore, the first research question aims to investigate how top executives and high potentials perceive this area of interest:

RQ1: How do top executives and high potentials perceive leadership in Swedish multinational companies in Mexico?

In order to understand how the next generation leaders are currently developed in Swedish multinational companies in Mexico, the second research question aims to investigate how top executives and high potentials perceive this area of interest:

RQ2: How do top executives and high potentials perceive leadership development in Swedish MNCs in Mexico?

In order to investigate the alignment between the key perceived future challenges at Swedish multinational companies in Mexico and their business strategy, it is important to understand what those perceived challenges are. Therefore, the third research question aims to investigate what how top executives and high potentials perceive this area of interest:

RQ3: What are the key perceived future challenges for leaders in Swedish MNCs in Mexico?

In order to investigate the alignment between the key perceived future challenges at Swedish multinational companies in Mexico and their business strategy, the fourth research question aims to investigate how top executives and high potentials perceive this area of interest:

RQ4: How is the leadership development aligned with these perceived future challenges and business strategy in Swedish MNCs in Mexico?

1.4. Delimitations

Since the research was only carried out at multinational companies with Swedish origin, companies of other origins were not considered. Also, since the research team was based in Mexico City, and due to limited resources of time, only Swedish multinational companies with operations in Mexico City and its surroundings, were studied. Further, the research did not differentiate the companies studied based on revenue, market value, number of employees or any other measures for corporate size. Furthermore, the study does not consider age, gender or any other demographic features of the

interviewees. Finally, the research only aimed at investigating how the next generation of leaders are developed, and not how current leaders are developing.

2. Theory

2.1. Mexico

The subsequent chapters are intended to illuminate the current state and give insight on how the next generation of leaders in Mexico might be shaped by the context in which they live. The following events and the actions made by the acting government in each time have all contributed to the economic environment the country experiences today and may furthermore give insight into the future challenges upcoming leaders in their respective companies may face.

The “Mexican miracle”, and oil crisis

In the early 1930s the Mexican peso depreciated significantly against the U.S. dollar partly due to U.S. inflation and also because government changes in macroeconomic, trade and debt policies. A consequence of this was a shift towards import substitution as relative price of consumer goods imports increased significantly. This means that products manufactured in Mexico were increasingly substituting imported goods. Thus, in the period of 1929-1939, industrialization was highly stimulated by exchange rate depreciation and contributed 37% to the industrial growth. The actions made by government were influential as the focus was put on involving the public sector, improving infrastructure and investing in agriculture and industry. The increased role of manufacturing and fast pace of urbanization had begun and contributed to an impressive average GDP growth of just over 6% in 1941-1970 (Moreno-Brid & Ros, 2009). From 1930 and during the next 30 years the country changed from an agrarian to urban, semi-industrial one as people moved towards the larger cities for jobs and education. Literacy rates grew tremendously and reached 76% in 1970 and life expectancy also increased by 22 years (Moreno-Brid & Ros, 2009).

This golden age in the Mexican economy was, therefore, driven by industrialization through import substitution and trade protection, which subsequently gave incentives to exporting manufacturers as demand increased globally. Government policies were beneficial to this development as the domestic industrial market was protected, energy subsidies allowed for lower input costs and, thirdly, Mexican manufacturers paid low prices for imported goods due to the appreciated real exchange rate and high tariff exemptions on important industrial equipment (Moreno-Brid & Ros, 2009).

However, despite the impressive economic performance and industrialization in Mexico during this period, the country also experienced some growth pains. Unequal distribution of wealth had not been solved but on the contrary increased, and regional disparities were also substantial. Thus, although the time 1930-1970 was a period of growth and strengthened infrastructure, there was a lot more to be

done. During this period the oil industry had been nationalized as well as the railway and banking industry. This had a positive effect since the oil companies had been in disputes with unions that were solved, the rail network expanded significantly and programs to ease investment were implemented through the nationalized bank institutes (Moreno-Brid & Ros, 2009).

Slow growth despite great potential

Following this economic hardship, Mexico started to liberalize foreign trade by joining the Organization for Economic Cooperation and Development (OECD) and NAFTA in its efforts to increase trade and foreign investment. However, despite these significant efforts – economic growth in Mexico has not been up to par with its neighboring regions and competitors in Eastern Asia. Several reasons have been mentioned in efforts to explain this underperformance of the Mexican economy. Some of those are echoed in Hanson's (2010) paper, which addresses this issue.

One of the reasons mentioned is that the Mexican credit provision system has been criticized for being lackluster as low levels of private credit to firms or households has been channeled, thus impeding prospects for taking advantage of productive investment opportunities. Also, the survival of small and unproductive enterprises has been mentioned in relation to heavy government regulation. In attempts to avoid many of the duties laid on Mexican firms, informality is preferred. This entails an economy filled with unproductive firms that, for reasons such as poor management or outdated technology, would otherwise be forced to move out of business.

Specific groups have been blamed for impeding growth in the country as key market inputs are poorly managed and too expensive. Related to that, Hanson (2010) mentions the telecom industry, where Carlos Slim – one of the world's richest person and largest shareholder in Mexico's telecom giant Telmex – has been criticized for maintaining a monopoly situation in the market. On top of that, although the country is an exporter of oil, electricity prices in Mexico are relatively high and energy losses (energy produced but not paid for) are among the highest with comparison countries in addition to extremely low productivity levels among workers. This inefficiency and high cost in some of the key markets are, according to Hanson (2010), a contributing factor to Mexico's unimpressive economic performance of late.

Further, the supply of skilled labor has been underperforming comparison countries greatly. Several reasons have been mentioned in this regards, such as strong labor unions capturing 90% of the funding, leaving little behind for strengthening of the infrastructure. Additionally, Mexican students have received poor PISA scores compared with all developing countries besides Brazil. Lacking educational

system does, however, not solely explain the poor supply of skilled labor according to Hansen (2010) – as emigration contributes to the problem as well. Highly skilled people tend to immigrate across the border to the United States, even to Canada, in pursuit of higher living standards and better education. Research has shown that in many cases these individuals do not return but tend to stay in the immigrated country.

It can thus be seen that although some efforts have been made to allow for more foreign investment and make trading easier, there are several aspects relating to Mexico's infrastructure and regulatory system that have been criticized and, arguably, hinder the country to rise fully to its potential.

Current situation

At the same time Mexico is considered an upper middle-income country (Worldbank, 2014), and possesses the 14th largest economy in the world in nominal terms (United Nations, 2013) and the 10th by purchasing power parity (Worldbank, 2014). The country received a big blow to its economy in the 2008 crisis but experienced an annual average growth of 4.3% between 2010 and 2012 (Worldbank, 2014). Since then, facing challenges such as upgrading the infrastructure, modernize tax system and labor laws in addition to reducing income inequality (Worldbank, 2014); Mexico has recently experienced high levels of foreign direct investment (FDI) (International Business Times, 2013), indicating companies' confidence in the country's economy, predicted to be the 7th largest economy in the world in 2050 (PWC, 2013).

2.2. Strategy

Liedtka and Rosenblum (1996) liken an organization to a brain and strategy making to a conversation to create a broader range of responses to the challenges organizations face, which they argue the making of strategy is in large part about, the management of change. Further, in his paper, Porter (1996) discusses the tendency of companies to focus on achieving maximum productivity through what is defined as operational effectiveness, which, according to Porter (1996) has generated an abundance of managerial techniques aimed at attaining it. The paper suggests that merely focusing on operational effectiveness can, albeit providing advantages through increased profitability in the short term, will not by itself provide an organization with long-term competitive advantage as its competitors catch up eventually. Thus, a distinction is made between operational effectiveness and attaining competitive advantage through strategic action, as noted in the paper:

“In contrast, strategic positioning means performing *different* activities from rivals’ or performing similar activities in *different ways*.” - Porter (1996)

According to Porter (1996), attaining competitive advantage in a given market requires companies to be vigilant in differentiating its activities, which serve as the building blocks for the company’s strategic positioning. Examples of differentiating activities can be realized through, for example, strategic positioning related to the company’s customers’ needs and customer segmentation, as well as their accessibility.

Porter (1996) suggests that by combining activities that are in line with the strategic positioning which differentiates the company with its rivals, defined as *fit*, a sustainable competitive advantage can be attained as it becomes increasingly more difficult for others to mimic several aspects of the company’s activities. Further, Porter (1996) suggests that the effective combination of activities incentivizes operational efficiency, which, in turn, renders imitation even more difficult. This is consistent with the work of Barney (1991) who notes that sustainable competitive advantage can be attained through strategy that is both unique, as it is not being pursued by other competitors, and non-imitable, as competitors are not able to replicate said strategy.

Lastly, Porter (1996) notes that strategy should have a longer timeframe than the concurrent operational efforts, stating that a horizon of ten years or longer is appropriate.

Khanna et al. (2005) note that globalization of markets presents substantial opportunities for large companies, especially in developing countries. At the same time, Khanna et al. (2005) state that companies that adopt their traditional strategies in the target country may find that the lack of infrastructure and difference in business practice poses a challenge. Thus, Khanna et al. (2005) suggest that in order to capitalize on the opportunities developing countries bring, such as fast-growing markets, low-cost production opportunities and relatively expensive and competent labor force – multinational companies must understand the institutional intricacies of the target country. These factors range from the political and social system, openness to foreign investment, product, labor and capital markets. Having a comprehensive understanding of these factors, Khanna et al. (2005) suggest that multinational companies should modify their business plans accordingly in order to succeed, albeit stressing that the overarching business proposal of the company should not be abandoned.

Garrow and Hirsh (2008) state that talent management should be tied to organizational strategy, asserting that while connected to the strategy, talent programs will remain future oriented instead of becoming static, and that the attainment of strategic goals will dictate the pace of employees’ development. In addition, the more a talent program is aligned with an organization’s strategy, the more likely senior management is to be engaged in the program, which sends out a powerful signal of

the importance of developing people (Garrow & Hirsh, 2008). This view is further elaborated by Galunic and Hermreck (2012), asserting that when embedding strategy, the most profound impact on how well employees grasp and support strategy is that of top management. Senior leaders have a unique understanding of their company's strategy, which gives them more credibility and authority than others, and need to be closer to the workforce, instead of communicating strategy only to their direct reports, and depend on them to pass the message on to lower levels (Galunic & Hermreck, 2012).

2.3. Leadership

In his paper, Porter (1996) stresses the importance of effective leadership that is in line with the discussion on the difference between organizational effectiveness and strategy above. That is, organizations need strong leaders that are willing to make choices and take decisions regarding strategic trade-offs, communicate the vision and strategic position made by a company and ensure that different activities of the company are in line with organizational objectives. This, according to Porter (1996) means that an effective leader needs to have good communication with employees who are then able to make decisions that are in line with the company's overarching goal. Porter (1996) concludes that, in a dynamic and ever-changing business environment with new opportunities and threats arising, effective leaders must be vigilant in combining the organizations' activities with its strategic position in order to attain competitive advantage for the future.

Leadership as a competitive advantage

As the pace of change in the dynamic environment firms compete in increases, firms have to be vigilant and flexible to survive (Eisenhardt & Martin, 2000). Companies do not merely compete on the products or services offered but increasingly on how successfully they can differentiate from their competitors, manage change and stay vigilant in the face of ever-present competition. Thus, it becomes vital for companies to identify and successfully manage critical factors that differentiate and ensure survival in the market, for example through strategic actions made by top management. A stream of research devoted to this issue has shed light on some of these factors. Wernerfelt (1984) identified the usefulness of analyzing the firm from the resource side. One beneficial aspect of this approach is understanding and explaining the competitive advantage of firms that cannot be explained by industry participation.

Building on this research, scholars such as Peteraf (1993) suggested that valuable, rare, inimitable and non-substitutable resources could provide sustainable competitive advantage that can be classified as

tangible and intangible. On the intangible side, Wright et. al (2001) suggests that human resources, such as competent staff and prominent leaders can be classified as important blocks towards competitive advantage. Further, Kotter (1995) stresses the importance of good leadership in driving change, a critical skillset in dynamic market environment. It can thus be hypothesized that the identification and training of great leaders is one of the key aspects of healthy firms that want to stay competitive in the market. Supporting that argument, in his article, Conger and Benjamin (1999) criticize organizations for lack of necessary formal leadership development and notes that little is done to reinforce and support leadership skills, forcing individuals, who have high ambitions to develop the organizations, to leave.

Ready (2002) echoes this concern in his paper and points out that organizations facing tough competition due to globalization fail to address this issue but instead hope that the “cream would rise to the top” so to say. This can arguably have a negative impact for any company trying to stay competitive in the long run. According to Pardey (2008) it is important to realize what kind of leadership style works and what is expected from leaders to deliver the best result, which can vary significantly between companies. This is in line with the work of Foote, Eisenstat and Fredberg (2011), who embarked on the mission to identify what factors contribute to successful leadership, the so-called “higher ambition leaders”. A particular stream of research is furthermore concerned with how different styles of strategic approach may apply to different countries and/or stages of economy (Hofstede, 1980).

In his paper, Kotter (2001) offers a distinction between leadership and management, stating that leadership primarily focused on dealing with change in the dynamic and competitive business environment of today. It is about setting a direction, and aligning people towards that direction by motivating and inspiring people to do so (Kotter, 2001). On the other hand, management is about coping with complexity by planning and budgeting, organizing and staffing and controlling and problem solving (Kotter, 2001). Having established a good distinction between these two concepts, it can be seen that people that lead often have to manage and vice versa, hence the common mix-up of the concepts.

2.4. High-potentials

Fernández-Aráoz et al. (2011) suggest that the supply of experienced managers is very limited, especially in growth markets - regions where organizations are implementing growth strategies - and that this shortage is expected to remain for the decades to come. Fernández-Aráoz et al. (2011) note that a popular strategy in companies concerned with the next generation leadership is to create a

specific leadership pipeline, such as the one described in a subsequent chapter, aimed at high potentials seen as those who will become the organizations' future leaders. Before examining the key aspects of leadership development aimed at high potentials, establishing a definition on who are seen as high potentials might be in order. Ready et al. (2010) define high potentials in the following way:

“High potentials consistently and significantly outperform their peer groups in variety of settings and circumstances. While achieving these superior levels of performance, they exhibit behaviors that reflect their companies' culture and values in an exemplary manner. Moreover, they show a strong capacity to grow and succeed throughout their careers within an organization – more quickly and effectively than their peer groups do.” (Ready et al., 2010)

Caligiuri (2006) specifically states that training global leaders, who, given the right developmental opportunities, can effectively steer business activities with an international scope. For multinational firms, these people contribute greatly to their competitive advantage – which, arguably, becomes increasingly more important in a globalized business environment. They are people who, according to Caligiuri (2006), have a particular set of knowledge, skills, abilities and other personality characteristics.

Transparent identification of high-potentials

Continuing, by having a working definition of high potential leaders and their characteristics, let us view what being identified as a high potential might entail. A stream of research is focused on the subject of transparency connected to the formal identification of high potentials and the potential consequences of that might be (Ready et al (2010), Kotter (1995), Wright et al. (2001), etc.). Ready et al. (2010) found that there is a trend towards increasing transparency in informing high potentials that they are indeed considered high potentials, and furthermore that organizations increasingly see that high potentials serve as a strategic resource and competitive edge in the dynamic business environment organizations increasingly find themselves in nowadays, much in line with the view of Kotter (1995) and Wright et al. (2001) discussed above. Ready et al. (2010) mention one potential reason for this trend being that executives are tired of finding that promising individuals are exiting the organization because of the fact that no clear message had been communicated to these individuals about their importance to the firm, accompanied with a clear plan regarding their development towards a leadership position in the future.

Building on this discussion, let us examine a research conducted by Campbell and Smith (2010) conducted for the Center for Creative Leadership focused on talent management practices through the eyes of high potentials. Campbell and Smith (2010) noted that out of 199 participants in their

survey of leaders attending the organization's development program, 77% of the respondents placed a high degree of importance on being formally identified as high potentials in their organization. Further, a particularly striking finding of Campbell and Smith (2010) is that only 14% of formally identified high potentials were in the process of looking for employment elsewhere, whereas this percentage more than doubled to 33% for employees who had informally been identified as high potentials. Thus, seemingly, a high focus on transparency in terms of formally identifying high potentials should have a positive impact according to this finding. Continuing on these implications, Campbell and Smith (2010) found that formally identified high potentials felt good about their status, helped develop others and expected more development, support and investment.

However, formally identifying high potentials and making this information readily available to all employees is not as clear cut as it might seem initially as several researchers have pointed out. Campbell and Smith's (2010) results also suggested that albeit having several positive implications, merely being identified as a high potential without further commitment from the companies' side can yield a net negative result. A complementary action is needed, such as allocating high potentials special assignments, training, mentoring and coaching from senior leaders. Furthermore, presenting high potentials with a clear career path is critical to ensure commitment and engagement, as suggested by Ready et al. (2010) and further echoed by Campbell and Smith (2010). A potential downside of being identified as a high potential may, according to Campbell and Smith (2010), be that these individuals may experience increased pressure, or even anxiety, around the perceived higher expectations related to the nomination. This increased pressure can subsequently translate into frustration if the organizations' intentions are unclear (Ready et al. (2010), Campbell and Smith (2010)).

Lastly, Campbell and Smith (2010) note that 77% of the respondents rated the importance of being formally recognized as high potential as extremely important, which arguably suggest that the degree of transparency and formality an organization uses in this endeavor has a significant impact on the talent pool it possesses.

2.5. Talent management for high-potential leaders

2.5.1. Definition

According to Stahl et al. (2012), *"one of the biggest challenge facing companies all over the world is building and sustaining a strong talent pipeline"*. As a consequence of increasingly global market, changes in the preferences of upcoming generations and tougher competition for talented individuals, the paper suggest that effective firms need to be vigilant in maintaining a strong talent management pipeline that complements the strategic vision made by the firm. Ready and Conger (2003) note that

although high importance has been put on companies' ability to have strong leaders, multiple companies have had to look outside the company to recruit people with sufficient leadership capabilities, bearing much higher costs than internal hire would have. This, according to Ready and Conger (2003), further stresses the importance of maintaining a strong leadership pipeline within the organization, as having competent leaders in strategically important positions furthers the company's ability to achieve results and, according to Heinen and O'Neill (2004) serves as a competitive advantage in a sustainable manner as it cannot easily be replicated. Specifically, Heinen and O'Neill (2004) note that this entails focusing specifically on how the organization attracts, develops, manages and rewards its potential future leaders. Thus, as stated in research conducted by McDonnell et al. (2010), organizations that do not focus on leadership development through effective talent management will be ultimately fall short against their competitors in the long-run. The following discussion aims to bring light to what scholars deem important factors in building leaders for the future and, consequently, yield sustainable competitive advantage for long-term success.

2.5.2. Principles for successful talent management

A large body of research has been devoted to the issue of talent management and leadership development (Stahl et al. (2012), Heinen and O'Neill (2004); Fulmer, Gibbs and Goldsmith (2000), etc.). The following discussion will be guided by the findings of Stahl et al. (2012), who researched 33 multinational companies operating across continents, specifically focusing on 18 companies in depth, examining the talent management practices implemented in the respective companies. Bringing considerable credibility to the research, all companies studied had been nominated as superior performers in the context of business performance and reputation as attractive employers (Stahl et al., 2012). Despite the inevitable variability in the companies' operations, Stahl et al. (2012) found six distinctive principles deemed favorable in the context of successful implementation of talent management performed, which are described below.

Alignment with strategy

Firstly, Stahl et al. (2012) found that talent management efforts need to be closely linked with the strategic position made by companies that seek success. Echoing this statement, Heinen and O'Neill (2004) found that when talent management practices are aligned with organizations' strategy, they allow companies to reach superior benefits. On the other hand, their paper suggests that companies that do not coordinate their talent management efforts with their respective strategic endeavors it

can render the capabilities being promoted fruitless in terms of achieving desirable results in a sustainable manner. Specifically, Heinen and O'Neill (2004) note that a consequence of misalignment of business strategy and talent management practices can result in lack of clarity in terms of desired capabilities and the accountability of building said capabilities, rewards and compensation that do not promote commitment and retention as well as ineffective development processes and tools that aim to drive the companies' results. Lastly, Heinen and O'Neill (2004) suggest that talent management processes should not be static, stressing the continuous reviewing of the development activities in order to ensure alignment with business strategy which, arguably, rarely remains static at outperforming organizations.

Internal consistency

Secondly, Stahl et al. (2012) suggest that organizations that pursue developing high-potential employees to become valuable source of competitive advantage in the future should ensure that all internal factors relating to their development work in cohesion towards that very goal. Specifically, a company that emphasizes high-potential development and training should additionally ensure a reinforcing synergy between development and other stages of the talent management pipeline such as retaining, managing, reviewing and appropriately rewarding high-potentials. Building on this discussion, in its white paper on the strategic talent management of high-potentials, Korn-Ferry (2013) suggest that if companies fail to intertwine different development activities with each other they tend to have different owners who, in turn, may have different preferences – thereby yielding results that may not be aligned with the overarching desired outcome of the organization as a whole. This view is furthermore in cohesion with the sentiment expressed in Fulmer, Gibbs, and Goldsmith (2000) on leadership development, which stresses the alignment of leadership development with other development activities such as assessment, feedback, coaching and succession planning. Furthermore, Conger and Benjamin (1999) note that oftentimes managers attribute their leadership development and capabilities mostly to a strong relationship with their superiors and having worked on demanding challenges, despite their companies offering extensive leadership development processes, concluding that organizations who fail to align the different activities of their talent management programs will not reap the potential benefits of said programs.

Cultural embeddedness

Thirdly, Stahl et al. (2012) note that organizations that have successful talent management systems emphasize the importance of diffusing a corporate culture, which stems from the stated values and vision of the company, throughout all stages of the process with the purpose of building a strong fit between the company and its employees. Stahl et al. (2012) found that successful companies increasingly prioritized finding talented individuals who portray values that are in line with its organizational culture, noting that building an individual's appropriate skills required for successful implementation of a role can more easily be developed than affecting employees' personal values. This is in line with Fernández-Aráoz's et al. (2011) findings, who ranked leadership attributes based on the difficulty of development – deeming motivation and personal leadership competences the most difficult to affect from the organizations' side. Further, Stahl et al. (2012) noted that several companies studied had processes in place which aim to continuously build a common understanding of the organizational culture, allowing the company to better understand the needs of the upcoming talent, and ensuring that all processes within the talent management pipeline are in sync. Lastly, focusing on talent management emerging markets, Ready, Hill, and Conger (2008) found that high-potentials in such countries especially prioritize organizational culture that is in line with their values, feels genuine, and prioritizes results that go beyond financial metrics, such as having a positive social impact in the country they operate in.

Management involvement

The fourth principle deemed critical for successful talent management, according to the research conducted by Stahl et al. (2012) is that talent management should not only be the concern of human resource departments but also prioritized by top executives and middle managers in strategically important positions. By doing so, succession planning is prioritized on all levels in the company, enabling a consensus between all employees suggesting that succession planning is relevant for all employees regardless of their current position in the organization. By doing so, Stahl et al. (2012) found that companies are better able to produce competent leaders in the long-term, as all functions of the company collaborate to develop high-potentials who are well-equipped to handle greater responsibility. Furthermore, Ready and Conger (2003) suggests that assigning leadership-development to a single person or entity is dangerous as various factors can affect the outcome of such arrangement. As an example, a human resource division might not be completely in sync with the strategic vision of top executives who, on the other hand, might act in their own interest and retain high-potentials within their entity at the expense of their development through exposure in other sectors of the operation.

On the other side of the coin, Stahl et al. (2012) note that high-potentials should be vigilant in honing their skills, broadening their horizon of the company's operations and seeking development in various ways, such as participating in challenging projects, change positions and engaging with and learning from their superiors. This is in line with Ready and Conger (2003), who noted that individuals should take advantage of the resources provided by their organization, ask for comments on their performance and strive for outstanding results in order to further their career when the opportunity presents itself. However, Ready and Conger (2003) note that these efforts are in vain if the organizations' talent management systems do not effectively connect high-potentials with appropriate competences with career opportunities present. This was deemed especially true in large organizations where the employee does not have sufficient access to information on the career opportunities available.

Balancing global and local needs

According to Stahl et al. (2012), effectively balancing the needs of the market in which multinational companies operate while simultaneously conforming with the organizations' overarching talent management practices can be especially difficult. According to their study, multinational companies either prioritized a high level of standardization centrally determined across all entities of the operation or, conversely, allowed local entities to have greater degree of freedom in order to address the specific needs of the market in which they operate. Allegedly, the type of product or services provided by the companies affected the approach pursued. Further, Stahl et al. (2012) noted that a dynamic model where centralized talent management practices in conjunction with some degree of freedom at local level is increasingly favored, in order to benefit from deep talent pool consistent with local needs while simultaneously utilizing the opportunities stemming from global presence. This is in agreement with the findings of Fernández-Aráoz et al. (2011), who noted that companies with operations in emerging markets need to utilize their multinational footprint to attract high-potential employees who can benefit the company in the market in which they operate, while stressing the importance of cross-cultural learnings and opportunities to move across business units locally and internationally as part of a holistic development process. Lastly, focusing on the development of global leaders, Caligiuri (2006) stressed the importance of multinational companies' ability to develop high-potentials who have diverse competences which allow them to address local needs as well as functioning in a work environment that has global scope.

Employer branding through differentiation

The sixth and final principle promoted by Stahl et al. (2012) is the importance of companies' ability to effectively differentiate from their competitors through branding. This, allegedly, increases the companies' ability to attract talented individuals who have skills and aspirations that are in line with the stated vision of the organization. This point is further underpinned by Ready et al. (2008), who noted that high-potentials in emerging countries especially take note of companies' brand while assessing their attractiveness as a future employer. This, reportedly, includes an organization's ability to signal international presence and the career advancement associated with it. Stahl et al. (2012) noted that successful multinational companies signal attaining talented individuals as top priority and, simultaneously, that the global presence of the company can offer significant development opportunities for high-potentials.

2.5.3. Attracting and selecting HPs

According to Heinen and O'Neill (2004), a key question all successful companies needs to ask themselves is what capabilities are deemed important for the successful implementation of the strategic position made by the company. Echoing this statement, Oracle's (2012) seven steps for effective leadership development suggest that organizations need to identify *leadership gaps*, that is, the capabilities required by the company to be successful in the marketplace in the future and, simultaneously, identify the current capabilities embodied in the talent pool of the company. By doing so, companies can effectively seek the right people with the right capabilities in line with the assessment made previously. Building on the six principles provided by Stahl et al. (2012), companies that successfully combine their attempts to attract talent with their current strategy, ensure that the talent's personal values align with the company culture and maintain an attractive proposition related to their brand will be favorably positioned to attract individuals that have advantageous capabilities related to the organization's internal configuration and market ambitions. Echoing this statement, Caliguri (2006) notes that personality traits cannot easily be imitated and, therefore, high-potential candidates that possess favorable characteristics related to the company's ambitions and organizational culture. Building on that sentiment, Fernández-Aráoz et al. (2011) note that multinational companies that have ambition to grow in emerging markets need to prioritize people that can easily adjust to dynamic and unpredictable business environment, and have ambition to advance in a company with a global footprint.

2.5.4. Leadership development and training

Stahl et al. (2012) note that companies that are successful in leveraging their pool of talent apply significant resources in developing their high-potentials in all steps of the talent management pipeline. The companies studied have processes in place that ensure that development efforts are in sync with the overarching strategy of the organization, are interconnected, are endorsed throughout the company from top executive level to human resource departments and middle managers, and cater to the needs of the company. The studied companies had processes in place to identify leadership gaps, ensure consistency through periodic review and appraisals. Fernández-Aráoz et al. (2011) found that appraisals can be beneficial in the selection process of high-potentials viable for open positions, but need to be complemented with supervisor's input and other relevant subjective information. During appraisal sessions, high-potentials can better understand the future needs of the company in terms of capabilities, as well as identifying the key areas needed for them to develop in order to be considered for leadership positions. On this subject, Ready and Conger (2003) - who studied the potential reasons for unsuccessful leadership development efforts - notes that the measurements of development initiative's success should be carefully chosen and relate to the organization's ability to produce effective leaders as opposed to the number of persons participating in such programs or the unit-cost of sending an employee through training. As noted in Oracle's (2012) suggestions, a comprehensive plan needs to be in place aimed at further developing their capabilities in line with the organization's aspirations. It is suggested that the development process should include formal learning mechanisms, such as leadership training in a classroom setting, in combination with non-traditional learning activities, such as working on challenging assignments, job rotation and being allowed to lead projects. This is further stressed by Fulmer, Stumpf, and Bleak (2009), who noted that well-defined education program for high-potentials needs to be in place, and aligned with issues corresponding to immediate and future needs of the company, as well as incorporating top executives in meeting with and assessing high-potentials.

As stated in Heinen & O'Neill's (2004) paper, high-potentials shine when they are allowed to work on demanding projects that allow them to learn faster and attain competences that help them get promoted within the company with greater responsibility. McCall (2004) argues that a key factor is learning through experience, and more specifically, what kind of experience is the most prominent in the development process.

“The primary source of learning to lead, to the extent that leadership can be learned, is experience”
(McCall, 2004)

Interaction with challenging situations in terms of communication will, according to McCall (2004) yield development that will be highly personal depending on the individual – meaning that different people will benefit differently from similar experiences. Building on that notion, McCall (2004) stresses the importance of giving the right kind of experience to the right set of people. Thus, the problem of developing high potentials through experience becomes dependent on the people who are in charge of delegating challenges and, as McCall (2004) points out, a supplementary challenge that is often overlooked is that the people who have demonstrated ability to solve a particular set of problems or challenges are often put in charge of the same kinds of challenges. These people, however, are not the ones who would benefit the most from being put in charge of the task, but rather the ones that have not shown the ability to do so and do not have a pre-existing understanding of what the problem entails (2004).

Concluding, there does not seem to exist one correct checklist and homogeneous solution for the right training for all high-potential individuals at successful organizations. However, researchers have identified that being put in situations that are highly challenging, such as the ones described above, can, given the right conditions and support, yield an experience that hones leadership skills on many levels. These challenges are heavily determined by the business strategy of the organization in question, which suggests what leadership development is needed, and therefore must be considered while delegating challenges that are supposed to yield specific learnings.

2.5.5. Mentorship and coaching

Fulmer et al. (2009) note that a beneficial way successful companies utilize in developing high-potential individuals is to promote mentorship relationships between high-potential individuals and senior managers. By doing so, high-potentials can learn from individuals who have substantial experience in the field. This is echoed by Fernández-Aráoz et al. (2011) who suggest that involving people that currently hold leadership positions as teachers can prove beneficial for high-potentials, not only to develop leadership skills through teaching but also as the relationship provides high-potentials the opportunity to network with higher-ranked people and gain further visibility within the company. Lastly, Fernández-Aráoz et al. (2011) note that successful leaders can serve as beneficial role-models for upcoming talent. However, revisiting Ready and Conger (2003) on the potential pitfalls of leadership development efforts, it is noted that overreliance on mentorship relationships in leadership development efforts can provide mentors who oversee their subordinates' development with too much power of their progress, which can in some situations be with odds with the overarching goals of the organization as a whole.

2.6. Retention of high-potentials

Fernández-Aráoz et al. (2011) notes that one of the most critical issues facing multinational is retaining their most valuable individuals, especially in emerging markets where the supply of top talent is scarce compared to developed countries. The paper brings forth an issue discussed above in this paper, namely whether or not to make it publicly known who is considered a high-potential. As noted in several papers on this issue (e.g. Fernández-Aráoz et al. (2011), Stahl et al. (2012), Fulmer et al. (2009), Campbell and Smith (2010)) companies can opt to formally nominate high-potentials or attempt to provide all employees with similar opportunities in terms of training and development. On the subject of retaining high-potentials, Campbell and Smith (2010) note that employees who are aware of being considered high-potentials consider themselves as potential future leaders critical for the long-term success of the company. This, allegedly, entrenches a connection between the high-potential employees and the organization. However, as discussed in a previous chapter, the recognition as a high-potential needs to be accompanied with a clear development path or otherwise the organization risks discontentment with the nominees. It is also noted that formal recognition, as opposed to informal recognition, of high-potentials is more likely to mitigate top talent to seek opportunities elsewhere (Campbell & Smith, 2010). As noted by Oracle (2012), career planning shouldn't merely be considered the responsibility of employees themselves, but seen as a critical part of retention from the organizations' view. Conger and Fulmer (2003) note that companies need to ensure that high-potentials have several opportunities to grow, underpinning the abovementioned emphasis on providing high-potentials with a meaningful development process, challenges aimed at nurturing leadership capabilities and encourage mentorship relationships and coaching sessions between high-potentials and top executives or outside specialists (Fulmer et al., 2009). Lastly, as well as having a clear roadmap in terms of development and career opportunities, succession planning is seen critical in retaining high-potentials, as noted by several scholars (Fulmer et al. (2009), Fulmer et al. (2000), Conger and Fulmer (2003), Ready and Conger (2003)). That is, identifying individuals who are considered having the capabilities (or the potential to develop needed capabilities) to replace individuals in important, often leadership, positions. Some of the stated benefits of having a clear succession plan in place are being able to mitigate any ambiguity accompanied with the company's long-term vision and encouraging high-potentials to pursue development (Oracle, 2012). This is echoed by McDonnell et al. (2010), who noted that studied MNCs focused heavily on talent development but disregarded the importance of succession planning, were not strategically identifying high-potentials for future positions, and therefore the development efforts were not optimized as they lacked focus on the organizations' long-term vision. Lastly, albeit financial incentives are seen as important for high-potential retention, they should not be excessive and only work in combination with the

abovementioned factors such as internal motivation linked with recognition, having a clear development-path, demanding challenges and work-life balance (Stahl et al. (2012), Fernández-Arároz et al. (2011)). Further, Fernández-Arároz et al. (2011) note that overly compensating identified high-potentials might demotivate people who are not on the list of high-potentials, but are also critical for the overall operation and might potentially end up on the list at a later point in time. Lastly, Fernández-Arároz et al. (2011) stress that especially in emerging markets people put high emphasis on companies' culture, how it fits with their values, as well as their relationship with colleagues.

3. Method

3.1. Definitions

During the research, the term Multinational Company (MNC) was used to describe a corporation of Swedish origin with offices and manufacturing presence in multiple countries, including Mexico.

Additionally, Top Executive (TE) in the study indicates a person who currently holds a leading position at one of the MNCs' facilities in Mexico. For instance, those positions include CEOs, Country Managers, General Managers, Vice Presidents and Directors.

Finally, the term High Potential (HP) in the report represents young lower-level employees, internally assessed and hand-picked by each MNC's Mexican management team, as the people who are expected to become future leaders at their respective company. No prerequisites were on the HPs' current positions in terms of leadership or people management. Therefore, the group of HPs was diverse, ranging from specialists, project managers and business analysts to key account managers, team leaders and divisional managers.

3.2. Research Strategy and Design

The research strategy in this study emphasizes on qualitative data rather than quantitative. The main differences between the two strategies are that while quantitative research can be described as a linear path from theory to conclusion, qualitative research is not associated with any clear set of linear steps, and focuses on words rather than numbers, which leaves more space for interpretation, with theories and concepts rather seen as outcomes of the research process (Bryman and Bell, 2011).

Furthermore, the qualitative approach was favored for this research in order to be able to see the things through the participants' eyes, or as Bryman and Bell (2011) elaborate, the qualitative researchers seeks close involvement with the people being studied so that they can genuinely understand the world through their eyes, because what these people see as important and significant provides the study's point of orientation.

Additionally, this research follows a comparative design, which, according to Bryman and Bell (2011), uses more or less identical methods researching different cases, enabling cross-cultural comparison between organizations, nations and people, in the context of either quantitative or qualitative research, applying a cross-sectional design, which includes the collection of data on multiple variables, then studies to detect patterns of association. As this study is associated with a larger research, which relies both on quantitative and qualitative data, this research design was highly applicable for that

respective study. Furthermore, as Bryman and Bell (2011) elaborate, qualitative research often involves a form of cross-sectional design, typically when employing semi-structured interviews, as was done in this study in order to collect and compare empirical data seeking similarities or contrasts within the data. Therefore, a cross-sectional design was seen as an ideal method to carry out the quantitative literature review in parallel will help the research to understand why processes were structured this way, and how they came to the conclusion to have it as it is today.

3.3. Theory Collection

A comprehensive literature review was carried out by the researchers beforehand, in order to identify what is already known in the area of strategy, leadership, talent management and leadership development. Furthermore, in order to get an extensive understanding of the Mexican culture and the country's economic landscape, a literature review was also conducted on those specific subjects. Literature included both published articles and books, and initial aim of the review was to acquire knowledge beforehand in order to compare the empirical data with. However, as the research was carried out, new subjects emerged from the interviews conducted, which required further literature review. Therefore, the literature review was an ongoing process throughout the research, as Bryman and Bell (2011) support when declaring that one might want to make substantial revision of the provisional review, and finding other similar results through literature can be helpful in comparison to your results, and can be used as a benchmark if results are already known.

3.4. Interviews

All empirical data used in the research was obtained from interviewing TEs and HPs at MNCs, and as Bryman and Bell (2011) remark, the emphasis in qualitative research is on the interviewee's own perspectives, hence the interview approach tends to be much less structured in qualitative research, giving flexibility and freedom to depart significantly from any schedule, and can even encourage rambling as it gives insight into what the interviewee sees as important, as the researcher wants rich and detailed answers.

However, for the sake of analysis and utilization of the comparative design, the interview methods in this research needed to be limited with some boundaries rather than being fully unstructured. Therefore, the semi-structured interview method was favored, described by Bryman and Bell (2011) as when the researchers have a list of questions fairly related to the topics they want to cover, referred to as an interview guide, with much flexibility for the interviewee on how to reply. As the study was

done in collaboration with three more research teams conducting similar researches simultaneously elsewhere in the world, all teams came together previously, and collectively constructed two separate interview guides; one for TEs and another for HPs, which the teams would use as a basis for their respective interviews. The interview guide can be viewed in the Appendix chapter in the back of this paper.

The process of selecting companies and contacting interviewees was a challenging one due to geographical distances and language barriers. Firstly, in order to set some sort of parameters with regards to the companies to be researched, the collaborating teams decided to limit the scope to Swedish MNCs with significant presence in all four of the countries where the researches were to take place. Consequently, in cooperation with the other research teams, multiple MNCs were contacted through their Swedish headquarters in order to receive contact information for their international offices, including the ones in Mexico. Subsequently, these offices would receive a contact letter by e-mail describing the study, and providing background on the researchers, with a proposal to participate in the research. However, response rate was very low at first, prompting the researchers to follow up with a phone call, which provided much better results. A few MNCs were not able to participate in such a study at the time due to restructuring at the respective companies. Finally, five MNCs turned out to be eager to participate in the research, with each one of them allocating a contact person to assist the researchers with the arrangements.

Furthermore, in collaboration with their respective TEs, each contact person composed a list of employees in accordance with the research's definition of TEs and HPs, with 1-3 TEs and 3-10 HPs at each company. In collaboration with the researchers, interviewing timeslots for were booked with all participants, and contact was established between researchers and participants. Subsequently, the researchers spent March and April 2014 in Mexico City, interviewing participants for the first five weeks, followed up with transcribing the interviews, and conducting further research work, as well as exploring the Mexican culture.

All interviews were conducted face-to-face in English at each MNC's respective facilities in Mexico City. Each interview lasted for approximately one hour, and was recorded and later transcribed, since the interviewers did not want to focus too much on taking notes, but rather listen carefully to the interviewees, show interest, come up with follow-up questions and make them feel more as if they were having a conversation. Also, Bryman and Bell (2011) point out that interviewers should not be distracted by taking down notes, and should not only be interested in what people say, but also how they say it. Further, in order for interviewees not to feel to self-conscious with being recorded, the first question in the interview guide was a general one, where the interviewees were asked to speak a bit

about their background. Usually, after giving an answer to this first question, the interviewees were notably more at ease, and even seemed to have forgotten there was a recording device in front of them.

3.5. Ethical Considerations

In order to prevent obtaining unnaturally prepared or rehearsed responses during the interviews, the interviewees did not receive the interview guides beforehand. However, they all received an introduction on the study and subjects that would be covered during the interviews, thereby setting their mind-sets on the subject at hand, and making them conscious on what would be discussed so that there would be no uncomfortable surprises during the interviews. In this way, two important ethical areas were covered.

These ethical areas are deception and lack of informed consent, which according to Bryman and Bell (2011) are two of the four main ethical areas along with invasion of privacy and harm to participants. The two latter areas likewise needed to be considered in order to get into honest and open conversations during, also since the interviewees needed to feel comfortable speaking freely about subjects that could harm them professionally in the case of interview data not being kept confidential. Therefore, before each interview, the interviewees were asked for consent for recording the interviews, and a confidentiality agreement was verbally established, where interviewees were ensured that no data could be traced back to them directly, that all recordings would be deleted after transcription, and finally that the researchers would be the only ones with access to the transcriptions. Furthermore, in order to guarantee no information could be traced back to the participants, the MNCs and all interviewees have been assigned aliases, listed in a special decoding file, which only the researchers have access to. These aliases can be seen in table 1, and will be used in the thesis from here on.

Company	High Potentials	Top Executives
Condesa	Alejandro Torres Jesús Sánchez Margarita Pérez María Martínez Verónica Flores	José López Juan Rodríguez Juana Ramírez
Roma Norte	Arturo Aguilar Enrique Vargas Sergio Muños Silvia Fernández Yolanda Méndez	Bruno Peña Héctor Delgado Iván Vasquez
Santa Fé	Alicia Romero Antonio Ortega Diego Castro Luis Garza Rafael Jiménez Raúl Herrera Teresa Medina	Martín Moreno
Polanco	Alejandra Morales Daniel Reyes Fernando Ortiz Francisco González Gabriela Cruz Jorge Gutiérrez Manuel Gómez Pedro Rivera Ricardo Díaz Roberto Chávez	Carlos Ruiz David García Patricia Ramos
Reforma	Javier Mendoza Miguel Vasquez Rosa Castillo	Antonio Hernández Eduardo Álvarez

Table 1 - Company and Interviewees Aliases

3.6. Trustworthiness

In a research of this nature, the trustworthiness of the results has to be considered and evaluated. Trustworthiness can be evaluated through four different criteria, which are credibility, transferability, dependability and conformability.

Credibility ensures that the researchers have correctly understood the social world studied (Bryman and Bell, 2011). For this research, interviews were conducted in 5 different MNCs, with 43 participants

from multiple kinds of positions, various nationalities and with diverse backgrounds, which helps prevent uniformity, and therefore increasing the credibility of the data sources used in the research.

Transferability refers to whether the research findings hold in some other context or at some other time (Bryman and Bell, 2011). As the research was conducted in 2014 at Swedish multinational companies in the fast growing economy of Mexico, the results should not be generalized for MNCs of different backgrounds, in other countries or at a different time. However, for the sake of transferability, a minimum of three TEs and three HPs were interviewed at each of the five MNCs.

Dependability applies to the traceability of the study, that is how easily the work can be followed and traced through all steps of the research, including theoretical work, interview transcripts and data analysis (Bryman and Bell, 2011). During the course of research, all reviewed literature was stored, theory documented when used, notes and drafts sent to the research supervisor for feedback, and all transcripts along with decoding list for the supervisor to inspect if desired.

Conformability refers to acting in good faith and approaching the research with as much objectivity as possible, disallowing personal values or theoretical inclinations to influence the conduct of research or its results (Bryman and Bell, 2011). During the study, the researchers allowed themselves to add further theory to the thesis as findings from conducting the interviews steered them into new directions, showing that the researchers were not too influenced by the literature previously reviewed. Further, all interviews were transcribed exactly as they were recorded, which enabled the researchers to analyze the data over time, preventing any sort of temporary mind-sets influencing the analysis.

4. Empirical findings

In this chapter the empirical findings, derived from semi-structured interviews will be presented in a systematic manner. The interviewees were prompted with a set of questions on their view of leadership, the role of high potentials and their development towards being able to handle the current and future challenges their company faces. Further, interviewees at the examined companies were asked about the key perceived future challenges internally and externally. Lastly, interviewees were asked questions about how leadership development at their respective companies might be aligned with its business strategy.

This was done in order to gain information used to answer the research questions put forth in this paper from the perspective of high potential leaders and top executives working at the Swedish multinational companies examined. The empirical findings from the semi-structured interviews would furthermore serve as basis to identify interesting challenges related to the topic of leadership, leadership development, business strategy and its potential link with said development of high potentials.

4.1. Leadership

In the first section, findings from the semi-structured interviews on effective leaders' characteristics, their responsibilities and challenges from the viewpoint of top executives and high potentials are discovered.

4.1.1. Characteristics of a good leader

When asked about the characteristics a good leader should have, high potentials seemed to agree on several aspects that they deem vital in a leader. Many traits of a good leader were brought up, however, the most cited beneficial characteristics interviewees used to describe a good leader were the following:

Strong communication skills were one of the most cited characteristics among the interviewees on those valuable for a good leader. One stated benefit of strong communication skills was having successful interaction with the customer in order to gain valuable market knowledge, for example on potential competitors, as noted by a TE at Polanco:

“They have to have good skill in communication with the customers, with the dealers, and to know what is happening in the market because when they are with the dealers, the customers always talk about the market, competitors etc.” – Patricia Ramos, Polanco, TE

However, strong communication skills were more often mentioned in the context of the internal operations of the studied companies – such as being beneficial for seamless information flow between personnel to upper management to aid informed decision-making, as noted by a HP at Polanco:

“The leader is on top and the information might be lower in the hierarchy – there are many layers. If the information doesn’t flow, then the person on top is making decisions with incorrect or insufficient information.” – Fernando Ortiz, Polanco, HP

This statement was echoed by a TE, also at Polanco, who stressed the importance of leaders having a humble approach to their subordinates and refrain from establishing a stressful atmosphere in which employees avoid decision-making and sharing ideas due to fear of making mistakes. A HP at Santa Fé agreed, stating:

“There has to be open communication. If my guys have a problem I want them to know that they are not alone and they won’t be punished. They learn by doing mistakes.” – Diego Castro, Santa Fé, HP

Continuing on that note, strong communication skills are beneficial to effectively share the company’s common vision or goal, ensuring that all employees concerned were working in the same direction. As noted by a top executive at Santa Fé:

“You have to be able to share a vision – where you want to go in the next 3-5 years – and to engage people to go for that specific vision. If you try to act as a manager, then you are just managing the people and taking a look at profits and losses, but not really looking into the future.” – Martín Moreno, Santa Fé, TE

Building on that point, a HP at Condesa noted that effectively communicating the reasons for company’s strategy, and why the employees are key to reaching the objectives, should be prioritized, as a good common understanding of the underlying drivers for said strategy, and their role in pursuing it, would keep people focused and content with the tasks at hand:

“The ability to organize people, but not because you’re ordering them to do something, but because you show them why it’s important and why they matter, and that way everybody runs in the same direction, and everybody should be happy.” – María Martínez, Condesa, HP

Continuing,

“I expect from myself is that things run smoothly because people are passionate about what they do. If they understand why the things they’re doing are important, then they’ll do them well. So, it’s important for me to transmit that to them. – María Martínez, Condesa, HP

On a similar note, drawing on comments from several interviewees, a beneficial characteristic of an effective leader can be summarized as being people-oriented. That is, someone who is not only skilled at communicating with people, but is genuinely interested in, builds relationships and trust with others, which, in a corporate setting, optimally leads to support from the employees and thereby increases the likelihood of successfully reaching the company’s strategic goals. High potentials at Polanco and Reforma made the following comments on the subject:

“The relationships are key. The connection you can make with people, in order for them to see what you want, is necessary.” – Gabriela Cruz, Polanco, HP

“It should be someone you can admire and learn from, not only in a professional way, but also in a personal way. It should someone who is able to tell you that he/she needs your support, and just because it is he/she, you say yes. That’s how a leader should be to me, and have a really strong relationship. “ – Rosa Castillo, Reforma, HP

Although this point was more often brought up by high potentials, there were top executives who agreed with the abovementioned statements and noted that a good leader should take note of how people were doing in their personal lives, support them regarding personal issues and remember birthdays and special days. This would, in turn, help people develop professionally:

“A good leader should really be taking care of how people are living their own lives, and look how you can support them regarding some personal aspects, which could help them, also to improve as good professionals and leaders later on.” – Antonio Hernández, Reforma, TE

Lastly, a frequently mentioned beneficial characteristic of a good leader was being able to lead by example, by portraying the characteristics and values the company expects from a leader, thereby building trust with other employees and setting a good example for high potential leaders. As noted by a top executive at Roma Norte:

“The key part, not really a challenge, is being an example. You need to lead by example. That means that you need to be aware that you are a leader, and people notice that. They look to you as an example.” – Héctor Delgado, Roma Norte, TE.

4.1.2. Responsibility of a good leader

According to the high potentials and top executives interviewed there are a number of expectations a good leader must live up to. Firstly, according to interviewees from both groups, a fundamental expectation of a good leader is to be able to deliver results in line with the company's objectives. A high potential at Condesa described it in the following way:

"The company expects is that I get things done and that the results are what they should be. So, if everything is running smoothly and there aren't any problems, and the KPI's are okay, they are happy."

– María Martínez, HP, Condesa

This comment is in line with statements made by several interviewees, who noted that their company expects that its objectives, be they financial, strategic or of other nature, should be attained successfully and that the focus on results is oftentimes higher than on the people who deliver the results, as explained by a top executive at Reforma:

"Nowadays it's more results-oriented rather than people-oriented to get results. I strongly believe you need the people to get to the results, so that's something I believe it's very important."

– Eduardo Álvarez, TE, Reforma

Another expectation of a good leader, stated by interviewees at the studied companies, is to effectively develop people for them to reach their highest potential possible and be ready to take on a leadership role. Several interviewees stressed the importance of developing their subordinates, and gave two critical reasons for doing so. Namely, for them to be able to focus on strategic thinking as opposed to dedicating all their efforts on managerial tasks, and secondly for them to be able to move to a different position, as a prerequisite for them to do so is to be able to identify a person who could take on their leadership role. The following statements by a top executive at Santa Fé were made in this context:

"If you have strong leaders reporting to you, then you have time to be strategic. If you don't have strong leaders around you, then you will be very busy on the operational side."

– Martín Moreno, Santa Fé, TE

Continuing,

"I try to challenge my organization by delegating tasks to my subordinates. Because if they aren't able to handle that, I cannot promote them! If you are not ready to have a successor, then you are not ready to be promoted! This is the big question. Are you ready to be promoted? Ok, that's fine – but who is your successor?" - Martín Moreno, Santa Fé, TE

This reasoning was further echoed by a high potential at Polanco, when prompted about the responsibility of a good leader:

“To identify the next generation to take my place. I’ve already identified 2-3 guys in my team, and started looking into what they need, to be able to take my place.” – Ricardo Díaz, Polanco, HP

Lastly, one of the key responsibilities and expectation of an effective leader communicated by several interviewees was firstly being able to understand and bring clarity and effectively communicate the company’s vision and strategy, and secondly assigning ownership of appropriate objectives pertaining to the vision and strategy to one’s subordinates. The second aspect is line with the characteristics a good leader should possess as discussed in the previous chapter relating to strong communication skills. Relating to the first aspect, that is having understanding the company’s vision and strategy, a high potential at Polanco had this to say:

“To discuss this holistic vision, know everything, and have the big picture. A leader should understand the complete business and share the ideas.” – Ricardo Díaz, Polanco, HP

A potential problem that might occur at a large company with operations in different locations domestically and internationally, according to a high potential also at Polanco, was that leaders might have different view on how to move forward and therefore the company might not be moving in the correct direction as a whole:

“We are not working as a whole unit. Or at least, the vision of each area here in Mexico is not exactly the same. You’ve got to widen the vision of the leaders so they can communicate it to the people. The speech doesn’t match the execution oftentimes.” – Roberto Chávez, Polanco, HP

4.1.3. Leadership challenges

As for the challenges of being a leader, interviewees at the studied companies commented several aspects, the most often cited being people management and the importance of ensuring that employees have a good balance between their personal and professional life. Starting with people management, two critical aspects in managing individuals with different personalities and background was to motivate them, and secondly to ensure that the team is working at peak performance with ultimate synergy effects. As noted by a top executive interviewee:

“This is like a soccer team. If you have a soccer team you want to have a great team, and for that you need the strongest individuals in each position. If you don’t have that, it is difficult to have a great

team. That means that each business in Santa Fé should be really strong, and then we need to build the team spirit on top of that.” – Martín Moreno, Santa Fé, TE

Other challenges mentioned were being able to manage frequent organizational changes and how to ensure that although the state of the business environment in which the company operates sometimes requires changes to align the company, the employees do not become overly worried and demotivated:

“I need to avoid reflecting those worries (about organizational changes) I might have with the rest of the people. They will have a lot of questions and doubts, but I need to be able to tell them not to worry and to focus on their work. It’s another challenge for me as a leader.” – Miguel Vasquez, Reforma, HP

Further, being aware of the state business environment and its intricacies, and building a strategy that allows the company to seize the opportunities in the market was deemed an ever-present challenge, according to several interviewees:

“The biggest challenge is always to be clear on what’s happening in the market and with the consumers, and try to take good decisions related to that.” – Juan Rodríguez, Condesa, TE

Summarizing some of the abovementioned challenges of being a leader, a high potential at Santa Fé described the process that he had gone through in the following way:

“[...] I had to build the team and bring in new people and define a strategy about where to be in four years and perform to reach those [organizational] goals and deliver results in terms of financial and growth. We have grown a lot and I have learned a lot. I have defined my own strategy with the support of a lot of people and learned what works in certain situations.” – Diego Castro, Santa Fé, HP

To conclude, the interaction between organizational goals related to the needs of the market, and aligning those with effective team-building and people management was deemed as the most important challenges of being a leader.

4.2. High potentials

4.2.1. Perception of a high potential

From the viewpoint of top executives at the companies studied in this paper, people who are categorized as high potentials possess certain characteristics and transmit ambition towards a high responsibility role within the organization. According to several TE interviewees, a fundamental characteristic a high potential must possess is self-drive. That is, people whose ambition comes from within and who show willingness to deliver outstanding results, and even do more than what is asked

from them in their efforts to seek more responsibility and visibility within the company. These are proactive individuals who seek ways to provide value for the company, even though it may not be a part of their formal job description.

“I think that when you are talking about high potentials, it’s people who are not only thinking about doing their jobs. They are looking for other things they can do to demonstrate their talent and continue growing.” – Antonio Hernández, Reforma, TE

High potentials are interested in knowing more about the company in order to be able to make informed decisions and broaden their horizon in terms of the company’s operations. Further, although recognizing that a competitive salary must be present for a high potential to have sufficient motivation for their efforts within the company (further elaborated on in section 1.4: *High potential retention*), that mustn’t be the sole driver for one’s ambition to seek further responsibility and development as noted by a TE at Roma Norte:

“Attitude is one important thing, that they have the right attitude. They need to have the right mindset and not just be working for money. They need to be working to develop themselves and the company and to increase the relationship with the different areas here and the customers.” – Bruno Peña, Roma Norte, TE

Continuing from the viewpoint of top executives, high potentials are people who have good communication and networking skills and thus are able to engage with both their colleagues and customers in their efforts to deliver high quality results. Some aspects that top executives mentioned they seek for in a high potential individual are their willingness to share information with their team in order to get the best results and helping people around them to become more valuable for the organization which, in turn, shows leadership skills:

“When you start noticing that a person is really supporting other people, leading them and telling them what to do, or how to do things, then you can easily recognize that those are potential leaders, especially if they have good performances on top of that.” – Antonio Hernández, Reforma, TE

Further, albeit the abovementioned characteristics and drive may be in place, a prerequisite for an individual to be considered a high potential would be their ability to deliver results in, oftentimes, challenging circumstances. The ability to deliver results can however, in turn, not be the sole qualification to be considered a high potential as the abovementioned characteristics should also be in place, according to a TE at Reforma, who advocated for working closely with people to identify their true leadership potential:

“To be able to see that high potential, I think you need to work very closely with people, otherwise you’ll never see that high potential. You might see it from results, but the numbers won’t tell you what is inside the person. You could have very good numbers, but you mightn’t necessarily be a good people’s person or a leader.” – Eduardo Álvarez, Reforma, TE

Shifting the focus on the high potentials themselves, as identified by the studied companies, HPs were asked where their motivation stems from in their work for the organization. This was done in order to provide insight from both sides of the table and allow for comparison between the two different sides, which might draw forth confirmation on the statements provided by TEs as well as identifying potential misalignment between the perspectives of the two groups.

When prompted by the question of what motivates high potentials in their work, the answers from HPs can be classified in three categories, namely:

1. Seek to make impact
2. Pursue career development
3. Provide for the family

The high potentials at the studied companies seemed to agree that a large motivational factor in their efforts is to challenge the status quo, and thereby make an impact within the organization. As stated by several high potentials, being able to have a saying and visible impact on the company can be beneficial both by allowing for more responsibility and also serves as an intrinsic satisfaction by seeing the fruit of one’s labor:

“I like to see the impact I have on things. It’s always rewarding to see how your work, your opinions and ideas drive change.” – María Martínez, Condesa, HP

Further, high potentials seemed to pursue further development within the company, which serves as a motivational factor in their efforts. According to several high potential interviewees, this could be done by increasing their value to the company by continue learning about the different aspects of the company’s operations, moving between divisions and taking on demanding projects. A HP at Reforma noted that, albeit having ambition for moving up in the company, one should focus on delivering good results and try to cease the opportunity of pursuing a promotion when it presents itself:

“I’m not thinking if I will have a new position tomorrow. I’m just thinking that I have to do my best today, and when a new opportunity appears, I will try to take it. I’m trying to measure my skills, and I have a vision.” – Javier Mendoza, Reforma, HP

Although high potentials noted that their motivation was to seek responsibility, having an impact on the company and moving up in the company, many noted that a fundamental motivational factor was to be able provide for their family and therefore monetary recognition in the form of competitive salary is important. However, many high potentials noted that this is not the primary motivational factor, but a necessary aspect of being able to maximize their efforts in their professional development, as the following quote from a high potential at Santa Fé encapsulates:

“Money is a factor, because it keeps food on my family’s table. But it is not the most important. It is good to have money because if you are happy with that aspect, your work can be a priority.” – Luis Garza, Santa Fé, HP

4.2.2. Transparent nomination of high potentials

At the companies studied in this paper, two different approaches were practiced in terms of the nomination of high potentials according to the interviewees. On one hand, interviewees noted that in their respective company the ones who are considered high potentials are in one way or other notified of being considered such. On the other hand, some companies did not formally nominate high potentials, but rather informally identified these people in various ways.

Starting with interviewees who noted that the company formally identifies high potentials, the following reasons and consequences of doing so were communicated. Firstly, the formal identification of high potentials could be through a pre-defined process, such as the one a TE at Reforma describes:

“For HPs we have a Management Performance Process (MPP), where we identify people with high potential, and every year we have to update their career development, their ambition, and their mobility.” – Eduardo Álvarez, Reforma, TE

A top executive at a different company, which also has a formal process of identifying (and even recruiting) high potentials, noted that this process involves identifying the gaps between the knowledge and ability of potential nominees and the responsibility a position this individual is considered for requires. Subsequently, the high potential would be offered training in some form to overcome these gaps and develop the aspects that are needed to fulfill the requirements for the role - in other words, offered a development path within the company.

“All people who are declared high potential know that. They have a dedicated training plan.” – Bruno Peña, Roma Norte, TE

Other companies had a more informal method of formally identifying high potentials, as there were no processes in place for doing so, but rather high potentials would be nominated directly by their subordinate or executive person in their organization. Lastly, some would use a combination of the two, as described by a top executive at Roma Norte:

“We follow a process. Once the HP reach an interview with me they have passed a filter. I like to see the potential these people have. Not only for the current position they are applying for but also for the future, even 2-3 stages up. The guys really have the background to fulfill the current job and also the enthusiasm to go well above from that.” – Iván Vasquez, Roma Norte, TE

Commenting on companies’ approach towards nominating high potentials in a formal way, both top executives and high potentials noted that a positive aspect of doing so was presenting people with a clear development path, communicating that the company sees potential in the selected individuals and thereby forming a bond between the organization and high potentials:

“For us young professionals, they may sometimes consider you for a course, for example change management or project management, which you wouldn’t be in if you weren’t in the program, because you wouldn’t qualify.” – María Martínez, Condesa, HP

On the potential downside of being transparent with the nomination of high potential, a top executive who works for a company that openly nominates high potentials noted that this method might make those who are not nominated feel mistreated and leave the company. However, the same top executive noted that this might also be considered a benefit, as it opens the possibility of bringing potential high potentials into the company instead of those who do not qualify.

On the other side of the spectrum, there were top executives who stated that there were no formal and transparent ways in their company or division aimed at nominating high potentials. Rather, there would either be general training all employees participated in and perhaps informal identification of high performing individuals who would be presented with further development initiatives. These employees would, in turn, sense that the company cares about their development path and are considered valuable to the organization.

“The only thing that is different for HPs is that we try to give more resources for career development. This is, for example, training in coaching and leadership, etc. We give everybody training according to the career they have. I think we train people a lot in leadership. But it does not only depend on the training, but also the individual.” – Héctor Delgado, Roma Norte, TE

Commenting on their preferred way of identifying high potentials, top executives who did not formally nominate people noted that a good way is to work closely with them, and trying to notice leadership skills on a day-to-day basis:

“For identifying high potentials, it’s best to spend time with them at the office. You need to know how they are, work with them and truly what their capabilities and opportunities are to grow, because they are not perfect” – Héctor Delgado, Roma Norte, TE

Lastly, a potential flaw of non-transparent nomination of high potential, and therefore a potential benefit of transparent nomination, as noted by interviewees on both the top executive and high potential side, was that transparent nomination signals that the company has a long-term view on the individual’s career development path:

“It’s to offer them a long-term development in the company. Because it’s very easy that they can go for more money, it’s very easy. Many companies can offer them more money. But what we tell to the people is how far they can develop with the group, which are the opportunities for them.” – Patricia Ramos, Polanco, TE

Echoed by a high potential at the same company:

“I think recognition is very important. I like to be recognized for the effort and achievements I get in my work. Also the possibility or the idea of going to the next level in the organization.” – Manuel Gómez, Polanco, HP

4.2.3. What aspects high potentials need to develop

The competences most often cited by interviewees on what high potentials need to develop can be categorized in three, namely technical skills, communication skills and strategic skills. The technical skills mentioned would range from computer knowledge to financial and language skills in order for high potentials to be better prepared to execute their routine tasks and be prepared for further responsibility. However, a larger emphasis was put on the latter two competences – communication skills and strategic skills.

In terms of communication skills, as noted by both top executives and high potentials, these are essential to be able to engage the high potentials’ coworkers in order to create synergies and get people to work towards a common goal. As noted by a high potential at Santa Fé:

“The communication is really important and I feel I need to improve the way I communicate the message to the people in order to engage them, and have them follow what we want them to follow.

Also, tolerance and inner peace to be able to relax and be able to handle the interaction with people [...] I think I want to improve those skills, the way to communicate, the way to inspire people to do what I want them to do for the company, and make them feel that they are part of this. I think that's missing. People work here, but they aren't feeling a part of the whole brand." – Teresa Medina, Santa Fé, HP

Building on this discussion, several high potentials mentioned that in order to be able to focus on the strategic aspect of their responsibilities it would be key to be able to effectively delegate tasks to their subordinates. This would require good communication skills from their side, in cohesion with building trust and engagement with the team. It was often mentioned from the high potentials' side that sometimes the focus on results, and even lack of resources, is so high that it damaged their ability to focus on strategic thinking – as most of their time was attributed to managerial tasks, such as giving directions and focusing on the work itself rather than thinking strategically in a broader context.

"I need to delegate more, 80% of my time I'm focusing on current operations, but I should have it 50/50 on current operations and leadership issues." – Margarita Pérez, Condesa, HP

This notion serves as a bridge towards the last overarching aspect noted by the interviewees in terms of what high potentials need to develop to become better leaders, which is strategic skills. Several top executives stressed the importance of being able to cope with changing market conditions and where the company positions itself in the ever-changing business climate, as well as understanding where the company's success stems from and the challenges it has overcome, in order to learn from history:

"My best recommendation for them would be to look at the history, because if they don't understand the history, they will be looking at the same types of problems we were looking at in the past. They should both look at what we did right and what we did wrong, and based on that, build the future." – Antonio Hernández, Reforma, TE

The importance of understanding the market conditions was stressed by a high potential at Santa Fé:

"A better understanding of the new players in the market, what their business models are, and what their objectives are. Also, to know more about the market itself, and know exactly how we have to prepare for that. Market intelligence is valuable for all of us. I guess that we don't have too much information right now." – Raúl Herrera, Santa Fé, HP

Further, from the high potentials' side, it was often mentioned that it could be beneficial to learn about different aspects of the company in order to widen their understanding of the organizations' scope, and therefore be better equipped to take well-informed strategic decisions in line with the overarching vision of the company:

“To change the responsibility. As I told you I have moved a lot within this company. Now, after four years, maybe it is necessary for me to change positions so I can have a complete view of the organization.” – Daniel Reyes, Polanco, HP

4.3. Development challenges and strategy

4.3.1. Responsibility of developing high potentials

All interviewees were asked to give their opinion on who is responsibility for the development of their leadership abilities, be it formal or informal. This was done in order to get an insight into the mindset of both top executives and high potentials regarding the issue of leadership development, and to what extent the studied companies and their executives and/or human resources are expected to initiate and monitor their high potentials’ development - as opposed to viewing it as the responsibility of individuals to pursue development themselves.

The answers could be categorized in three separate groups, depending on the answers given, which are the following:

1. The (high potential) individual is responsible
2. The company is responsible
3. The responsibility is shared

Both top executives and high potentials noted that a key person in terms of leadership development should be the individual that is to be developed. Especially high potential interviewees seemed to be aware of the importance of staying proactive in terms of their progress and seek opportunities to take on further responsibility in one way or another:

“I think it’s me. One of our values is to leave you and let you do your own things, so first of all it’s yourself. You are responsible for asking your boss if you need a training in something or missing some skills, you are responsible for saying that, and asking for assistance.” – Rosa Castillo, Reforma, HP

This notion of the individual’s responsibility for seeking development was further echoed by several top executives, and is in line with statements made their statements on the perception of high potentials which described them as highly motivated individuals who actively seek further development and responsibility within the company:

“It should be each one of the HPs. Each individual is responsible for their development and they need to raise their hand and tell us what they need.” – Eduardo Álvarez, Reforma, TE

However, both groups also noted that the company and its manager has a role in identifying a beneficial route for high potentials to be developed, as perhaps it has better resources to judge the correct development path and what tools the company can offer in that regard. The following statement was made by a top executive at Roma Norte who acknowledged the responsibility of himself, and the structure within the company, to prepare next generation leaders to be able to rise up to the future challenges:

“I think everyone of us, leaders in each area of work, are the responsible ones. That has been one of my worries ever since. What is the generation to come behind us? There is a structure, of course, in HR to develop these people.” – Iván Vasquez, Roma Norte, TE

Several high potentials made statements in a similar tone, focusing on the company’s role in their development. The reasons given for the company’s responsibility to handle their development were linked to their immediate supervisors and human resources department ability to have a broader focus on the needs of the company, and combining those needs with the appropriate development related to the high potentials’ competences:

“That has got to be human resources. They’ve got to promote a lot of these things and support you and give you the material that you need based on your competences. If they think that you are a high potential. If there is something that is something that you need to work on, then they should tell you.” – Enrique Vargas, Roma Norte, HP

The importance of an immediate supervisor, frequently cited as *the boss* by high potentials, in encouraging their high potential subordinates was also mentioned. A top executive at one of the studied companies specifically noted that although most companies have human resource departments that promote different leadership development programs they can be rendered useless if the supervisor does not advocate them:

“Most of the companies say that it’s about global HR programs or something like that. I think those help, but they give you the tools, but if the direct boss, and the godfather do not use them, they will not fly.” – Antonio Hernández, Reforma, TE

This is in line with a statement by a high potential, who relied on a supervisor to recommend the next appropriate step in the development process:

“My boss works in a very special way. He knows that you have the potential. Sometimes he gives you recommendations about some things, but he tells me that I am the one that needs to take advantage of the opportunities.” – Arturo Aguilar, Roma Norte, HP

4.3.2. How high potentials are developed today

In order to gain perspective on how high potentials are currently being developed at the studied companies to reach their full capacity, interviewees were asked to explain what initiatives and/or methods are in place to offer high potentials opportunity for such development. These would range from formal initiatives from the companies' side, such as regular performance reviews to more informal development, such as allocating high potentials demanding projects that require the development of capabilities outside of their current capacity. Further, mentorship between a direct supervisor or an executive from different position in the company and the high potential was discussed, along with the possibility to gain international experience. These four elements are discussed in the following chapters.

Formal processes

According to several top executives interviewed, there is an abundance of resources for high potentials to develop their skills, such as formal processes, courses and programs. These programs can be categorized in routine and specific initiatives. Addressing the former category, most companies have processes in place where employees have one-on-one talk with their superior and identify aspects in which the employee wants to improve his or her knowledge. This would typically be an annual meeting with a follow-up conversation once or twice in the year. The result of this talk would, for example, be that the employee would take courses and/or sit seminars about that subject and subsequently have a follow-up conversation with his or her superior. By doing so, ideally, people would be able to continuously develop their skillset and become better employees.

“We have a personal business plan, the PBP, which you have to review twice a year. At the beginning of the year, you need to prepare the PBP for the whole year by establishing the objectives for the year, and action plan, etc. Then you have to review it half way through the year in July. Then you have to review the final result in December or January.” – Patricia Ramos, Polanco, TE

Further, most companies had some sort of programs related to leadership development. These ranged from specific courses focused on managing people, communication, flexibility, tolerance and team building to more technical skills such as finance and computer skills. According to a high potential at Condesa, the more specific programs would be structured as a cooperation between the high potential and the company:

“HR has a program for everyone at the company, so at the beginning of the year, you have these focus groups in each area, where everybody says what they would like to learn [...] They have some programs

for everybody, and they have guidelines for who is supposed to take which courses according to your level, seniority or role within the company.” – María Martínez, Condesa, HP

However, there were instances where high potentials did not sense that either there were formal development processes in place at their company, or that these programs were not being offered to them:

“I don’t perceive that they have any formal processes. I see some programs in other countries, but specifically here in Mexico, there is not much happening. We need to create a formal process. It comes back to motivation, because you need to show the people that there is something available after their current position.” – Arturo Aguilar, Roma Norte, HP

Interestingly, a top executive at the same company as this high potential who did not sense there were formal processes in place, had noted that the company is very active in utilizing formal processes for identifying and developing high potentials.

Challenges

In addition to having formal processes and programs in place focused on developing high potentials, top executives and high potentials noted that working on challenging projects can develop leadership skills. This approach, according to a top executive at Polanco, can be used to examine how well a high potential copes with demanding projects and identify the aspects the high potential needs to work on – one particular top executive referring to this approach as the “water test”:

“You really have to spend time with the person. It’s just not how well they perform but how they different situations. You have to put them in different situations to see. I sometimes call it the water-test – you put them in and see if they sink or swim.” – David García, Polanco, TE

Several other top executives agreed that his method can be beneficial and noted that diversity can be a good teacher, and that challenging assignments can teach high potentials in a way no leadership course can. This was generally agreed on by high potentials, who stated that being given challenging projects can both present them with an opportunity to develop their skills as well as proving that they can rise up to further challenges with increased responsibility. However, it was also mentioned that, as high potentials, it is important to have room for error as one draws lessons from making mistakes:

“I am going to make mistakes, but I am going to learn from these mistakes. So if my manager gives me the opportunity to take these kind of responsibilities I can show if I have the right leadership skills or not.” – Pedro Rivera, Polanco, HP

Continuing,

“The company helps me develop through challenges. If Polanco gives me the opportunity to take a challenge, that’s the way to invest in my leadership.” – Pedro Rivera, Polanco, HP

Commenting on this approach, and the potential it brings, a top executive at Polanco explained what he generally looks for in the “water test”:

“You give them some big projects. You give them some big accountability. See how they manage the stress; see how they manage the problems. Because if it’s just good news and it just happens – anybody can do that! It’s when things go wrong, it’s when things aren’t properly planned, it’s when things have bad timing – then how do they act?” – David García, Polanco, TE

Mentorship

In addition to receiving development through structured programs and challenging assignments, some sort of mentorship was in place at all of the studied companies. This relationship could be categorized as either formal or informal. The former would be arranged by the company with the purpose of allowing high potentials to learn from the more experienced executives, via scheduled programs and/or meetings where the more experienced executive would give the high potential directions on the aspects the high potentials deem important or lacking in their leadership toolbox. An example of a formal mentorship programs was given by a high potential at Condesa:

“We have formal mentorship plans for the young top talent entering the company. We go out to bring 10-12 young professionals to develop here at the company, and each one of us in the management team, including the general manager, mentors one of those young professionals.” – Jesús Sánchez, Condesa, TE

There would be regular mentorship meetings where leadership related issues are discussed and the high potentials receive advice on their development in that area. A different scheme would be a global mentoring program, in which a selected number of HPs in the company on a global scale would be selected to partake. The company would arrange workshops in selected locations where the company operates and allow HPs to draw on the experience gathered in different parts of the world related to leadership issues. Further, the HPs would be assigned mentors working on similar issues as the high potentials in a different country. This mentoring relationship would be carried out remotely, although in-person meetings could be arranged throughout the year.

On the other hand, there also existed mentorship relationships that were more informal in nature, and typically existed between the executives and their subordinates. Several interviewees agreed that having a close relationship with an immediate supervisor can be beneficial in receiving guidance on what they need to develop to become more valuable leaders, and also in order to learn from and mimic the positive aspects of the supervisors' leadership characteristics:

“My boss is trying to push me to maybe become the next general manager. Of course they are putting some pressure on me so I can learn from them, but from the other side they are also trying to make sure I don't do some mistakes they did in the past.” – Sergio Muños, Roma Norte, HP

A top executive at Polanco, who attributed a substantial part of his professional success the relationship he had with a previous supervisor, described the relationship and its' importance in the following way:

“It's important to work for a manager who wants to transfer knowledge, grow you, and give you everything they have so you can be even better! I find that those type of mentors are critical because a manager who is protective of their area, it hurts, not only the company, but also the people around because they are not getting developed.” – David García, Polanco, TE

Additionally, some high potentials stated that they have additional informal mentors, specifically guiding them and building their leadership skills regardless of their immediate tasks. This kind of informal mentorship would typically not be between the high potential's direct supervisor, but rather between an executive of another division or department and the high potential. Further, this relationship would could either be set in place by HR or requested by the high potential.

International experience

Lastly, the fourth aspect of current leadership development mentioned by top executives was the possibility of moving abroad temporarily to a different branch of the company. There were either formal expatriate programs in place at the companies studied, or the potential of moving abroad for a temporary assignment. The motivation for offering such opportunities was, allegedly, to broaden the high potentials' view of the company's operation and provide the employee with valuable experience, being able to learn from colleagues who have been working on similar challenges. A top executive at Polanco noted that having an international presence gives an organization a competitive advantage by being able to offer high potentials these challenges:

“How do we give them opportunities? Opportunities to experience different cultures and business practices and business models, that other companies can't. We're in 190 countries! That should be a competitive advantage – that we can offer employees exposure to 190 countries” – David García, Polanco, TE

The international experience could also potentially serve as a valuable source of personal growth being exposed to different cultures, as described by a high potential at Santa Fé:

“They offer the opportunities to go to other countries and experience doing the same job you're doing here, but with other people and different types of cultural integrations. So I would say we get a pretty good support from the company to develop your skills.” – Alicia Romero, Santa Fé, HP

Further, a top executive at Reforma noted that people who are willing to go for international projects are valuable for the company, as they signal willingness to develop themselves by utilizing the international experience to grow:

“If a person is willing to be exposed to these international things, then you can also see that that is a person who is open and willing to grow by grabbing an opportunity abroad and become much better.” – Eduardo Álvarez, Reforma, TE

However, several top executives had experienced difficulties in convincing high potentials to seek international experience, even temporary projects. The primary reason for this was, according to top executives and high potentials, that either being away from the family for an extended time or moving the family abroad was something that not many high potentials were willing to do. Therefore, as described by a top executive at Roma Norte, many interviewees noted that having full support from the family before seeking international assignments is key:

“Family is a key issue. This is one recommendation that I personally give to the people. Your family should be committed 200% with you to go abroad. Otherwise you will face problems and your development will not be in the right way.” – Bruno Peña, Roma Norte, TE

The abovementioned quote was echoed in various ways by high potentials, and is effectively summarized in the following statement by a high potential, who recognized the benefits of moving abroad and gaining the experience accompanied by such move, but was still aware of the importance of keeping the family involved in such a decision:

“I love my family and have a strong connection with them, so it would be very difficult for me to leave, but I'm also aware that opportunities may come from a different country, so I would be prepared to move, but only for a couple of years, and then return to Mexico.” – Rosa Castillo, Reforma, HP

4.4. High potential retention

Top executives were asked what their respective company needs to do in order to retain high potentials and, correspondingly, high potentials were asked what their company needs to do in order to ensure that they stay at their current company. This was done in order to examine what the key factors are, as deemed by the interviewees at the studied companies, for high potentials to stay and see a future with their current employer.

There were several aspects mentioned in the context of high potential retention, but the most prominent ones were the following:

Clear development path

According to top executives and high potentials alike, an important part of retaining high potentials is the company being able to offer a clear development path which signals willingness to invest in their career and that the company sees these individuals as critical to the company's future success. Several reasons were given for this to be true. Starting with statements from top executives, it was generally recognized that in order to stay alive in a competitive business climate with an international scope, there is the potential of being outbid by the competitors in terms of salary. However, as noted by a top executive at Polanco, although the salary must be competitive, being able to communicate to high potentials that they are important to the organization and verify that statement by offering opportunities to grow can be more valuable to high potentials in the long-run:

“It's to offer them a long-term development in the company. Because it's very easy that they can go for more money, it's very easy. Many companies can offer them more money. But what we tell to the people is how far they can develop with the group, which are the opportunities for them.” – Patricia Ramos, Polanco, TE

A top executive at a different company agreed with this statement, noting:

“There's always the possibility of high potentials being tempted away with higher salary, but even more possibility if they see growth opportunities.” – Juan Rodríguez, Condesa, TE

By having the correct approach to talent retention through relationship-building with the employee by signaling a clear development path, a top executive at the same company noted that, the high potentials' commitment to the company grows, and alongside the chances of retaining that talent within the organization:

“If it’s someone who’s engaged with the community because they’re a part of Polanco then the more we can continue to enhance them, the stronger they’re going to be for Polanco. And they don’t want to leave Polanco because that’s their community image!” – David García, Polanco, TE

Building on this point, a top executive noted that the company needs to be able to not only present a clear development path, but also be willing to offer several different options for high potentials to choose from in terms of development:

“You need to set the table and have all these things available for people. It is like having a big dinner. Maybe you don’t like the cheese or the meat, but you enjoy the wine and the desert, so the more things the company can put on the table, the employees will have relatively a happier and more enjoyable time while they are here.” – Antonio Hernández, Reforma, TE

The abovementioned points in terms of offering a clear development path were confirmed by high potential interviewed, who claimed that an important aspect of being willing to stay at a particular company was the opportunity of having increasing responsibility reflected in chances to continue learning and ultimately receive promotions. A high potential described the process in the following way:

“It’s an investment. You want to keep these people and choose them very well. They have to have these small hints that signal that they might be good leaders in the future. Be very careful in the recruitment and make sure that there is money for the development, take some risks with these people and ten years later they should be ready.” – Diego Castro, Santa Fé, HP

Continuing,

“You have to invest a little bit more. It is like a cost that you have to face. The business costs something and you have to add extra cost for this development and know that this is a fixed cost no matter what because that is a part of the 10-year strategy.” – Diego Castro, Santa Fé, HP

Lastly, a typical period high potentials mentioned deemed appropriate to stay at a certain position ranged from 3-5 years. After that, allegedly, one would have grasped the entirety of the knowledge needed to efficiently see through the projects associated with that particular position:

“I think three years per area is a good amount of time. In the first year you see how things are going, the second year you see what you can improve and in the third year you sustain it.” – Fernando Ortiz, Polanco, HP

Challenges

“Give them continuous challenges, otherwise these kind of high potentials, they feel bored very quickly. No need to feed them all the time. Sometimes they fail, but failure, of course can be catastrophic, but it can be the best way of learning.” – Carlos Ruiz, Polanco, TE

Most top executives and high potentials mentioned that being constantly given challenges not only offers high potentials an opportunity to develop their leadership talents, but is critical for them to see a future at the company. In addition to formal development programs, top executives claimed that being able to offer interesting challenges to high potentials is good way to keep top talent at the company, as they are always seeking opportunities to receive more responsibility and visibility in their professional career. Further, providing high potentials constantly with different challenges was deemed instrumental for talent retention as there were not always opportunities for high potentials to get promotion. A top executive noted that specifically younger high potentials seem to have shorter tolerance for staying at the same position for an extend period of time. Keeping high potentials constantly occupied with challenges was seen as a mitigating factor in that regard:

“It’s a big challenge keeping the high potentials at the companies and keep them challenged while waiting a bit for higher positions.” – Juan Rodríguez, Condesa, TE

This argument seemed to hold true from the perspective of the high potentials interviewed, who noted that their company needs to constantly feed them with challenges, be they domestic or in an international setting. By doing so, the companies could keep developing their potential, and thus increase the likelihood of moving up in the company when the opportunity to do so presents itself.

“Continue giving me the challenges and possibilities to keep growing and develop as a leader. I want to keep learning and getting a better overview of the company.” – Daniel Reyes, Polanco, HP

Another discussion point on the opportunity to get new challenges (and a part of high potentials’ development) was the fact that most of the studied companies had an organizational structure that can be defined as *flat*, which in turn means that there are fewer opportunities to get promoted *up* in the organizational chart as opposed to moving *horizontally* within the company:

“I think that’s one of the challenge that not only Reforma is facing, but most of the companies, as they are getting leaner and leaner. It’s not like in the old days when you had these big pyramids with people escalating from one level to the other. The new trend is that we have flatter organizations” - Antonio Hernández, Reforma, TE

A further consequence of having a flat organization mentioned was that, albeit fewer (and farther between) opportunities to receive a promotion existed, there were more opportunities to move between divisions and gain knowledge and experience in other activities within the company, in a shorter timespan than in a hierarchical organization.

Company's reputation

Thirdly, an advantage in terms of talent retention at the studied companies, as noted by top executives and high potentials, was the reputation Swedish multinational companies in Mexico have. A top executive at one of the studied companies noted that the perception of Swedish companies in Mexico is that they have strong values and have an honest approach to doing business and caring about their employees. Also, in the context of talent retention, the alignment of personal values and company's values was mentioned as a beneficial aspect in retaining high potentials:

“Alignment of personal values and company values makes HPs want to stay.” – Juan Rodríguez, Condesa, TE

Echoing this statement, a high potential at the same company noted:

“I want to stay at Condesa for what it means and has accomplished. If Condesa moves towards similar vision that I have and what I think they have for the company for the next 10 years, then of course I want to stay at that kind of company.” – Jesús Sánchez, Condesa, HP

Competitive salary

Lastly, albeit mentioning aspects such as having a clear development plan, constantly receiving challenges and opportunities to learn and feeling connection with companies' values, high potentials usually noted that receiving competitive salary is fundamental for them to see a future at their current organization. This point was usually mentioned in the same breath as the importance of being able to take care of family in terms of financial stability. As noted by a high potential interviewee:

“I think money is much more important in a country like this. Difference between people is huge. It's not one Mexico; there are at least ten Mexicos. Ten realities for people, very different from one to another. You want to secure a better place for your family.” – Roberto Chávez, Polanco, HP

4.5. Immediate and future business challenges

Top executives and high potentials were asked what, in their opinion, are the most urgent challenges of their organization in the near-term and looking further into the horizon – in a 10-year timeframe specifically. In general, most of the answers provided were related to internal activities of the organization, mostly related to achieving the best performance possible from the companies' talent pool and at the same time ensuring synergy between individuals and business units:

“Support, team development, people development, skillset development and then networking. Networking the Mexican organization to the rest of the Polanco Group.” – David García, Polanco, TE

However, several interviewees stressed the importance of maintaining the focus and knowledge on the needs of the market, and having a long-term plan related to those challenges in terms of the development of the next generation leaders:

“I'm not sure if Santa Fé is prepared in building people. I don't think that we are being very successful in preparing people for the future. The day by day work in reaching the targets has been in a hurry and looking for the next year results. We haven't been making a strategic plan in terms of developing the things we need for the upcoming ten years.” – Diego Castro, Santa Fé, HP

However, several interviewees stated that the business environment in Mexico is very competitive, driving a constant need for delivering financial results. Despite that, no clear indications of a formal long-term business strategy were identified throughout the interviews, besides Polanco – where a top executive outlined an overarching organizational business strategy towards 2020 including key metrics to be obtained before that time.

4.6. Case: *The Islands of Power*

“We have a joke here in Mexico, that in when you collect five crabs in a bucket, in other countries you have to put a lid on it, but not here. If one crab tries to escape the bucket here, the others just pull it back down.” – Jorge Gutiérrez, Polanco, HP

Interviewees at all companies studied in this paper noted that efficient communication is key for success for any organization. However, an anecdote shared by a high potential at Polanco, and summarized in the quote above, further highlights a situation that at least three of the five studied companies seemed to be struggling with. Interviewees of both top executive and high potential status noted that as the corporate culture in Mexico tends to be quite competitive, a negative side effect of that can present itself in employees deliberately working for their personal interests even though they

do not align with the organizations’ objectives of achieving synergy effects amongst employees and corporate divisions. As noted by a top executive interviewed:

“Here people don’t want their peers to reach the next level, and can have a really hard time accepting that. That creates a tremendous barrier to grow together as a team [...] We have this kind of a competitive attitude. That can be good, but here it is negative and emerges as jealousy. These kind of things affect the team. This is very common here in Mexico.” – Martín Moreno, Santa Fé, TE

Some high potentials noted that in many instances their peers did not rejoice in them being offered an opportunity to move up in the company, for example receiving a promotion or higher responsibility in terms of leading projects or receiving development opportunities in one form or another:

“Sometimes the Mexicans do not support each other. In our culture we fight each other sometimes. If someone is realizing that someone else is growing in the company or if someone else has more important responsibility – this person tries to sabotage the one that has the opportunity.” – Pedro Rivera, Polanco, HP

Building on this discussion, the high potential who summarized the situation in the abovementioned joke about crabs in a bucket noted that not only was this true between individual employees at the company but also on a divisional level – referring to separate *islands of power*:

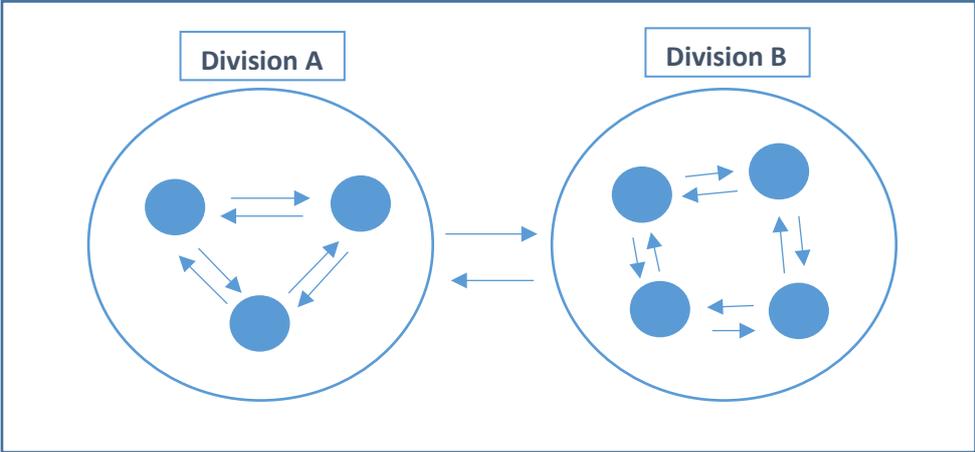


Figure 1: Personal and divisional islands of power

“I don’t feel the team spirit here. This team isn’t alive now. People are divided into different virtual islands of power. We need to integrate the whole team.” – Jorge Gutiérrez, Polanco, HP

A top executive at a different company agreed with the high potential, noting that the power struggle between divisions can stifle synergy effects in the organization, as one division may deem its success of greater importance than that of the organization as a whole, stemming from a territorial mindset of those working in and leading said divisions:

“You can see that we are in the same building, all the business divisions, but we don’t work together as we should. There are barriers within the areas. There is no synergy and collaboration between the different areas [...] There is a strong culture in Mexico that the leader has a strong position and they don’t want to share the success with other areas. The people are very territorial.” – Bruno Peña, Roma Norte, TE

Lastly, not only did the power struggle seem to exist between peers and divisions but communication issues related to employees withholding information, or in the very least not being as open about important issues as they can be:

“I’ve had a lot of stories where things were not managed very well. People tried to make me look bad or that I was doing the wrong things. I have good examples of people maybe not being as open or forthcoming with information as they could have been.” – David García, Polanco, TE

5. Analysis and discussion

5.1. RQ1: How do top executives and high potentials perceive leadership in Swedish MNCs in Mexico

In this chapter the topic of leadership will be discussed from the viewpoint of both top executive and high potential interviewees at the studied companies, comparing their statements with theory provided on the subject in previous chapters.

Starting with the beneficial characteristics of a leader, the three most cited were strong communication skills, being people oriented and to lead by example. Communication skills can be deemed as a natural expectation from the person responsible for bringing people behind the organization's vision in order to get the desired business results. This is noted by Porter (1996), who suggests that organizations need leaders who can effectively bring people together behind its vision, further stressing the importance of their ability to communicate the strategic positioning made and ensuring that employees are working in the same direction. Communication skills were also stressed as a critical part of leaders' characteristics in order to gain information from the market that could then serve as a basis to make better strategic decisions. However, this characteristic was mostly cited in the context of increasing effective information flow within the companies and their business divisions.

"The leader is on top and the information might be lower in the hierarchy – there are many layers. If the information doesn't flow, then the person on top is making decisions with incorrect or insufficient information." – Fernando Ortiz, Polanco, HP

As several interviewees noted, both from the top executive and high-potential side, the problem of rigid information flow between people and business divisions tends to happen as people attempt to reach higher positions in the organizational ladder.

"I've had a lot of stories where things were not managed very well. People tried to make me look bad or that I was doing the wrong things. I have good examples of people maybe not being as open or forthcoming with information as they could have been." – David García, Polanco, TE

This presumably poses a problem for leaders who seek synergy effects within the scope of their team and the organization in general, as information does not flow seamlessly from one point to another and thereby, supposedly, hurting their ability to make informed decisions. Further, the problem of rigid information flow was discussed by interviewees in the context of different divisions deeming their division-specific objectives more important than that of other divisions within the company. Albeit one cannot conclude that this problem merely arises as a consequence of poor communication between

leaders at the respective business divisions that experience this problem, ineffective communication surely plays a role – as confirmed by several interviewees on the subject.

“I don’t feel the team spirit here. This team isn’t alive now. People are divided into different virtual islands of power. We need to integrate the whole team.” – Jorge Gutiérrez, Polanco, HP

One can therefore conclude that a part of mitigating the problem of rigid information flow between divisions and employees is for leaders to, firstly, be aware of the overarching goal of the organization, and secondly, to ensure that leaders of separate business units are aligned with that vision, thereby mitigating the “*them vs. us*” situation and increase the probability of synergy effects both on a divisional and employee level.

Further on the stated beneficial characteristic of having good communication skills, interviewees, especially from the high-potential side, mentioned that leaders should have a humble approach and open communication with their subordinates in order to mitigate people refraining from taking decisions and sharing ideas.

“There has to be open communication. If my guys have a problem I want them to know that they are not alone and they won’t be punished. They learn by doing mistakes.” – Diego Castro, Santa Fé, HP

As mentioned on the specific situation in Mexico and its organizational culture in terms of leadership, there tends to be a significant power-distance between leaders and their subordinates as the leader is seen as a strong individual that steers the daily operation of the company in challenging situations and they are expected to be effective problem solvers. Furthermore, as noted by an interviewee and presented in empirical findings, there is an ever present focus on results, which can result in the human aspect being overlooked. However, as stated by scholars such as Porter (1996) Kotter (2011), the responsibility of a leader goes beyond merely managing the daily operations of a company to increase *organizational effectiveness* in a managerial role but focus on dealing with change, setting a direction and aligning people towards that direction by effectively motivating and inspiring people to do so.

“You have to be able to share a vision – where you want to go in the next 3-5 years – and to engage people to go for that specific vision. If you try to act as a manager, then you are just managing the people and taking a look at profits and losses, but not really looking into the future.” – Martín Moreno, Santa Fé, TE

Synthesizing the comments brought forth by interviewees and theory, especially recognizing Mexican leaders being assumed to have significant decision-making power, it can be assumed that high-potential individuals who are keen on receiving greater responsibility within the organization want to be led by someone who acknowledges their potential and allow open communication in terms of ideas

and decision-making, thereby minimizing any ambiguity in that regard. In summary, leaders' good communication skills should promote increased transparency in terms of the organization's vision, how it intends to move in that direction and how each individual's contribution aids in that regards, and therefore should be prioritized.

A similar characteristic deemed important for a leader, as identified in the empirical results, is to be people-oriented. That is, being genuinely interested in people's affairs and having a high level of emotional intelligence seems to be important to high-potential individuals especially.

"A good leader should really be taking care of how people are living their own lives, and look how you can support them regarding some personal aspects, which could help them, also to improve as good professionals and leaders later on." – Antonio Hernández, Reforma, TE

This point can be linked with the stated emphasis on constantly being expected to deliver results, yielding a stressful situation regarding work-life balance. As several high-potentials mentioned, one of the key driving factors in their professional career is to be able to take care of their family and they attribute significant part of the motivation behind pursuing advancement in the corporate world to that aspect.

"I think money is much more important in a country like this. Difference between people is huge. It's not one Mexico; there are at least ten Mexicos. Ten realities for people, very different from one to another. You want to secure a better place for your family." – Roberto Chávez, Polanco, HP

This is in line with theory which suggests that, particularly in emerging countries, people put high emphasis on work-life balance and their relationship with colleagues (Stahl et al. (2012), Fernández-Aráoz (2011)). Therefore, it can be seen that, especially in Mexican MNCs, it is critical for leaders to be able to relate with employees' situation beyond corporate matters, invest time in building a healthy relationship with them, show interest in their personal situation and understand that disregarding this issue may be harmful for the organization's future success due to lack of trust and communication issues.

A third aspect deemed important, as noted in empirical results, is for leaders to lead by example, further entrenching the notion that leaders are seen as role-models for their subordinates and that their actions will constantly be monitored by upcoming talent that aims for leadership position eventually.

"The key part, not really a challenge, is being an example. You need to lead by example. That means that you need to be aware that you are a leader, and people notice that. They look to you as an example." – Héctor Delgado, Roma Norte, TE.

As noted by several interviewees, leaders are not merely seen as authority figure but no less exemplify what capabilities and characteristics are needed to move further up the organizational ladder with the recognition and responsibility that entails. As suggested in theory, mentorship relationship between a high-potential and supervisor is an essential element in the high-potential's development path towards further responsibility in an organization. This is echoed in Fernández-Aráoz et al.'s (2011) study, which suggests that successful leaders can serve as role-models for upcoming talent. Several remarks made by high-potentials at the studied companies confirm this notion, where it was conveyed that in many cases top executives, often interviewees' immediate supervisors, were pivotal in their advancement at their respective companies as they had gained valuable lessons on how to manage challenging assignments by studying how their leaders handled demanding situations. However, it is interesting to restate Fernández-Aráoz et al.'s (2011) notion that overly relying on such relationship in building leaders can develop people in a way that may serve the role-model leader's divisional interests, which, as previously discussed, is not always aligned with the company's ambition and a present problem at the majority of the studied companies in this paper. Therefore, acknowledging the importance of leaders' capability to lead by example and being aware of their role-model status, it is nevertheless suggested that leaders should constantly be reminded of the organizational bottom-line vision, in order for them to effectively portray behavior promoted by the company and in line with its corporate culture.

Further, in addition to identifying beneficial characteristics noted by top executive and high-potential interviewees, the key responsibilities of a leader according to them were investigated. The first aspect mentioned and a reoccurring statement with regards, not only to leadership capabilities, but also pertaining to the ability to move further up the organizational ladder, was the focus on delivering results.

“Nowadays it's more results-oriented rather than people-oriented to get results. I strongly believe you need the people to get to the results, so that's something I believe it's very important.” – Eduardo Álvarez, TE, Reforma

“The company expects is that I get things done and that the results are what they should be. So, if everything is running smoothly and there aren't any problems, and the KPI's are okay, they are happy.” – María Martínez, HP, Condesa

Further, an issue identified by a top executive at one of the studied companies is that the ever-present pressure on delivering results can be harmful to the abovementioned aspects pertaining to being people-oriented and having good communication with employees. It can be argued that this is an organizational problem rather than personal issue, as leaders work according to the metrics given by

their superiors or headquarters, which might not have a high focus on the human aspect necessary for delivering results in a sustainable manner. As noted in theory (Peteraf (1993), Wright et al. (2001) for companies to achieve sustainable competitive advantage it is essential to possess driven employees with the right capabilities to implement the organization's strategy. It is therefore suggested that albeit, inevitably, in a hectic business climate there is a constant need for delivering results, leaders should not disregard the human aspect necessary to achieve the desired outcome.

Another responsibility of a good leader, as identified at the studied companies, is to effectively develop people.

"I try to challenge my organization by delegating tasks to my subordinates. Because if they aren't able to handle that, I cannot promote them! If you are not ready to have a successor, then you are not ready to be promoted! This is the big question. Are you ready to be promoted? Ok, that's fine – but who is your successor?" - Martín Moreno, Santa Fé, TE

This was communicated by interviewees both from the top executive side but more often by high-potentials, who linked the issue of developing people to two factors, namely being able to dedicate their efforts to strategic thinking and increase their ability to advance in the organization.

"To identify the next generation to take my place. I've already identified 2-3 guys in my team, and started looking into what they need, to be able to take my place." – Ricardo Díaz, Polanco, HP

As noted in theory (Porter (1996), Kotter (2001)), the responsibilities of leaders and managers can be considered of different nature. Whereas managers are more focused on the daily operation, problem solving and controlling, asserting leadership requires being able to identify a viable strategic position for the organization, unify, support and inspire all employees concerned towards that vision. The reoccurring notion throughout the interviews of people being stressed with the daily operations in order to achieve desired short-term results and high pressure on middle managers to train and ensure that subordinates have the right capabilities to carry out their tasks according to their positions will, presumably, limit their ability to think strategically.

"I need to delegate more, 80% of my time I'm focusing on current operations, but I should have it 50/50 on current operations and leadership issues." – Margarita Pérez, Condesa, HP

This was confirmed by several high-potential individuals who stated that albeit being trusted with great responsibility, the organizational support network necessary to carry out the tasks associated with that responsibility were somewhat lacking. Thinking strategically requires leaders to have the full picture of the organization, its market position and to identify logical steps for the company to move forward in the quest of achieving greater results. Thus, it can be argued that high-potential individuals who are

seen as the next generation of leaders at their respective companies should receive substantial support throughout their quest of becoming a more valuable resource for the company.

Continuing on the topic of leaders' responsibility of developing people, several high-potential interviewees noted that developing their subordinates should be prioritized, as this could be seen as a prerequisite for them to advance to greater responsibility themselves – as confirmed by the aforementioned HP at Polanco, Ricardo Díaz:

“To identify the next generation to take my place. I’ve already identified 2-3 guys in my team, and started looking into what they need, to be able to take my place.” – Ricardo Díaz, Polanco, HP

This supports the theory that managers, people who have others reporting to them, should be actively involved in their high-potentials' journey throughout the talent management pipeline (Stahl et al. (2012)). Further, succession planning is seen as a critical factor of high-potentials' motivation, having the necessary tools to develop their capabilities and acknowledge that organizations envision a leadership position in their long-term vision (Oracle, 2012). However, drawing on the information gathered from interviewing top executives and high-potentials at the studied companies, several interviewees noted that being responsible for achieving financial results in a challenging business environment where high-service level is expected limits their ability to focus on the leadership-related aspects associated with their responsibility (see above-mentioned quote from Margarita Pérez, HP at Condesa). Overly focusing on achieving short-term targets were therefore limiting interviewees' ability to identify and focus on developing the people who would succeed them as they move to different position. Thus, in line with the previous statements, it is suggested to the studied companies whose employees experience this problem that increased careful monitoring of employees' workload, as overly focusing on short-term results can be harmful to long-term success if leaders are not given the opportunity to effectively develop their subordinates.

The abovementioned beneficial characteristics and responsibilities associated with leadership positions are synthesized in the following points, accompanied with suggestions on how to mitigate the difficulties experienced by interviewees on the subject of leadership in Mexican MNCs:

- Communication skills are heavily emphasized by interviewees, especially high-potentials, as a beneficial characteristic of a leader. This characteristic is associated with the ability to effectively identify the opportunities and challenges in the marketplace through interaction with present and potential customers, as well as internally through successful information-flow, enriching relationship between leaders and their subordinates as deemed important by several high-potentials interviewed. As noted in empirical results, ineffective communication between employees and divisions was identified at 3 out of 5 studied companies, implying that

measures have to be made in effort to mitigate the problem. A potential mitigation effort suggested is to bring clarity to the responsibility of individual divisions and the responsibility associated with the job description of employees. This requires companies to effectively communicate their vision and bring people together behind that vision, creating synergy effects and ultimately mitigating rigid information flow. Thus, it might be beneficial to engage in activities that promote a company culture of open communication, engaging leaders to promote sharing ideas and serve as a resource for subordinates in terms of professional and personal matters to some extent.

- Several interviewees in leadership positions felt an enormous pressure to constantly deliver results, which was cited being harmful to being able to allocate time for matter pertaining to leadership efforts such as strategic thinking and developing subordinates. The difference of leading and managing is covered in theory, suggesting that leaders should be aware of the big picture in terms of the organization's strategic positioning and motivate people to gather behind that vision. Overly focusing on managerial activities negates leaders' ability to effectively lead. Therefore, it is suggested that substantial support is provided in terms of monitoring leaders' workload, effectively prioritizing immediate tasks and ensure that succession planning is prioritized – ultimately increasing the likelihood of high-potential individuals attaining the necessary capabilities needed to carry out challenges identified in the long-term.

5.2. RQ2: How do top executives and high potentials perceive leadership development in Swedish MNCs in Mexico?

This chapter focuses on leadership development from the viewpoint of high potentials and top executives interviewed at the studied companies. Firstly, what is expected from a high-potential according to interviewed top executives and identified high-potentials at the studied companies is discussed. Subsequently the capabilities high-potentials need to develop in order to cope with future challenges is explored. Lastly the current leadership development initiatives in place - from attraction, selection and development to retention of high-potentials is noted (see Figure 2). These discussion points then serve as a foundation for analysis and comparison with theory provided in this paper on the subject. Further, suggestions on how the studied companies could potentially improve their high-potential leadership pipeline are provided.

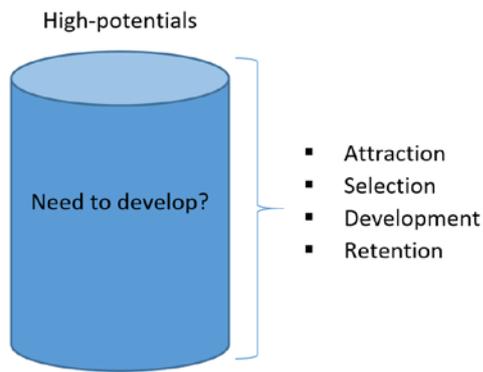


Figure 2: Analysis of leadership development in the studied companies

Perception of a high-potential

In order to have a comprehensive view of what exactly is meant by the term high-potential from the perspective of interviewees both top executives and those identified as high-potentials were asked questions aimed at exploring what characteristics one must portray to be nominated as such.

To summarize the views of top executives, high-potential employees, who are considered as the next generation of the company and individuals that may lead the respective organization in the future, are self-driven, repeatedly deliver outstanding results and proactively seek ways to demonstrate their talent. They are individuals who show capacity to grow and show leadership capabilities, which aids them in their daily work with peers and subordinates alike.

“I think that when you are talking about high potentials, it’s people who are not only thinking about doing their jobs. They are looking for other things they can do to demonstrate their talent and continue growing.” – Antonio Hernández, Reforma, TE

“When you start noticing that a person is really supporting other people, leading them and telling them what to do, or how to do things, then you can easily recognize that those are potential leaders, especially if they have good performances on top of that.” – Antonio Hernández, Reforma, TE

Further, nominated high-potentials were asked about their motivational factors. The three most cited ones were to make impact, pursue career development and to provide for their families, as exemplified in the following quotes from HPs:

“I like to see the impact I have on things. It’s always rewarding to see how your work, your opinions and ideas drive change.” – María Martínez, Condesa, HP

“I’m not thinking if I will have a new position tomorrow. I’m just thinking that I have to do my best today, and when a new opportunity appears, I will try to take it. I’m trying to measure my skills, and I have a vision.” – Javier Mendoza, Reforma, HP

“Money is a factor, because it keeps food on my family’s table. But it is not the most important. It is good to have money because if you are happy with that aspect, your work can be a priority.” – Luis Garza, Santa Fé, HP

Thus, it can be seen that the view of top executives in terms of what is expected from high-potentials and the suggested motivational factors of identified high-potentials in this study were somewhat aligned. Drawing on theory, Ready et al.’s (2010) definition of high-potentials agrees in most aspects with the abovementioned expectations, noting that these individuals should outperform peers, exhibit their companies’ culture and values and capacity to grow faster within the organization than their peer group. However, it should be noted that the notion that high-potentials should exhibit their companies’ culture was not emphasized by interviewees, but rather it seemed as the most focus was on high-potentials’ ability to consistently deliver outstanding results. As briefly discussed in this chapter and further explored in chapter number four on the alignment with leadership development and future challenges, a potential lack of foresight in terms of the long-term aspirations of the studied companies in terms of development was identified – with the first evidence in this regard being the lack of emphasis on cultural fit between studied organizations and their high-potentials.

What high-potentials need to develop

Moving further on the discussion of leadership development and how high-potentials and top executives view the subject at their respective companies, in order to prepare for the discussion on how the studied companies approach their leadership development pipeline it may be beneficial to understand what the perceived capabilities interviewees deem important for the future (see Figure 2). Arguably, these capabilities should be developed throughout the leadership development pipeline, which will be the discussion point of the subsequent chapters.

According to empirical data derived from the conducted interviews, the most important capabilities high-potentials need to develop in order to effectively manage future challenges are technical, communication and strategic skills.

As has been noted, communication seemed to be a barrier for the effectively coping with various challenges and delivering desired results. This was deemed important in order to get support, inspire people and building team-spirit in order to move projects forward, otherwise facing the risk of

unsuccessful results derived from lack of synergy and misunderstanding. This aspect was especially highlighted by high-potential employees, some of who seemed to struggle with getting support from their peers in moving projects forward.

“The communication is really important and I feel I need to improve the way I communicate the message to the people in order to engage them, and have them follow what we want them to follow. Also, tolerance and inner peace to be able to relax and be able to handle the interaction with people [...] I think I want to improve those skills, the way to communicate, the way to inspire people to do what I want them to do for the company, and make them feel that they are part of this. I think that’s missing. People work here, but they aren’t feeling a part of the whole brand.” – Teresa Medina, Santa Fé, HP

Secondly, several high-potentials noted that when dealing with daily activities with the pressure of constantly delivering results, little time could be allocated towards strategic thinking and thus these individuals were forced to prioritize managerial tasks rather than thinking about future challenges and aligning the team towards a vision with a long-term focus. This, along with potential ambiguity relating to their high-potential status, seemed to be a source of frustration for some high-potentials who did not experience themselves being allocated the necessary resources to develop strategic skills but rather merely felt increased workload as a consequence of the high-potential nomination. The following quotes synthesize the abovementioned statements from several interviews:

“The company expects is that I get things done and that the results are what they should be. So, if everything is running smoothly and there aren’t any problems, and the KPI’s are okay, they are happy.” – María Martínez, HP, Condesa

“I need to delegate more, 80% of my time I’m focusing on current operations, but I should have it 50/50 on current operations and leadership issues.” – Margarita Pérez, Condesa, HP

“I’m not sure if Santa Fé is prepared in building people. I don’t think that we are being very successful in preparing people for the future. The day by day work in reaching the targets has been in a hurry and looking for the next year results. We haven’t been making a strategic plan in terms of developing the things we need for the upcoming ten years.” – Diego Castro, Santa Fé, HP

Interestingly, the aspects mentioned above were mostly cited by high-potentials, who understood that in order to live up to the high-potential status and move forward in the company and receive greater responsibility, communication and strategic thinking should be prioritized. Albeit top executives also deemed these capabilities important, this group was more concerned with high-potentials being able

to learn from the experience of previous employees who had dealt with similar tasks as those currently being undertaken by present high-potentials.

“My best recommendation for them would be to look at the history, because if they don’t understand the history, they will be looking at the same types of problems we were looking at in the past. They should both look at what we did right and what we did wrong, and based on that, build the future.” – Antonio Hernández, Reforma, TE

Thus, getting a broader view of the company’s operations, moving between positions and potentially getting international experience was deemed important for high-potentials. However, a potential problem identified from the empirical data was that high-potentials were under such high pressure regarding delivering results, that long-term thinking in terms of strategy and seeking holistic view on the organization’s operations seemed to fall short.

Lastly, technical skills – ranging from computer knowledge, financial and language skills were mentioned in terms of what high-potentials need to develop. According to several interviewees, courses aimed at developing these skills would often be suggested through regular interviews between employees and their supervisors. However, several high-potentials noted that their employer did not always follow these interview sessions up with suggestions for courses and thus it became their responsibility to seek the courses and request support from their employer to attend them. This notion suggests that a higher level of transparency in terms of the responsibility of ensuring that high-potentials receive resources relating to identified development opportunities should be prioritized.

“I don’t perceive that they have any formal processes. I see some programs in other countries, but specifically here in Mexico, there is not much happening. We need to create a formal process. It comes back to motivation, because you need to show the people that there is something available after their current position.” – Arturo Aguilar, Roma Norte, HP

How high-potentials are developed

In order to systematically discuss how interviewed top executives and high-potentials view leadership development at their respective MNCs in Mexico, the following section will be divided in four categories, namely; selection, development and retention. The empirical findings will be compared with best practices suggested in theory, and lastly suggestions on how these processes could be improved at the studied companies are provided.

Attraction

As this scope of this paper is mostly focused on the development of the next generation of leaders at the studied companies and how their development initiatives align with current and long-term identified business challenges, the way studied companies attempt to attract potential outside high-potential individuals was not prioritized, but rather how high-potential individuals from the organizations' current pool of talent are led through the leadership development pipeline and retained in a sustainable manner explored. However, provided theory on beneficial factors that should be prioritized as companies attempt to attract high-performing individuals serves as a good foundation on the aspects companies should keep in mind for the design of successful leadership development pipeline and is therefore included in this paper.

It was noted by several top executive interviewees that their respective companies were able to attract top talent as Swedish MNCs in Mexico are associated with honesty, which, according to several interviewees is especially important in Mexico. Further, the international scope of the MNCs was deemed as a competitive advantage in attracting talented individuals who see possibility of moving between positions internationally and thus gaining experience and knowledge that they otherwise might not receive at local companies. Thus, it was seen that most studied companies relied on their reputation and brand in the attraction phase of the recruitment process.

Interestingly, none of the interviewed top executives stated that high-potentials individual were being examined based on their ability to grow in the company and ultimately take on leadership roles, but rather on their current technical capabilities pertaining to the position they applied for. Revisiting Heinen and O'Neill (2004) and Oracle (2012), it is critical for companies to identify the organization's *leadership gaps*, that is, capabilities needed within the company in order to successfully implement their strategic ambitions and thus recruitment of talent should be conducted with these factors in mind. Here, a potential misalignment was identified, as the studied companies did not seem to prioritize leadership capabilities a priority in the recruitment phase, but rather reactively identified individuals with such capacity once they had been recruited and working at the company for some time. Further, this can potentially be a consequence of misalignment between top executives' and HR departments' view of the desired capabilities needed for the long-term success of the company as knowledge of the current and long-term strategic positioning is not effectively shared between the two.

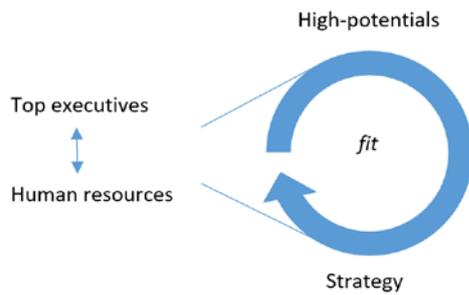


Figure 3: Strategic view, involvement of top executives and human resources as well as cultural fit between candidates and organization

As highlighted by Stahl et al. (2012), talent management efforts should be aligned with strategy, top executives and middle managers should be highly involved in all stages of high-potentials' journey through the talent management process and cultural fit between employees and organizations should be highlighted. Albeit it cannot be asserted that strategy is disregarded in the recruitment process of the studied companies, it was nonetheless not explicitly stated as a critical factor of the reviewing process of potential candidates, nor the cultural fit between the organization and potential recruits. It is therefore suggested that a closer look at *leadership gaps*, with the company's strategic positioning and corporate culture in mind, should be conducted when approaching potential candidates.

Selection

The selection method of high-potentials seemed to differ quite significantly between companies. Either talented individuals were identified as high-potentials through formal processes based on defined metrics.

"For HPs we have a Management Performance Process (MPP), where we identify people with high potential, and every year we have to update their career development, their ambition, and their mobility." – Eduardo Álvarez, Reforma, TE

"For identifying high potentials, it's best to spend time with them at the office. You need to know how they are, work with them and truly what their capabilities and opportunities are to grow, because they are not perfect" – Héctor Delgado, Roma Norte, TE

The other approach involved formal or informal nomination of high-potentials whereby direct subordinate or executive person communicated to the employee in question their high-potential status. According to theory, these methods entail several consequences that should be considered

when contemplating whether or not to formally signal to individuals and their coworkers who is considered a high-potential.

As noted by Stahl et al. (2012), companies can either pursue a differentiated or inclusive approach in terms of identifying high-potentials. The former entails identifying individuals that are seen to provide more value to the company than others and thereby are allocated further resources to develop within the company. The latter, as the name suggests, means that companies pursue an inclusive approach in terms of developing talent and constitutes the belief that overly focusing on high-performing individuals can result in bad morale and limit opportunities for broader gains in terms of talent development. A stream of research is devoted to this topic (Stahl et al. (2012), Ready et al (2010), Oracle (2012), Fulmer (2009), Campbell and Smith (2010), etc.). Drawing on this theory, it is broadly accepted that successful companies allocate specific resources towards developing high-performing individuals. According to Fulmer (2009), successful companies have processes in place to identify and develop high-potential individuals seen as important for long-term success. Building on this notion, as noted by Ready and Conger (2003), individuals who are aware of their high-potential status and are more likely to strive towards increased responsibility at the organization.

Further, on the potential consequences of transparent high-potential nomination, Campbell and Smith (2010) examined the consequences of formally vs. informally nominating high-potentials. Unsurprisingly, formally identified high-potentials were more likely to consider themselves as high-potentials as opposed to those informally identified. Continuing, formally identified high-potentials were seen as being more likely to form a bond with the organization and expect opportunities to develop their capabilities and receive greater responsibility aimed at preparing for more demanding leadership positions within the company. However, Campbell and Smith (2010) note that failing to explicitly communicate what being a high-potential entails, companies face the risk of creating significant frustration with their high-potential employees, who do not experience the upside of their high-potential status.

Comparing these statement from theory with empirical data, it can be seen that the studied companies formally identifying high-potentials can be seen as more likely to have long-term success in retaining top talent – on the condition of them explicitly stating that high-potential status entails further development with a leadership position in place for them in the long-term. However, those who informally nominate high-potentials, either verbally or by allocating these individuals greater responsibility and high level projects – face the risk of demoralizing their high-potentials as they are unsure of the company having a long-term plan for their career development. Thus, it is suggested that the studied companies explicitly nominate high-potentials, thereby increasing the probability of

retaining critical talent for the long-term success of the organization. However, this nomination has to be supplemented by a clear career plan, as confirmed in theory, and noted as a critical aspect of retention by interviewed top executives and high-potentials. Further, the responsibility of ensuring that nominated high-potentials receive development opportunities should not be allocated to a specific entity, be it an immediate supervisor, the human resource department or the high-potential individual in question, but rather be a shared responsibility between all involved – as confirmed by Stahl et al. (2012) on internal consistency of development efforts.

Lastly, drawing on the example of *island of power* in the empirical data, it can be assumed that a higher level of transparency in terms of the high-potential status of employees could potentially mitigate the negative effects of the competitive atmosphere relating to competition for increased responsibility and visibility within the organization. Explicitly stating who are on the list of high-potentials might and communicating what is required to be considered as such might result in employees focusing their efforts on reaching the high-potential level as opposed to sabotaging their peers who are seen as the recipients of greater development opportunities and visibility within the company.

Development

When discussing the development opportunities available at the studied companies, interviewees cited different formal processes aimed at identifying potential knowledge gaps and subsequently offering high-potentials relevant courses or training to increase their capabilities in the respective field – be it technical competences, strategic or people-related.

“We have a personal business plan, the PBP, which you have to review twice a year. At the beginning of the year, you need to prepare the PBP for the whole year by establishing the objectives for the year, and action plan, etc. Then you have to review it half way through the year in July. Then you have to review the final result in December or January.” – Patricia Ramos, Polanco, TE

“HR has a program for everyone at the company, so at the beginning of the year, you have these focus groups in each area, where everybody says what they would like to learn [...] They have some programs for everybody, and they have guidelines for who is supposed to take which courses according to your level, seniority or role within the company.” – María Martínez, Condesa, HP

However, such formal processes had varying emphasis between studied companies and, as noted by a HP at Roma Norte, sometimes were not perceived as being available at all.

“I don’t perceive that they have any formal processes. I see some programs in other countries, but specifically here in Mexico, there is not much happening. We need to create a formal process. It comes back to motivation, because you need to show the people that there is something available after their current position.” – Arturo Aguilar, Roma Norte, HP

As noted in empirical results, a top executive at the same company described in detail how high-potentials are provided tailored development programs in line with necessary capabilities to reach a higher position.

“All people who are declared high potential know that. They have a dedicated training plan.” – Bruno Peña, Roma Norte, TE

The contradicting testimonies of the two suggests either a potential lack of integration between top executives and the human resources department responsible for overseeing said development programs, or that top executives need to be more involved with leadership development. However, one cannot exclude the possibility that this is an isolated case and thus it is suggested that, in general, companies ensure top executive engagement and integration between all entities within the company in terms of leadership development – thereby mitigating the possibility of high-potentials “falling between the cracks” in the leadership development pipeline.

Continuing, offering challenges to identified high-potentials was seen as a valuable source of leadership development, providing these individuals the opportunity to demonstrate their leadership capabilities in challenging situations. This would also, as noted by a top executive at Polanco, allow top management to test whether high-potentials are ready to take the next step in their professional career and handle more responsibility.

“You give them some big projects. You give them some big accountability. See how they manage the stress; see how they manage the problems. Because if it’s just good news and it just happens – anybody can do that! It’s when things go wrong, it’s when things aren’t properly planned, it’s when things have bad timing – then how do they act?” – David García, Polanco, TE

However, as has been stated previously, these challenges oftentimes were allocated on top of present high-demanding managerial tasks, potentially negating the desired outcome of allowing high-potentials the opportunity to shine, as they are forced to prioritize short-term results. Thus, it can be seen that time management and prioritization of immediate tasks and long-term strategic thinking is, in many cases, a problem at the studied companies, affecting various aspects of leadership development of high-potentials. It is therefore suggested that, in order to ensure a desired outcome attained by high-potentials who are offered challenging projects aimed at developing their leadership

potential, all entities responsible for leadership development are aware of the importance of avoiding allocation of excessive workload to said high-potentials simultaneously. Further, as noted by a high-potential at Polanco, being the recipient of challenging assignments can be seen as an opportunity to demonstrate one's talent – but needs to be supplemented with the assurance that making mistakes when dealing with such challenges will not result in the removal of high-potential status, but rather as an opportunity to learn and grow.

“I am going to make mistakes, but I am going to learn from these mistakes. So if my manager gives me the opportunity to take these kind of responsibilities I can show if I have the right leadership skills or not.” – Pedro Rivera, Polanco, HP

A third aspect of present leadership development initiatives mentioned was offering high-potentials mentorship from more experienced personnel. Mentorship programs would either be arranged by the company via scheduled programs and/or meetings, or exist informally between superiors and their subordinates.

“We have formal mentorship plans for the young top talent entering the company. We go out to bring 10-12 young professionals to develop here at the company, and each one of us in the management team, including the general manager, mentors one of those young professionals.” – Jesús Sánchez, Condesa, TE

“My boss is trying to push me to maybe become the next general manager. Of course they are putting some pressure on me so I can learn from them, but from the other side they are also trying to make sure I don't do some mistakes they did in the past.” – Sergio Muños, Roma Norte, HP

As noted in theory, mentorship relationships can be beneficial in developing high-potentials towards a more demanding role through information sharing, networking and increased visibility towards top executives (Fernández-Aráoz et al. (2011)). However, as noted by Ready and Conger (2003), mentorship programs can allocate mentors excessive power over the high-potentials development, opening the possibility of the development initiatives being geared towards the mentors' own interests. An example would be a divisional manager, who is biased towards specific objectives relating to said division, thereby tailoring the mentorship relationship towards these objectives – which may or may not be aligned with the overarching vision of the organization as a whole. As has been noted in empirical data, for example in the case of *islands of power*, this very problem seemed to be prevalent in the majority of studied companies.

“You can see that we are in the same building, all the business divisions, but we don't work together as we should. There are barriers within the areas. There is no synergy and collaboration between the

different areas [...] There is a strong culture in Mexico that the leader has a strong position and they don't want to share the success with other areas. The people are very territorial.” – Bruno Peña, Roma Norte, TE

Thus, it is suggested that all entities responsible for the effective leadership development of current high-potentials are integrated and ensure that mentors, whether they be formally or informally designated, demonstrate values and offer advice in line with the ambition of the company as a whole. Further, it is suggested that effective leadership development and possibility of receiving increased responsibility and visibility within the company should not solely be contingent with high-potentials' ability to informally seek advice to immediate superiors, but rather be one aspect of integrated leadership development activities of the firm.

Lastly, offering high-potentials the possibility to move abroad to gain international experience and broaden their view of the organizations' operations. This would, optimally, allow high-potentials to learn from colleagues in other countries working on similar challenges in a different market. As noted by a top executive at Polanco, being able to offering employees the opportunity to temporarily move to a different country can be seen as a competitive advantage for MNCs in Mexico, as companies with an exclusive local footprint do not have this ability.

“How do we give them opportunities? Opportunities to experience different cultures and business practices and business models, that other companies can't. We're in 190 countries! That should be a competitive advantage – that we can offer employees exposure to 190 countries” – David García, Polanco, TE

However, albeit confirmed by several high-potentials that this, indeed, is a positive aspect of working at a MNC in Mexico, there are several aspects that need to be taken into consideration when deciding whether or not to make such move. As noted in empirical results, Mexicans tend to be very family-oriented and are, thereby, reluctant to move abroad without a clear plan in terms of the timeframe and course of action on their arrival home following the international assignment.

“Family is a key issue. This is one recommendation that I personally give to the people. Your family should be committed 200% with you to go abroad. Otherwise you will face problems and your development will not be in the right way.” – Bruno Peña, Roma Norte, TE

Therefore, it is suggested that if the studied companies aim to encourage high-potentials to seek international experience, utilizing the multinational footprint of the organization, the whole process from departure to arrival of the high-potentials should be especially clear. Further, it might be

beneficial to offer short-term international assignments, with a timeframe of few months, in order to mitigate discouraging family-oriented high-potentials from embarking on such assignments.

Retention

Revisiting the theoretical section on the importance of and suggested efforts relating to retention of high-potentials, who are seen as critical to the long-term success of an organization, a few distinct aspects are seen as critical.

Firstly, as has been noted earlier in this section, research has shown that transparently nominating high-potentials in a formal or informal manner has direct consequences on the likelihood of retaining these individuals, as noted by Campbell and Smith (2010). In their paper, which focused on the talent management pipeline from the high-potentials' perspective, it was shown that formally recognized high-potentials are more likely to see themselves as future leaders at the company as opposed to those informally identified. Further, formally recognized high-potentials experience higher level of support from their company in terms of leadership development opportunities, and form a stronger bond with the organization. As empirical results suggest, the studied companies had all identified high-potentials either formally or informally. Drawing on theory on this subject, it is suggested that companies that either have not established a systematic manner to identify high-potentials, or allocate the responsibility to a single entity such as divisional managers or other superiors, to construct a system by which all concerned – that is, from top executives and human resource departments to potential high-potential candidates – are aware of what aspects are needed to be considered as a high-potential, and what development opportunities are associated with the nomination. Further, as stressed by Stahl et al. (2012), these talent management initiatives should be closely linked with the long-term strategic positioning of the company as high-potentials are, by definition, seen as individuals who have the potential to assert critical leadership positions at a later stage in their careers.

Secondly, in addition to receive recognition, high-potentials at the studied companies noted that having a clear career plan is important for them being willing to stay at the company for the long-term.

“It's an investment. You want to keep these people and choose them very well. They have to have these small hints that signal that they might be good leaders in the future. Be very careful in the recruitment and make sure that there is money for the development, take some risks with these people and ten years later they should be ready.” – Diego Castro, Santa Fé, HP

Drawing on the empirical results in this paper, being able to offer high-potentials opportunities to grow was seen as a critical aspect in their development towards positions with greater responsibilities from the top executives' viewpoint.

“It's to offer them a long-term development in the company. Because it's very easy that they can go for more money, it's very easy. Many companies can offer them more money. But what we tell to the people is how far they can develop with the group, which are the opportunities for them.” – Patricia Ramos, Polanco, TE

However, there seemed to be a potential gap between the willingness to offer high-potentials these opportunities and the actual implementation of doing so at majority of the studied companies, as no top executive described how their company holistically went about ensuring that identified high-potentials received all the potential opportunities possible for moving towards the next step in their career, but rather described how different initiatives could support them in doing so. It is therefore suggested that in order to effectively maximize the likelihood of retaining high-potentials deemed critical for long-term success, the studied companies should effectively communicate to their high-potentials clearly what capabilities, which are tied to the strategic intentions of the company, are seen vital in order to move towards a leadership position, complement these suggestions to a well-defined leadership development process with all entities involved from top management, human resource departments and mid-level management, and lastly consistently review this process and reiterate to ensure consistency between these different functions and alignment with strategy. These suggestions are in line with Stahl et al.'s (2012) principles for effective global talent management, which, among other suggestions, stresses alignment with strategy, internal consistency and succession planning.

Thirdly, an element of successful retention initiatives, as deemed critical by interviewed high-potentials at the studied companies, is to constantly be offered challenging assignments. However, as noted by McCall (2004), these challenges need to be tailored to high-potentials based on their current capabilities and the desired learning outcome of said challenge. This aspect was mentioned as a valuable source in developing high-potentials by several top executives at the studied companies, who seemed to be aware of the beneficial aspects of doing so.

“Give them continuous challenges, otherwise these kind of high potentials, they feel bored very quickly. No need to feed them all the time. Sometimes they fail, but failure, of course can be catastrophic, but it can be the best way of learning.” – Carlos Ruiz, Polanco, TE

Through challenging assignments top executives can potentially identify individuals who are capable of receiving increased responsibility. However, as has been stressed earlier in this paper, it is suggested that the current workload of high-potentials who are offered such assignments should be taken into

consideration simultaneously. As noted by Ready et al. (2010) and Campbell and Smith (2010), the increased pressure can turn into frustration from the high-potentials' side if the intentions of the company are unclear, which further highlights the significance of being transparent with the organizations' purpose with the challenges offered.

As has been noted, the reputation of Swedish MNCs in Mexico seemed to be generally linked with positive aspects such as honesty and openness. As noted by Stahl et al. (2012), companies with successful talent management processes view cultural embeddedness important in their development initiatives. It is suggested that companies should be effective in sharing the stated values and vision of the company with high-potentials, and thereby maximizing *fit* between the organization's corporate culture and the values of its employees. Further, as noted by Ready, Hill and Conger (2008) the organizational culture is critical to high-potentials in emerging markets, who value culture that surpasses financial results, but also focuses on softer aspects such as social impact. Here, arguably, it becomes critical to enforce the corporate culture that high-potentials perceive the studied companies to have to a greater extent than identified in this paper. The reoccurring subject of the importance of being people-oriented and having good communication skills, supplemented with the case of *islands of power* suggests that the perceived openness and honesty of the studied companies does not exist fully, which has to be considered a potential opportunity to improve the ability to retain high-potentials. As several high-potentials mentioned, a significant leadership challenge is to engage people and achieve synergy effects. It is therefore suggested that studied companies, who experience mislinkage between the perceived openness of their company and the actuality of said openness, seek ways to effectively communicate the desired corporate culture in line with the overarching vision and values of the company, in order to increase the likelihood of retaining high-potential talent who might otherwise leave in frustration.

Lastly, the significant focus on being able to provide for the family expressed by interviewed high-potentials further highlights that a fundamental aspect of retaining high-potentials is being able to offer competitive salary. However, as noted by Stahl et al. (2012), financial incentives should not be excessive, but rather be considered a complementary aspect of the abovementioned factors relating to high-potential retention.

Concluding, the key identified aspects of successful retention of high-potentials – as noted in theory and in empirical data – are the following:

- Transparent nomination of high potentials
- Clear career path
- Receive challenging assignments

- Corporate culture that embraces open communication
- Competitive salary

As stressed by Stahl et al. (2012), these aspects need to be integrated, related to the strategic vision of the company, and enforced by key entities within the company – from top executives and human resource departments to middle managers.

5.3. RQ3: What are the key perceived future challenges for leaders in Swedish MNCs in Mexico?

In this chapter the key perceived future challenges for leaders will be discussed from the perspective of interviewees at the studied companies and theory provided on the subject in previous chapters, with comparison between the two viewpoints.

Firstly, one of the key challenges the empirical data shows is that both top executives and high potentials find dealing with people to be one of the biggest challenge of being a leader.

“The ability to organize people, but not because you’re ordering them to do something, but because you show them why it’s important and why they matter, and that way everybody runs in the same direction, and everybody should be happy.” – María Martínez, Condesa, HP

Challenges related to people management come to the leaders in various forms, both in terms of dealing with individuals as well as larger groups or teams. Regarding the needs of each individual, both top executives and high potentials realize the importance of maintaining a good balance between the personal and professional lives of Mexican employees. However, this may come as a surprise, considering how high potentials still feel compelled to put in long working hours in order to stand out and progress faster and further.

Furthermore, another recurring challenge from the interviews related to people management is motivating individuals.

“The relationships are key. The connection you can make with people, in order for them to see what you want, is necessary.” – Gabriela Cruz, Polanco, HP

This can be seen as favorable line of thinking for people who the companies deem as high-potential leaders for the future, as Kotter (2001) states that one of the primary roles associated with leadership rather than plainly management is about motivating and inspiring people to align towards a set direction. Top executives mentioned motivating as one of the toughest challenge, due to the fact that individuals have different personalities and backgrounds, which means different things motivate these individuals.

“This is like a soccer team. If you have a soccer team you want to have a great team, and for that you need the strongest individuals in each position. If you don’t have that, it is difficult to have a great team. That means that each business in Santa Fé should be really strong, and then we need to build the team spirit on top of that.” – Martín Moreno, Santa Fé, TE

For some, the above mentioned work-life balance was the most important, while others are motivated by challenging projects, and yet others by promotions, public appraisal or a clear development path. However, neither top executives nor high potentials saw monetary reward as an important motivational factor, rather a necessary basis to improve quality of the employees’ personal life, again further improving the balance between their personal and professional lives.

“Money is a factor, because it keeps food on my family’s table. But it is not the most important. It is good to have money because if you are happy with that aspect, your work can be a priority.” – Luis Garza, Santa Fé, HP

Additionally, motivating teams was seen as no less of a challenge when it comes to people management. A huge challenge for leaders is taking a group of strong individuals and creating a great team from those individuals. In order to do so, leaders need to use the proper motivation to ensure that the individuals are not working only for themselves, but for the team as a whole. Also, this is seen as important in order to ensure that the team is working at peak performance with ultimate synergy effects with the interests of the whole company in mind.

Further, as the studied branches of MNCs are usually parts of a bigger international cluster, along with other American branches, the branches are quite regularly hit with cluster-related organizational changes. Both top executives and high potentials expressed how much of a challenge it is to keep people motivated through the uncertainty that comes with these changes, with the leaders themselves at times uncertain about their own future, and still having to project calmness and composure, while motivating and influencing their subordinates to do the same, and convince them to carry on performing their work duties as usually.

“I think that’s one of the challenge that not only Reforma is facing, but most of the companies, as they are getting leaner and leaner. It’s not like in the old days when you had these big pyramids with people escalating from one level to the other. The new trend is that we have flatter organizations” - Antonio Hernández, Reforma, TE

Granted, these organizational changes only further highlight the importance of delivering a clear strategy, illustrated by Liedtka and Rosenblum (1996) who point out that making a strategy is largely about responding to the challenges organizations face, including the management of change.

Secondly, another key perceived challenge both top executives and high potentials generally agree of is the importance of constantly being aware of their business environment.

“A better understanding of the new players in the market, what their business models are, and what their objectives are. Also, to know more about the market itself, and know exactly how we have to prepare for that. Market intelligence is valuable for all of us. I guess that we don’t have too much information right now.” – Raúl Herrera, Santa Fé, HP

Further, building a strategy that allows the company to seize the opportunities in the market was deemed as an ever-present challenge. Indeed, this is in line with the findings of scholars such as Porter (1996) who states that in a dynamic and ever-changing business environment with new opportunities and threats arising, effective leaders must be vigilant in combining the organizations’ activities with its strategic position in order to attain competitive advantage for the future.

However, the interviewees’ common view on the importance of strategy building is quite interesting due to the fact that only one of the studied companies presented a clear long-term strategy, and leaders mentioned how they had to find time by themselves to build their own strategy. Additionally, top executives underlined the importance of ensuring a link to be in place between the business strategy and people management. Nevertheless, interestingly, establishing a link between business strategy and leadership development was not at all stressed.

Lastly, the third key perceived challenge leaders at most companies experience the difficulty of improving communications and collaboration between both people and divisions, and have them work as a whole, instead of the competitive corporate culture that currently seems to thrive at companies in Mexico. To illustrate, one of this competitive culture’s embodiments can be seen when people deliberately work for their personal interest even though they do not align with the organizations’ objectives of achieving synergy effects amongst employees and corporate divisions.

“I don’t feel the team spirit here. This team isn’t alive now. People are divided into different virtual islands of power. We need to integrate the whole team.” – Jorge Gutiérrez, Polanco, HP

In addition, another negative side of this competitive culture appears through some sort of jealousy towards their peers and their possible progression within the company. In fact, people go as far as withholding information and sabotaging those who appear to gain opportunities to grow within the company.

“Sometimes the Mexicans do not support each other. In our culture we fight each other sometimes. If someone is realizing that someone else is growing in the company or if someone else has more

important responsibility – this person tries to sabotage the one that has the opportunity.” – Pedro Rivera, Polanco, HP

“I’ve had a lot of stories where things were not managed very well. People tried to make me look bad or that I was doing the wrong things. I have good examples of people maybe not being as open or forthcoming with information as they could have been.” – David García, Polanco, TE

Equally, this competitiveness thrives on a divisional level, where the power struggle between divisions can stifle synergy effects in the organizations, as one division may deem its success of greater importance than that of the organization as a whole, creating what can be labelled as islands of power, as leaders in Mexico think that being territorial and not sharing success with others, strengthens their own position.

“You can see that we are in the same building, all the business divisions, but we don’t work together as we should. There are barriers within the areas. There is no synergy and collaboration between the different areas [...] There is a strong culture in Mexico that the leader has a strong position and they don’t want to share the success with other areas. The people are very territorial.” – Bruno Peña, Roma Norte, TE

The empirical findings suggest that high potentials as well as top executives at the studied companies are in general more focused on internal business challenges rather than external challenges that might threaten their organization. Those internal challenges were mostly related to achieving optimum performances from the companies’ talent pool and at the same time ensuring synergy between individuals and business units. However, some might see these internal issues mentioned as challenges, merely as opportunities for improvements and optimization. However, little focus seems to be on market challenges, and relating those challenges through a long-term strategy in terms of the development of the next generation leaders. On the contrary, most emphasis is placed on the day by day work, with focus on reaching short term financial results and increasing market share, despite the lack of any defined long term policies or strategies clearly stating numerical goals indicating growth ambitions.

To summarize, the key perceived challenges for leaders at the studied companies are people management, organizational changes, business awareness, and internal competitiveness amongst employees and between divisions. However, most of these challenges are internal challenges, and all of them are current ones, even though interviewees were specifically asked to look ten years into the future for what they perceived would be the biggest challenges by that time. Therefore, it can be concluded that either the companies do not communicate the perceived future challenges to their employees through their long-term strategy, or even that no such strategy is in place. The company

boards should make sure that a strategy of at least 10 years is in place, and that it continuously considers any possible future business challenges that might arise. Also, the boards should make sure that these strategies are communicated throughout the companies from the top executives, down to the lowest levels of the hierarchy, stimulating the high potentials by especially encouraging them to carefully consider the strategies, and contemplate if they can foresee any additional future challenges, which might have been overseen by those crafting the strategy.

5.4. RQ4: How is the leadership development aligned with these perceived future challenges and business strategy in Swedish MNCs in Mexico?

In this chapter leadership development at the studied companies will be assessed with regards to its alignment with the perceived future challenges and business strategy at the companies, comparing the current state with theory provided on the subject in previous chapters.

As is evident from research question 3, little focus seems to be on future challenges at the studied companies. In fact, when asked to look ten years ahead and describe the key perceived future challenges, the interviewees at all companies continued describing more or less the same market challenges as they are currently facing. The same applied when high potentials and most top executives discussed possible internal challenges the companies might come up against in the future. However, a few top executives did indeed deem one of the biggest future challenges to be identifying successors capable of replacing people from the management team, including themselves, when the senior managers decide it is time for them to leave their position, either for retirement or another position within the company or elsewhere.

“I try to challenge my organization by delegating tasks to my subordinates. Because if they aren’t able to handle that, I cannot promote them! If you are not ready to have a successor, then you are not ready to be promoted! This is the big question. Are you ready to be promoted? Ok, that’s fine – but who is your successor?” - Martín Moreno, Santa Fé, TE

Moreover, this lack long-term vision regarding challenges might suggest that the companies are not stimulating such thought process with their employees or encouraging them to do so through the companies’ strategy. However, that would imply that all these companies have a clear long-term strategy. Still, only one of the studied companies presented any sort of long-term strategy, which might suggest that, even at executive level, not much thought is put into meeting the challenges of the future, and that no long-term strategy is in place at the companies, even though scholars such as Porter (1996)

have pointed out that a strategy should have a longer timeframe than the concurrent operations efforts, ideally with a horizon of ten years or longer.

Thereby, it has been established that the studied companies neither seem to put much focus on future challenges, nor do they seem to pay much attention to building a long-term strategy, which would aim to meet those future challenges. Hence, it is clear that even though the companies have leadership development programs, these programs or any leadership development in general cannot be aligned with any perceived future challenges or long-term strategy, as little thought seems to have been put into the challenges of the future, and therefore not long-term strategy in place to meet those challenges.

Nevertheless, as some top executives noted, the importance of preparing the future leaders of the companies is recognized. However, this importance does not seem to be fully embedded within the organizations, but merely the opinions of a few. Certainly, all companies recognize the importance of developing leaders, and most have some sort of leadership development programs in place.

“HR has a program for everyone at the company, so at the beginning of the year, you have these focus groups in each area, where everybody says what they would like to learn [...] They have some programs for everybody, and they have guidelines for who is supposed to take which courses according to your level, seniority or role within the company.” – María Martínez, Condesa, HP

However, these programs mostly focus on improving skills within areas such as management, communication, flexibility and tolerance. Meanwhile, as illustrated by Garrow and Hirsh (2008), talent management should also be tied to organizational strategy in order for the talent programs to remain future oriented and engaging senior management in the programs, as well as dictating the pace of employees' development with the attainment of strategic goals. On the contrary, there does not seem to be much effort put on discussing future challenges with the high potentials, or communicate any sort of long-term strategy with these perceived future leaders of the studied companies. Still, if there are indeed long-term strategies in place at the companies, they obviously need to be communicated in a better way, as well as weaved into the talent management programs. This needs to be implemented by the senior management team who, as Galunic and Hermreck (2012) state, have a unique understanding of their company's strategy, and should instead of communicating strategy only to their direct reports, use their own superior credibility and authority to pass the message to lower levels themselves.

Moreover, the empirical data clearly shows that much uncertainty is regarding the ownership of development efforts at the studied companies, and the organizations are often internally misaligned when it comes to leadership development, which can result in random leadership development efforts,

case by case, depending on how active the high potentials and their immediate superior in regards of using the tools available and seizing whatever opportunities arise.

“I think everyone of us, leaders in each area of work, are the responsible ones. That has been one of my worries ever since. What is the generation to come behind us? There is a structure, of course, in HR to develop these people.” – Iván Vasquez, Roma Norte, TE

“That has got to be human resources. They’ve got to promote a lot of these things and support you and give you the material that you need based on your competences. If they think that you are a high potential. If there is something that is something that you need to work on, then they should tell you.”
– Enrique Vargas, Roma Norte, HP

“I think it’s me. One of our values is to leave you and let you do your own things, so first of all it’s yourself. You are responsible for asking your boss if you need a training in something or missing some skills, you are responsible for saying that, and asking for assistance.” – Rosa Castillo, Reforma, HP

Instead, perhaps the companies should be clear about whose responsibility it is to develop the high potentials’ leadership skills, may it be their own responsibility, their superior’s, the organization’s or a shared responsibility. Indeed, this internal misalignment of develop efforts may be another consequence of the companies’ lack of long-term strategy.

Furthermore, all these multinational companies operate in a highly competitive business environment, which makes it even more important to sustain competitive advantage in order for long-term survival. As these companies are all part of multinational organizations, they can indeed capitalize on that advantage, as illustrated by Khanna, Palepu, and Sinha (2005) who point out how globalization of markets present substantial opportunities for large companies, especially in developing countries. This advantage of scale positions these companies in a group with other large multinational competitors, which results in a need to gain further competitive advantage over those global organizations. Therefore, another way to gain competitive advantage is through strategic action, such as strategic positioning, which Porter (1996) describes as performing different activities from rivals’ or performing similar activities in different ways. Continuing, he highlights how merely focusing on operational effectiveness, will not provide an organization with long-term competitive advantage, as its competitors catch up eventually (Porter, 1996). Adding on that, Barney (1991) states that sustainable competitive advantage can be attained through strategy that is both unique and non-imitable. Further, Wright et. al (2001) suggest that one method of gaining such competitive advantage is through competent staff and prominent leaders, and Ready (2002) states that instead of hoping that leaders will rise from within, organizations should more proactively address the issue of leadership development. Finally, Fernández-Aráoz et al. (2011) point out that supply of experienced managers is

very limited, especially in growth markets, and is expected to remain so for the decades to come, so a popular strategy in companies concerned with the next generation leadership is to create a leadership pipeline, aimed at those who are seen as the organizations' future leaders. However, as pointed out, this is a popular strategy, so assumedly companies need to create the best sort of leadership pipeline, in order to gain sustainable competitive advantage.

Further, on the subject of competitive environments, they also exist internally at the studied companies as previously discussed, and described as the islands of power, where both individuals and divisions are seen working for their own interests, might hinder leadership development within the companies. Individuals might try to prevent others from progressing within the organizations, which might however also harm their own development, as the empirical findings show that good communication skills and seamless information flow are seen as some of the key characteristics high potentials should possess. Further, when this competitive environment occurs between divisions, divisions might go to extreme measures in order to somehow make their own division appear in better shape than others, even by withholding information from other divisions, thereby preventing much desired synergy from the organizations' point of view. Also, divisional managers might intentionally hinder the growth of a high potential within the division, as they will not want to see this individual being pulled out of their division for a promotion elsewhere within the company, but rather have this strong individual keep working with great performance on the same tasks as before. Fortunately, there is no evidence of this behavior on an organizational level, as it might hinder high potentials from succeeding beyond their current organizational cluster. However, in order for this harmful competitive culture not to spread and become somewhat a part of the organizational culture, measures should be taken to prevent this behavior from spreading further, and preferably eliminating it from all levels of its existence.

Furthermore, as noted in theory (Stahl et al., 2012), when examining companies of superior performance and with a reputation as attractive employers, six principles are seen as essential as companies intend to successfully implement talent management programs. The first of these principles has previously been touched upon, which is the subject of aligning leadership development with the companies' strategy. Heinen and O'Neill (2004) stress that aligning talent management with organizations' strategy allows the companies to reach superior benefits in a more sustainable manner, continuing by noting that talent management processes should not be static, no more than the business strategies said processes should be aligned with. However, as previously noted from the empirical findings, neither high potentials nor top executives at the studied companies appeared to have put much thought in to the companies' future challenges, and thereby seemingly not involved in any sort of long-term strategy, indicating that there is not a strong link between strategy and talent

management at the studied companies. In other words, the companies do not fulfill the requirements of the first principles mentioned for successful talent management.

Continuing, the second principle is internal consistency, with theory suggesting that organization that pursue developing high-potential employees to become valuable source of competitive advantage in the future should ensure that all internal factors relating to their development is in cohesion towards that very goal (Stahl et al., 2012). Further, Corn Ferry (2013) point out that if companies fail to intertwine different development activities with each other, they tend to have different owners who may have different preferences, which may not be aligned with the overarching desired outcome of the organization as a whole. However, as previously discussed, the empirical findings suggest that there is not a clear ownership with regards of leadership development efforts at the studied companies, with that being the second principle mentioned for successful talent management not met by the companies.

Moreover, the third principle is cultural embeddedness, which theory noting that organizations that have successful talent management systems emphasize the importance of diffusing a corporate culture, stemming from the stated values and vision of the company (Stahl et al. 2012). Indeed, the empirical findings show that both top executives and high potentials spoke highly of the companies' values, and how they coincided with their own values. In fact, many mentioned how much better the Swedish corporate culture was aligned with their own personal values, compared to what people had experienced at Mexican organizations, with some of them even stating that they would never again want to work at a company where the typical Mexican corporate culture thrives.

“Sometimes the Mexicans do not support each other. In our culture we fight each other sometimes. If someone is realizing that someone else is growing in the company or if someone else has more important responsibility – this person tries to sabotage the one that has the opportunity.” – Pedro Rivera, Polanco, HP

Adding on that, several high potentials mentioned the positive experience of both the corporate culture within the studied companies, and the companies' positive reputation in Mexico, and how much more important those factors are to them compared to receiving better salary elsewhere. This is very much in line with theory stating that high potentials in emerging markets especially prioritize companies with organizational culture that is in line with their values and a positive social impact in the country within they operate. Perhaps, this alignment between the companies' values and those of the employees' are indeed due to the companies intentionally recruiting individuals believed to fit well with the company's culture. This would be in line with theory from Stahl et al. (2012), who claim that companies are increasingly prioritized finding talented individuals who portray values that are in line

with its organizational culture, and that affecting an employee's values is more difficult than building an individual's skills. That being said, the studied companies' organizational cultures harmony with the employees' own values, suggests that the third principle of cultural embeddedness certainly seems to be fulfilled by these companies.

Further, the fourth principle is management involvement, with Stahl et al. (2012) explaining that talent management should not only be the concern of human resource departments, but also prioritized by top executives and middle managers in strategically important positions. On that note, the empirical findings show that many high potentials highlighted the importance of some sort of mentorship or leadership guidance from either their direct superior or another high-level manager at the companies. Nevertheless, not all top executives seemed to recognize this importance, often pointing out that leadership development was in the hands of human resources and the high potentials themselves. However, as pointed out in theory, these should be combined efforts, rather than just in the hands of human resources, who might not be in sync with the strategic vision of the top executives who, on the other hand, might act in their own interest and retain high-potentials within their entity (Ready and Conger, 2003). Another possibility, when high-level managers are not involved in the company's talent management, is that their views of its necessity might vary greatly, as some managers will not see it as their responsibility to develop leaders within their departments if they do not see any promotion opportunities within their own department in the near future. However, the empirical findings show that a few top executives seemed to be thinking of the greater good of the whole organizations. For example, one young top executive took pride in how many leaders had developed under his divisional supervision, even though that meant he continuously had to seek replacements for these high-potentials when they received offers of promotions to other divisions within the company, or leaving as expats to learn more about the organization elsewhere in the world. This is in line with theory, with Stahl et al. 2012) noting that high-potentials should be broadening their horizon of the company's operations and seeking development in various ways. Still, it can only be said that the studied companies only half meet the requirements needed for this fourth principle that is management involvement, as some top executives are heavily involved in developing their subordinates' leadership qualities, and yet it seems to be down to their own interest in doing so, and not dependent on which of the studied companies was their employer.

Furthermore, the fifth principle according to (Stahl et al. 2012) is the difficult task of effectively balancing the needs of the market in which multinational companies operate while simultaneously conforming with the organizations' overarching talent management practices. However, all the studied companies in this paper appear to be handling this task quite well, as they all seem to be guided by a centralized talent management department at their headquarters in Sweden, with some of the

companies even offering global leadership seminars for high-potentials at different locations during the year. Still, while recruiting people who fit into the Swedish organizational culture, the companies seem to be given freedom to adapt said organizational cultures to the local ones, as fully installing another country's organizational culture can be difficult and may not even be desirable. This is in line with theory, noting that a dynamic model where centralized talent management practices in conjunction with some degree of freedom at local level is increasingly favored (Stahl et al., 2012). Further, Fernández-Aráoz et al. (2011) point out that companies with operations in emerging markets need to utilize their multinational footprint to attract high potential employees who can benefit the company in the market in which they operate, while stressing the importance of cross-cultural learnings and opportunities to move across business units locally and internationally as part of a holistic development process. On the whole, the studied companies seem to have no problem of attracting young high potentials who meet these requirements, being strong performers locally, yet eager to explore different operations of the organizations elsewhere in the world in order to learn more about the organizations, develop their cross-cultural skills and further improve their English skills, which cannot be taken for granted, and is highly regarded in Mexico. Therefore, it can be said that, in terms of leadership development, the companies studied are indeed balancing the local needs well with the global needs of the whole organizations, fulfilling this principle of successful talent management.

Finally, the sixth principle is, as asserted by Stahl et al. (2012), the companies' ability to effectively differentiating from competitors through branding, which increases the companies' ability to attract talented individuals who have the skills and aspiration that are in line with the stated vision of the organization. The empirical findings show that the studied companies' reputations in Mexico is indeed superior to Mexican organizations, and even subsidiaries of other multinational companies, since Swedish companies seem to be known to possess a somewhat more positive organizational culture than others. Stahl et al. (2012) noted that successful multinational companies signal attaining talented individuals as top priority and, simultaneously, that the global presence of the company can offer significant development opportunities for high-potentials, further echoed by Ready et al. (2008) who noted that high-potentials in emerging countries take note of career advancement possibilities associated with international organizations. Certainly, this corresponds with the empirical findings, indicating that the studied companies are especially lucrative options for young high potentials looking for their first job after graduating from university.

“How do we give them opportunities? Opportunities to experience different cultures and business practices and business models, that other companies can't. We're in 190 countries! That should be a competitive advantage – that we can offer employees exposure to 190 countries” – David García, Polanco, TE

However, since the companies do not seem to put much emphasis on future challenges, they might rather be selecting these high potentials solely based on current business challenges, rather than also assessing the applicants on how they might handle whatever future challenges the companies might meet. Nevertheless, it can be concluded that the studied companies do indeed fulfill this sixth and final principle for successful talent management.

To summarize, even though all of the studied companies operate in a highly competitive environment, acknowledging the importance of gaining sustainable competitive advantage through recruiting and developing superior leaders for the future, little focus seems to be on future challenges and long-term business strategy, which makes it impossible to align any leadership development or recruiting to such challenges or strategy. Therefore, the companies need to start with assessing the possible future challenges they might meet, and construct a long-term strategy, spanning at least ten years, aimed at meeting those challenges. Subsequently, companies should aim at recruiting high potentials, not only ready to manage current business objectives, but also bearing in mind how well applicants will be able to handle those future challenges. Further, leadership development programs should be aligned with the long-term strategy and challenges, assigning the tasks not only to the human resources departments, but also to top executives and high-level managers, who are usually more familiarized with the companies' business strategy. Development efforts should be seen as an integral part of the companies' culture, and spread through all of their divisions, with clear ownership, although divided between human resources, managers, and the high potentials themselves. In addition, companies should encourage synergy and supportive behavior, and try to eliminate the internally competitive culture found in some divisions and individuals, described as the island of power. Furthermore, when assessing the studied companies with recognized principles for successful talent management, they only fully live up to three of those six principles, as they do well in regards to cultural embeddedness, employer branding through differentiation, and balancing global and local needs. However, as previously stated, much improvements are needed regarding the alignment of leadership development with strategy, as well as internal consistency with regards of leadership development, which leads to the final principle only half met, being management involvement, as only a few top executives seemed to be fully engaged when it comes to the development of high potentials.

6. Conclusions

6.1. How leadership is perceived

The interviewed top executives and high potentials at the studied companies seem to focus heavily on the communication aspect of being a leader, and view it as a critical part of being able to influence their subordinates and peers to work towards a shared goal – as exemplified in the following quote from a TE at Santa Fé:

“You have to be able to share a vision – where you want to go in the next 3-5 years – and to engage people to go for that specific vision. If you try to act as a manager, then you are just managing the people and taking a look at profits and losses, but not really looking into the future.” – Martín Moreno, Santa Fé, TE

As noted in this paper, oftentimes the human factor of being a leader seemed to be of high importance to interviewees, who noted that without being able to build trust and have open communication there would be limited chance of achieving great results. As pointed out in the example of *islands of power*, friction in communication on an employee and divisional level can stem from ambiguity on the overarching goals of the organization as well as competitive and territorial mindset of employees.

“Here people don’t want their peers to reach the next level, and can have a really hard time accepting that. That creates a tremendous barrier to grow together as a team [...] We have this kind of a competitive attitude. That can be good, but here it is negative and emerges as jealousy. These kind of things affect the team. This is very common here in Mexico.” – Martín Moreno, Santa Fé, TE

Therefore, it is suggested that studied companies that identify such hurdles ensure that the company’s strategic positioning and vision is well known on all levels of the company in order to mitigate all ambiguity, that requirements for nomination as high potential is made transparent, and that their development and succession planning takes abovementioned strategic position into account. It is argued that by doing so, the identified communication problem many interviewees seem to struggle with could be mitigated by removing all unnecessary uncertainty in terms of what is required of each division, its management and the employees of the company in whole.

Further, an important aspect of effective leadership, as noted by top executive and high potential interviewees, was open communication and the ability to have close relationships with colleagues.

“The relationships are key. The connection you can make with people, in order for them to see what you want, is necessary.” – Gabriela Cruz, Polanco, HP

As noted continuously in this paper, the emphasis on delivering results seemed to put stress on the employees' ability to successfully manage the time allocated in delivering said results and simultaneously manage family affairs. Therefore, in this paper it is suggested that leaders at Mexican MNCs should actively strengthen the relationship between them and their subordinates in order to signal that the company cares about its employees and acknowledges that their source of motivation is in many cases being able to provide for and spend time with their family.

"A good leader should really be taking care of how people are living their own lives, and look how you can support them regarding some personal aspects, which could help them, also to improve as good professionals and leaders later on." – Antonio Hernández, Reforma, TE

Thirdly, leaders are expected to exemplify beneficial characteristics the organization deems vital in a leader, as drawn from the empirical data presented above. In many cases high potentials at the studied companies noted that their relationship with their immediate supervisor was beneficial in learning how to cope with challenging assignments as well as increasing their probability to move further up in the organization towards positions with greater responsibility.

"My boss works in a very special way. He knows that you have the potential. Sometimes he gives you recommendations about some things, but he tells me that I am the one that needs to take advantage of the opportunities." – Arturo Aguilar, Roma Norte, HP

However, reciting the islands of power dilemma, it is suggested that albeit high potentials should actively seek advice and draw lessons from their leaders, there should be a mechanism in place that ensures that top management and middle managers should be aware of the overarching vision and strategic position of the firm in order for them to effectively portray and communicate to high potentials the abilities and capabilities needed for the next generation of leaders.

Lastly, and connected to some of the points drawn forth in this chapter, time management seemed to be a challenge for upcoming talent, who simultaneously deal with the ever-present responsibility of delivering results as well as developing their leadership skills. In many cases it was noted that high potentials did not seem to be able to focus on issues relating to leadership, such as aligning people and thinking about strategic issues pertaining to their position, as the majority of their time was spent on managerial tasks and short-term results.

"I need to delegate more, 80% of my time I'm focusing on current operations, but I should have it 50/50 on current operations and leadership issues." – Margarita Pérez, Condesa, HP

Thus, it is suggested that the studied companies actively mind the workload allocated to people seen as the next generation of leaders at their respective companies, as merely signaling the importance of

strategic thinking and developing leadership capabilities does, arguably, not work without allowing the people expected to do so the time and resources needed.

6.2. How leadership development is perceived

As noted in empirical results, interviewees from the top executive side view high potential employees as those who might lead the organization in the future, are self-driven, deliver outstanding results and seek opportunities to showcase their capabilities in order to seek further promotion and development. These individuals optimally show capacity to grow and show leadership capabilities. From the other side, interviewed high-potentials note that their professional motivation stems mostly from three sources, namely; making impact, pursue career development and provide for their families.

“I think that when you are talking about high potentials, it’s people who are not only thinking about doing their jobs. They are looking for other things they can do to demonstrate their talent and continue growing.” – Antonio Hernández, Reforma, TE

“Money is a factor, because it keeps food on my family’s table. But it is not the most important. It is good to have money because if you are happy with that aspect, your work can be a priority.” – Luis Garza, Santa Fé, HP

Hence, the views of top executives and high potentials on the role of and motivation of high potentials is somewhat aligned, albeit the high potentials assigning more value to softer aspects of their drive, namely the family aspect. In this paper, it is noted that a potential oversight from the studied organizations can be identified in the lack of emphasis on cultural fit of employees and the organization, which focuses on softer aspects than merely delivering results.

Further, the way by which the studied companies nominate high potentials differed between companies as some chose to formally nominate high potentials whereas other informally know who are seen as employees intended to take on greater leadership responsibility.

“For HPs we have a Management Performance Process (MPP), where we identify people with high potential, and every year we have to update their career development, their ambition, and their mobility.” – Eduardo Álvarez, Reforma, TE

“For identifying high potentials, it’s best to spend time with them at the office. You need to know how they are, work with them and truly what their capabilities and opportunities are to grow, because they are not perfect” – Héctor Delgado, Roma Norte, TE

Citing theory on this matter, in this paper it is suggested that companies formally identify and nominate high potentials in a transparent manner. By doing so, arguably, the qualifications and metrics used to assess employees create a consensus and guide top executives, middle managers and human resources departments in leadership development as well as mitigate any ambiguity relating to the selection process of high potentials.

On the subject of leadership development, the capabilities needed in order to increase the probability of being considered for a leadership position with greater responsibility were of technical, communicational and strategic nature. However, the most focus was on communication capabilities, which seemed to be the aspect most high-potentials seemed to struggle with in their daily operations. This aspect was mentioned in relation with getting support and inspiring people as well as building the necessary team-spirit needed to carry out projects.

“The communication is really important and I feel I need to improve the way I communicate the message to the people in order to engage them, and have them follow what we want them to follow. Also, tolerance and inner peace to be able to relax and be able to handle the interaction with people [...] I think I want to improve those skills, the way to communicate, the way to inspire people to do what I want them to do for the company, and make them feel that they are part of this. I think that’s missing. People work here, but they aren’t feeling a part of the whole brand.” – Teresa Medina, Santa Fé, HP

This point is connected to a second issue noted by high potentials, which is time management. As the focus on delivering results was deemed significant by several interviewees, there was limited time to hone leadership skills relating to softer aspects such as building synergy in the team and long-term strategic thinking. Therefore, a potential mismatch between the objective of the studied organizations in terms of leadership development and the actual results seemed to materialize as high potentials did not receive the necessary time and resources to work on the leadership aspects deemed most important as noted in the empirical results. It is suggested that the studied organizations might rectify this contrast by being more vigilant in identifying high potentials who struggle with time management stemming from excessive workload due to focus on short-term results, and allocating these employees more time and resources to build leadership capabilities necessary to cope with their current, and increased, responsibility.

In terms of the current leadership development activities, a potential flaw in the recruiting and process of high potentials at the studied companies was identified, as cultural fit between the organizations and leadership capabilities were not actively prioritized. Rather, these aspects surface later in time, and therefore the studied companies need to reactively identify individuals who both fit with the

organizational culture and have the desired capabilities to lead the company later in their career. It is suggested that the studied organizations ensure that all entities within the organization have a role in the recruitment of future talent, and ensure that the strategic position and vision of the company is known by recruiters, as well as cultural fit between the recruits and company is prioritized to increase the likelihood of successfully transitioning high potentials to future leaders.

As for selecting high potentials, the abovementioned point on interviewees' perception on leadership, specifically on formally or informally nominating high potentials, shall be revisited. To summarize, this paper suggests that formally nominating high potentials increases the likelihood of high potentials to experience themselves as crucial source of competitive advantage and that their career path has been considered with promotion in mind at a later stage in their careers. This, arguably, would also mitigate any misunderstanding and ambiguity relating to the selection process of high potentials and, in turn, lowering the probability of the competitive attitude reflected in the example of islands of power where employees would work against their colleagues' promotion up to corporate ladder towards positions with greater responsibility.

As noted in theory and established throughout interviews with TEs and HPs at the studied companies, being presented with a clear career path is deemed important for HPs to see a future with their current employer.

“Continue giving me the challenges and possibilities to keep growing and develop as a leader. I want to keep learning and getting a better overview of the company.” – Daniel Reyes, Polanco, HP

Not only does it seem to contribute to increased probability of them staying at the company for the long-term, but is also positive in terms of aligning their career development with the organization's strategy – as described in previous chapters. This was confirmed by interviewees of both top executive and high-potential status. However, a potential gap between the ideal clear career plan presented for high-potentials and the actual implementation was identified. No long-term path seemed to exist for interviewed high-potentials, but rather different tools and initiatives available to increase the likelihood of advancement within the company were discussed by top executive interviewees. Drawing from theory, several scholars note that a clear career plan, or succession plan, must be in place to ensure constancy with strategy and increased retention. Therefore, it is suggested that the studied companies effectively communicate the possibilities of advancement within the company, based on consistency with its strategic position and foreseeable challenges – and that all entities within the company have a clear role in ensuring that high-potentials do not *“fall between the cracks”* in the leadership pipeline, that is, that the intended career plan is not abandoned or forgotten in the face of substantial focus on short-term results.

Both HPs and TEs noted that receiving challenging assignments is vital to develop the leadership capabilities of the former group, as well as increasing the likelihood of retention. One TE especially noted that this proved as a good way to identify how potential future leaders cope with stressful situations and whether they “*sink or swim*”:

“You really have to spend time with the person. It’s just not how well they perform but how they different situations. You have to put them in different situations to see. I sometimes call it the water-test – you put them in and see if they sink or swim.” – David García, Polanco, TE

This idea is confirmed in theory, as noted by McCall (2004), who also suggests that these challenges must be tailored with the overarching strategy and desired learning outcome of the company. In this study, however, the link between the development process of the high-potentials and the strategic position of the companies was unclear – and therefore questionable whether the challenges were merely a consequence of the current requirements of the company, or, preferably, a thought-out endeavor aimed at honing potential future leaders’ leadership skills. The increased workload can cater to increased frustration from the high-potentials’ side if the company’s intentions for the future are unclear, as noted in theory [Ready et al. (2010), Campbell and Smith (2010)] - and therefore it is suggested that the studied companies refrain from merely offering large-scale challenges without an underlying development purpose.

Lastly, a high focus on honesty and openness seemed to be of high importance for high-potentials at the studied companies – as well as having a healthy work-life balance, as one of the primary motivational factors noted by HPs was being able to provide for their family:

“I think money is much more important in a country like this. Difference between people is huge. It’s not one Mexico; there are at least ten Mexicos. Ten realities for people, very different from one to another. You want to secure a better place for your family.” – Roberto Chávez, Polanco, HP

However, interviewees from both the top executive and high-potential side noted that competitive and territorial culture was present at their company, e.g. noted in the case of *islands of power*:

“We have a joke here in Mexico, that in when you collect five crabs in a bucket, in other countries you have to put a lid on it, but not here. If one crab tries to escape the bucket here, the others just pull it back down.” – Jorge Gutiérrez, Polanco, HP

Hence, there seemed to be a misfit between the desired and actual corporate culture in at least three of the five studied companies. This might, as is noted in this paper, be a consequence of ambiguity in terms of career development, strategic prioritization and resulting desired corporate culture of the studied companies – and serves as an opportunity of improvement on the organizations’ side. Further,

as one of the identified key motivational factor of the high-potentials was the ability to provide for their families, it is suggested that financial incentives should be in place, albeit not excessive, and used to complement the abovementioned retention efforts from the companies' side.

6.3. Perception of future challenges

Firstly, the key challenges surfacing from the study is people management and motivating individuals, as both top executives and high potentials find dealing with people to be one of the biggest challenges of being a leader. This is in line with two of the characteristics seen as most important for leaders, that is possessing good communication skills and being people oriented.

“The relationships are key. The connection you can make with people, in order for them to see what you want, is necessary.” – Gabriela Cruz, Polanco, HP

Nevertheless, most high potentials are exposed to teamwork early on in their careers, which surely enhances these skills. However, in order to enable the high potentials to be better prepared for the task of managing people, the high potentials' managers could focus on assigning them the responsibility for team projects or even have employees reporting to the high potentials sooner in their careers than traditionally is the case. As a result, the high potentials would gradually learn how to approach people reporting to them, and the different needs people have when it comes to motivation and balance between people's work and their personal lives.

Additionally, leaders continuously come up against the challenge of creating teams of strong individuals and motivating them as a team, ensuring they are creating synergy effects within the teams and between departments, working with the interests of the whole company in mind.

“I expect from myself is that things run smoothly because people are passionate about what they do. If they understand why the things they're doing are important, then they'll do them well. So, it's important for me to transmit that to them. – María Martínez, Condesa, HP

Likewise, there is the challenge of improving communications and collaboration between both individuals and divisions, in order to eliminate the extremely competitive corporate culture currently thriving at companies in Mexico. In order to abolish this undesirable culture, companies should put further emphasis on the importance of teamwork by incorporating it into the company values, continuously stressing the significance of teamwork amongst all employees, especially high potentials, and highlighting that in order considered valuable and progress at the companies, teamwork is an essential quality in people's work.

Further, a relatively new challenge is the uncertainty associated with cluster-related organizational changes. Therefore, it should be considered important that high potentials can easily adopt and manage change. In order to further enhance those skills, high potentials should be involved when companies are going through organizational changes, and used as advocates, projecting calmness and positivity regarding these changes towards their co-workers.

“I think that’s one of the challenge that not only Reforma is facing, but most of the companies, as they are getting leaner and leaner. It’s not like in the old days when you had these big pyramids with people escalating from one level to the other. The new trend is that we have flatter organizations” - Antonio Hernández, Reforma, TE

Furthermore, business awareness is seen as an important, yet difficult challenge, as there are not many characteristics or skills, which can be enhanced in order to meet this challenge, apart from general awareness and curiosity.

“They have to have good skill in communication with the customers, with the dealers, and to know what is happening in the market because when they are with the dealers, the customers always talk about the market, competitors etc.” – Patricia Ramos, Polanco, TE

However, companies should have constant dialogs, both internally and externally with their customers concerning the business environment in which they operate. These dialogs should not only be within the limits of top executives, but also include other employees, especially high potentials, in order to have them thinking about external business challenges early on in their careers, as well as the top executives could gain some fresh insight from their involvement.

Moreover, leaders see strategy building as a challenge, mainly due to lack of time.

“I need to delegate more, 80% of my time I’m focusing on current operations, but I should have it 50/50 on current operations and leadership issues.” – Margarita Pérez, Condesa, HP

Therefore, it would be recommended that strategy building becomes included in the work tasks assigned to high potentials, in order to facilitate time allocation, both for building their own strategies, as well as being included in the dialogs when top executives are building long-term strategies for the companies.

In summary, the mentioned challenges are mostly internal and current ones, rather than the key perceived future business challenges interviewees were asked to reflect upon, which shows that their mind-sets are not fixed on the future. Also, high potentials seem to be very focused on reaching short term financial results and increasing market share, hindering them from being able to withdraw from

their daily business and look further into the future. Therefore, it would be recommended that the high potentials' work tasks include reflecting on future challenges and how to meet those challenges. Also, employees nowadays are highly influenced by their personal development plans, which most companies already have in place, and included goals set for them, which they are required to meet. Thus, it would be beneficial to include such forward thinking tasks in the high potentials' personal development plan, instead of merely their short term projects, financial results and market share.

6.4. Leadership development alignment with future challenges and business strategy

As concluded from research question 3, improvements are suggested with regards of awareness towards future challenges, especially when it comes to high potentials. Further, little focus seems to be on long-term strategy, as such strategy only surfaced from interviews at one of the studied companies.

"I'm not sure if Santa Fé is prepared in building people. I don't think that we are being very successful in preparing people for the future. The day by day work in reaching the targets has been in a hurry and looking for the next year results. We haven't been making a strategic plan in terms of developing the things we need for the upcoming ten years." – Diego Castro, Santa Fé, HP

However, further research is needed in order to know if long-term strategies are indeed missing at the companies, or if they are simply poorly communicated within the companies. Therefore, the company boards should make sure that a strategy of at least 10 years is in place, and that it continuously considers any possible future business challenges that might arise. Also, the boards should make sure that these strategies are communicated throughout the companies from the top executives, down to the lowest levels of the hierarchy, stimulating the high potentials by especially encouraging them to carefully consider the strategies, and contemplate if they can foresee any additional future challenges, which might have been overseen by those crafting the strategy.

As a result, even though the companies have leadership development programs in place, the current lack of focus on future challenges makes it difficult to align any development programs with such challenges, as well as the possibly non-existing long-term strategies. Nevertheless, the importance of preparing the future leaders of the companies is recognized, although the development needs to be fully embedded within the organizations by tying talent management to the then implemented long-term strategies in order for the talent programs to remain future oriented. In addition, tying leadership development with organizational strategy dictates the development pace of the employees, as well as it engages senior management in the programs. Also, clear ownership of the high potentials'

development is needed, may it be their own responsibility, their superior's, the organization's, or the recommended shared effort, where all roles are still clearly divided and defined, so that none of the development efforts get lost in the development process of high potentials.

Further, it is clear that the current and future supply of experienced managers is limited, which makes it a popular strategy to create leadership pipelines. However, since competitors will eventually catch up on competitive advantage companies gain through operational effectiveness, it will become even more vital to gain competitive advantage, by indeed creating the best sort of leadership pipeline in order to gain sustainable competitive advantage. Therefore, board-members and top executives at these companies should make sure that great efforts are put into continuously optimizing their development processes and integrating them into the organizations' strategies.

Finally, companies should aim to fulfil all of the mentioned six principles seen as essential as companies intend to successfully implement talent management processes. Currently they seem to be successful at cultural embeddedness, balancing global and local needs, and employer branding through differentiation. However, as previously discussed, the principles of alignment with strategy and internal consistency are not fulfilled. Furthermore, the companies are somewhat unsuccessful when it comes to the principle of management involvement, as many top executives see it as solely the responsibility of human resources and the high potentials themselves. On the contrary, top executives and other managers should be encouraged to take pride in developing people who are later promoted to leadership positions, weather it may be in the same division or elsewhere at the organization. Further, another recommendation would be to assign all high potentials with a mentor, preferably a top executive from another division, who the high potentials could occasionally seek to for leadership advice.

7. References

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8. Appendix

Interview Questions Interview Guide

High Potentials

- Could you please tell us a bit about yourself and your background?
- What is expected from you as a leader at your company?
- How is that compared to other companies?
- What should a leader do?
- What characteristics do you think a leader should have?
- What do you expect from your leaders?
- Can you give an example of a situation that challenged you as a leader at your company?
- What do you see today as your company's current three toughest market challenges?
- If you look 10 years ahead, what do you foresee as your company's three toughest business challenges?
- How do you think your company prepares for these challenges?
- Given the challenges that your company faces in the upcoming 5-10 years, what do you think is necessary for you to develop as a leader?
- Who is responsible to develop your leadership skills needed for future challenges?
- How does the company assure that these skills are developed?
- Can you describe some situations or experiences that helped you develop as a leader at your company?
 - Were they initiated by you or your company? Why?
 - Was this situation/experience inside or outside your normal scope?
 - If not: Do you ever receive tasks that are outside your normal scope?
 - What did you learn from these situations? How did you arrive at these learning points?
- What initiatives (new projects, workshops, etc.) are you personally taking for improving and developing the organization?
- What drives you forward in your professional career?
- How does your company help you to develop as a leader?
 - Are they successful, in your opinion?
 - Do you see many leaders developing around you?

- Do you have someone that gives you leadership advice for how to act in different kinds of situations?
 - Someone else than your manager?
 - What does he/she do/help you with?
 - Who initiated that relationship?
- What does your company need to do to keep you at the company for the long-term?
- Given your future challenges and the ways leaders are being developed in your company, how does it connect its strategy with your development within the firm as a future leader?

Top Executives

- Could you please tell us a bit about yourself and your background?
- What is expected from you as a leader at your company?
- What should a leader do?
- What characteristics do you think a leader should have?
- What are the biggest challenges in being a leader at your company?
 - Can you exemplify a situation that challenged you as a leader at your company?
- 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?
- What do you see as your company's current three toughest market challenges?
- If you look 10 years ahead, what do you foresee as your company's three toughest business challenges?
- How do you think your company prepares for these challenges?
- Given the challenges that your company faces in the upcoming 5-10 years, what do you think is necessary for high potentials to develop?
- Who is responsible for developing high potentials' leadership skills needed for future challenges?
 - If your company: Establish what function (HR, current leaders, your team etc.) is responsible.
 - How does the company assure that these skills are developed?
- Can you describe some situations or experiences that helped you develop as a leader at your company?
 - Were they initiated by you or your company? Why?

- Was this situation/experience inside or outside your normal scope?
 - If not: Do you ever receive tasks that are outside your normal scope?
- What did you learn from these situations? How did you arrive at these learning points?
- What initiatives (new projects, workshops, etc.) should high potentials take to improve and develop the organization?
- How does your company help high potentials to develop as leaders?
 - Are they successful, in your opinion?
 - Do you see many leaders developing around you?
- How do you give high potentials advice/support for how to act in different kinds of situations?
 - Do you have assigned mentors who do so?
 - What does he/she do/help high potentials with?
 - Who initiated that relationship?
- What does your company need to do to keep the high potentials at the company for the long-term?
- Given your future challenges and the ways leaders are being developed in your company, how does it connect its strategy with your development within the firm as a future leader?