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# Developing Next Generation Leaders in Swedish Multinational Corporations

A Cross-Sectional Study of the Development of Future Leaders

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Sofie Peters



Tobias Unbeck

## ABSTRACT

The world's business environments are changing rapidly. Previously stable structures are becoming volatile, opportunities and risks are entwined, and stakes are higher. Companies must not be fazed by this, but they require direction in order to survive and move forward. And that is why leaders are needed; to steer, to engage, and to unify around a common vision.

Effective leadership development is a strategic weapon, and a crucial activity for multinational corporations (MNCs). And the development efforts must not only produce leaders apt at leading today, but the same leaders must also be prepared to take on tomorrow's challenges; they must be *Next Generation Leaders*. Since change speeds will increase, intercompany networks will become more complex, and the modern workforce will place new demands on their managers and leaders. Next Generation Leaders must be prepared.

Companies are pouring resources into developing these people. Simultaneously, they are competing with other companies for the best and brightest people: the 'high potentials'. Effectively identifying, developing, and retaining these individuals therefore becomes essential since these talented people will leave their companies if not given the opportunities to grow and be challenged. And without them, the companies' leadership pipelines become diluted.

The purpose of this thesis is to investigate how high potentials are being developed into leaders, and whether they are actively being prepared for future challenges. To fulfill this purpose, a cross-sectional study of seven Swedish MNCs was performed, based on twenty-three semi-structured interviews with high potentials, top executives and HR representatives.

The collected data in conjunction with existing research generated an overview of the perceived requirements on contemporary leaders in Swedish MNCs, as well as the challenges that leaders will face in the future. The perceived requirements on Next Generation Leaders were investigated in the same way, as were the respective leader development processes at the seven companies. All of the above in combination created an understanding of whether high potential leaders are actively being prepared to face future challenges.

This thesis indicates that there are discrepancies between the interviewees' and academia's views of the challenges that future leaders will face. It is also indicative of there being a lag in MNCs' perceptions of what will be required of future leaders in this regard, as there are signs of Swedish MNCs developing contemporary rather than future leaders. Relatedly, this thesis also suggests that MNCs might not be preparing their high potentials to efficiently manage the members of a future workforce.

**Keywords:** Leadership, Next generation leadership, Future leadership skills, Leadership development, Future challenges, Modern workforce, Millennial generation, Multinational corporations, Shared Leadership, Swedish MNCs

# TABLE OF CONTENTS

---

|       |   |    |
|-------|---|----|
| 1     | Introduction .....  | 1  |
| 1.1   | Background .....  | 1  |
| 1.2   | Purpose and research questions .....  | 2  |
| 1.3   | Delimitations .....   | 2  |
| 1.4   | Disposition.....  | 2  |
| 2     | Theoretical framework .....   | 4  |
| 2.1   | Contemporary leadership.....  | 4  |
| 2.1.1 | A brief introduction to general leadership styles .....                       | 4  |
| 2.1.2 | Is the leader a manager? Yes, preferably.....                                 | 5  |
| 2.1.3 | What is expected of top executives in MNCs.....                               | 5  |
| 2.1.4 | The global leader .....   | 6  |
| 2.2   | Future leadership .....   | 8  |
| 2.2.1 | The changing landscape for MNCs and the consequences for future leaders ..... | 8  |
| 2.2.2 | What is the deal with millennials?.....                                       | 11 |
| 2.2.3 | What do modern professionals want from their leaders? .....                   | 12 |
| 2.3   | Developing leaders .....  | 13 |
| 2.3.1 | Identifying high potentials.....  | 13 |
| 2.3.2 | Developing high potentials.....   | 15 |
| 2.3.3 | Retaining high potentials.....  | 17 |
| 3     | Methodology .....   | 19 |
| 3.1   | Research strategy and design.....   | 19 |
| 3.2   | Research method .....   | 19 |
| 3.2.1 | Literature review .....   | 19 |
| 3.2.2 | Semi-structured interviews.....   | 20 |
| 3.3   | Trustworthiness .....   | 21 |
| 3.4   | Ethical considerations.....   | 22 |
| 4     | Empirical findings .....  | 23 |
| 4.1   | Requirements on contemporary leaders .....                                    | 23 |
| 4.2   | Challenges for Next Generation Leaders.....                                   | 26 |
| 4.3   | Requirements on Next Generation Leaders.....                                  | 32 |
| 4.3.1 | Global leadership challenges and possibilities .....                          | 39 |
| 4.4   | Developing leaders in Swedish MNCs.....                                       | 42 |
| 4.4.1 | The people responsible for developing high potentials at Swedish MNCs .....   | 42 |
| 4.4.2 | How Swedish MNCs identify high potentials .....                               | 43 |
| 4.4.3 | How Swedish MNCs develop high potentials .....                                | 45 |
| 4.4.4 | How are Swedish MNCs working to retain High Potentials .....                  | 52 |

|       |  |    |
|-------|--|----|
| 4.4.5 | Strategic alignment of current leadership development .....                        | 53 |
| 5     | Discussion .....   | 54 |
| 5.1   | Requirements on contemporary leaders .....   | 54 |
| 5.2   | Challenges for Next Generation Leaders.....  | 55 |
| 5.3   | Requirements on Next Generation Leaders.....                                       | 56 |
| 5.3.1 | Where is the modern manager in the modern leader? .....                            | 57 |
| 5.4   | Developing leaders in Swedish MNCs.....  | 58 |
| 5.4.1 | Who owns and who is responsible for the leadership development? .....              | 58 |
| 5.4.2 | Identifying and selecting high potentials.....                                     | 59 |
| 5.4.3 | Developing high potentials.....  | 62 |
| 5.4.4 | Is there alignment between the leadership development and future challenges? ..... | 65 |
| 5.5   | Model draft for aligning strategy and leadership development .....                 | 65 |
| 6     | Conclusion.....  | 69 |
| 6.1   | Answers to the research questions.....   | 69 |
| 6.2   | Recommendations for future research.....   | 70 |
| 7     | References .....   | 71 |
|       | Appendix 1: interview guide, high potentials.....                                  | 75 |
|       | Appendix 2: interview guide, top executives .....                                  | 76 |
|       | Appendix 3: interview guide, HR representatives.....                               | 77 |

## TABLE OF FIGURES

---

|  |    |
|--|----|
| FIGURE 4.1-1 TRAITS THAT INTERVIEWEES' FEEL ARE REQUIRED OF TODAY'S LEADERS .....  | 23 |
| FIGURE 4.2-1 THE FIRST OUT OF FIVE TYPES OF CHALLENGES THAT INTERVIEWEES THINK NEXT GENERATION LEADERS WILL FACE .....         | 26 |
| FIGURE 4.2-2 THE SECOND OUT OF FIVE TYPES OF CHALLENGES THAT INTERVIEWEES THINK NEXT GENERATION LEADERS WILL FACE .....        | 27 |
| FIGURE 4.2-3 THE THIRD OUT OF FIVE TYPES OF CHALLENGES THAT INTERVIEWEES THINK NEXT GENERATION LEADERS WILL FACE .....         | 28 |
| FIGURE 4.2-4 THE FOURTH OUT OF FIVE TYPES OF CHALLENGES THAT INTERVIEWEES THINK NEXT GENERATION LEADERS WILL FACE .....        | 30 |
| FIGURE 4.2-5 THE FIFTH OUT OF FIVE TYPES OF CHALLENGES THAT INTERVIEWEES THINK NEXT GENERATION LEADERS WILL FACE.....          | 31 |
| FIGURE 4.3-1 THE FIRST OUT OF FIVE GROUPS OF REQUIREMENTS THAT INTERVIEWEES THINK NEXT GENERATION LEADERS MUST FULFILL .....   | 32 |
| FIGURE 4.3-2 THE SECOND OUT OF FIVE GROUPS OF REQUIREMENTS THAT INTERVIEWEES THINK NEXT GENERATION LEADERS MUST FULFILL.....   | 33 |
| FIGURE 4.3-3 THE THIRD OUT OF FIVE GROUPS OF REQUIREMENTS THAT INTERVIEWEES THINK NEXT GENERATION LEADERS MUST FULFILL .....   | 34 |
| FIGURE 4.3-4 THE FOURTH OUT OF FIVE GROUPS OF REQUIREMENTS THAT INTERVIEWEES THINK NEXT GENERATION LEADERS MUST FULFILL.....   | 35 |
| FIGURE 4.3-5 THE FIFTH OUT OF FIVE GROUPS OF REQUIREMENTS THAT INTERVIEWEES THINK NEXT GENERATION LEADERS MUST FULFILL .....   | 36 |
| FIGURE 4.4-1 THE GENERAL VIEW OF RESPONSIBILITIES AND ROLES IN THE DEVELOPMENT OF HIGH POTENTIAL LEADERS.....                  | 42 |
| FIGURE 5.5-1 PROPOSED DRAFT OF A MODEL THAT FACILITATES LEADERSHIP DEVELOPMENT ALIGNMENT WITH STRATEGY: THE LEADAS MODEL ..... | 66 |

## TABLE OF TABLES

---

|   |    |
|---|----|
| TABLE 2.1-1 LEADERSHIP TRAITS THAT SWEDES LIKE TO SEE, AS DESCRIBED BY HOUSE ET AL. (2014).....                                 | 8  |
| TABLE 2.1-2 LEADERSHIP TRAITS THAT SWEDES DO NOT LIKE TO SEE, AS DESCRIBED BY HOUSE ET AL. (2014).....                          | 8  |
| TABLE 2.2-1 CHARACTERISTICS THAT FUTURE LEADERS MUST EXHIBIT, AS DESCRIBED BY GOLDSMITH ET AL. (2003).....                      | 9  |
| TABLE 2.2-2 PRINCIPLES THAT FUTURE MANAGERS MUST ADHERE TO, AS DESCRIBED BY MORGAN (2014) .....                                 | 10 |
| TABLE 2.2-3 CHARACTERISTICS MODERN EMPLOYEES WANT TO SEE IN THEIR LEADERS, AS DESCRIBED BY HESSELBEIN AND GOLDSMITH (2006)..... | 12 |
| TABLE 3.2-1 CODE NAMES FOR MNCs INCLUDED IN THE INTERVIEW SAMPLE .....  | 20 |
| TABLE 4.3-1 CHALLENGES WITH GLOBAL LEADERSHIP, AS IDENTIFIED BY INTERVIEWEES .....  | 39 |
| TABLE 4.3-2 POSSIBILITIES WITH GLOBAL LEADERSHIP, AS IDENTIFIED BY INTERVIEWEES .....   | 41 |



# 1 INTRODUCTION

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*This chapter introduces the reader to the subject of Next Generation Leaders in multinational corporations; what they are, why they are needed, and in brief what problems multinational corporations face today when trying to develop these leaders. Next, the purpose of this thesis is presented, along with four research questions connected to the same. Finally, delimitations and disposition for this thesis are described.*

## 1.1 BACKGROUND

The country of Sweden is home to a number of multinational corporations (MNCs), e.g. AstraZeneca, H&M, Electrolux, TetraPak, and many more. These companies have vast and strong global presences, but changes in the world at large, and in MNCs' business landscapes in particular, are causing old and established structures to become more and more volatile. New types of partnerships and alliances are needed for MNCs to stay competitive (Hesselbein and Goldsmith, 2006). New technologies and innovations not only impact the range of products and services that can be produced and offered, but technology also substantially affect how these large organizations can be run, placing more and more demands on company leaders (Goldsmith et al., 2003) and on employees. And with companies' increasing demands on their employees, modern employees and younger generations in particular place increasing demands on their leaders in turn (Hesselbein and Goldsmith, 2006). In short: company leaders are facing a changing world ripe with new challenges that will affect every level of their organizations. Future leaders must be prepared to face these challenges; they must become Next Generation Leaders.

Already today it is key for MNCs in particular to identify and retain competent managers since internationally competent managers are an essential component of MNCs' global success (Stroh and Caligiuri, 1998; McDonnell et al., 2010; Collings, Scullion and Morley, 2007). But the skills demanded of these types of international (or global) leaders are different and more complex than those required in domestic firms (Terrell and Rosenbusch, 2013), and the 'war for talent' is only increasing in intensity where more actors are emerging and everyone is fighting for the best talents (Collings, Scullion and Morley, 2007). Adding to this are the signs that newer generations, or 'millennials', are less loyal to their employers (D'Amato and Herzfeldt, 2008), and hence require increasing retention efforts in order to make them stay and thereby give their companies' payback on resources poured into their development.

Consequently, and despite the competition, it is crucial for MNCs to be (and stay) extremely apt at identifying, developing and retaining highly talented people that can steer their corporations in the future. Often (according to McDonnell et al., 2010, p. 151) these people are recruited internally since "in many organizations there are a small number of high-potential, exceptional performing individuals who will in time move into key strategic roles that will determine the success, or failure, of the firm". The name used in this thesis for this type of individuals is 'high potentials'.

High potentials are individuals that have been identified as particularly talented, driven and high-performing (Ready, Conger, and Hill, 2010). Three key actors in the development of high potentials are: top executives (sometimes coinciding with being the high potentials' managers), HR, and the high potentials themselves. Together they are supposed to develop future leaders, or 'Next Generation Leaders', that are prepared to take on whatever challenges their MNCs will face.

However, do these key actors share a common view with each other and with current research on what leadership is, what future challenges there will be, and what requirements Next Generation Leaders must fulfill? And are high potentials currently being developed and prepared to meet all of these expectations? This brings us to the purpose and research questions of this thesis.

## 1.2 PURPOSE AND RESEARCH QUESTIONS

The purpose of this thesis is to investigate whether Swedish MNCs entertain the same views as current research on contemporary and Next Generation Leadership, and whether high potentials are actively being prepared for future challenges. There are four research questions designed to jointly fulfill this stated purpose. All four questions are answered through a discussion, where empirical findings are analyzed in the context of relevant theory.

In order to create an understanding of the current environment and thoughts on leadership, the first research question investigates the views that current research and the key actors in the development processes at Swedish MNCs (high potentials, top executives, HR) have on contemporary leadership:

- *RQ1: What are the potential differences between the views of Swedish MNCs and of current research on the requirements on contemporary leaders?*

The second research question focuses on mapping the challenges that current research and top executives, HR representatives, and high potentials foresee that the leaders of their respective corporations will face in the future:

- *RQ2: What are the potential differences between the views of Swedish MNCs and of current research on the challenges that Next Generation Leaders will face?*

In order to face future challenges, leaders might have to develop certain skills and characteristics. The opinions on what these requirements might be may differ between current research and top executives, high potentials, and HR representatives at Swedish MNCs. Thus, the third question reads:

- *RQ3: What are the potential differences between the views of Swedish MNCs and of current research on the requirements that Next Generation Leaders must meet?*

The current methods of developing and retaining leaders in Swedish MNCs today will be investigated. That, in conjunction with the answers to the previous three research questions, will enable the authors of this thesis to answer the fourth research question:

- *RQ4: Are high potential leaders in Swedish MNCs actively being developed to face future challenges and become Next Generation Leaders?*

## 1.3 DELIMITATIONS

A number of measures have been taken in order to assure reasonable homogeneity of the study's sample. It only looks at MNCs with headquarters in Sweden. The studied corporations are large and multinational, meaning that they have more than 5000 employees and are active on at least three continents. The interviewees included in its interview sample consist only of people who have worked in Sweden.

The companies are not compared with each other. Neither are comparisons between the opinions of top executives, HR, and high potentials a focus of this study due to the study's qualitative nature. Such comparisons are only made when the results can demonstrate very clear distinctions between the opinions of interviewee groups. Lastly, in order to restrict the scope of the thesis, the attraction of external talent is not included; only already employed high potentials are included in the interviewee sample and the interview discussions.

## 1.4 DISPOSITION

The disposition for this master thesis is presented in graphical form on the next page.



### Chapter 1. Introduction

*In chapter one the background for this thesis is presented. In connection to the background the purpose of the study is described together with four research questions that are answered in order to fulfill the purpose. Lastly, the delimitations of this study are described.*



### Chapter 2. Theoretical Framework

*In chapter two the literature that constitute the theoretical framework for this thesis is presented. First, theory on contemporary leadership is presented. Next, literature on future challenges for leaders and multinational corporations are described. Lastly, principles and practices used in leadership development is presented.*



### Chapter 3. Methodology

*Chapter three presents the strategy, design, and methods used when writing this thesis. First, the research strategy and design are presented, followed by a description of the methods used. The chapter ends with a discussion regarding trustworthiness and ethical considerations.*



### Chapter 4. Empirical Findings

*Chapter four presents the findings from the twenty-three semi-structured interviews that were conducted during the course of this study. The text presents the interviewees' perceptions of current leadership, future challenges for leaders, and future leadership requirements. After that the current leadership development processes at the MNCs are described.*



### Chapter 5. Discussion

*Chapter five discusses the empirical findings in the context of the theoretical framework. The text analyzes the demands on contemporary leaders as well as those placed on future leaders, and also the challenges for Next Generation Leaders. The chapter's final part discusses leadership development at the MNCs and its alignment to future requirements. It also presents a preliminary framework that potentially can be used to facilitate strategic alignment of leadership development.*



### Chapter 6. Conclusion

*In the sixth and last chapter the conclusions drawn from the discussion in chapter five are presented. The conclusion is divided into four parts, one for each research question. The chapter ends with suggestions for future research.*

## 2 THEORETICAL FRAMEWORK

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*The theoretical framework for this thesis is divided into three parts. The first part concerns leadership: what it implies being a leader, what are some general styles of leadership, the relationship between leading and managing, what type of leadership is crucial when steering MNCs, and how leadership is connected to national cultures.*

*The second part describes current research into what types of challenges MNCs will face in the future and what type of consequences this will have for future leaders of MNCs and for the development of future leaders. These challenges both concern what is happening in the global business environment and what is happening with employees that are themselves evolving as a reaction to modern times.*

*Third, and last, leadership development principles and practices are explained, namely: how international companies generally identify, develop and retain their high potentials and what the implications are.*

### 2.1 CONTEMPORARY LEADERSHIP

A recent and clear definition of 'leadership' and 'leader' were formulated by Nanjundeswaraswamy and Swamy in 2014 (p. 57):

[L]eadership is a social influence process in which the leader seeks the voluntary participation of subordinates in an effort to reach organization goals. A leader can be defined as a person who delegates or influenc[es] others to act so as to carry out specified objectives.

Dinh et al. observed in 2014 (p. 36) that "[s]cholarly research on the topic of leadership has witnessed a dramatic increase over the last decade, resulting in the development of diverse leadership theories". This subchapter describes to this thesis relevant parts of such leadership theories. These include leadership styles in general, and national and Swedish styles in particular, but also differences between leadership and management, and what is required of leaders steering multinational corporations.

#### 2.1.1 A brief introduction to general leadership styles

Leadership can take on many different styles, and different leadership styles may affect organizational efficiency or performance (Nanjundeswaraswamy and Swamy, 2014). Two seminal (McCleskey, 2014) and commonly recognized leadership styles are the 'transactional' and 'transformational' styles.

Transactional and transformational leadership differ from each other in several ways, mainly regarding leaders' approaches to follower interaction, motivation and rewards (Bass, 1990; Shani et al., 2009). As implied by the name, transactional leaders employ transaction based approaches to motivate subordinates and promote compliance (Bass, 1985, 1990; Shani et al., 2009). Consequently, the reward system used by the transactional leader emphasizes extrinsic rewards and punishments (McCleskey, 2014). This means that the leader gives recognition to desirable or undesirable behavior using tangible markers such as increased salary and promotion, or negative feedback and corrective action respectively. Thus, subordinates become motivated to perform their task in order to obtain something desirable or to avoid something negative. (Amabile, 1998)

The transactional leadership approach has been proven effective in some contexts (Bass, 1985; Bass, 1990; Bass et al., 2003). However, scholars have for multiple reasons criticized this leadership style. McCleskey (2014) for instance mentions that the temporary exchanges typical to transactional leadership tend towards shallow short-term leader-follower relationships. Additionally, Bass (1985) argues that transactional leadership is inadequate for achieving and promoting higher-order changes and improvements. He motivates this by calling out the exchange process emphasized by transactional

leaders which focuses on marginal improvements, maintaining the current situation, and achieving explicit goals (Bass, 1985).

In contrast to transactional leaders, who encourage followers through contingent rewards, leaders practicing transformational leadership emphasize influence through emotions and values (Yukl, 1999). The transformational leader is a source of inspiration that motivates and energizes followers to reach desired organizational outcomes (Bass, 1990). Bass (1999) identifies four characteristics in transformational leaders; they exert influence over followers' ideology and ideals ('idealized influence'), are charismatic and inspiring to followers, provide intellectual stimulation to followers, and are empathetic to followers' individual needs ('individual consideration'). Yukl (1999) complements this list with three additional behaviors found in other research than Bass', namely that transformational leaders infuse followers' work with meaning, develop their followers' skills and self-confidence, and that they empower their followers.

### **2.1.2 Is the leader a manager? Yes, preferably.**

Scholars have throughout the years made clear distinctions between leadership and management (Zaleznik, 1977; Kotter, 2001; Kent, 2005). According to Kotter (2001), managing is about handling the complexities within organizations and preventing chaos through planning, organizing, and control. Conversely, he describes leadership as the ability to cope with change; this would involve setting new directions, aligning, and motivating people. Kent (2005, p. 1012) emphasizes these differences further by stating that "managing is an authority relationship; leading is an influence relationship; and managing creates stability; leading creates change".

On the other hand, many scholars (e.g. Kotter, 2001; Kent, 2005) do also claim that management and leadership should be viewed as two coexisting and complementary systems that together form effective leaders. Because even though the device "[l]eaders are people who do the right thing; managers are people who do things right" (Bennis and Nanus, 1985, p. 21) is both famous and in some sense true, all of these distinctions can give rise to unintended consequences. One such example is that of leaders focusing only on 'the big picture' while overlooking implementation. Or top executives not learning about their companies' people, customers, or products because such information is deemed menial and managerial, thereby risking pushing their company in the wrong direction. (Robert I. Sutton in 'True Leaders Are Also Managers' from 2010) Most effective leaders can both manage and lead (Drucker, 2004), because a leader with vision but without the managing capabilities to secure resources for reaching that vision will amount to little (Kent, 2005).

A definition encompassing both perspectives was reached during the GLOBE project (to which we will return in chapter 2.1.4.1) by 54 researchers in 38 countries and formulated as "the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members" (House et al., 2002, p. 5). Too strong leadership will cause organizations to become over-led and under-managed, and vice versa (Kotter, 2001). It is therefore key for leaders to inhabit the characteristics of both leadership and management to successfully lead an organization.

### **2.1.3 What is expected of top executives in MNCs**

The further up in an organization one moves, the more strategic the decision making tends to become. Boal and Hooijberg (2001, p. 516) state that "[s]trategic leadership focuses on the people who have overall responsibility for the organization". This means that the CEO rather than shop floor workers must exhibit strategic leadership skills.

Krupp and Shoemaker (2014) claim that in a world of VUCA, (volatility, uncertainty, complexity, and ambiguity), strategic leadership is more important than ever before. They describe how strategic leaders must: be able to anticipate the future and think in scenarios; challenge current conventions and underlying assumptions; and they must correctly interpret weak signals and spot patterns. Moreover,

they state that strategic leaders must be brave enough to make tough calls and stand by their decisions while balancing many different trade-offs; they must build and encourage others to building alignment; and they must learn from their mistake and dare to admit them.

Boal and Hooijberg (2001, p. 516) cite multiple researchers (e.g. House and Aditya, 1997; Ireland and Hitt, 1999) who define activities commonly associated with strategic leadership:

Activities often associated with strategic leadership include: making strategic decisions; creating and communicating a vision of the future; developing key competencies and capabilities; developing organizational structures, processes and controls; managing multiple constituencies; selecting and developing the next generation of leaders; sustaining an effective organizational culture; and infusing ethical value systems into an organization's culture.

Strategic leadership is suggested to consist of three components, the first of which would be *absorptive capacity*. Absorptive capacity is the ability to learn, to recognize, assimilate and apply new information in new ways. Learning occurs through studying and through experience and it is an essential skill to have for top executives who have great influence over the direction of and patterns within an organization. The second component of strategic leadership is *adaptive capacity*, or *the ability to change*. (Boal and Hooijberg, 2001) In the current competitive landscape, innovation and therefore flexibility is often crucial. Hitt, Keats and DeMarie (1998) even go so far as to claim that organizational success is dependent upon strategic flexibility. Since top leaders are the source of organizational flexibility (Boal and Hooijberg, 2001), organizations wanting to change need leaders that are themselves flexible, and open to and accepting of change (Black and Boal, 1996).

The third and last strategic leadership component is *managerial wisdom*. Boal and Hooijberg (2001) define managerial wisdom as a combination of two factors: *discernment* (as described by Malan and Kriger, 1998) and *Kairos time*. Discernment entails an understanding of social actors and their relationships, as well as the ability to perceive variations in the surrounding environment. Kairos time is in rhetoric the awareness of situational context and timing (Kinneavy et al., 1992) or roughly translated: knowing when to say or do what needs be said and done. To summarize: a strategic leader is apt at learning, at changing, and at reading social and situational context, and uses these qualities to both directly and indirectly steer their organization and influence people.

#### **2.1.4 The global leader**

There are many who have put forward definitions of what a global leader is (e.g. Adler, 1997; Caligiuri, 2006; McCall and Hollenbeck, 2002). A common denominator that can be seen among the various definitions is that global leaders have jobs with international scope; they work across many different regions and cultures. And as globalization and competition across borders continue to increase, so does the need for MNCs to develop leaders with the skills and competencies needed to effectively lead and operate globally (Caligiuri, 2006; Caligiuri and Tarique, 2012; Terrell and Rosenbusch, 2013). The importance of globally competent leaders is stressed by Caligiuri (2006, p. 219) who claims that "[s]uccessful global leaders are a competitive advantage for multinational firms".

According to Terrell and Rosenbusch (2013, pp. 1056-1057) global leaders "must deal with complexity that is different from non-global contexts". Consequently, successful global leaders must hold certain global leadership competencies to be effective in their role (Caligiuri, 2006; Terrell and Rosenbusch, 2013). Research to date have generated a vast number of suggested global leadership competencies (e.g. Bücken and Poutsma, 2010; Caligiuri, 2006; Cohen, 2010; Jokinen, 2005, Mendenhall, 2006; Terrell and Rosenbusch, 2013). However, many of the competencies and skills scholars suggest are rather dispersed and different from each other (Jokinen, 2005; Bücken and Poutsma, 2010).

For example, some authors suggest a global mindset (defined by Gupta and Govindarajan (2002) as a high ability to integrate diversity across cultures and markets combined with a high degree of openness to diversity) to be most important (e.g. Cohen, 2010). Others argue that intercultural and interpersonal skills are key (e.g. Jokinen, 2005), while yet others stress that both intercultural and business competencies are needed (e.g. Caligiuri, 2006). Altogether, this makes it hard to identify those skills and competencies that are most essential for global leaders. For the purpose of this thesis, Caligiuri's (2006) emphasis on both intercultural and business competence will be used. In other words, a global leader must be able to navigate multiple cultural and national leadership styles while still being a competent manager and business director. More on national leadership styles in below.

#### **2.1.4.1 National leadership styles**

Which leadership styles are preferred and appropriate depend largely on cultural norms and traditional beliefs inherent to that culture (Prideaux et al, 2007 as cited in Nanjundeswaraswamy and Swamy, 2014). This means that leaders that move between different countries and thus different cultures have to adapt their leader styles in order to be successful in their leadership.

Since 1991 and stemming from Hofstede's cultural dimensions (1980), there is an ongoing attempt to "develop an empirically-based theory to describe, understand, and predict the impact of specific cultural variables on leadership and organizational processes and the effectiveness of these processes" (House et al., 2002, p. 4). This attempt is the GLOBE project; a comprehensive large-scale study of 62 countries, involving more than 200 researchers of different nationalities. The GLOBE project has identified ten culture clusters worldwide consisting of countries that share similar characteristics, e.g. the Anglo cluster, the Confucian Asia cluster, and the Germanic Europe cluster. (Chhokar, Broadbeck and House, 2008) A common leadership style is theoretically viable within each cluster.

The GLOBE project (House et al., 2014) found that there are different archetypes of outstanding leaders in different cultures. Twenty-one leadership characteristics were generated, such as: integrity; visionary; face saver; modesty; etc. These were statistically and conceptually reduced to six leadership styles, as described below.

The 'charismatic or value based' style depicts leaders with high standards, decisiveness and innovation while simultaneously being inspiring to followers through a clear anchoring in core values. The 'team-oriented' style instills loyalty, pride and collaboration in followers and communicates and values common goals. These two styles are subject to little cultural variation and are thus deemed as outstanding leadership styles in more or less all cultures. (House et al., 2014)

The 'participative' style wants everyone to participate in both decision-making and implementation; equality and delegation is encouraged. This style is particularly popular in Canada, Brazil and Austria, and least popular in Mexico, Russia and Albania. The 'humane' leader is compassionate and generous, patient and supportive and especially concerned with other's well-being. It is favored in Taiwan, Nigeria and the Philippines, and less so in Russia, Denmark, Morocco. These two styles are quite common in large parts of the world. (House et al., 2014)

The 'self-protective' leadership style desires procedural and face-saving behaviors that are conscious of hierarchy and status. The focus lies with the individual's and the group's safety and security. This style is more common in e.g. Taiwan, Albania and Egypt and not encountered much in for instance the Netherlands, Finland and Sweden. The sixth and final leadership style, the 'autonomous' style, has an independent, self-centric and individualistic leadership approach. It is more often encountered in e.g. Argentina, Austria and Russia, and less often in for example Brazil, Portugal and Hungary. These two styles are much less prominent than the other four in the world at large. (House et al., 2014)

### 2.1.4.2 Swedish leadership styles

House et al. (2014) found that a Swedish outstanding leader should be either charismatic, team-oriented, participative, or humane-oriented. She should not be autonomous and she should absolutely not be self-protective. According to the GLOBE study, these are ideas that Swedes are typically brought up with and hence the styles that Swedes might have either inherent inclinations for or inherent difficulties with. Out of the twenty-one leadership characteristics that constitute the leadership styles in chapter 2.1.4.1, House et al. (2014) found that there were seven that ranked especially high among Swedes as desirable traits in leaders. These are depicted in Table 2.1-1 below in the order they were ranked, top – most desirable.

**Leadership traits Swedes like to see**

| <b>Contributing attributes</b> | <b>Meaning someone who is...</b>  |
|--------------------------------|---|
| <b>Inspirational</b>           | Enthusiastic, Positive, Encouraging, Motivational, and Morale booster                   |
| <b>Integrity</b>               | Honest, Sincere, Just, and Trustworthy  |
| <b>Visionary</b>               | Future oriented, Anticipatory, Inspirational, Visionary, and Intellectually stimulating |
| <b>Team integrator</b>         | Communicative, Team builder, Integrator, and Coordinator                                |
| <b>Performance orientation</b> | Improvement, Excellence, and Performance oriented                                       |
| <b>Decisive</b>                | Willful, Decisive, and Intuitive  |

Table 2.1-1 Leadership traits that Swedes like to see, as described by House et al. (2014)

All of these seven traits that Swedes like to see in their leaders coincide with universally endorsed leadership traits that will make up outstanding leaders in any context (House et al., 1999).

The four least appreciated leadership traits among Swedish leaders are depicted in Table 2.1-2 below in the order they were ranked, top – least undesirable. These four in turn correlate with what a universally outstanding leader should not be like (House et al., 1999).

**Leadership traits Swedes do not like to see**

| <b>Inhibiting attributes</b> | <b>Meaning someone who is...</b>                              |
|------------------------------|---|
| <b>Autocratic</b>            | Autocratic, Dictatorial, Elitist, Ruler, and Domineering      |
| <b>Face Saver</b>            | Indirect, Avoiding negatives, and Evasive                     |
| <b>Self-Centered</b>         | Self-interested, Nonparticipative, Loner, and Antisocial      |
| <b>Malevolent</b>            | Hostile, Vindictive, Cynical, Noncooperative, and Egotistical |

Table 2.1-2 Leadership traits that Swedes do not like to see, as described by House et al. (2014)

## 2.2 FUTURE LEADERSHIP

The text below describes the changing business landscape for MNCs and the future demands these changes will make on leaders. Relatedly, the future workforce consisting of ‘modern employees’ and ‘millennials’ are described, as well as their particular demands on leaders.

### 2.2.1 The changing landscape for MNCs and the consequences for future leaders

Cutler (2014) state that among the large number of challenges that future leaders must face, the four most significant are: innovation, talent management, communications (including social media), and globalization. On the same note, Hesselbein and Goldsmith (2006) describe how the twenty-first

century is ripe with change and challenges for multinational corporations. An aging population and low birth rates contribute to a shrinking traditional workforce and to diversified customer segments with very different perceptions of customer value. At the same time, the workforce itself becomes more diverse, something that is contributed to by global recruitment. Environmental and social regulations are becoming stricter, thereby impacting traditional transportation and outsourcing alternatives. Furthermore, corporations are becoming increasingly complex in that they are more and more dependent on partnerships, alliances, contractors and other associates. People and communication skills will therefore become even more important than today since executives must negotiate and navigate their way through these complex structures. Technology and increased Big Data handling will be essential pillars of support when developing tomorrow's organizations. And executives must master communications technology such as video conferencing and the Internet and have them become integral parts of daily life in order to facilitate collaboration and enable coordination of large firms. (Hesselbein and Goldsmith, 2006)

On a more strategic level, Goldsmith et al. (2003, p.1-5) state that there are five characteristics that future (and global) leaders must exhibit in order to drive and manage their organizations in the twenty-first century. These are depicted in Table 2.2-1 below.

| <b>A future leader must...</b>          | <b>Meaning...</b>   |
|---|---|
| <b>Think globally</b>                   | Leaders must have understanding of global economics and e-commerce, and the cultural, legal, and political ramifications. They must be able to lead across regions and across technological platforms.  |
| <b>Appreciate cultural diversity</b>    | Leaders must appreciate, understand and adapt to cultural differences regarding leadership styles, individual behaviors, race, and sex. They must distinguish between what is motivating in one culture and offensive in another.   |
| <b>Develop technological savvy</b>      | Global organizations will become a virtual network operating through technology, and communication systems will become the backbone of MNCs. Leaders must understand how to effectively use new technology, become positive role models, and they must know how to invest in it and who should be appointed to manage the technology.   |
| <b>Build partnerships and alliances</b> | Strong trends point towards more and more companies forming alliances with other organizations. The lines between friends (customers and collaborators) and enemies (competitors) will become blurred; only companies that build positive long-term relationships with others will succeed. Teams of collaborative global leaders must work together in order to keep their organization afloat in a sea of alliances and joint ventures. |
| <b>Share leadership</b>                 | Leaders must be able to negotiate complex alliances and manage complex relationship networks. There will therefore be so many decisions that needs to be made that the CEO cannot be the sole decision maker. Leaders must become less controlling and more willing to share decision making with their own competent teams in a flatter organization.  |

Table 2.2-1 Characteristics that future leaders must exhibit, as described by Goldsmith et al. (2003)

Morgan (2014) looks more into the daily work of future companies and finds that there are five main trends that shape the way work will look in the future: new behaviors, technology, millennials (meaning the next big workforce generation), mobility, and globalization. Regarding new behaviors: employees in general (and not only millennials) will exhibit new behaviors that are shaped by how they interact with social media and the web. And there will be shifts in technology; cloud services will become more prevalent, collaborative technologies will enable work being performed more efficiently,

big data will open up new analysis opportunities, and the internet of things will connect everything to everything else, thereby creating new value propositions and analysis opportunities.

The new generation, the 'millennials' will become a substantial part of the workforce and will bring with them new attitudes and expectations on their workplaces, and also new ways of working. Preceding generations will have to adapt, as will millennials in the future when the next generation, 'Gen Z', joins the workforce and brings with them the technology they have grown up with, e.g. artificial intelligence and self-driving transport. Mobility will, thanks to communications technology, become common since people will be able to work from anywhere; physical presence will not be necessary. Finally, globalization will contribute to there being no boundaries; companies can spread all over the world and operate anywhere, in international teams and with or without actual local presence. (Morgan, 2014)

From a more hands-on perspective, but still oriented around managing an organization, Morgan (2014, p. 91-115) describes ten principles that future managers need to adhere to if they want to effectively manage their organizations and retain their employees. These ten are depicted in Table 2.2-2 below.

| <b><i>A future manager must...</i></b>                | <b><i>Meaning...</i></b>   |
|---|--|
| <b>Must be a leader</b>                               | The future manager cannot only be a manager; she must be a leader too  |
| <b>Follow from the front</b>                          | Instead of thinking "How can I get the most out of my employees", future managers must think "What can I do to help employees be most effective and engaged?"  |
| <b>Understand technology</b>                          | Managers must not become IT professionals, but they must stay on top of current technology trends and the way technology can be leveraged in order to support the work of their employees  |
| <b>Lead by example</b>                                | Showing support for change cannot be superficial in the future; management must actually participate in the change and show how they change themselves   |
| <b>Embrace vulnerability</b>                          | Managers must foster a culture where everyone dares to be vulnerable and thereby develops trust in one another, which encourages the sharing of information, opinions and emotions   |
| <b>Believe in sharing and collective intelligence</b> | Managers must facilitate information sharing between all employees in order to enable effective decision making, and in order to help employees get their job done anytime, anywhere, and on any device  |
| <b>Challenge convention and be a fire starter</b>     | Managers have the power to breed change and they must therefore be responsible for challenging current conventions in order to enable improvements of the same   |
| <b>Practice real-time recognition and feedback</b>    | Semi-annual and annual employee reviews are no longer viable as they are too infrequent, one-directional and not truly focused on individuals' needs. Collaboration platforms should be used to provide bi-directional real-time feedback and recognition because they only matter in real-time.   |
| <b>Be conscious of personal boundaries</b>            | In a world where practical boundaries are disappearing, future managers must become more conscious of their employees' personal boundaries: at what time it is okay to call, and can you add each other on Facebook or should you keep to LinkedIn?  |
| <b>Adapt to the future employee</b>                   | Tomorrow's employees will require a more flexible work environment and work hours where they communicate and collaborate in new ways. They will shape their own career paths and become less knowledge-oriented and more learning-oriented. Future managers must act on the first nine principles in order to satisfy this one, the tenth principle. |

Table 2.2-2 Principles that future managers must adhere to, as described by Morgan (2014)

Since managers should preferably be leaders and vice versa (as was argued for in chapter 2.1.2), both Goldsmith et al. (2003) and Morgan's (2014) lists of future leader/manager characteristics apply to a high degree to all managers and leaders.

### **2.2.2 What is the deal with millennials?**

The interchangeable terms 'millennials' and 'Generation Y' have been buzzwords as well as the subject of research in recent years. They refer to the large amount of people born between 1980 and 1999 that are typically well educated, skilled in technology and very self-confident. Due to the ideals and the technology they were brought up with they will be, and already are, the cause of cultural clashes with the existing workforce and with existing workplace conditions. (Sujansky and Ferri-Reed, 2009)

Espinoza, Ukleja, and Rusch (2010) acknowledge that people are often sceptic to the whole notion of different generations and may think that people are all the same and that differences are rooted in age groups and experience rather than in generational trends. The same authors concede that, naturally; millennials do mature in different ways with age, as do all people. However, the authors go on to say that Generation Y's life-long access and relationship to technology and therefore also information is unique when compared to preceding generations. They point out that millennials, unlike earlier generations, have never been forced to access information via an authoritative figure, thereby depreciating their reverence for authority. Additionally, and as with any generation they say: millennials have been brought up in a time and by parents with certain values that make them who they are today and distinguishes them from those that came before.

No matter the actual reliability of these generational theories, there are evidently differences in how millennials, the generation that is currently flowing into workplaces around the world, are viewed when compared to their older colleagues, according to Caraher (2015). For example, the same author states that it is rumored that millennials are entitled, lazy and cannot get anything done. He also claims that these rumors are wrong. Millennials are not entitled, he says, but they are pragmatic and have been taught to expect certain things immediately when entering a workplace and not having to wait. And millennials work differently from preceding generations and they might not know what 'good work' entails, but that does not mean that they do not work hard. And finally, millennials can create amazing output, but need context and feedback in order to perform. (Caraher, 2015)

Caraher (2015) goes on saying that millennials enjoy their work when they can work in teams with things that matter to them and where they can make their opinions heard. He says that they also want different types of opportunities: access to senior management, strong mentors, and clear career paths that allow for them to either move around or to grow a lot within their existing jobs. Millennials also want transparency, continuous feedback and acknowledgement through constant dialogue. Feedback in particular is a recurring theme with Generation Y. (ibid.) Sujansky and Ferri-Reed (2009) state that millennials have grown up with immediate and continuous feedback from dedicated parents, which have made them defensive in the face of criticism. The authors say that leaders must therefore be careful when giving constructive feedback so as to not demotivating them and risking them leaving the company. Sujansky and Ferri-Reed (2009) concede that this might seem like too much hand-holding, but that it is a very effective way to motivate and direct millennials. Caraher (2015) claim that one way to wind down the need for constant feedback in millennials is to appoint regular feedback check-ins beforehand.

Caraher (2015) also describes three semi-confirmed rumors. First: millennials will probably expect rewards and promotions in exchange for showing up to work since they have been rewarded for participation all their lives. Secondly: some millennials can also be perceived as casual and disrespectful; workplace dress is less formal than only twenty years ago and millennials do not know how they are perceived by their older colleagues. And for the last rumor: millennials are said to want freedom, flexibility and work-life balance. Yes, they want freedom to choose where they should be, and some will choose to be in the office and some will choose to work from somewhere else. And yes,

millennials want what they perceive as real work-life balance since they have seen the compromised work-life mix preceding generations have had and millennials do not want that for themselves.

### 2.2.3 What do modern professionals want from their leaders?

According to a 2013 Ernst & Young report (as cited in Morgan, 2014), 87% of millennial workers have taken on managerial positions, to be compared to 38% of the preceding generation and 19% of the generation before that; future leaders will be millennials, their employees will be millennials, and the transition will happen fast. This means that high potentials of today are in many cases millennials that in turn will lead millennials. But there are naturally also other people than millennials that make up the global pool of high potentials. These people will nevertheless have been affected by modern times and possibly even reevaluated or developed what they value to see in a leader. And as Pardey (2008) says: future leaders must attend to the needs of their employees and leadership can only be understood when looking at what followers' really desire.

Hesselbein and Goldsmith (2006) state that with executives' increasing demands on their employees, employees' demands on their leaders increase as well. When asked how their ideal 'global leader of the future' would be, aspiring young professionals (but not necessarily millennials, nor high potentials) at 120 companies around the world answered with a number of things they wish of their leaders, as cited in Hesselbein and Goldsmith (2006) and presented in Table 2.2-3 below:

| <b><i>A leader should...</i></b> | <b><i>Because...</i></b>   |
|----------------------------------|--|
| <b>Encourage their passion</b>   | People today work more than ever before. "The leaders of the future need to identify, support, and encourage passion in their professional employees. Leaders also need to 'lead by example' and demonstrate this same passion in their love for leadership" (p. 170).   |
| <b>Enhance their ability</b>     | With decreasing job security, future leaders must help continually developing their followers to ensure, if not their employment, so then at least their employability.  |
| <b>Value their time</b>          | Time is scarce, thus it is valuable. Professionals felt disrespect for leaders that wasted their time with unnecessary bureaucracy and meetings when they already worked up to eighty hours a week.  |
| <b>Build their network</b>       | Professionals will move between firms more. Leaders that help their followers cultivate strong networks also cultivates loyalty among people leaving the firm. Former employees hired by other companies might make use of their network and engage their old employer. And they might one day come back, bringing valuable knowledge with them. |
| <b>Support their dreams</b>      | The best people work for more than money. In order to retain them, leaders must act as an enabler to them fulfilling their dreams and higher ambition with their work.   |
| <b>Expand their contribution</b> | 'Happiness' and 'meaning' make professionals work best. Leaders must provide the opportunity for professionals to contribute to the world to make them feel there is meaning in their work.  |

*Table 2.2-3 Characteristics modern employees want to see in their leaders, as described by Hesselbein and Goldsmith (2006)*

As can be seen, these leader characteristics are in line with the principles that Morgan (2014) state that modern managers must adhere to.

## **2.3 DEVELOPING LEADERS**

Responsive and committed leaders capable of maneuvering contemporary industry turbulence are crucial to organizational success and performance (Kotter, 2001). Unfortunately, people possessing the right set of capabilities and skills to mantle this type of responsibility are few and far between (Alon and Higgins, 2005). Consequently, the process of identifying, developing and preparing potential leaders for the challenges they may encounter in their future leading positions has become an essential activity in many organizations.

However, the building and sustaining of a strong pipeline of future leaders is according to Stahl et al. (2012) a great challenge for companies today, and organizations need to have effective talent management systems and processes in place in order to combat this challenge (Stahl et al., 2012; Scullion, Collings, and Caligiuri, 2010). According to Scullion, Collings and Caligiuri (2010, p. 106) talent management "includes all organizational activities for the purpose of attracting, selecting, developing, and retaining the best employees in the most strategic roles". Talent management can thus be viewed as a process consisting of those four major steps. Since 'attracting' refers to external recruitment (Scullion, Collings, and Caligiuri, 2010; Stahl et al., 2012), that step will not be included in this theoretical framework, since that is outside of the scope for this master thesis. Hence, theory that covers 'identification', 'development', and 'retention' of high potentials is presented below.

### **2.3.1 Identifying high potentials**

The first step in the leadership development process is to identify and select high potentials in order to build and sustain a good talent pool. According to Ready, Conger, and Hill (2010) and Stahl et al. (2012) companies often have their own descriptions and definitions of what high potentials are. However, the same researchers found that firms tend to use some common terms when describing their high potentials. From these terms, the authors constructed a definition of a high potentials:

High potentials consistently and significantly outperform their peer groups in a variety of setting 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, Conger, and Hill, 2010, p. 3)

Companies can look for high potential leaders either outside of or inside their organizational boundaries. However, research has demonstrated that the most effective organizations are those that actively build and sustain an internal talent pool (McCall, 1998; Stahl et al., 2012). Furthermore, Charan (2005) argues that organizations should, at all levels, identify high potentials and with them develop a deep pool of potential leaders that can take on various leadership and executive positions. In order to do so effectively, Groves (2007, p. 240) states that companies should "adopt a long-term perspective for developing and managing talent throughout their organizations". If they do not, there is a risk of creating a succession planning that is pervaded by a 'replacement mentality' (Groves, 2007; Conger and Fulmer, 2003). A replacement mentality would entail having only a few 'backup candidates' for only specific leadership or executive positions (Groves, 2007). Since people often choose to collaborate with others that are alike themselves, these backups are often similar to the current leaders, thus decreasing the chances of creating broadly sourced and diversified senior management teams.

In the literature, multiple suggestions for which criteria to use when identifying high potentials can be found. McCall (1998) argues that high potentials should initially be assessed and identified based on their ability to learn and taking advantage of development opportunities. In order to identify employees that possess these abilities, McCall (1998, p. 128-129) describes eleven dimension, or attributes, that a high potential should exhibit:

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

However, McCall (1998, p. 230) underlines that these attributes only should be seen as "the minimum criteria for being considered 'high potential'".

A common approach employed by companies when identifying high potentials is to use leadership competency models that describes skills, characteristics, and behaviors that organizations consider constitute effective and successful leadership (Hollenbeck, McCall, and Slizer, 2006; McCall, 1998). However, this way of identifying high potentials has both positive and negative sides. The strengths associated with this approach are according to Hollenbeck, McCall, and Slizer (2006, p. 403) that it allows organizations to: communicate leadership behaviors that are important, discriminate the performance of individuals, link desired behavior to the goals and strategic direction, and establish a leadership framework that is relevant for various types of leadership positions. On the flipside, competency models have been criticized for describing one single 'great leader' when the reality shows that effective leaders can in fact come with different traits and characteristics (ibid.).

Finally, Conger and Fulmer (2003) found that many best practice firms identify high potential leaders through a talent matrix where talent is assessed by using two assessment variables: performance results ('the what') and leadership behaviors ('the how'). According to this assessment method, employees that deliver results that meet or exceed expectations and at the same time exhibit leadership behaviors that are celebrated by the organization will be considered to be high potential leaders (ibid.). Conger and Fulmer (2003) further mention that these companies on a regular basis evaluate the performance and behavior of their identified high potentials to keep track of their progress and ensure that corrective and supportive actions can be taken if a potential start to fall short on the dimensions.

Researchers also argue that involvement of senior leaders in the identification and selection process is key to successfully establishing a good talent pipeline (Fulmer, Stumpf, and Bleak, 2009, Groves, 2007; Conger and Fulmer, 2003). Involving senior leaders helps companies ensure that high potentials are assessed based on future needs and corporate values (Stahl et al., 2012). Identifying high potential leaders that express values and behavior that is aligned with corporate culture is according to Stahl et al. (2012) the best predictors of future leadership performance at an organization. Additionally, they point out, it has been shown that firms that consider cultural fit in assessments have higher retention rates for their high potential leaders than do organizations that do not.

### **2.3.1.1 Whether to inform high potentials that they have been identified as such**

According to Ready, Conger, and Hill (2010) firms are sometimes hesitant to reveal their list of high potentials and instead keep it a secret, both from those that are and those that are not identified as high potentials. The main argument for being secretive is that a public list could allegedly demotivate individuals that are not on the list (Ready, Conger, and Hill, 2010). However, Ready, Conger, and Hill (2010) argue that a transparent high potential list can be a motivational factor for those individuals that are identified since these individuals have tried to excel in their companies; with a transparent list, they will know that their efforts are noted and appreciated. The authors also argue that a more transparent list might also increase retention since it can decrease the probability for high potentials seeking acknowledgement and new opportunities outside of their organizations. However, an organization that do inform their high potentials about them being on the 'identified list' must also be able to live up to the expectations this might induce in their high potentials and "back the list with a tangible progress in [their] professional development" (Ready, Conger, and Hill, 2010, p. 4). Otherwise there is great risk for high potentials losing their motivation (ibid.).

### **2.3.2 Developing high potentials**

Merely identifying high potential leaders that potentially will take on executive positions in the future is not sufficient enough. Companies should also have leadership development processes and practices that ensures that their talent pools are filled with high potential leaders that are, or are becoming, capable to take on these roles (e.g. Stahl et al. 2012; Groves, 2007).

Several authors argue that a key success factor for effective development of high potential leaders is to establish a strong alignment between organizations' overall business strategy and the leadership development process (Stahl et al., 2012; Fulmer, Stumpf, and Bleak, 2009, Fulmer and Goldsmith, 2000). Ben-Hur et al. (2015) argue that organizations that have a close connection between the development of future leaders and corporate strategy can more easily identify and pinpoint the development activities that are most vital to meeting the business objectives. Furthermore, Heinen and O'Neill (2004) stress the importance of aligning future business objectives and strategy with leadership development and state that companies that fail to do so will develop leaders that lag behind market needs and will lack the skills to implement and sustain business strategy.

Fulmer and Goldsmith (2000, p. 18) state that "leadership development efforts should be internally focused and externally aware". This means that companies must be aware of changes that occur in the external business environment, while simultaneously focusing on developing leaders capable of coping with both these changes (i.e. the future) and current needs (ibid.). This is also stressed by Heinen and O'Neill (2004) who state that companies must continuously adapt their leadership development to match the needs of tomorrow. Thus, successful companies adopt long-term perspectives and foci on where the business is headed and what capabilities and skills will be requested of leaders in that future (ibid.).

Commitment from all levels in an organization is required in order to achieve "a healthy and sustainable pipeline of leaders" (Conger and Fulmer, 2003, p. 7). Stahl et al. (2012) found that talent management practices and leadership development at best practice firms have a broad and shared ownership at all levels of an organization. These companies have senior managers that see the development of future leaders as an ongoing strategic priority (Heinen and O'Neill, 2004) and are active and engaged throughout the whole development process (Stahl et al., 2012). Also line managers should play an active role and be accountable for identifying talented employees and ensuring that high potentials develop required skills and knowledge (Stahl et al., 2012). Even though research emphasizes the importance of involving senior managers, organizations tend to utilize their managerial personnel ineffectively in this regard (Groves, 2007). Stahl et al. (2012) have found that many MNCs lack sufficient managerial commitment in their leadership development processes. On the other hand, Stahl et al. (2012) also argue that high potentials themselves are accountable and responsible for their own development. High potentials should be active and drive their own development by seeking out various challenging assignments, cross-functional projects, and new positions (ibid.).

#### **2.3.2.1 Development practices**

Many different practices and techniques exist to develop high potential leaders' leadership skills and capabilities (e.g. Day, 2001; Fulmer, Stumpf, and Bleak, 2009). However, several authors argue that the most effective development practices are those that utilize on-the-job training and experiential learning (Day, 2001; McCall 2004; Groves, 2007). An overview of commonly employed ways of developing leaders at best practice firms, according to Day (2001) and Groves (2007), is presented below.

#### **360-degree feedback**

360-degree feedback is a common technique that have gained much in popularity in many organizations during the recent decade (Day, 2001). The goal of a 360-degree feedback is to gather ratings and opinions on an individual's leadership performance from multiple sources, e.g. peers, supervisors, and senior leaders (Groves, 2007). According to Day (2001), one advantage of this type

of feedback is that multiple sources can review the individual's leadership performance from different perspectives, thereby enabling more reliable feedback. It also helps increase the individual's self-knowledge and might also enable the individual to see what he or she needs to change. A weakness of this method is that the person being reviewed is seldom given guidance on how to actually change (ibid.)

### **Coaching**

Coaching by an internal (preferably a senior manager) or external coach, is a practical means to achieve goals related to one-on-one learning and behavioral change (Day, 2001, Groves, 2007). The main objective with coaching is to improve a high potential's performance and satisfaction (Day, 2001). The coaching relationship could be either short-term, with focus on specific problems and/or improving certain skills, or long-term and ongoing (ibid.).

### **Mentoring**

According to Day (2001), mentoring is an effective component in leadership development. Companies can host formal mentoring programs where the organizations arrange, monitor and control the mentorship, and they can have informal mentoring arrangements that often are encouraged, but not controlled, by the organization (ibid.). A crucial element to establishing successful mentoring arrangement is to ensure that there is a good match and personal fit between the mentor and mentee (Shani et al. 2009). If there is not, the mentor relationship risks becoming dysfunctional (ibid.).

Mentoring is often aimed at providing the mentee with support and career guidance (Day, 2001). Also, Shani et al. (2009, p. 232) state that "[m]entoring contributes to personal growth and career development" and employees with mentors tend to move faster in their development and careers. Another key strength of mentoring is that it enables high potentials to observe and interact with senior leaders within the organization, which "helps [them] develop a more sophisticated and strategic perspective on the organization" (Day, 2001, p. 594).

### **Networking**

As a part of the leadership development process, high potentials should be enabled and actively encouraged to foster a strong network within their organization (Day, 2001). In order to do so, companies can initiate networking initiatives of various types that facilitate interaction between groups and functions. (ibid.). Day (2001) say that networking can break down functional barriers and increase leaders' problem-solving capabilities since larger networks increases the problem-solving resources. Networking also enables high potentials to gain broader views of their businesses and lets them establish connections with work groups and managers in other geographical areas (Groves, 2007).

### **Job assignments and job rotation**

As stated earlier, the most effective leadership development takes place through experiential learning and on-the-job training (Day, 2001; McCall, 2004; Groves, 2007). Thus, it is important to give high potentials challenging tasks and job assignments that aim to stretch their capabilities (Day, 2001; Groves, 2007). These kinds of stretch assignments are particularly meaningful for learning since they make high potentials face unfamiliar situations and responsibilities that require the individuals to push their capabilities and also build new relationships with people in the organization (Day, 2001).

Another important means for experiential learning is job rotation (Stahl et al., 2012; Day, 2001), which often also requires some stretch of the high potentials' abilities (Day, 2001). Fulmer, Stumpf, and Bleak (2009, p. 19) state that "the most important tool for the development of high potentials is the rotation (...) across disciplines, divisions, and geographies". Job rotation broadens high potentials' competencies as well as their view of the business (ibid.). Furthermore, job rotation across national borders, where high potentials are positioned in other countries, is an effective way to help develop a global mindset and cultural awareness (Caligiuri, 2006).

Despite the benefits of job rotation, it is not that commonly employed for development purposes in many organizations (Stahl et al., 2012; Fulmer, Stumpf, and Bleak, 2009), because many firms lack the ability to implement job rotation as a part of high potentials' development (Stahl et al., 2012). Stahl et al. (2012, p. 30) state that "[a] possible explanation is the tendency of managers to focus on the interest of their own units rather than the whole organization", something that hampers high potentials' mobility and career development.

### **Action learning**

Action learning is a development practice that has become widely adopted by firms during the recent decade (Fulmer, Stumpf, and Bleak, 2009). Action-oriented development activities can be described as 'project-based learning opportunities' where high potentials are given, or participates in, projects of strategic importance (Groves, 2009; Day, 2001). Through these types of activities, high potentials can increase their teamwork and teambuilding skills, and also practice strategic work as the projects are tied to business imperatives (Day, 2001). By involving high potentials in these strategic projects, high potentials can build their analysis and decision-making skills (Fulmer, Stumpf, and Bleak, 2009).

High potentials that have participated in action-based projects should be given the opportunity to continue working on job assignments that are connected to the outcomes and recommendations of the projects in order to increase their learning and implementation skills further. During the projects, the organizations should ensure that the high potentials are given regular and objective feedback from coaches and facilitators to ensure reflective learning. (Groves, 2007)

### **Development programs, learning and training**

According to Day (2001), class room training and development programs of various kinds are common and widely used means to develop high potential leaders. Even though learning from experience is (as stated above) considered to be the most effective way of developing leaders, McCall (2004, p. 129) argues that classroom training and education can play an important role in the leadership development when:

- (1) it is used as an opportunity to reflect on and make better sense of actual experience; (2) it substitutes for experiences that are either unavailable to enough people or are too risky or expensive to use for development (...); (3) it provides experiences that are not available on-line, such as scenarios for future states of the organization or a forum for direct exposure to senior executives.

### **2.3.3 Retaining high potentials**

When investing time and resources into identifying and developing high potentials, it is only common sense to try to keep them with the company in order to reap the benefits of these investments since retention is an ongoing process, entwined into the development process. And there are some specific factors that can increase employee retention.

In an Employee Engagement Research Update from BlessingWhite (2013), 81% of employees deemed as 'engaged' with their work expressed an 'intent to stay'; a desire that according to the report has a proven strong correlation to actual turnover. (Engaged employees are those that demonstrate both personal satisfaction with their role and a strong contribution through their work). Only 23% of 'disengaged' employees expressed the same desire. Consequently, employees that are kept engaged are also more likely to be retained and it is therefore crucial for companies to keep their high potentials engaged. Engagement levels were said to increase as an employee moves upwards in their organization, with tenure, with the time invested in their current role, and as they get older. (ibid.)

The same report also describes the top three reasons for engaged people staying with their companies, namely: liking the work they currently did; believing in what their organization did; and having significant development or advancement opportunities within their organization. Engaged employees

leaving their companies mainly referred to reasons such as: not having opportunities to grow; wanting to earn more money; desire for change; and wanting more flexible work conditions. Consequently, these are some of the factors that HR and management must attend to if they want to retain their high potentials. (BlessingWhite, 2013)

There are seemingly many reasons for people to leave their companies. Finnegan (2009) notes that people quit their jobs because they can, today more than before since workplace demographics offer an abundance of opportunities for talented people. Additionally, younger generations are more prone to change companies and are less loyal to their employer, partly because job security overall has decreased (D'Amato and Herzfeldt, 2008). However, they are also very learning oriented and if they can go on learning within one organization rather than changing jobs, then they will stay (ibid.). Companies must therefore provide ample learning and growth opportunities. Finnegan (2009, p. 13) also states that the relationship between supervisors and employees deeply impact their employees' decisions to stay or to leave, or as he says "[s]ome employees stay for supervisors, some leave because of them, and some just avoid them".

In order to retain their employees, Finnegan (2009) advises companies to i.a.: hold their supervisors accountable for achieving retention goals; develop supervisors that teams will trust; hire people that concur with the companies' own values and standards; calculate the costs of turnover to make retention a business issue; and to drive retention strategically and holistically from top management.

## 3 METHODOLOGY

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*This methodology chapter describes to the reader the way in which this master thesis was executed. It begins by portraying the research strategy and research design that was employed. The chapter then goes on describing the two data collection methods used in this study; the research method. Finally, the trustworthiness and the ethical considerations of this thesis are discussed.*

### 3.1 RESEARCH STRATEGY AND DESIGN

To fulfill the purpose and answer the research questions formulated for this study, a qualitative research strategy was employed. Qualitative research emphasizes the meaning of words and expressions and is less concerned with quantifiable measures during data collection and analysis (Bryman and Bell, 2011).

A qualitative strategy often entails an inductive approach, meaning that the aim is to generate new theory based on the research findings, i.e. hypotheses are formulated based on empirical data. However, qualitative studies, or research for that matter, are seldom purely inductive. (Bryman and Bell, 2011) This study pursued an abductive approach, which emphasizes a somewhat different relationship between theory and research than does the inductive approach. The logic behind abductive research is that existing theories are used to interpret and understand the empirical findings and vice versa (Dubois and Gadde, 2002). Thus it is possible to say that this study utilized both existing theories and empirical data to fulfill its purpose and draw conclusions.

The intention of this study was to investigate the development of future leaders in Swedish MNCs in general and not to look at individual cases. Therefore, a cross-sectional research design was employed, enabling the associations between different variables and the comparison of these to a theoretical framework, without requiring unique context of each case (Bryman and Bell, 2011). First-hand sources in the form of semi-structured interviews with three different interviewee groups (high potentials, top executives and HR representatives) served to make the data sample less homogenous and thus less vulnerable to bias. The sample was however kept comparable by way of choosing similar MNCs (in size and geographical location). Secondary sources such as academic papers and current research provided the theoretical framework against which the findings were compared.

### 3.2 RESEARCH METHOD

In this subchapter, the two methods of data collection used in this master thesis are described: literature review and semi-structured interviews.

#### 3.2.1 Literature review

The study began with a literature review that served to strengthen the researchers' knowledge in the field of future leader development, both in a global and domestic context. The literature review additionally included other aspects considered important to this study, such as differences between national leadership styles, strategic challenges for MNCs and more. The literature review created a basis for analysis and also helped develop an initial purpose and research questions.

Literature was found through search engines such as Summon and Google Scholar, and were fetched from reliable databases such as Wiley and Emerald. Examples of keywords that were used were 'leadership development', 'globalization', 'global leadership', 'multinational corporations', 'future leadership challenges', 'strategic leadership' etc. A 'snowball technique' was employed in the beginning of the work, that is: sources used in one article acted as guidance to new articles and so on (Bryman and Bell, 2011). The work of finding and utilizing literature when analyzing empirical data and creating a theoretical framework was continuous throughout the whole thesis project.

### 3.2.2 Semi-structured interviews

The text below is split into two parts. The first concerns the preparations for interviews, descriptions of the interviewees and the overall execution of the empirical data collection for this thesis. The second part describes the technical and practical details of how the interviews were carried out and how the recorded material was subsequently handled and analyzed.

#### 3.2.2.1 Interviews, interviewees and templates

Twenty-three semi-structured interviews were carried out in order to collect empirical data. The interviews were performed, transcribed and coded during the course of one and a half months during the Spring of 2016. The interviewees consisted of high potentials, top executives (often the high potentials' managers) and HR representatives (mainly involved in strategic or global leader development) at seven MNCs with headquarters in Sweden. The MNCs were chosen according to the criteria described in chapter 1.3, and out of the many that were approached (via e-mail, phone and a career fair at Chalmers University), seven agreed to participate. In order to get hold of interviewees, the authors of this thesis contacted HR at the respective companies and described the study's scope. HR then identified appropriate individuals and gave their contact information to the authors.

The semi-structured interview technique entails a rather flexible approach that allows freedom to explore interesting areas and aspects that might arise during interviews (Bryman and Bell, 2011). The design of this master thesis could therefore follow the hermeneutic spiral in order to allow for investigation into previously unconsidered areas.

To ensure the comparability between the MNCs in this study, a predetermined interview template was used during all interviews. This assured that all interviews followed more or less the same patterns and explored the same areas of interest. The templates were based upon templates that had been formulated and used in nearly identical projects on the same institution and under the same supervisor during recent years. The actual formulation process was thorough. It consisted of the printing out of six previously used templates, which were then cut into pieces containing one question each, which were then grouped according to theme. The questions that were then deemed to have been used most consistently and/or were most compatible with the aim of this thesis were selected to be included in the templates used for this study.

A minimum of three people were interviewed at each of the seven MNCs, and at least one person from each interviewee category (high potential, top executive and HR) was included in all but one case. In that particular case there was a miscommunication regarding who the researchers asked to interview, and subsequent tries to complement with an extra interviewee failed. The total number of interviews ended at twenty-three, á approximately one and a half to two hours each. In order to preserve the anonymity of the interviewees and their companies, the MNCs have acquired code names, see below. (The interviewees themselves are, in the findings and discussion, referred to via their position and company belonging).

| Code names   | #High potentials | #Top Executives | #HR representatives |
|--------------|------------------|-----------------|---------------------|
| GizaCo       | 2                | 1               | 1                   |
| BabylonCo    | 1                | 1               | 1                   |
| ArtemisCo    | 1                | 1               | 2                   |
| OlympiaCo    | 1                | 1               | 1                   |
| ColossusCo   | 1                | 0               | 2                   |
| MausoleumCo  | 1                | 1               | 1                   |
| LighthouseCo | 1                | 1               | 1                   |

Table 3.2-1 Code names for MNCs included in the interview sample

### 3.3 TRUSTWORTHINESS

This study employed two different data collection methods, namely semi-structured interviews and a literature review. Additionally, and in order to decrease the bias of a homogenous sample, three different groups of people were interviewed (high potentials, top executives, and HR representatives). The fact that two interviews were performed over Skype is deemed as a negligible risk for losing data that could have been detected in a personal interview.

Credibility could have been increased by e.g. respondent validation and an additional data collection method (e.g. workshop or survey) (Bryman and Bell, 2011). However, the current triangulation of methods and the (for a half-year qualitative study) rather substantial sample of twenty-three interviews with representatives from three different groups with different perspectives are deemed to support an appropriate level of credibility.

In order to combat the problems connected with transferability of qualitative case studies, reasonably (with due regard taken to anonymity) thick descriptions were used when presenting the empirical findings. Objectivity was on the top of the researchers' minds in order to assure confirmability, and assisting with this was feedback from the supervisor. Finally, records of mail exchanges, dates and whereabouts of the interviews were kept. Additionally, the ways of working during the first, more dynamic stage of the project were logged, namely during the first couple of months when the research strategy was evolving. This helped ensure dependability of the results.

A respectful approach was employed towards all interviewees, and all participants received the finished report and were invited to ask any question that the report might trigger. This in combination with the interviewees' overall positive attitude towards and interest in the project, and their spontaneous invitations for the researchers to present the final result in situ, indicates a reasonably high authenticity of this master thesis.

#### 3.3.1.1 *Recording, transcribing, coding, and analyzing interviews*

All but two interviews were made in person, and the remaining two were performed using Skype. Each interview was recorded using the portable high-quality recording device 'Zoom H4n', which was provided by one of the researchers. However, most interviews were also recorded via cell phones as a precaution and backup. The audio files were imported into the software NVivo 11 (provided by the university) and transcribed as soon as possible after each interview.

NVivo 11 allows its users to listen to audio files while at the same time providing a word handler where users can write down what they hear. Additionally, two users can work in different project files and then import and merge each other's projects, thereby enabling collaboration.

During transcribing, the researchers chose to divide the transcribed interview into blocks marked with time stamps, thereby facilitating navigation of the text and their related audio files. (Due to technical issues, a couple of interviews were transcribed and time stamped using the online-tool <http://otranscribe.com/> and later pasted into NVivo 11 which luckily proved compatible with such a copy-paste).

In order to take advantage of the NVivo 11's main functionality, the researchers carefully and thoroughly *coded* the transcriptions. This means that the researchers assigned 'nodes' to interesting parts of the transcribed interviews. Nodes can be compared to 'tags' concerning specific themes. For instance, a researcher can create a node called 'Global Leadership' and then assign this node to pieces of text in the transcriptions that concern that specific theme. All text connected to this node (and thereby connected to the theme 'Global Leadership') can then be easily retrieved.

Additionally, and for each transcription, the researchers created 'cases' wherein data concerning e.g. persons and companies were stored (such as age, industry, work position etc.). This enabled the

researchers to see, (via the case-functionality), which interviewee had, (via the node-functionality), talked about what themes.

The building of a node structure that was not unmanageably complex, nor unhelpfully unspecific, was accomplished in two steps. First, a preliminary node structure was built based on the subjects brought up in approximately eight transcribed interviews. In the second step, the first preliminary node structure served as building blocks for a revised node structure that was based on research questions connected to the purpose of the thesis. This approach helped the researchers understand the possibilities and limitations of the collected data before the making of a final research question-based node structure. Skipping step one would have increased the risk for the researchers trying to force data into a node structure that was inappropriate for the nature of the data and hence allow for misinterpretation of the collected data. The final node structure consisted of seventy-two nodes in sixteen main categories with a large number of subcategories.

The analysis was heavily structured around the research questions. For each research question, the researchers identified all of the nodes that might contain information regarding that particular question. Those nodes were placed in a pre-defined search that was named after the research question. This meant that when this pre-defined search was utilized, only text connected to the nodes concerning the particular research question of interest were presented on the screen. The text was sorted according to which interviewee group had made the statement (via the case-functionality). The researchers looked at each piece of text that, according to the previously performed coding, could be of interest. Each text was considered and weighed against others, and comparisons and further categorization were carried out using Excel as thinking support. The data that the researchers judged to be most interesting were included in the empirical findings chapter. 'Interesting' would entail data that, guided by the research questions, stood out because they had rendered much attention from the interviewees, or because they contradicted current theory.

### **3.4 ETHICAL CONSIDERATIONS**

In qualitative research there are four main ethical transgressions that must continuously be kept in mind in order to be avoided, namely: harm to participants, lack of informed consent, invasion of privacy, and deception (Bryman and Bell, 2011). In this particular study, harm to participants would mainly have constituted the risk of harming e.g. high potentials' careers if they happened to air unpopular opinions which in turn could reach their respective managers. This was avoided through anonymization of both participants and their respective companies.

Lack of informed consent on the other hand was not an issue, as no covert methods were employed and no interviewees were coerced into participating. Additionally, the researchers took care to e.g. ask all participants' permission to record the interviews, and to inform them about the background of the project and their role in it. For these reasons, invasion of privacy was not an issue and neither was deception.

Other sensitive areas were those of data management, ownership of data, reciprocity and trust, as well as conflicts of interests. During the course of the project, data was stored in a limited number of places (i.e. the students' local computers). It was deemed that the nature of the collected data did not require increased data security. After the project, collected anonymized data were transferred to databases at Chalmers University of Technology to be used in a larger research project lead by i.a. the examiner of this master thesis. No conflicts of interest arose during the project. Finally, by sending the finished report to the participants, acknowledging their invaluable help, and by providing them with the opportunity to ask for clarifications and possibly even in situ presentations, the authors of this study hope that the participants felt that they got something back from their time investment in this project.

## 4 EMPIRICAL FINDINGS

*In this chapter, the data collected during the course of twenty-three interviews with high potentials, top executives, and HR representatives at seven MNCs are presented. The data is roughly structured in the order of the four research questions designed to support the purpose of this thesis (and have consequently gone through a primary analysis or 'sorting'). First the interviewees' views on contemporary leadership are presented. Then follows their perceptions of the challenges that next generation leaders will face. The third section describes the requirements that the interviewees feel that next generation leaders must satisfy in order to be successful in the future. The fourth and final part presents the interviewees' descriptions of how high potentials are identified, developed and retained today, as well as interviewees' opinions on what can be improved and whether the current processes are aligned with strategy and future challenges.*

### 4.1 REQUIREMENTS ON CONTEMPORARY LEADERS

During the course of the interviews all interviewees were asked what they considered to be expected from the leaders within their respective organizations. Notably, a few people identified and questioned a lack of definitions or principles for leadership in their companies. And one top executive stated that there will naturally be different expectations on different leaders, mainly depending on what they are expected to do and where they are positioned in the organization. Overall however, the interviewees' opinions converged into six different areas: communicate direction, vision, and strategy; deliver good results; develop business; act as role models; develop people; and motivate and support people. See depiction in Figure 4.1-1 below.



Figure 4.1-1 Traits that interviewees' feel are required of today's leaders

### **Leaders are expected to communicate direction, vision, and strategy**

When asked what the organizations expect of their leaders, a vast majority of the top executives mentioned that leaders within their companies are expected to communicate the direction, vision, and strategy throughout their organizations. Clearly communicated strategies and goals were perceived by several of the top executives to be instrumental in order to build commitment and a collective mindset among people, and a top executive at ArtemisCo stated that:

*"It is expected that I should, based on the objectives we have, create a clear target for those people working for me, create a structure for how to achieve that target, and create motivation for how we together will reach that target."*

- Top Executive, ArtemisCo

But while this was a commonly expressed view among top executives, high potentials seemed less concerned with this particular area. However, some of them mentioned that they expect leaders to be comprehensive and clear in their communication, and one high potential at OlympiaCo stated:

*"I think that as a leader you owe it to the rest of the organization to try really hard to make sure that you are giving consistent levels of communication and consistent messages, and simple messages that can be easily translated to all of your markets, to all of your colleagues all around the world."*

- High Potential, OlympiaCo

### **Leaders are expected to develop the business**

While only one HR representative and none of the high potentials mentioned that leaders are expected to develop the business and organization, half of the top executives stated that developing the business was certainly expected of leaders within their respective organizations. Two top executives considered business development to be the main expectation on their leaders;

*"What clearly is expected is to develop OlympiaCo's business and organization (...) all the other expectations depend on that one in some way."*

- Top Executive, OlympiaCo

### **Leaders are expected to deliver good results**

A common view among all three interviewee groups was that leaders are expected to deliver good results. A high potential at ArtemisCo mentioned that leaders are always expected to deliver results in accordance with the targets established by corporate management. This view was shared by the HR representative and top executive at MausoleumCo who emphasized that leaders should be able to create lasting results.

*"It's quite simple, I should deliver results. I should deliver results today and I should ensure that I deliver results tomorrow."*

- Top Executive, MausoleumCo

Additionally, a high potential at ColossusCo stated that:

*"In the end it is all about results. That is why we [exist] at all, to generate something."*

- High Potential, ColossusCo

### **Leaders are expected to act as role models**

Three top executives claimed that it is not expected of leaders to be experts in the field where they are expected to lead people. However, a common expectation among HR representatives, that was not

mentioned by neither top executives nor high potentials, was that leaders should act as role models to the rest of the organization and to the people they lead.

*"[Leaders] have a responsibility in their behavior to be role models. And it's about everything from creating meaning, showing direction, focusing on our customers, inspire... Yes, that type of leadership behavior."*

- HR Representative, BabylonCo

Additionally, one HR representative at BabylonCo mentioned that they expect their leaders to exhibit a behavior that is aligned with both corporate goals and values. Another HR representative who shared this view said:

*"I believe a leader is a cultural carrier. If the leader does not understand or live up to what [that entails] it becomes very difficult for employees to perform."*

- HR Representative, MausoleumCo

### **Leaders are expected to develop people**

According to the vast majority of the top executives and HR representatives, leaders are expected to develop people and make people grow in the organization. The HR representative at BabylonCo mentioned that developing people was a formally written down expectation. Another stated that:

*"It's not only about leading and delegating, it's also developing your staff. (...) It's every manager's duty to ensure that they develop their staff to the best of their ability."*

- HR Representative, LighthouseCo

However, one top executive at MausoleumCo had a slightly different point of view and argued that:

*"Our purpose is not really to develop leaders. Our purpose is to develop the business, but in order to develop the business we need to develop our leaders. It is not the other way around, that is important to understand."*

- Top Executive, MausoleumCo

### **Leaders are expected to motivate and support people**

A notable amount of high potentials and top executives expected leaders in their organizations to motivate and encourage others. For instance, a high potential at ColossusCo mentioned that leaders should motivate people since motivation drives results. Other high potentials stated that leaders absolutely must:

*"(...) be able to get the best out of all those people and motivate them to do what it says in the strategy, or to do what we need them to do, (...), yeah, that is expected."*

- High Potential, OlympiaCo

*"One must of course also think about how to motivate [people] and make sure that everyone thinks it's fun, and that they feel that they are being developed as well."*

- High Potential, MausoleumCo

And one top executive stated that:

*"Making us go in the same direction must be done in a way that motivates people and that makes people do their very best and perhaps even a bit more."*

- Top Executive, GizaCo

## 4.2 CHALLENGES FOR NEXT GENERATION LEADERS

During the course of the interviews, a wide range of challenges for next generation leaders emerged. Five main types of challenges were identified and clumped together in order to facilitate readability: global trends; making the right strategic choices; competence; competition; and changing the company. The collected data correlating to each category are presented below. Each of the five categories contain subcategories, as depicted in the figures included in the text.

### Global changes affect global corporations

The first category of challenges that was brought up was 'global trends'. The interviewees mainly touched upon five subareas, as depicted in Figure 4.2-1 below. These areas were: commoditization; changing consumer patterns; sustainability; increased change speed; and spread of social media.



Figure 4.2-1 The first out of five types of challenges that interviewees think Next Generation Leaders will face

One challenge that people from multiple industries emphasized was the impending commoditization of their companies' products, partly resulting from changing consumer patterns. Top executives mainly attributed the changes to advances in digitalization, e-commerce and industry specific technological innovations, while others ascribed the commoditization to customers becoming more particular:

*"What is happening is that customers are becoming better at calculating their operating expenses, where our product only becomes a means for them to make money. Our product becomes a commodity. So we need to compete using services and with the people who perform these services."*

- HR Representative, ArtemisCo

Social and environmental sustainability were repeatedly described as both challenges and opportunities by all groups in the sample. The increased overall speed of change and the challenge of fighting industry inertia was brought up, mainly by HR representatives. One said:

*"The world is much more changeable, (...) technologies we've built and become very good at will reach the end of their life span and be replaced by other types."*

- HR Representative, MausoleumCo

While one high potential noted that:

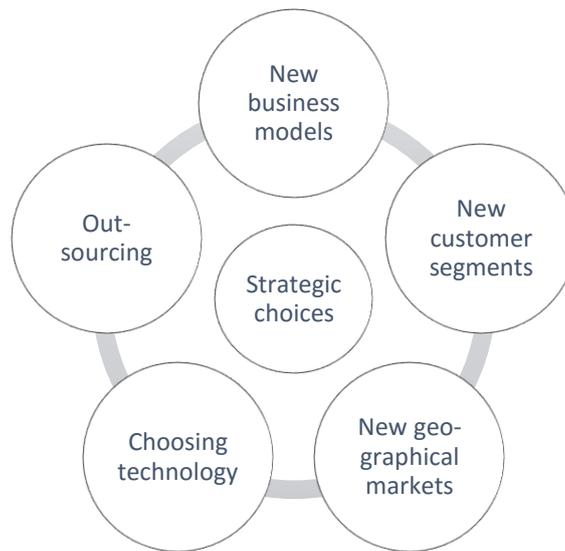
*"At the same time, I've been surprised by how slow everything is though. And of course it has to do with us working in such an incredibly capital intensive industry."*

*- High Potential, GizaCo*

Some also mentioned the spread of social media and the importance of using it proficiently, especially since existing leaders were said to not be skilled at it. Underlying all subjects mentioned during this part of the interview lay the word 'global' in global trends; globalization as a concept was ever-present and a prerequisite for many, if not all, of the challenges in this category.

### **Knowing what strategic choices to make is not straightforward**

The second category of challenges that future leaders will face according to interviewees was 'strategic challenges'. The five main areas touched upon were: new business models; new customer segments; new geographical markets; choosing technology; and outsourcing, as depicted in Figure 4.2-2 below.



*Figure 4.2-2 The second out of five types of challenges that interviewees think Next Generation Leaders will face*

A commonly mentioned challenge turned out to be the need for new business models, (e.g. models allowing increased customer orientation), and the consequences transitions to such models would have for the organization. Many from all interviewee groups also described how they needed and wanted to become less product oriented and more service or solution oriented. Some described it like this:

*"The product itself will become more of a commodity and I believe that will be our greatest challenge: to move towards solution oriented sales that do not always have a clear connection to a product, but instead to a discussion regarding what the customer needs and which solutions we can provide. And then building a product and service portfolio that fulfills those needs. I believe we are rather bad at that."*

*- Top Executive, ArtemisCo*

*"Are we a package provider or a key-solution provider? We would love to say we are, but in reality, (...) we are actually not that great at selling anything but these high tech, advanced products, despite really wanting to say [the opposite]."*

*- Top Executive, GizaCo*

Many, specifically top executives, discussed the challenges brought on by new customer segments and by the companies' moving into new geographical markets. Also, choosing technology and choosing between keeping processes in-house versus having them outsourced were stated as tough challenges.

*"What's tough is that I sit and agonize over us not doing the right things now and therefore we might be gone in five years' time."*

- Top Executive, BabylonCo

*"There may be strategic paths to take and we might not see where the fork in the road appears, but it's highly probable that it will; that something becomes dominating [on the market or in the industry] and if you have chosen wrongly it will be very bad."*

- HR Representative, ArtemisCo

### **New competence as a prerequisite for beating competition**

During the interviews it became clear that most interviewees felt that as the environment and technology change, their companies' competencies must be replenished, adapted and updated. This was especially true for them to be able to exploit new technologies in useful ways. In Figure 4.2-3 below, the third category of challenges is depicted. It relates to 'competence' and has four subareas: leadership pipeline; recruiting new competence; utilizing millennials; and retaining employees.

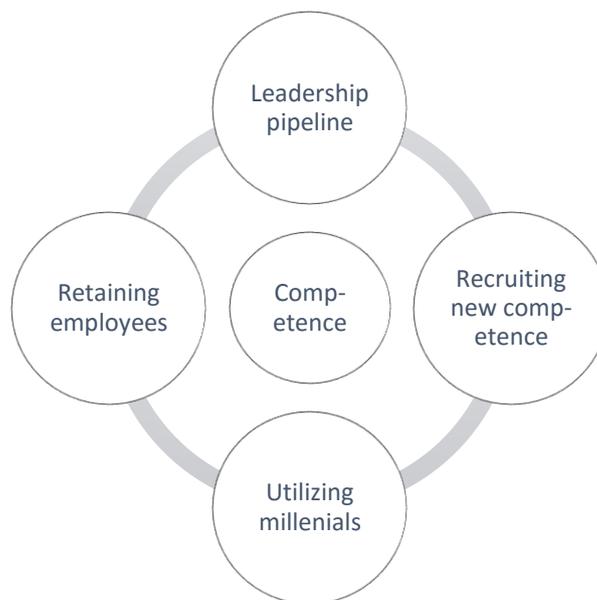


Figure 4.2-3 The third out of five types of challenges that interviewees think Next Generation Leaders will face

The efficiency of the organization's leadership pipeline was mentioned, and in particular how it needed to be fed both from internal and external sources, or as one interviewee said:

*"It might be one of our most important strategic questions: 'how do we supply leaders internally, perhaps a bit inspired externally', in order to take care of the other challenges. It could be more important than anything else."*

- Top Executive, ArtemisCo

Many, and especially HR, talked about the challenge and importance of attracting and recruiting the best people in a world where the war on talent is becoming more and more tangible.

*"I believe that the demand for those individuals that have the makings of being successful in the future is much higher than supply. So it becomes tremendously important for us to become better at attracting good people in the future."*

*- HR Representative, MausoleumCo*

But some also mentioned other reasons for the need of recruiting new people:

*"One very big thing is people retiring (...). Quite many of our employees [are old], many will leave. This is big for us and we need to hire new people."*

*- HR Representative, ColossusCo*

On this subject, many had thoughts on the impact of the new generation, 'the millennials'. There were differing opinions on whether millennials were different from the current workforce regarding their urge to change jobs and their loyalty, their motivational forces, and their skills. Most interviewees thought there were at least some difference. All did however agree upon the necessity and special challenge of attracting them to their company. One top executive thought that differences in people might be related to generations, but thought they were more a result of changes in work structure rather than in the mindset of a generation, and that these differences must not necessarily be bad:

*"I feel people view their career in a different way now: 'I can jump between levels and tasks, the important thing is that I am continuously challenged and developed' and so on. And in a way that is beneficial since people are not afraid to change tasks; they are more focused on (...) being where they feel that they contribute the most at the moment (...). This might render it possible for firms to become more demand driven."*

*- Top Executive, ArtemisCo*

While a high potential acknowledged that there is probably quite a disparity between generations:

*"It's a huge generalization, but I do recognize myself in [the description of millennials] and as soon as you talk to somebody else your own age, it's the same. (...) I don't think everyone understands that there are differences between people."*

*- High Potential, ColossusCo*

Some interviewees thought that their companies' processes for recruiting diverse talent (be it diverse in terms of age, ethnicity or gender) were effective, whereas others were more pessimistic. Relatedly, one interviewee felt that diversity, albeit often good, is not always positive:

*"(...) do hire people different from yourself, yes that is good, but do not hire people with completely different values from yours. And I stand by that."*

*- Top Executive, GizaCo*

A theme that permeated most interviews was the importance of people as a competitive asset and how people needed to be developed and invested in, in order to be retained and make companies successful. Some however felt that more needed to be done in this area:

*"I don't think we as a group invest enough in our people. (...) In developing our people's abilities. So I think that is a challenge for us."*

*- High Potential, LighthouseCo*

**Competition will appear from unexpected places; existing incumbents must prepare**

Competition was a popular subject during the interviews, as were the challenges of managing new, but also very different types of competitors. The fourth category of challenges is depicted in Figure 4.2-4 below and contain four subcategories of challenges, namely competitors that are: foreign; more agile; more technologically advanced; and more innovative.

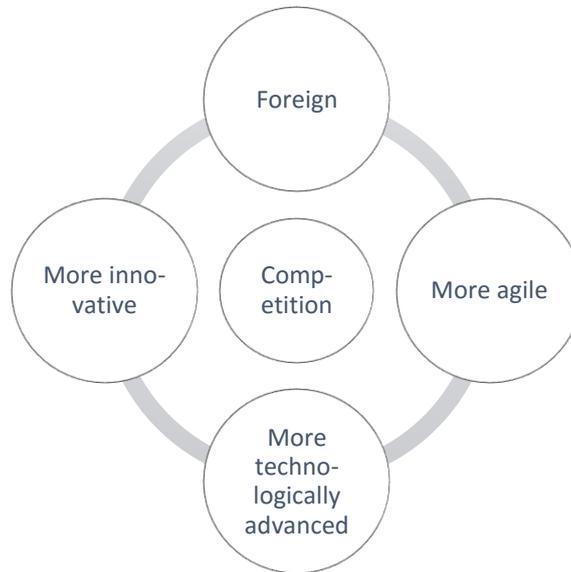


Figure 4.2-4 The fourth out of five types of challenges that interviewees think Next Generation Leaders will face

Mainly HR and high potentials talked about threats such as competitors emerging from unexpected places or countries, as well as the challenge of handling new and smaller competitors. The latter were presumed to be less burdened by a large multinational corporation's historically accumulated processes and thus seen as more agile and consequently a threat against large slow corporations.

*"Since we are [very large], we are much slower as an organization. (...) It takes a while for us to rearrange our product development portfolio so we're not as agile as a smaller company can be, as many of our competitors are."*

- High Potential, MausoleumCo

The main focus of all interviewee groups however lay with those competitors that demonstrate more technological savvy than existing incumbents, as well as with more innovative competitors in general and more customer-oriented actors in particular. Two high potentials made the following reflections:

*"We look too much at each other and at the traditional way of doing business (...). I think there will emerge a competitor with a [new] customer interface that will become a much larger threat to GizaCo than we understand in this organization, that we will become a commodity (...). We're not as high up in the value chain as we sometimes think. And I believe that to be the largest threat, and that we as an organization underestimates it a bit."*

- High Potential, GizaCo

**Defying obstacles and a successful history in order to change**

The fifth and final group of challenges that future leaders are believed to face was that of 'changing the company'. A depiction of this group is found on the next page in Figure 4.2-5, containing three focus areas: burden of successful history; company specific difficulties; and making big changes.



Figure 4.2-5 The fifth out of five types of challenges that interviewees think Next Generation Leaders will face

It was noted that changing is very difficult in general, but there are some factors that makes it even harder. Many remarked on the difficulties inherent to changing a historically successful business:

*"When everything is going well, you are often not forced to change. You don't need to challenge yourself. (...) And with this I believe that our slow industry branch lulls us into a false sense of security since (...) there will be required much quicker change ahead than we are used to in our industry."*

- HR Representative, ArtemisCo

There were also more company specific issues mentioned related to the difficulties of cohesively changing and reaching all parts of especially large companies, or companies with many employees that have been with the organization for many years and have 'grown up' within the company:

*"I believe that if you have been with the company for many years you might have a tendency to cling to the old while those under thirty have no problem with moving faster."*

- HR Representative, ArtemisCo

Other company specific obstacles such as existing structures and systems were mentioned:

*"We even have a financial control system that really would prevent us from doing an IBM journey. (...) I believe that our biggest threat might be ourselves."*

- High Potential, GizaCo

Lastly, some interviewees stated that there is a distinction between different sized changes. Their firms were often quite apt at making small changes, often in the spirit of lean methodology, but they were more hesitant towards making big changes. Some however saw big changes as inevitable while others thought that the slow pace of their industry would allow them to tackle change in their own way:

*"We have always worked with continuous improvements so it's kind of the way we do things. (...) We're not used to taking this big step; instead we take small steps. I believe many times, when one takes big steps it has a tendency to fail. (...) But I do believe that we could become better at taking small steps often, because taking big steps is not reconcilable with our culture."*

- HR Representative, ArtemisCo

### 4.3 REQUIREMENTS ON NEXT GENERATION LEADERS

This chapter describes the interviewees' thoughts on requirements that future leaders must fulfill in order to be successful. These requirements were grouped in five groups and concern future leaders: mindsets; initiatives; knowledge; general skills; and leadership skills. At the end of the subchapter is a deep dive into the subject of 'global leadership' since it gained specific attention during the interviews.

#### Future leaders are like today's, but with reinforced skillsets

To start with, interviewees from each interviewee group felt that there would be 'much of the same' in the future. One high potential saw no real differences at all while both top executives and HR representatives reflected that basic leadership and influencing skills would remain the same, but other things may change, especially depending on where the leader in question should lead.

*"Looking at manufacturing at ArtemisCo (...) It's about motivating and engaging people in working in a production flow [today], and it will in the future as well."*

- HR Representative, ArtemisCo

Most however thought that a reinforced or different skill set will be required in order to let future leaders handle all challenges they will be subjected to. This was strongly connected to the effects globalization will have on leaders, e.g. by demanding greater communication and collaborative skills. Many interviewees described how their companies needed a new type of organizational leadership and, relatedly, a new type of leader that could both instigate change and make new structures work. And many discussed the necessity and difficulties in implementing strategy in a global organization:

*"That, I believe is the challenge in the leadership. If one is to steer a relatively slow company towards a new direction. I believe that is a big challenge."*

- High Potential, GizaCo

#### A mindset that embraces change and gives the courage to listen

Some requirements for future leaders can best be described as 'having a certain mindset' by ways of being: listening; open to change; and exhibiting courage. See depiction in Figure 4.3-1 below.

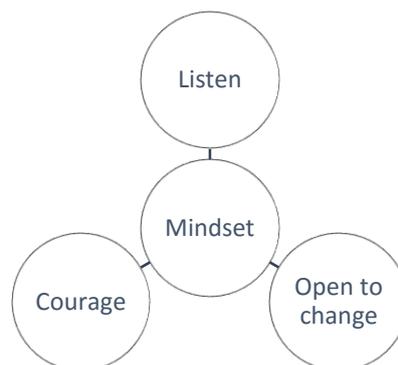


Figure 4.3-1 The first out of five groups of requirements that interviewees think Next Generation Leaders must fulfill

Several interviewees mentioned the ability to listen as an important characteristic of future leaders:

*"I think when you're in a position of leadership, you almost always have an impression of how you want to do things; it's more that you listen not to understand, but to respond. And I think a lot of people do this, so... I know, maybe it's cliché to say 'listening', but I think it's a very important skill because then you take into account (...) the reality of the situation, not just what's in your head, before you make decisions."*

- High Potential, LighthouseCo

On another note, a very large number of interviewees from all interviewee groups spoke of the need for future leaders to be more open to change, and more curious, creative and flexible in their thinking. Also, in this way, they would be acting as a good example to others around them.

*"Of course the demands on future leaders will be more change oriented behaviors and understanding. I mean, the world only spins faster and there will be needed a lot more ability to adapt to change."*

- HR Representative, LighthouseCo

*"Maybe we're moving away from what is known and tested, and instead moving towards something where we don't have all the answers. Then I think there will be greater demand on people being curious, daring to try, engaging others, communicating around this (...) I can't say that these skills aren't important now, but I believe that they're needed in leaders that shall move us in that direction."*

- Top Executive, ArtemisCo

Courage of different kinds are other traits that several interviewees thought future leaders will require, for instance the courage to make strategic decisions or the courage to lead in a more inclusive way.

### **Be mobile, challenge existing structures and own your own development**

Another category related to initiatives that interviewees felt that future leaders must take is depicted in Figure 4.3-2 below. These initiatives were mainly: challenging existing structures; being mobile in order to increase understanding of the business; and taking ownership over one's own development.



Figure 4.3-2 The second out of five groups of requirements that interviewees think Next Generation Leaders must fulfill

The initiative most often mentioned by top executives and HR was to challenge existing structures which is certainly connected to leaders having to be courageous, as claimed in the previous category.

*"Just because we have one way to work, that can't be the only thing, but one must challenge the present situation all the time."*

- HR Representative, ArtemisCo

Top executives and HR also felt that it was very important for future leaders to take the initiative to move about between places and between functions, or in short: to experience as much as possible in order to learn about their businesses and about the world.

*"I do believe that we will need people that have created experiences in different ways and in different places. I believe that we will need people that are open to ideas and thoughts, and it's difficult to be like that if you have been sitting in the same place for thirty years. Physically difficult... (...) I don't believe that it will be easier to make a career within the four walls of the head office [in the future]."*

- Top Executive, GizaCo

*"If you are to make a career, then you have to have been abroad because our business is abroad. [A large number] of our employees are abroad; you must have been too!"*

- Top Executive, MausoleumCo

And lastly, among the initiatives future that leaders must take, some interviewees reflected that leaders might have to take more responsibility for their own development than today. One top executive thought that the educational system and the labor market will make future leaders more conscious of their own value and what they must do to increase that value. The same top executive also claimed that if these leaders are allowed to be 'unpredictable' in this way, that might become an innovation asset:

*"Today I believe that we can still say 'I want this co-worker at OlympiaCo to be like this', and I believe that will be important in the future too, but that which will set us apart from everyone else will not be that which we can steer or know ourselves, but instead it will be the combinations of the unexpected."*

- Top Executive, OlympiaCo

### **Know more about the new products, technology and customers**

Among the subjects brought up during the interviews were a few that related to knowledge areas that interviewees believed would be vital to master for future leaders, namely: how to create and sell solutions/services; knowing how social media and new technology work; and knowing what customers want. See depiction in Figure 4.3-3 below.



Figure 4.3-3 The third out of five groups of requirements that interviewees think Next Generation Leaders must fulfill

Some interviewees thought that since companies in general are moving towards more service or solution oriented customer offerings, future leaders must know the nuts and bolts of creating and selling these types of packages.

*"We will be much more software and solution focused so I believe that it is important that leaders understand those things (...); selling solutions and systems rather than tangible products."*

- High Potential, MausoleumCo

Others reflected that future leaders must be more technologically savvy in general, and skillful in assessing and handling social media in particular:

*"Social media is the fastest way to get news from one end of the globe to the other, and I just think that you need to be digitally savvy and you need to have a respect for that communication channel. It's not really a leadership trait, but you need to have some exposure and some skills to be able to maneuver within this new communication environment. (...) In our previous leadership team, they did not just understand digital communication, they just didn't understand the importance of social media or the need to focus on developing content in order to support our brand or to contribute to reinforce our brand. They just didn't get it at all and we underinvested I think."*

- High Potential, OlympiaCo

And knowledge about customers and the customers' customers has been implicit to many of the interviewees' reflections on every subject touched upon. However, when asked, customer orientation as a specific trait in future leaders came to mind in only one interviewee, despite many having spoken of it as a desirable trait in future leaders during other parts of the interview.

*"We look at leaders that embody [earlier described] attributes while at the same time we like to see customer centricity, whether internal or external customer centricity."*

- HR Representative, OlympiaCo

#### **A leader must not only be skilled at leading**

There were a number of general skills not directly connected to leading other people that future leaders nevertheless were expected to require, namely: business skill; being apt at handling change; handling complexity; and networking. These are depicted in Figure 4.3-4 below.

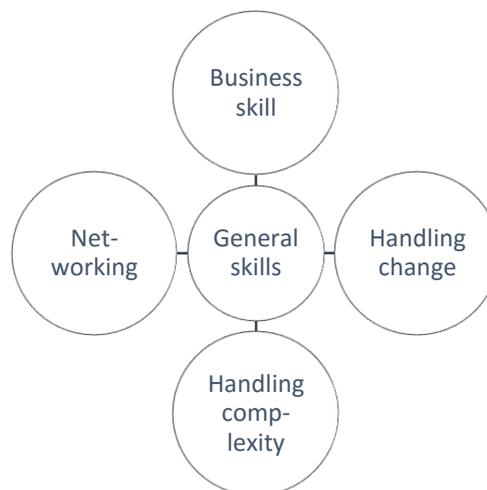


Figure 4.3-4 The fourth out of five groups of requirements that interviewees think Next Generation Leaders must fulfill

A few interviewees mentioned that future leaders naturally need to have business skills in economics, finance, and understanding of products and markets. Expert knowledge in any one area will not be enough. Some also reflected that future leaders must be especially apt at handling change.

Moreover, leaders were said to be required to handle many impressions and complexities, and from them piece together a holistic view upon which to act. In this regard, most interviewees spoke of the ability to handle large amounts of data and impressions:

*"Being intellectually sharp so one can handle the different demands that will come, and being able to sort out 'what is the main thing, what is subordinate, and which do we go with'."*

- Top Executive, ArtemisCo

*"It's up to managers to see the whole picture, the customer and customer's customer."*

- HR Representative, GizaCo

Networking and being able to utilize a network were also described as very important in the future.

*"Collaboration ability 3.0 or what to call it. Having broad networks and being able to use competencies that you have found in other places and perhaps mainly outside the company. Today I think managers and co-workers are rewarded if they're good at collaborating, (...) social competence and so on. But in the future I don't believe that will be enough; then I think the external collaboration... 'How do I use all of my network and how do I build my network so that I can use it in the role I am in?'."*

- Top Executive, OlympiaCo

And a high potential elaborated on general aversions against networking:

*"Networking is probably looked at negatively in some contexts, but it's more to really build relationships. (...) I think you get things done a lot easier when people know who you are or when you know who they are."*

- High Potential, LighthouseCo

### **Leading by communicating to, developing and understanding others**

Naturally, there was a large number of reflections on subjects related to leading other people and making them do what the company needs them to do. Specific focus areas were: developing others; implementing and communicating strategy; leading people with different backgrounds; virtual leadership; and global leadership, see a depiction in Figure 4.3-5 below. Global leadership was brought up especially frequently and is therefore given extra space at the end of this subchapter 4.3.



Figure 4.3-5 The fifth out of five groups of requirements that interviewees think Next Generation Leaders must fulfill

Top executives and HR representatives had a lot to say about the need for future leaders to be apt at developing and coaching people around them. Leaders must also be very clear with their expectations on others, and they must consistently give constructive feedback and allow others to develop.

*"I believe it's important to give feedback during developmental talks and to be comfortable giving feedback. It's tough to give constructive feedback in many cases, many managers are not skilled at it and I believe it's something one has to practice."*

*- Top Executive, LighthouseCo*

Strategy, the understanding of it and how to implement it through communication was another topic that was mentioned by representatives from all interviewee groups. Relatedly, the ability to focus and to prioritize was mentioned by a top executive, as well as the consciousness of each leader to know his or her place in the holistic picture, while avoiding sub optimization.

*"Each leader must understand his or her part of the chain and understand the current situation. (...) How do we take ArtemisCo's strategic plan and really work with it at all levels so it reaches the employees. It's extremely important that that mindset exists in all managers, [more than today]. So definitely communication and how to communicate [strategy] on every level will be important capabilities in the future."*

*- High Potential, ArtemisCo*

And a top executive said that in order to enable the company and people to change direction, it will be even more important to be a skilled communicator to create enthusiasm for the change in direction.

A major area that was covered during the interviews was that of leading people from different backgrounds. That meant people from different countries and different functions, but also different ages. This skill is not a new one, but was deemed important to develop since it will be necessary.

A subject of major interest during the interviews was that of age differences and 'millennials', connecting back to chapter 2.2.2. Some interviewees made the following reflections on the subject:

*"I don't believe we're really prepared to handle [millennials coming to ColossusCo]. It's not very loyal, everything has to happen fast, one wants to develop, one wants acknowledgement all the time. (...) I don't believe we've got the hang of that. Because our managers today are a bit more old-school. Many have come a long way and are used to manage people like themselves perhaps. (...) [Leaders must] be well informed and understand the next generation, whether we call them 'millennials' or not. (...) I think there will be a difference in leading them and in leading previous generations."*

*- High Potential, ColossusCo*

*"The new generation demand different things and not only a job to go to to earn money, but more self-fulfilling and feeling that you are developed and so on. (...) make them grow and be interested in them. (...) Hopefully, the new generation will make more demands [on development] than today's [generation]."*

*- Top Executive, LighthouseCo*

One high potential feared that there are, in the newer generations, fewer and fewer people that want to work in larger companies and some top executives felt that future leaders must become much better at communicating and creating involvement and enthusiasm around working in a large company.

A very popular topic, especially among HR representatives, was that of 'virtual leadership' or of leading from a distance. It did not necessarily include leading globally over national borders, but could simply deal with people having more flexible working hours or working from home. It would naturally entail the usage of modern communication technology but also specific communication skills needed to convey messages to people without meeting them face to face. Some reflections on leading from a distance were that:

*"[It will be important] to be able to handle that people sit in different places, not only globally, but that we are actually becoming much more agile in how we work. People might need to work from home more. So adapting to that world and making good use of the digital tools that are available (...) so you can handle leading such a team."*

*- High Potential, MausoleumCo*

*"How do you keep together team members located someplace else? It's a challenge, not having your group together. How do you make them feel involved in the group and how do you steer meetings and such in the future?"*

*- High Potential, ArtemisCo*

Lastly, global leadership received extra attention during the interviews. Interviewees emphasized that it was important to have global leaders both in different regions of the worlds, as well as at home where centralized steering of global companies takes place.

*"Although you're responsible for a unit or a company locally, that doesn't in any way limit your transactions or interactions or communication with people in the rest of the group or the rest of the world (...). Even if we're situated locally, I don't think we work locally anymore. (...) you have to constantly work with people different from you."*

*- High Potential, LighthouseCo*

Some felt that not every leader will need global experience and skills. And a few high potentials and HR representatives thought that experiences from abroad would not be necessary in order to take on global leader positions, but thought instead that collaboration in diverse teams and education could give the same effect. Most interviewees did however feel that in order to rise above a certain level in their organization, global leadership skills formed by foreign experiences were more or less required.

*"If you are going to have my job, you must have worked abroad. It is a requirement."*

*- Top Executive, MausoleumCo*

*"We really want to encourage international experience, so we have said in our senior team that it is almost a requirement. (...) Why it is so important? Well, because you are leading a global [organization], you are a senior leader, you are a part of a company that is very international and wants to exist globally. (...) And then you need that understanding and insight in order to be able to lead a global company."*

*- HR Representative, BabylonCo*

Everyone did not even feel that global leadership in itself was a particular category of leadership, but instead something that is simply necessary to master.

*"We don't really talk about global leadership. We talk about leadership and that per definition is global because we're a global organization. (...) In leadership for us, at least from middle management and up, the global part is a prerequisite."*

*- Top Executive, OlympiaCo*

Global leadership was also deemed to be something that will grow in importance in the future.

*"With the globalization (...) the global leadership is absolutely something that will become more and more important. (...) We need to have a global mindset when we make decisions in a way that requires that we have a global leadership."*

*- HR Representative, MausoleumCo*

### 4.3.1 Global leadership challenges and possibilities

The fifth group of requirements, 'Leading', has a subarea that acquired extra attention during the interviews. This area concerned 'Global Leadership', identified by most interviewees as a clear requirement on future leaders. Unlike other areas that were discussed more briefly, the challenges (see Table 4.3-1 below) and opportunities (see Table 4.3-2 two pages on) of global leadership were given much attention. This subject is therefore presented in this 'extra' deep dive-chapter.

#### **Challenges with global leadership**

|  |
|--|
| <i>Understanding the differences between cultures and work with them</i>                 |
| <i>Leading, coaching and building teams from a distance (virtual leadership)</i>         |
| <i>Being clearer and more adaptive in one's communication to avoid misinterpretation</i> |
| <i>Adapting one's leadership style to different cultures</i>                             |
| <i>Reaching out with strategy</i>  |
| <i>Negotiating language barriers</i>   |
| <i>Handling differences in markets</i>   |
| <i>Owning your own time and creating work-life balance</i>                               |

*Table 4.3-1 Challenges with global leadership, as identified by interviewees*

Even though one high potential felt that the impact of national culture was subordinate to the impact of company culture, many representatives from each group elaborated upon the importance of understanding differences between national cultures. They also thought it important to be able to work with cultures; both to leverage differences as well as helping their teams understand and leverage differences. One high potential also noted that global leaders must not compare their experiences in foreign parts against 'how it should be' according to their home cultures: other countries have other ways of doing things and a global leader must be able to adapt and make use of that.

*"How do people in that region want to be led and treated? What's built into their culture regarding how a manager should act towards co-workers?" One has to understand these things, not just treat them the way you yourself would like to be treated. (...) I can't try to override the system (...) then I might act in a way that only makes people confused and makes them lose their respect for me. (...) They might feel 'my boss doesn't know what he is doing' and resigns. (...) 'Lead others the way they want to be led, not the way you want to be led'."*

*- Top Executive, ArtemisCo*

A specific difficulty mentioned for Swedish leaders trying to adapt their leadership styles, was to let go of the consensus culture without losing participation, transparency and individual responsibility. This was true both for Swedes acting outside of their usual regions, as well as for Swedes working in teams or needing to integrate e.g. European or Asian colleagues into their teams. Interviewees felt that Swedish leaders in a global context often needed to be more assertive and clear in their expectations.

*"One has to be open and realize that 'my Swedish consensus model doesn't work in China'. People get stressed out when you only give them a responsibility and say: 'see you in three weeks'. It doesn't work. You have to be able to go in and say: 'now you do like this and then you come back to me, then you do that and then you come back to me', even though you are not at all raised like that and you may not even like that type of leadership. But that is what works there. I believe that is a global challenge."*

*- Top Executive, GizaCo*

Many also talked about the need for global leaders to be apt virtual leaders. Distance and time differences make it crucial for global leaders to be able to lead, coach and build teams without continuous face-to-face meetings. Many spoke of the difficulties of leading teams that do not 'meet at the coffee machine' every day.

*"How do you create trust in a group where eight out of ten people sit in six different places? It's incredibly difficult. It is a leadership challenge for global leaders: how do you produce a result and well-functioning groups when people are scattered all over the world?"*

- HR Representative, MausoleumCo

One top executive described one way of, if not solving, then at least handling the above problem. People from the top executive's global team were assembled four times a year in order to discuss important issues, but also to team-build and create understanding for each other's problems and ways of communicating. This allowed for much better collaboration when everyone was not located together, and it created a sense of belonging even when they had to communicate digitally. The same top executive did also describe the difficulty of avoiding that the physically closest co-workers get more influence than those on the other side of the globe.

Strongly connected to the virtual leadership was the ability to be very clear and adapt one's communication style in order to assure that messages are not misinterpreted due to cultural or lingual differences or due to distance between ways of thinking within a group scattered over many countries. This was also related to making sure that company strategy reaches everyone in the organization.

*"The time thing is very interesting. In this day and age, it shouldn't matter that Australia is eight hours ahead or that the West Coast is nine hours behind, but it massively does. Because you cannot convey all of the information you want in an email, no matter how hard you try. You could probably plot the level of execution of strategy and how closely it matches what's designed at headquarters, by how far away they are from headquarters."*

- High Potential, OlympiaCo

And as for language barriers, one HR representative pointed out that people at their headquarters tend to believe that everyone in the organization knows English and have access to intranets and similar. When HR had explained to them that two thirds of their organization were not reached by organizational mass communications, it had come as a shock.

A couple of interviewees also mentioned the actual toll that global leadership can have on personal time management and work-life balance:

*"You have to be 'on' all the time. It's a challenge, and not completely healthy either; to be 'on' all the time, available all the time. (...) It's more difficult than being a Swedish leader with five weeks of vacation (...), that is not how it looks in the rest of the world. So that is a challenge for a Swedish leader; to find a balance between the demands of a global leader and what oneself thinks work-life balance looks like. (...) I believe [a global leader can have work-life balance] but one has to redefine what a good work-life balance is. For example, when I was in Sweden it was holy for me not to read a single email during summer vacation. And that was almost even more stressful than actually reading a couple of times a week."*

- Top Executive, GizaCo

On another note, and despite gaining the most attention, there were certainly not only challenges identified by interviewees in relation to global leadership. There were also a number of possibilities or benefits mentioned. These are listed in Table 4.3-2 below.

**Possibilities with global leadership**

*Gaining understanding of how to work with and leverage other cultures, internally and externally*

*Experiencing personal development*

*Applying Swedish leadership abroad*

*Reaching more people through presence or better communication skills*

*Gaining a performance mindset (from Asia)*

*Gaining a global mindset*

*Understanding customers better*

*Table 4.3-2 Possibilities with global leadership, as identified by interviewees*

Many interviewees (both non-native and native Swedes) felt that Swedish leadership culture was often positively (or extremely positively) received abroad and that it has great potential to improve other working cultures. For instance, non-native Swedes thought that even though the consensus-style of decision making has disadvantages, it generates great engagement and ownership when decisions are finally made. Representatives from all interviewee groups also remarked that Swedish and Scandinavian things in general have favorable associations, and this includes the culture and leadership styles. One top executive was especially positive regarding this whole subject:

*"I believe that Swedes in general have the basic makings of becoming great global leaders since we are, and this sounds like a generalization, a people that are rather open and rather forgiving and accepting (...) And I have met many other cultures where it doesn't seem as simple to open up and adapt one's leadership and so on."*

*- Top Executive, GizaCo*

Some also reflected that there is probably a certain type of people that looks for job in companies with an explicit Swedish culture, as that often differs from other company cultures in these people's home countries. Others questioned whether their companies' leaders were stereotypical 'Swedish leaders' but felt instead that the global element of their companies had created leadership styles unique to their companies, albeit with strong Swedish elements.

Another benefit of global leadership that stood out and was mentioned by multiple interviewees was that of learning to adopt the Asian 'performance mindset'.

*"We have a lot to teach them about equality, open dialogue, communication, delegation and such things, but we have a lot to learn from their performance drive. To really do your best and have a drive, an ownership. Even if I am only brewing coffee: 'this is my job, I brew coffee, I brew the best coffee there is, and I like brewing coffee'. I can miss that when I come home to Sweden. And this is regardless whether you are an assistant or a top executive, this ownership is stronger. (...) Since they, for good or bad, have been drilled with this very early."*

*- Top Executive, GizaCo*

## 4.4 DEVELOPING LEADERS IN SWEDISH MNCs

In this subchapter, the interviewees' depictions of how high potentials are identified, developed and retained at their respective companies are presented. Also, improvement areas that the interviewees identified, as well as their thoughts on the current processes' alignment with strategy and future challenges is described at the end of the chapter.

### 4.4.1 The people responsible for developing high potentials at Swedish MNCs

A common view among the top executives, high potentials, and HR representatives in this study was that developing high potential leaders requires a joint effort where each party (high potentials, top executives, and HR) have different roles and responsibilities in the process, see depiction in Figure 4.4-1 below.

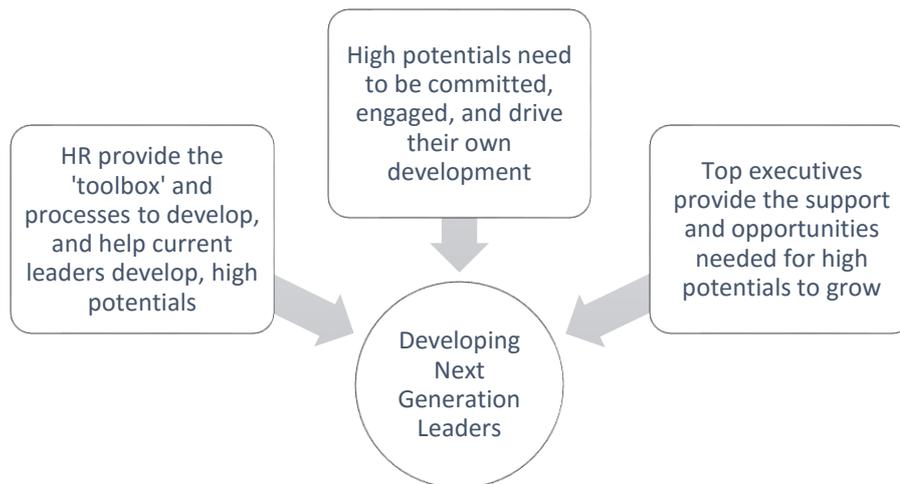


Figure 4.4-1 The general view of responsibilities and roles in the development of high potential leaders

### The roles and responsibilities of the three different groups

Multiple people from all interviewee groups mentioned the importance of having involvement from senior leaders in high potentials' development processes. Additionally, several top executives stated that it was their responsibility to provide high potentials with the support and opportunities they need for developing leadership competencies. Many also argued that the responsibility for identifying potential leaders that can be fed into the companies' leadership pipelines lies with senior management.

*"We've had a lot of discussions in LighthouseCo's board of directors about our high potentials, we've debated every single one. That's how important we think this is."*

- Top Executive, LighthouseCo

*"I think it is senior management's responsibility, the board's responsibility to some extent, to ensure the longevity of the organization (...) So they also need to make sure that they have a leadership pipeline developed so they have got the people to take over senior positions in the future."*

- High Potential, OlympiaCo

An HR representative thought that leaders, no matter their level of seniority, need to be responsible for the leadership development:

*"The responsibility for developing future leaders, that, I believe, lies with all who are leaders today, and then I mean at all levels."*

- HR Representative, ArtemisCo

The HR functions were considered by many of the executives and high potentials to have a supportive role in the leadership development. The general view was that HR is responsible for providing tools, processes, and structures needed for helping high potentials directly, and for helping leaders develop high potentials on their own. A top executive at LighthouseCo noted that senior leaders own the development process but expect HR to provide the appropriate tools and support. Another stated:

*"HR should naturally work with [leadership development] but should act as a support to the board (...) and based on demand ask: what type of leaders, how should they be developed, how do we get them, and how do we drive talents through our system?"*

- Top Executive, ArtemisCo

Several HR representatives agreed that their role and responsibility is to act as a support function.

*"HR is a support for both leaders and [high potentials] but maybe mostly for leaders by providing them guidance among the various options and solutions that exist to support the development of our [high potentials]."*

- HR Representative, GizaCo

However, while both senior leaders and HR were indeed considered to have important roles in the development of high potentials, it was widely emphasized that high potentials themselves are ultimately responsible for being engaged and committed to their own development:

*"You must have a willingness and claim ownership of your own development because there is no one else that drives your development."*

- Top Executive, BabylonCo

#### **All parties are jointly responsible for developing future leaders**

While every group has different roles and responsibilities, the great majority of interviewees emphasized that the development of future leaders requires a joint effort:

*"I don't think that anything you could do as an organization would have any results unless the high potentials have the passion for what they are doing (...). And what we provide as an organization are the right platforms for people (...) to develop themselves. (...). But at the same time it has to do with the second most important thing: the managers' commitment in terms of providing high potentials with the right opportunities and the right guidance to develop and grow. So I think it's a triangle. It has equal pull but I think the most important is the [high potential's internal] force."*

- HR Representative, OlympiaCo

#### **4.4.2 How Swedish MNCs identify high potentials**

The MNCs in this study mainly used formal identification processes and procedures to find high potential leaders in their organizations. The general approach among the companies was to hold annual and/or mid-year Talent Reviews. Most companies' reviews were explained to be organization-wide processes in which managers at all levels, together with HR, assessed their direct reports.

The companies used quite similar tools for their identification processes. Many explained that they use the talent matrix '9-box grid' in which staff under review are ranked and plotted based on the companies' respective assessment criteria. An HR representative explained the tool simply as:

*"We look at where each person fit on the talent matrix, or in the 9-box model, and the people in the highest three boxes are considered [high potentials]."*

- HR Representative, OlympiaCo

The talent reviews were at most companies said to be related to each individual's current position.

*"Being identified as a talent is always related to the position they are in. Once they're moved to a new position (...) we have to look at how well they do [there] and whether they're still recognized as talent or not. (...) Mind you: talent doesn't necessarily stay a talent all the time, because the same way people can be identified as a talent, they can easily be taken off a talent pool if they do not keep on showing the potential."*

- HR Representative, OlympiaCo

The criteria used to assess candidates in the identification process were described by many executives and HR representatives as 'the individuals' performances at their current positions' and 'their potential for taking on new, more complex responsibilities'.

*"The basic requirement when you select a [high potential] should in fact be what the person has achieved and its potential to deliver in the future."*

- Top Executive, MausoleumCo

A few HR representatives and top executives also mentioned that they thought high potentials also must be assessed on their behavior and personality, as well as their fit into the corporate culture:

*"In this organization it is very important that you are both very persistent and determined, but at the same time very humble. It does not work if you come in here and are prestigious about things; that will not take you anywhere. You might be a high potential in some other organization but not here."*

- HR Representative, ColossusCo

The interviewed high potentials had in general little insight into how their companies identified talented employees and high potential leaders. One knew that the company was on the lookout for future leaders but did not know what the process looked like. Another stated:

*"I don't know how we are identifying [high potentials]. I don't know what criteria are being used."*

- High Potential, OlympiaCo

#### **4.4.2.1 Difficulties when identifying high potentials**

Despite seemingly thorough processes, identification of high potentials is not straightforward. An HR representative described different aspects of stereotyping that can inhibit the identification:

*"We must become better at not casting everyone into the same mold when we define high potentials (...) [because] when we look for candidates we might formulate a profile and try to find someone who fits [only that profile]."*

- HR Representative, ColossusCo

Another difficulty lay with global identification and identification between functions. Even though the vast majority of the MNCs in this study had global talent management systems, HR at several of the MNCs claimed they had difficulties identifying high potential candidates outside of Sweden. The main reason was that company branches in other countries many times do not share the same point of reference regarding what constitutes a 'high potential'. And this had in its turn caused mistrust of the identification abilities of other than the Swedish branches, thus giving foreign talents smaller chances of actually having their cases escalated at Swedish headquarters. Another aspect was described as the natural tendency of people to promote individuals around them since these are the people they know and see every day. All of the above were said to lead to decreased diversity and loss of talent.

#### **4.4.2.2 Whether or not to disclose the identity of identified high potentials**

Representatives from three of the companies mentioned that they have chosen to not explicitly inform their high potentials that they have been identified as such. The main argument for not telling them was that the companies felt that there was a risk of upsetting and demotivating other employees that had not been identified.

*"We have not gone out and said 'you belong to the high potential list'. (...) And there are pros and cons with that. If you tell them then they know that they are chosen in some way. But at the same time, those that are not chosen to belong to that group might take it negatively and become upset (...). So we have therefore chosen to hold this list confidential within LighthouseCo."*

*- Top Executive, LighthouseCo*

However, the high potentials who belonged to these three companies all believed that their company would benefit from being more transparent since that would motivate their high potentials. Neither did they feel that it would not create a demotivating pressure for the high potentials or others. One high potential also claimed that the main argument described in the last quote does not hold true, but felt instead that a more transparent process would motivate everyone:

*"There are people who, when they discover: 'there's [a program for high potentials] and I haven't been vouched to be part of it', they begin kind of questioning why. And you then end up demotivating them I think. (...) So, I think if you put it out there and make it explicit, you give people something to work towards, yeah... Nothing can go wrong from that."*

*- High Potential, OlympiaCo*

Some high potentials furthermore felt that not knowing that one had been identified as a high potential would prolong one's development since one must then 'identify oneself' and then look for possible opportunities. One high potential thought that the current approach will harm the leadership pipeline in the long run. Another high potential went on to ironize over the 'typically Swedish' Law of Jantementality:

*"You should not think you are something just because we have identified that you might be able to do something."*

*- High Potential, BabylonCo*

#### **4.4.3 How Swedish MNCs develop high potentials**

Apart from the various separate courses that all interviewed companies offered to more or less all of their employees, much of the development of identified Next Generation Leaders was said to be supported by programs designed to educate and to challenge high potentials in particular. This was done through education but also through hands-on assignments. The programs' aims were to hone high potentials' leadership skills and related competencies, as well as to offer them opportunities to network and gain experience of new situations and new responsibilities such as project management or even more complex tasks. All companies in this study held some form of development programs, some companies even offered multiple kinds, and the general attitude from high potentials towards the programs was very positive:

*"It's so extremely developing you wouldn't believe it!"*

*- High Potential, ColossusCo*

#### **4.4.3.1 Development programs**

This section present how the interviewees describe the leadership development programs at their respective companies.

##### **Educational elements of the development programs**

At all MNCs, the curriculum of available programs depends on the attending high potentials' current seniority. Programs intended for more junior high potentials for instance would offer leadership training, teach a wider perspective on the company's business, and organize various group assignments and exercises in areas like group dynamics and team building. For more senior high potentials on the other hand, there would be an increased focus on strategic issues and corporate strategy.

Importantly, many interviewees stated that much of high potentials' actual development occur outside of the educational parts of the programs. An HR representative at ColossusCo explained that they believed that '70% of development occurs on the job, 20% through others, and 10% come from courses'. Another interviewee similarly said:

*"At GizaCo we believe in 'doing', you can attend courses but it is when you do things you learn the most. (...) So we believe in offering [the high potentials] the opportunities to try different things, that is incredibly important."*

*- HR Representative, GizaCo*

##### **Experience elements of the development programs**

Doing and experiencing many different and preferably challenging things when trying to develop as a leader was deemed as very important by all interviewees, either when trying to develop leadership skills, to gain knowledge, larger networks or to gain insight into one's own limitations. Succeeding in a challenge would also be a confidence booster as well as a signal to the rest of the organization of what this individual is capable of.

Experience was said to be gained either in connection to assignments, through rotations given as part of a program, or by experiences outside of the programs. For instance, one company's program was designed to send high potentials to another branch in another country during six months. Tasks given outside of the programs on the other hand could sometimes be the result of high potentials being headhunted exclusively for certain tasks, for instance for strategic projects. (Strategic projects served the double purpose of developing and of exposing high potentials to senior leaders, granting them attention early on in their development).

Likewise, high potentials could sometimes take initiatives themselves and ask to do a particular task. It would then be up to the firm, and in particular the individual's current boss, to decide whether to grant the sought after opportunity or not, based upon factors such as previous performance and deemed developmental potential. The MNCs described how they adapt assignments to each individual's current situation and qualifications in order to stretch their capabilities in appropriate ways.

Representatives from all three interviewee groups felt that rotations between functions and countries were great ways of stretching high potentials while giving them opportunities to grow their networks:

*"Get out there and try it, do it for real! (...) You get [the possibility] to travel as much as you want and more than most do want. But get out there, be open and be curious!"*

*- Top Executive, MausoleumCo*

In a majority of the MNCs, the development programs for senior high potentials focused on providing international work experience and global leadership skills, whereas only two companies offered junior development programs aimed at the same development areas. A few firms made people attend culture and language courses before going as well.

Many examples of stretch assignments were brought up during the interviews. Some high potentials felt that having been given project management responsibility was a fun yet challenging assignment. Some had had group assignments within their development programs and had felt that these were very challenging because of the mix of different nationalities, language barriers and distances between group members. A more senior high potential in turn described how the new situation of handling staff responsibility in a very demanding sales team had been almost unmanageable. Looking back on the experience a few years later, the experience had however proven very valuable:

*"I would say that 100% of the time I have not been ready for the next move, but I have been put into it anyway, and that is the best option. Because the stretch is immense and I can feel it now, even a year in I feel very stretched in this role but I think that is positive. So you know, people who are kept intrigued, are kept interested, they find it quite difficult to leave."*

*- High Potential, OlympiaCo*

Yet another individual described the assigned task of greatly increasing the output of a less significant factory. The process and ultimately the success in this endeavor had given the high potential great insights, networks and increased trust from the organization at large.

*"[Most important] is to be given challenges or opportunities that you think you are not capable of, or a stretch. But being supported through that and helped to reflect on those opportunities and the skills you picked up or the things that you did wrong. (...) So I would say [high potentials need] a process of varyingly difficult challenges incrementally, and someone who supports you through that process, to reflect on the learning from those things. Because of course you're going to do things wrong."*

*- High Potential, LighthouseCo*

There were also many other examples and all high potentials shared a positive attitude towards their experiences, whether having been given them within the frame of a development program or not.

It was generally agreed by people from all interviewee groups that high potentials must take their own initiatives. Many stated that high potentials need to be clear and explicit about what they want in order to be offered opportunities to try something new. Interviewees from some companies also referred to their internal job markets as a means for high potentials to apply for new positions to widen their experiences within the companies. However, internal job markets were not mentioned by any of the high potentials as ways to broaden themselves. Instead, several high potentials described how they found new positions and assignments through their (often carefully tended) networks, and that they also expected to get support from these networks and from their current managers in the future.

Regarding the performance expectations for assigned stretch tasks, education and individual initiatives, many interviewees from all interviewee groups stated that high potentials must deliver on their set out purpose in order to continue being considered talents. A few interviewees however emphasized that mistakes will be made and that the environment in which high potentials are being developed must feel appropriately safe and provide support:

*"They [the high potentials] need safe environments. (...) It needs to be an environment that gives people chances to make mistakes and learn from their mistakes."*

*- HR Representative, OlympiaCo*

#### 4.4.3.2 Mentorships

At the companies the most common way of getting a mentor was by way of high potentials themselves taking the initiative to find one, or expressing that they wanted one. A majority of the interviewees did however say that HR and/or managers could help high potentials find a mentor.

A few MNCs also had formalized mentorship programs in connection to their development programs, where participants got assigned mentors. Several interviewees argued that having guidance and support from a mentor is an important asset for high potentials in their development. A majority of the high potentials had experience from mentorships and all of them were positive to those arrangements.

*"It's good to have [a mentor] to coach you, to maybe show you the stark reality every now and then, to hold the mirror up."*

- High Potential, OlympiaCo

Several interviewees also claimed mentors could be instrumental when high potentials are prepared for new roles and/or assignments. Some high potentials meant that having a mentor when being prepared for international assignments could be of great value. One high potential mentioned that having a mentor with international experience could provide valuable insight of and knowledge. Another said:

*"I think this is where mentoring could come into its own and I'm pretty convinced that having someone with that level of experience to perhaps give you some advice and some encouragement to take the risk that you are encouraged to take."*

- High Potential, OlympiaCo

Even though many interviewees emphasized the benefits of mentorships, only two high potentials had mentors at the time of the interviews. Two others explained that their managers provided satisfactory support and guidance and that they therefore had no current need for mentors. However, some high potentials said that they were looking for mentors but felt it difficult to find one. One high potential sought a mentor in a more senior position and mentioned that mentors at those levels can be hard to find. Instead, this high potential had found a mentor in an executive role at another company. Another high potential wanted a mentor, but lacked the sufficient support from the organization to find one:

*"I think [a mentor] could have given me a more long-term perspective (...) because it would be more consistent with this one mentor, whereas now it is more to address issues ad hoc to people that I think will give me the best solutions."*

- High Potential, LighthouseCo

Several interviewees mentioned that it is sometimes difficult to establish good mentorship arrangements. A common opinion among executives and HR was that there has to be a certain personal chemistry in order to create a successful mentor-mentee relationship. Several of them therefore argued that informal arrangements where mentors and mentees find each other are preferred over formal arrangements where people are 'forced' together.

*"I think the company can [get a mentor] for you, but it is way more powerful if you do it yourself. (...) If you have chemistry and a connection that you have developed yourself then it's more likely to be something that's long-lasting and stronger, something that you take seriously, as opposed to something that is assigned to you."*

- High Potential, OlympiaCo

*"My experience is that the best mentorship programs are the informal ones where the mentee and mentor find each other."*

- HR Representative, ArtemisCo

Relatedly, several interviewees also claimed that in mentor relationships the mentees must open themselves up and show their weaknesses and vulnerability in front of their mentors. There must therefore exist trust and mutual respect between mentor and mentee. However, an executive argued: mentees should not have their managers as mentors, but instead mentors in other parts of the company, in order to avoid mentorships where there are dependencies between the high potential and the mentor.

#### **4.4.3.3 Career planning**

Several executives and HR representatives stated that they provided career plans to support and plan high potentials' future and long-term development. Many interviewees emphasized the importance of career planning as ways to keep up momentum in high potentials' development. One HR representative also argued that a concrete career plan was a good tool to motivate and display the opportunities high potentials have in the organization.

Interviewees from different companies described different ways of how these plans are established. Whereas a few explained that managers and executives develop the plans for their high potentials, interviewees at some companies explained that high potentials' career plans are developed jointly with high potentials, managers and sometimes also HR. The latter way of working was most common. However, one top executive who strongly emphasized high potentials having career plans, argued that high potentials should be responsible for developing their own career plans and stated that:

*"The cheapest thing you've got is reflection; you have to start thinking and reflect. You can't go to another person and ask: 'what do you think I should do?'. You have to draw your own future and I believe everyone can do that."*

*- Top Executive, BabylonCo*

However, a high potential at the same company stated that due to the large size of the company it could be hard to map what opportunities and career paths the company had to offer. The same high potential recognized the importance of planning and had a self-developed career plan, but believed that guidance and support from managers and HR could have been valuable asset to improve the plan:

*"How do I make sure my plan is not so narrow that it only extends to what I see in front of my nose?"*

*- High Potential, BabylonCo*

Quite a few high potentials mentioned the importance of having career plans and some of them said that they had yearly plans that were established during their annual reviews. However, one high potential mentioned that plans could slow down the development:

*"If [the development] goes in one's own pace, then it is planned and then it is not as challenging either. Instead I hope that I am a bit unprepared [when new things come up] (...) because that's when it gets good."*

*- High Potential, ColossusCo*

Some interviewees mentioned that career plans are extra important for when high potentials leave for long international assignments. One executive at GizaCo stated that individuals that have been away for a while often want a concrete plan when they return. The executive argued that the lack of a career plan for these individuals could make it hard for them to reestablish themselves once they return. Several other interviewees recognized the same problem and claimed there is a risk for these individuals ending up in positions that they are overqualified for and where their development stagnate.

#### **4.4.3.4 Improvement areas for developmental education and stretch assignments**

All interviewees formulated some areas of improvement regarding the leadership development, even though some were more verbal than others. In connection with the subjects 'taking initiatives' and 'being allowed to try new ideas', many interviewees felt that their companies and their industries were very traditional and not innovation prone. Most also identified this as problematic. Some high potentials called for increased clarity, encouragement and safety regarding the amount of initiative and risk potential future leaders should take:

*"I think I need the safety from the company to be able to make mistakes as well, and the encouragement that that's going to be okay. I've certainly had that [safety] in the past. We're [now] going slightly in a different direction. We're being told: 'take more risks, assume more urgency', but at the same time we're being told: 'you need to be accountable and there will be consequences if things are not done'. (...) So those two are at odds with one another, and I think that's something the company needs to help me out with, you know: 'which side of the fence do we sit on?'. How many mistakes can we make and still be... Still not have consequences or... And what is a consequence...?"*

*- High Potential, OlympiaCo*

And a top executive at ArtemisCo made a related observation regarding that the company must sit down and decide what it really should demand from its future leaders:

*"A person who has proven worthy by performing within the frame of the current system [is more trusted to take on innovative projects]. And there is a paradox here: you can be really good at performing in the current context, but perhaps you are not the person who can see around the corner. But you will be the one who is considered: 'yes, this person knows how to perform, they can get the chance to [be innovative]!'. So we must identify those who think in a different way (...) without them having to prove that they can perform within the current system at every step of the way. And it can be a challenge to premiere these individuals before others that have actually performed very well in the current context."*

*- Top Executive, ArtemisCo*

HR in general felt that their companies encouraged innovation, but found it difficult to name innovative or entrepreneurial high potentials. One felt that the company probably lost many ideas and that there needed to be more systematic ways of capturing them. Another felt that the role of high potentials' current bosses was crucial in this matter and that there were those that really supported these types of initiatives, but also those that did not provide such opportunities at all. Yet another questioned whether disruptive innovation was appropriate at a large multinational corporation like theirs:

*"It's hard to say: 'do like they do at Google: do whatever you like on Fridays and it should preferably fit with ArtemisCo but it's not necessary, as long as you think it's fun'. We don't do like that at this company. We think that [ideas] must be more connected what already exists."*

*- HR Representative, ArtemisCo*

On another note, a high potential felt that leadership in itself needed to be more standardized and communicated throughout the company. Many had similar opinions, stating that also people that have been in leading positions for many, many years and that might no longer feel the need or the urgency to attend current leadership training must be involved, perhaps through alumni programs. Otherwise, they seemed to feel, there might be negative strategic consequences in the long run.

And speaking of strategy, some interviewees felt that high potentials needed to be exposed to strategic projects and to top executives more often. Two top executives felt that strategy as an educational element on the other hand was covered in appropriate ways. However, a few other interviewees felt that strategy was introduced too late or too little to their high potentials:

*"On the first [development] level it's more about 'leading others towards something' while the more senior programs are more about 'where are we headed as a business, what is important to us' and so on. I do perhaps feel that if we want everyone to get onboard with the strategy and make everyone agree on it (...) then we must introduce this earlier on in the programs. (...). I think it would be good to, already in the initial leadership developmental programs, talk about leadership in general but also about our customers, ArtemisCo's strategy, and where we are headed. (...) Damn, this is brilliant, we must go about this at once!"*

- Top Executive, ArtemisCo

And just as the above top executive mentioned, several interviewees felt that customer focus needed to be given more attention than it was today. Multiple HR representatives said that this was an area they were working on or that they wanted to work on.

*"More focus on the customer and the business. (...) We talk too little about the external customer I feel."*

- HR Representative, GizaCo

*"We did a study where we asked thirty of our top executives what had made them successful at LighthouseCo and not a SINGLE one said that they focused on the customer or understood the customer's needs. (...) It was all only about [other things]; not that you took care of the customer and created value for the customer."*

- Top Executive, LighthouseCo

Some high potentials and HR representatives felt that the opportunities and education available to high potentials needed to be communicated more clearly since many people did not know what possibilities there were. A few also felt that high potentials, but also future leaders, would want and be able to move faster through their organizations than leaders have done in previous years. They wanted to know how this could be accomplished. At the same time, many interviewees from mainly HR and the top executive's group felt that movement in itself was a problem. There were two main difficulties. One was (as described by some top executives and HR representatives) that managers sometimes were unwilling to let go of their high potentials, thereby protecting the performance of their own units but simultaneously hampering mobility and the high potentials' development:

*"It comes down to the local managers (...). It is that they must dare to let go [of the high potentials] and dare to send them out. (...) There is probably not really that culture of being open and liberal enough to send people out."*

- HR Representative, LighthouseCo

The other main difficulty with mobility that several interviewees pointed out was the rigidity of structures and processes; they did not facilitate movement between departments or foreign branches. Some also felt that more support with identifying opportunities was needed. Entwined into this often lay insufficient collaboration between functions and between regions which decreased visibility of and for talents between functions, as well as diminished the acceptance for inter-functional movement. Some top executives and HR representatives simply felt that their organizations needed to offer more opportunities for high potentials to participate in rotation programs.

#### 4.4.4 How are Swedish MNCs working to retain High Potentials

Most interviewees in all three groups felt that their MNCs in general were fairly good at retaining high potential leaders. Several of the HR representatives and executives explained that they worked hard to keep high potentials and some stated that their retention rates were at a satisfactory level. However, many mentioned that retaining high potentials is not an easy task and several stated that high potentials often require more stimuli in terms of developmental activities, challenging tasks, and opportunities than other employees. Top executives and HR frequently argued that providing high potentials with challenges and opportunities that kept them stimulated were the most important retention factors.

*"[High potentials] that we lose are those who we do not manage to stimulate enough."*

*- HR Representative, ArtemisCo*

Stimuli in terms of challenges, development, and opportunities were also heavily emphasized by a majority high potentials as key reasons that kept them at their companies. One high potential at OlympiaCo argued that the challenges and opportunities the company had to offer in fact made it difficult to leave. Another high potential noted:

*"The reason I'm still with LighthouseCo is that I have been given the opportunity to do different things (...) From that point of view LighthouseCo have always been open to give me opportunities that I would like to pursue."*

*- High Potential, LighthouseCo*

Interviewees in all three groups claimed that internal mobility was an important motivator for high potentials as many of them want to develop a broad perspective. However, several HR representatives and executives mentioned that since managers sometimes are reluctant to let go of their high potentials, their mobility and development are hampered, and thus also the retention rates.

*"If we force someone to stay too long at one place then that person will lose its motivation and leave."*

*- HR Representative, MausoleumCo*

Another retention aspect brought up by some executives and HR was financial incentives. Although they believed stimuli in terms of developmental challenges were the most important retention factors, they thought that financial incentives are important for long-term retention. One top executive argued that high potentials are in general idealists at the beginning of their careers and that opportunities and challenges are seen as enough incentive. But with tenure, financial incentives become more important.

*"It's impossible to get away from that money have to somehow match the value that the individual represents. (...) If it is a top talent, you cannot under-pay that person because sooner or later an external alternative will come up."*

*- HR Representative, ArtemisCo*

One point brought up by some interviewees was that high potentials today want to move much faster in their careers and that MNCs must be able to cope with this new pace in order to retain them. One high potential GizaCo felt that the company sometimes was too slow and rigid and mentioned that high potentials had left because they were understimulated since the company could not keep up with their needs. Another high potential stated that younger generations want more and faster stimuli and can therefore be much harder to retain in the long-term, especially for traditional managers:

*"Many of our managers are old school and a lot of them have gone the long way and are more used to handle people that are alike themselves."*

*- High Potential, ColossusCo*

Other retention areas brought up concerned the various soft values and factors. One executive at GizaCo argued that work-life balance has grown in importance for people and that the company must ensure that high potentials can easily balance their family lives with their work. A few interviewees also mentioned that a secure employment was a key reason for why high potentials stayed.

In the end, retaining every high potential might not be the ultimate answer, argued a couple of top executives and HR representatives. Two HR representatives mentioned that simply the shape of the hierarchical pyramid leaves less and less room for high potentials moving upwards. And sometimes, as pointed out by a couple of top executives, people develop faster than the organizations they are in. In those cases, it might be best to let them go for everyone's sake. If they are let go before their situations have in some way got out of hand, these talented people might come back, thereby contributing to a form of long-term retention. Another top executive, at BabylonCo, pondered the possibility to actively encourage and plan for high potentials leaving their companies in order to spend a couple of years outside, thereby learning and developing things that can be brought back later. The top executive however believed that not many firms worked with this type of strategic external rotation.

#### **4.4.5 Strategic alignment of current leadership development**

Most interviewees found it difficult to plainly identify any clear discrepancies or alignments between current leadership development practices and future challenges. There also emerged some clear differences between the interviewee groups. High potentials found it difficult to even express any opinion on matter, feeling that they had too little insight into the leadership development process and its connection to strategy. Overwhelmingly however, HR representatives from many companies felt that the connection between leadership development programs and strategy was very clear:

*"They're tied up. Because based on our strategy we've developed our leadership development framework. (...) We asked the question: 'what are the behaviors that would allow us to make the strategy happen?'. And that was asked to the top fifty leaders in the organization, and we ended up with those (...) behaviors [that we develop in leaders have today]."*

- HR Representative, OlympiaCo

Another HR representative pointed out that the core of the programs was always the same and that the differences made when assuring alignment with strategy could be considered 'fine tuning'. Top executives at two companies felt that the connection was very good as well and one explained how their company thought about the process:

*"Good! [The connection] is really good I think. We have in our strategy kind of put a big focus on how we want the leaders to be and what competence we need in the future and so on. (...) Let's say that in 2017 we are going to do something, and we are in 2016 now, then perhaps we need to develop a certain competence until then. So that when we start the project [in 2017] we have the competence to do it."*

- Top Executive, LighthouseCo

Another top executive felt that the connection had not been there before but that it was better now. This person however felt that HR had too little insight into what the company actually did and what it needed, and the executive felt that this was the reason for the lacking connection.

One HR representative pointed out that one of the riskier moments for a company is when a leadership development program has been developed since that is a time when one might feel content and might therefore become complacent and not eager to continue to improve. The same HR representative said that the company's ambition was to weave strategy into the leadership development process, and two top executives expressed a similar view. None of them felt that the connection was clear today.

## 5 DISCUSSION

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*The purpose of this thesis is to investigate whether Swedish MNCs entertain the same views as current research on contemporary and Next Generation Leadership, and whether high potentials are actively being prepared for future challenges. This discussion chapter aims to fulfill this purpose by answering its four related research questions.*

*The discussion is structured in the order of the four research questions. First the requirements on contemporary leaders are discussed, then follows a longer elaboration on the challenges for next generation leaders. After that, the requirements on future leaders are discussed. The last section of the discussion analyzes the development processes in Swedish MNCs and looks at whether high potentials are being prepared to take on future challenges. Finally, a draft for a framework that can be used to facilitate strategic alignment of leadership development is put forward.*

*Each subchapter ends with a summary of the subjects discussed in the preceding text.*

### 5.1 REQUIREMENTS ON CONTEMPORARY LEADERS

This text aims to answer RQ1: '*what are the potential differences between the views of Swedish MNCs and of current research on the requirements on contemporary leaders?*'. The question is answered at the end of this subchapter.

Looking at the interview findings of this study, today's leaders can be said to have two parts to play. One is the business part or 'the hard values': leaders should deliver good results, they should develop the business, and they should communicate direction, vision and strategy. The other part concerns the managing of people, or 'the soft values': motivating, challenging and supporting people; developing others; and acting as role models. None of these traits are contradicted by research. However, when looking at the theoretical descriptions of the types of leaders that do actually steer MNCs today (strategic and global leaders), a larger skill set than the one identified by the interviewees emerges.

For instance, when describing strategic leaders of today, Krupp and Shoemaker (2014) and Boal and Hooijberg (2001) cite quite a number of skills that are not mentioned at all by interviewees. Examples are: anticipating the future and thinking in scenarios; correctly interpreting weak signs and spotting patterns; and building and encouraging alignment. The interviewees' omitting of these factors might be a sign of them having difficulties being precise when trying to put words on the complexities of leadership. On the other hand: a number of the skills pointed out by the above mentioned researchers as required of *current* strategic leaders were by interviewees identified as requirements for *future* leaders. Examples of this are: openness to change, courage, handling change, and implementing and communicating strategy (Krupp and Shoemaker, 2014).

This suggests that the skills that *researchers* say are needed *today* are what the *interviewees* believe are needed *in the future*. This is a worrying sentiment as it indicates that current professionals and HR functions might be developing leaders that are not prepared to take on future challenges. Additionally, it indicates that current leaders underappreciate the need for *themselves* to change *today*.

**RQ1: *What are the potential differences between the views of Swedish MNCs and of current research on the requirements on contemporary leaders?***

Swedish MNCs do partly entertain the same views on the requirements on contemporary leaders as do current research; all expectations on today's leaders as identified by the interviewees can be found in research. However, many requirements were not identified by the interviewees, and there is moreover an indication of a lag in the perception of leaders in Swedish MNCs. If such a lag really exists, it can cause MNCs to misalign their development processes, and thereby develop leaders that are not prepared to take on future challenges.

## 5.2 CHALLENGES FOR NEXT GENERATION LEADERS

This subchapter aims to answer RQ2: *'do Swedish MNCs entertain the same views on what the challenges for Next Generation Leaders will be, as do current research?'*. The research question is answered at the end of this subchapter.

To start with, it is clear that both researchers (e.g. Cutler, 2014; Hesselbein and Goldsmith, 2006) and interviewees feel that global trends and globalization will be important factors in the future that will affect how companies are structured and managed. The same goes for the need for change where many MNCs interestingly mentioned the challenge of fighting against a successful company history. Also, regarding the importance of competence and talent management (recruiting, retaining, developing competence), the companies and the theoretical framework are in harmony. Similarly, there is more or less consensus regarding the importance of several other, more specific areas such as the spread of social media, utilizing and handling millennials, and environmental and social sustainability.

There are however a few areas where the foci of the interviewees and research differ. For example, interviewees elaborate to a higher degree on changing consumer patterns and commoditization, than do e.g. Hesselbein and Goldsmith (2006) who are more concerned with the future diversification of the perceptions of customer value. The authors of this thesis theorize that this could be an indicator of current research ignoring the 'old and obvious' customer focus in favor of newer and more exciting subjects, e.g. technology and millennials. If that is the case, it suggests that research is not anchored in MNCs' current reality since interviewees do state that too few leaders are oriented around customers today, indicating that this skill is neither obvious nor integrated into contemporary work-life.

Another area where some differences exist is one of structural complexity in companies. Interviewees discuss the need for new business models and to some extent also partners in the form of outsourcing. In comparison to theory such as Goldsmith et al. (2003) however, the interviewees' foci seem rather limited to more traditional and internal processes. Goldsmith et al. (2003) instead dictates a future wherein firms are deeply dependent on (complex) alliances with other organizations. The whole category of 'strategic choices' as identified in the findings will, according to Goldsmith et al. (2003), be a joint effort in shared leadership rather than one-man/one-company choices. The authors of this thesis believe this to be an area where in particular large, traditionally run, and historically successful MNCs, might be underappreciating the need for external collaboration and alliances in the future.

Moving on, the area of technology and innovation is, somewhat surprisingly, underrepresented in the interview findings, as compared to the theoretical framework where these two things are much emphasized. Among those that do mention these two factors, high potentials and younger interviewees are overrepresented. Cutler (2014) mentions innovation as one of the top four challenges for future leaders, whereas many interviewees bring it up only in passing when referring to future competitors. And it is similar for technology.

One possible explanation could be that technology and innovation are simply assumed facts, so blatantly obvious that no one mentions it anymore. However, the fact that younger interviewees are more concerned with these subjects might indicate another explanation: that there is an age bias with regards to what is deemed or understood as potential challenges (or possibilities) in the future. Younger generations have, as pointed out by Espinoza, Ukleja, and Rusch (2010), been raised with technology, constant technological innovation and unprecedented information access and might therefore have a greater understanding of how these elements can affect their companies in the future.

Another way of looking at it is that researchers might have found that technology and innovation will become so integrated into future firms that everyone must learn to adapt. Also the people that have traditionally been 'spared' from having to master new technology quickly must adapt, such as traditional leaders that might see technology as 'a shop floor-skill'. The explanation for the notable absence of technology in the interviewees' statements would then be that this insight has not yet come

to many executives and HR representatives that are working in old, large, historically successful and in many ways still traditional companies where the 'traditional leader' existed only a few years ago, or might still exist today.

**RQ2: *What are the potential differences between the views of Swedish MNCs and of current research on the challenges that Next Generation Leaders will face?***

Current research and the interviewees both agree on the importance of certain trends and challenges in the future, however, theorists might be underappreciating the ever-present challenge of customer centered leadership. MNCs might on the other hand underappreciate the increasing complexity in business and alliance structures. Additionally, top executives and HR at MNCs seem not to have understood the challenge of new technology and innovation that future leaders must face, and these leaders' consequent need for being able to understand technology and foster innovation. The high potentials understand this, indicating an age bias.

### **5.3 REQUIREMENTS ON NEXT GENERATION LEADERS**

This text, together with its subchapter, aims to answer RQ3: '*do Swedish MNCs entertain the same views on what will be required of Next Generation Leaders, as do current research?*'. The research question is answered at the end of the below text's subchapter.

When surveying the requirements that interviewees feel that future leaders must meet in comparison to the requirements described in the theoretical framework, there are many similarities. For instance, some, but not all, MNCs express an agreement with current research on subjects like: the need for future leaders to challenge existing structures and develop others (Morgan, 2014), on them needing to understand social media and new technology (Goldsmith et al., 2003; Morgan, 2014), on future leaders needing to be able to lead from a distance using communications technology (Hesselbein and Goldsmith, 2006), and on them needing to think and lead globally and to be able to network externally (Goldsmith et al., 2003).

There are also some apparent differences in what is brought up by interviewees and research respectively. For example, four requirements on future leaders that are brought up by interviewees and not by theory are: to be mobile and move around in order to increase understanding of the business; to own one's own personal development; to know how to create and sell solutions; and to know what customers want. A reason for researchers not stating these four as requirements for future leaders might be that these factors seem concerned with the *development* of leaders rather than *requirements* on leaders, or that these requirements are too industry specific.

A skill that is not brought up by interviewees but emphasized by Goldsmith et al. (2003) is that of 'shared leadership'. As was noted in the previous subchapter, shared leadership will be needed in order to negotiate increasingly complex business and alliance structures. It requires leaders that do actually believe in the concept of shared leadership and collective intelligence (as described by Morgan (2014)), and such beliefs cannot be acquired easily but must be fostered over a period of time. And additionally, being able to share leadership with others is not only a question of belief in cooperation and having diplomatic skills, but also one of organizational and administrative skill which needs to be developed and practiced. The collected interview data shows no indication that MNCs are developing leaders apt at sharing leadership and this seems worrying.

To summarize: MNCs and current research share a similar, but not identical, view on the requirements on future leaders. A difference that stood out was that of shared leadership; current research emphasizes its importance, whereas the interviewees do not mention it at all.

A specific area that is neglected by many interviewees, but all the more emphasized by theory, is that of 'softer' values needed in future managers, and thus leaders (Sutton, 2010). This area is discussed more thoroughly below, in chapter 5.3.1, where the third research question is also answered.

### 5.3.1 Where is the modern manager in the modern leader?

As pointed out previously, many of the 'softer' skills used for managing people as identified in the theoretical framework, are not put forth by the interviewees. Examples of such skills are: people and communications skills (Hesselbein and Goldsmith, 2006), embracing vulnerability, leading by example, following from the front, and adapting to future employees (Morgan, 2014). Theory suggest that these skills, and thus a 'softer' and more 'modern managerial' leadership style, will be required in the future.

A possible reason for interviewees not bringing these characteristics up much could be that the interviewees focus on describing what *they* know as 'leadership skills', which traditionally differs from 'management skills'. However, the fact that the interviewees talk about leaders needing to e.g. 'develop others', 'listen', and 'challenge conventions' indicates, on the contrary, that they do view at least some management skills as leadership skills. The crux of the matter now becomes to say how broad the interviewees' view on leadership is: does it encompass the whole managerial role or only parts of it? And *should* leaders exhibit all traits that a manager should?

Once again, referring back to theory (e.g. Kotter, 2001): leaders should be managers and vice versa in order to efficiently lead their companies (thereby demonstrating all components of strategic leadership, including 'managerial wisdom' (Boal and Hooijberg, 2001)). But there might be an additional emerging reason for leaders to become more managerial: the future workforce. The theoretical framework depicts modern employees as people who want feedback, who want leaders that value their time and contribution, and who want leaders that support the employees' pursuit of their passion, personal development, and dreams (Hesselbein and Goldsmith, 2006). And millennials seem to want all of this, and in some cases even in more extreme forms (Caraher, 2015).

It seems intuitive that this future workforce will respond better to leaders that exhibit the skills of modern managers (as described in chapter 2.2.1). And yet, these skills in future leaders receive comparatively marginal attention by the interviewees, except for in general terms as 'it being important to develop others and to give feedback'. And this despite several high potentials' pointing out that they would appreciate e.g. more and better feedback as well as clearer expectations, indicating that they are already part of this new workforce and that their needs are not met in these areas. One might wonder what will happen when the whole workforce becomes more entrenched in the 'modern employee' ideas and demands on work life (as described by Hesselbein and Goldsmith, 2006)? And how thousands of up and coming millennials' needs for confirmation, feedback, and support will be handled, if not even high potentials, the golden boys and girls of the company, receive it in a satisfactory manner today? Will retention rates plummet?

Of course, one can argue that a strategic leader does not have as many direct reports as e.g. middle managers and that they do not have to be very efficient managers for that reason. However, those direct reports will in the future be millennials and their kind, and they will (according to Hesselbein and Goldsmith, (2006)) demand that their bosses exhibit the characteristics of a modern manager. Furthermore, the behavior of high leaders tends to trickle down through the ranks and set the tone for managers below, demonstrating how middle managers in turn should treat their high potentials.

To summarize: there are indications that the intricacies of the modern manager, nay leader, do not seem to be on the top of the minds of the high potentials that are under development to become future leaders, nor of the top executives and HR representatives that are responsible for this development. MNCs both need to gain a broader view of the budding demands of the current workforce on the managerial capabilities of their leaders, and they need to align their development efforts with the demands of the development and affirmation thirsty future workforce. Because as the top executive at LighthouseCo pointed out: it is difficult to give constructive feedback and it is a skill that needs practice. And that goes for all skills, soft and hard.

**RQ3: *What are the potential differences between the views of Swedish MNCs and of current research on the requirements that Next Generation Leaders must meet?***

MNCs and current research share many similar views on the requirements on Next Generation Leaders. There are also many differences, some of which possibly being a result of different foci or scoping of what 'requirements' entail. More worrying is that MNCs today do not seem to be focusing on 'shared leadership' in their leadership development, despite current research claiming that this will be essential due to the increasing complexity of business structures and alliances. Additionally, there are indications that MNCs are developing 'too hard' leaders that do not exhibit the, according to theory, required characteristics of modern managers. These future leaders might not be able to efficiently utilize and meet the needs of millennials, and thus not be able to retain them. Top executives need to lead the way in this area.

## **5.4 DEVELOPING LEADERS IN SWEDISH MNCs**

This text has four subchapters that together aim to answer RQ4: *'are high potential leaders actively being developed to face future challenges?'*

In order to answer this final research question, the development processes at the respective MNCs must first be discussed. This is done in three main text sections below, each one ending with a brief summary of the respective covered area. First the responsibilities for the leadership development are discussed in chapter 5.4.1 *"Who owns and who is responsible for the leadership development"*. Then follows a discussion on the identification of high potentials and on talent pool management in chapter 5.4.2 *"Identifying and selecting high potentials"*. In the third section the development and retention of high potentials are analyzed in chapter 5.4.3 *"Developing high potentials"*. A summary of the conclusions to be drawn from these three texts can be found at the end of the third section.

After discussing the MNCs current processes in conjunction with current research, the actual research question is analyzed in light of previously debated research questions and answered in chapter 5.4.4 *"Is there alignment between the leadership development and future challenges?"*.

### **5.4.1 Who owns and who is responsible for the leadership development?**

Successful and effective leadership development requires broad and shared ownership (Stahl et al., 2012) and commitment from all organizational levels (Conger and Fulmer, 2003).

Similarly, if one looks at the interview findings of this thesis, one can see that interviewees in all three groups (top executives, HR, and high potentials) express that leadership development requires a joint effort and responsibility. Furthermore, it was found that the interviewees in general harbor a shared view of the specific roles and responsibilities that each group in this study must shoulder in order to develop future leaders, namely that: senior leaders should identify and support high potential leaders, HR should support leaders and high potentials with appropriate tools and processes, and high potentials themselves should be engaged and drive their own development. These findings indicate that the MNCs in this study acknowledge that the responsibility and commitment to develop high potential leaders do not belong to any one group or function, but instead to everyone. This is very much in line with this thesis' theoretical framework.

However, an interesting discovery in the collected data is that interviewees describe the role of senior leaders as only 'identifying' and 'supporting' of high potentials in the development process. These are certainly important responsibilities that literature also emphasize that senior leaders should have (e.g. Stahl et al., 2012), and many executives seem very committed to these tasks. However, very few interviewees mention that leaders should be responsible for driving the leadership development forward. Instead several interviewees argue that high potentials should themselves drive their own development, having leaders act only as support. Furthermore, while HR is meant to provide the tools and structures used in the development process, none of the interviewed executives mentioned that

they (the executives) were involved in or responsible for developing any part of those tools or structures.

This suggests a misalignment in the responsibilities at some of the MNCs, causing high potentials to have too much responsibility for driving their own development and HR too much responsibility for developing the tools and structures needed. This is especially true when it comes to the alignment of leadership development programs with the companies' overall strategies and expected future challenges. One main point of leadership development is to pinpoint skills and capabilities that are needed in the future (Heinen and O'Neill, 2004) and then develop these. HR might have some knowledge of these areas, but top executives are the experts, as indicated previously in chapter 4.4.5. And if high potentials have too much responsibility for driving their own development forward, there is risk of them pulling in a direction that does not align with the future needs of the organization.

These indications suggest that MNCs in this study must start engaging their senior leaders more in the development of future leaders, and specifically in the work of aligning developmental efforts from HR with future challenges. Naturally, the ownership must be shared and well-balanced between all involved parties, as shared and broad ownership is key for a successful leadership development (Stahl et al., 2012). But top executives must take more ownership of the processes than they do today, and they must assume responsibility for aligning and driving the development forward.

In addition to taking ownership over the actual developmental processes, senior leaders must also make it clear to the whole organization where priorities lie and what behaviors are expected. This is supported by both current research (Conger and Fulmer, 2003) and the interview findings' suggesting that the development of future leaders requires commitment from all levels within an organization, not only from senior leaders.

For instance, it is clear from the interview findings that some MNCs have experienced difficulties with the development of high potentials due to the high potentials' managers' unwillingness to acknowledge their direct reports' need to move to new positions or roles within the respective companies. (This type of situation is also described by Stahl et al. (2012)). Such unwillingness indicates a lack of commitment to the leadership development among managers further down in the hierarchy. And for high potentials that kind of impediment of development can, according to the interviewees, cause dissatisfaction and demotivation and might in the end damage the leadership pipeline. If top executive were more vehement in their communication of the strategic importance of leadership development, such situations could probably decrease in number. Senior leaders must induce a 'development mindset' in their organizations that enables and encourages people at all organizational levels to help others develop and take initiatives to develop themselves.

To summarize: the responsibility triangle for leadership development comprising high potentials, HR, and senior leaders is somewhat askew, possibly causing misalignment between leadership development programs and future challenges. Senior leaders must engage more in the designing of development programs in order to assure their alignment with strategy. They must also communicate more clearly a 'developmental mindset' to their whole organizations in order to facilitate development on all organizational levels.

#### **5.4.2 Identifying and selecting high potentials**

During the course of the interviews it was found that more or less all participating companies have formal and structured processes and procedures for identifying and selecting high potentials to be fed into their companies' talent pools. Most MNCs employ talent matrices similar to that suggested as best practice by Conger and Fulmer (2003) in chapter 2.3.1.

However, the assessment criteria used by the MNCs to identify high potentials differ to some extent to those advocated by theory. Whereas Conger and Fulmer (2003) argue that high potentials should be identified and evaluated based on 'performance results' and 'leadership behaviors', the empirical

findings mention 'leadership behavior' only sparsely. Instead, a majority of the MNCs emphasize 'performance results' and 'potential to take on more complex tasks' as main criteria in their identification processes, thus demonstrating that MNCs look mainly for job-related skills and experiences in their identification processes.

Current research is however very clear on this subject. Read, Conger, and Hill (2010, p. 3) state that high potentials should not only be superior performers but also “exhibit behaviors that reflect their companies' culture and values”. Stahl et al. (2012) express the same sentiment and go on to say that solely skills and experience metrics are insufficient for predicting future performance; behaviors that are desired in future leaders must be included as identification criteria. Consequently, MNCs would probably benefit from adopting these types of identification criteria in order to create a better balance between 'performance' and 'behavior'. The main benefit would be that the identification process can become more accurate in its pursuit of leaders that can lead the companies on the long-term and face future challenges. Especially since future challenges (according to the previous discussion in chapter 5.3.1) will demand of leaders a very people-oriented approach and behavior that cannot necessarily be predicted by performance metrics. Additionally, talent pools would become more diverse, enabling a greater possibility of sourcing appropriate leaders in different parts of the organizations.

Looking at the interview findings, an often mentioned improvement area for the identification processes at many companies actually relates to talent pool diversity. Several MNCs experience difficulties when identifying high potentials globally, due to misalignments in the views of Swedish and international branches of what actually constitutes a 'high potential'. If such a misalignment is allowed to persist, there might be a risk of MNCs developing too homogeneous pools of potential leaders. This could in turn lead to, for instance, a decreased global perspective among leaders, something that was defined as a requirement on future leaders in e.g. chapter 2.2.1.

To help overcome this problem, the authors of this thesis suggest for companies to use competency models as described by Hollenbeck, McCall, and Slizer (2006) in chapter 2.3.1. By communicating a list of predetermined skills and behaviors that are desired from high potentials throughout the global organization, the companies could establish a shared view of what constitutes a high potential leader. However, MNCs that choose to employ this method must be alert to its potential weakness that (according to Hollenbeck, McCall, and Slizer (2006)) is that it might cause companies to describe a single 'great leader'-profile. Thus, the MNCs that use this method in order to support their global high potential identification processes must entertain a pragmatic approach; effective leaders can possess very different traits and characteristics that are valuable (Hollenbeck, McCall, and Slizer, 2006). An open mind when identifying and selecting high potential leaders is therefore a key essential.

To summarize: MNCs employ formalized, often best practice, identification processes. They do however not necessarily utilize the methods as they were intended since many MNCs have a predominantly performance-oriented focus, rather than a balance between performance and behavior criteria when identifying high potentials. Additionally, many companies experienced difficulties with global identification of talent. These two problem areas could potentially lead to companies choosing high potentials whose skills and characteristics are not aligned with the requirements on future leaders.

#### **5.4.2.1 Is the Swedish aptitude for Next Generation Leadership particularly strong?**

As pointed out previously, global identification is important for building diverse talent pools. However, and also as pointed out previously, being Swedish MNCs these companies will naturally find it easier to identify and recruit people close to home, and in particular *Swedes*. Hence, the aptitude of Swedes to become future leaders is of particular interest to Swedish MNCs.

Global leadership is a crucial requirement on future leaders that interviewees, but in particular theory put extra emphasis on. The interviewees' elaborations on the challenges of global leadership focus on interpersonal and intercultural skills, and on openness to and integration across cultures. The

interviewees are largely less concerned with the business environment complexities and business skill requirements. This might indicate that many interviewees underappreciate that which current research emphasizes; the importance of future leaders both thinking globally and exhibiting business acumen and knowledge (as described by Caligiuri in 2006).

Many interviewees speak of the importance of adapting their leadership styles to different cultures. And while this is apparently truly important in general, the theoretical framework suggests that many typically Swedish leadership traits are universally suitable (House et al., 1999), something that is also claimed by a couple of interviewees, e.g. the top executive at GizaCo. And furthermore, traits that Swedes appreciate in their leaders, such as 'inspirational', 'team integrator', 'performance orientation', 'egalitarian', 'visibility', and 'pragmatism' (House et al., 2014) coincide in a very real way with the traits of the 'future manager' who should 'follow from the front', 'lead by example', 'believe in sharing and collective intelligence' and so on (Morgan, 2014).

And yet, there are certainly some inhibiting factors that will complicate Swedes' adaptations to other cultures' leadership styles. The strong and inherent 'consensus-thinking' was pointed out by several interviewees. And Swedes' dislike of autonomous leadership styles, and strong disapproval of self-protective leadership styles, (as described by House et al. (2014) in chapter 2.1.4.1 and 2.1.4.2) might make it difficult for them to lead in the, albeit underrepresented, number of countries where these styles are common (e.g. Austria and Russia, and Taiwan and Egypt).

Taken together though, it would be fair to say that, compared to many other nationalities, Swedes may have an easier time of adapting their leadership to both future requirements and to other cultures. That said, Swedes must also develop both soft and hard leadership skills in order to become successful Next Generation Leaders. This in turn suggests that leadership development programs for Swedish natives can be designed to counteract Swedes' possible inherent weaknesses (e.g. handling expectations on autonomous and self-protective leadership styles), and leverage their strengths (e.g. the 'universally' successful leadership traits that Swedes are naturally brought up with (House et al., 1999)).

To summarize: Swedes seem to harbor an inherent aptitude for taking on future leadership in general, and global leadership in particular. They must still develop their soft and hard skills, but might in this regard be able to leverage their strengths to a high degree.

#### **5.4.2.2 Increased transparency can increase motivation**

Almost half of the MNCs in this study choose not to reveal who their high potentials are, not even to the high potentials themselves. The main argument among the companies that favor this approach is similar to that presented by Ready, Conger, and Hill (2010), namely to avoid the risk of demotivating employees that are not on the high potential list.

However, the high potentials at these organizations do not share this fear. Instead, they want more transparency since, as they claim, it would serve as a motivator and an incentive for them. And in fact, Ready, Conger, and Hill (2010) do also argue that there is risk of demotivating high potentials if they do not receive recognition and are informed that there are opportunities and plans thought out for them. Additionally, one high potential claimed that if the identification process is made more transparent, then everyone would understand the logic behind it, thus decreasing the feeling in non-high potentials of identified high potentials being unjustly given special treatment and entitlement.

The risk of demotivating non-high potentials still stands however, as does the risk of exerting too much pressure on the high potentials. On the other hand: high potentials are potential key employees for the future. They have a drive to excel and develop themselves (Ready, Conger, and Hill, 2010) and without recognition and visible opportunities they can become dissatisfied, possibly causing them to seek opportunities elsewhere. And additionally, the millennial workforce and the modern employees are currently flowing into the workplaces and as argued by Caraher (2015): millennials want transparency, acknowledgement, and visible development opportunities. They are like high potentials

in this regard. It might therefore be good to increase the transparency simply in order to cater to the needs of both high potentials and the new workforce generations.

To summarize: many MNCs hide their high potentials' identities. Current research and the opinions of high potentials in this study indicate that increased transparency involves risks but seem more beneficial than keeping the identities and the selection process a secret.

### **5.4.3 Developing high potentials**

This subchapter contains eight themes that each discuss different aspects of the leadership developments at Swedish MNCs.

#### **Class room training – good or bad?**

When developing Next Generation Leaders, the emphasis of the interviewees lies with development programs that comprise class room training and assignments, stretch assignments, and sometimes mentorships. This is in keeping with Day (2001) who state that development programs are common. Many interviewees do however also state that 'learning by doing' is more important than classroom training, and that much leader development occur outside of the programs. McCall (2004) is partly of the same opinion but does point out that a unique benefit of classroom training is the possibility to do exercises in scenario thinking, something that is connected to strategic leadership (Krupp and Shoemaker, 2014). Overall in MNCs there seems to be some ambivalence towards the role class room training has to play; high potentials and HR are more positive in general and top executives less so. No real conclusion can be drawn about the utility of class room training from the collected interview data.

#### **Are MNCs developing yesterday's leaders?**

Leadership training for younger high potentials seems focused around group dynamics and leading groups, whereas more tenured high potentials receive more strategic education. Similarly, most interviewees seem mainly concerned with advancing their high potentials to levels where strategic and business understanding can become the focus of the development. This, in conjunction with a large interest for rotating high potentials in order to give them a broad view of their organizations, indicate that the development of strategic and business oriented skills is prioritized more than the development of softer skills. This means that high potentials are becoming very knowledgeable about how their organizations and business environments work, but they are not being helped to develop the skills needed for implementing this knowledge.

For instance, they seem not to be trained in how to successfully lead teams over distances using communications technology or in giving constructive and non-demotivating feedback. But, as pointed out in chapter 5.3.1, the future workforce seems more inclined to follow leaders with these types of capabilities. This suggests that MNCs are developing 'hard' leaders, more suited for yesterday's and possibly today's climate, when they should really be developing 'softer', more people oriented leaders that are more apt to handle the increasing demands from a future workforce.

#### **High potentials move in mysterious ways**

Also concerning rotation of high potentials: some top executives and in particular HR claim that high potentials can apply for jobs in the internal job market within the organizations, but no high potential mention this as a possibility. The high potentials are instead focused on their networks, saying that, if they were going to look for another job, they would go via their network. This indicates a gap between company processes and actual reality; the high potentials have understood the importance of their networks, even though their companies have not. And if companies incorrectly believe that high potentials will use the internal job market, then it would be an act of futility to pour resources into communicating and facilitating the use of such markets. Instead, seeing as high potentials already are and certainly will be part of the modern workforce, resources should be put to good use by helping high potentials cultivate their networks, as described by Hesselbein and Goldsmith (2006) and Day (2001).

### **Leaving 'the great leader' behind**

There is yet another aspect of the focus on rotation. While it is of course beneficial for high potentials to understand as much of their organization as possible (Fulmer, Stumpf and Bleak, 2009), and organizations should naturally do whatever they can to facilitate mobility for development purposes, MNCs might be underappreciating the power of e.g. networking and of giving high potentials senior management exposure. Seeing that networking is a good way to gain a broad view (Groves, 2007) and interviewees saying that senior management exposure can help high potentials develop more strategic perspectives on their jobs, these two factors should probably render more attention than they do today.

However, there also seems to be a discrepancy between this focus on mobility and the future need for shared leadership. Goldsmith et al. (2003) point out that future corporations will be so very complex that their leaders will not be able to gain a broad enough view of all processes and partnerships for them to make informed decisions. Consequently, they say, leaders must instead learn to share leadership. Thus, there needs to exist a balance between individual leaders pursuing broad views of their organizations, and them learning to share leadership with others so that they gain a broad view together as a team. This balancing act is not mentioned in the interviews, indicating that MNCs are overappreciating the need for mobility and underappreciating the benefit of networking, senior management exposure, and the need for high potentials to learn how to share leadership.

### **Security and direction prerequisites for innovation**

On another note, the apparent need for innovation in the future, and the consequent need for leaders to be able to foster innovation, was discussed in chapter 5.2. But since these large, often traditional, MNCs harbor a seemingly dubious relationship to innovation, mixed signals are being sent to high potentials. This can for instance be depicted by the high potential at OlympiaCo who feels unclear on what the expectations are when innovation is simultaneously being encouraged and discouraged through vague 'threats of accountability'.

As was discussed in chapter 5.4.1, high potentials' current managers (sometimes also top executives) seem today to be the main direct enablers for or obstacles to high potentials' identification, development, and movement. The empirical findings do also indicate that current managers have a large say in what innovative ideas from high potentials are escalated. All in all, it seems like (as pointed out by the top executive at ArtemisCo) MNCs need to sit down and discuss what their view of innovation is and what types of innovative initiatives they expect from their current high potentials and future leaders. Without clear direction in this area, high potentials (and in the future, leaders) might not feel encouraged or secure enough to drive innovation, resulting in leadership behaviors that are quite the opposite of what many companies feel will be needed in the future.

### **Next Generation Leaders: leaders, managers – and mentors?**

Also concerning the role of current managers is the subject of mentorship. Many interviewees describe how high potentials' current managers often act as a mentors, despite several top executives claiming such dependencies between mentor and mentee should be avoided, largely because mentees might not be able to show vulnerability in front of their managers. *However*, 'embracing vulnerability' is a trait of a manager in the future (Morgan, 2014), indicating that modern leaders and managers must also be able to act as mentors, even to direct reports. That seem to concur with Morgan (2014) and Hesselbein and Goldsmith's (2006) views of the modern leader who must face the demands of modern employees.

Many MNCs offer mentorship programs, despite both interviewees and e.g. Shani et al. (2009) stating that personal chemistry is exceedingly important, something that interviewees' felt could be missing in formalized mentor-mentee couplings. Having one's own manager as a mentor seems, unlike being assigned a mentor through a program, to indicate a certain degree of personal choice. However, the question that emerges is whether MNCs today realize the impact that specifically the current managers have, both on the direction in which their direct reporting high potentials are being developed, and on

their retention rates (as observed by Finnegan (2009)). Are managers accountable for the retention of high potentials, as recommended by Finnegan (2009)? Are strategic priorities regarding leadership development being communicated clearly enough to these managers? No conclusion can be drawn from the interview findings, but the problems described by the interviewees indicate the existence of misaligned priorities among the managers charged with developing high potentials.

### **Help high potentials plan their careers**

Another issue brought up by many interviewees is 'career planning'. Many feel it important, and many also identify fault with their companies' current systems, where professionals can be part of a rotation, learn a lot, and then come back to the same job they had before, thus inhibiting their development. At the same time, several high potentials feel that they need help when making their career plans since they do not know of all the opportunities that exist, nor what they themselves might be capable of when stretched. Shani et al. (2009) agree, saying that e.g. mentors can help provide such a holistic view, and also help high potentials move faster in their careers. And this preference for fast movement is also identified by interviewees as a trait of younger generations, concurring with Caraher (2015), while at the same time being something that the MNCs do not quite know how to handle today.

The new workforce wants, according to e.g. Caraher (2015), clear career paths that support personal growth. All taken together, it seems like high potentials need to be given more support in their career planning today, as well as being educated in giving such help to their future staff. This might seem like too much babying, but as Sujansky and Ferri-Reed (2009) point out; giving clear feedback and having a dialogue is a good way to motivate millennials. And if MNCs want to retain their future workforce, then today's managers and high potentials must learn how to engage them and answer to their needs.

### **Developing and retaining high potentials – it is all the same**

Overall, the interviewees feel that their companies are good at retaining high potentials. However, they also concede that high potentials need extra stimuli when compared to others. Simultaneously, the depiction by the statistical survey from BlessingWhite (2013) on how to engage professionals today, coincide in a significant way with the demands modern employees and millennials make on their managers, namely: development opportunities and possibility to change and having flexible working conditions (Morgan, 2014; Hesselbein and Goldsmith, 2006). It is then worrying that e.g. the high potential at ColossusCo felt that contemporary leaders are not equipped to answer to such demands. And while both interviewees and theory (BlessingWhite, 2013) state that monetary reward really must be competitive, the starkest currency when retaining today's employees is still *development* (ibid.). Thus, retention of high potentials is utterly entwined into the leadership development processes, and into all of the elements discussed above. Perhaps MNCs must consider upping their development game in order to both produce and retain Next Generation Leaders. Because:

*"You know, people who are kept intrigued, are kept interested, they find it quite difficult to leave."*

*- High Potential, OlympiaCo*

### **Summary**

To summarize: the importance of class room training for developing future leaders is unclear. And MNCs seem to be developing leaders apt to take on yesterday's challenges, rather than tomorrow's. Additionally, there seem to exist misconceptions regarding how high potentials move in companies, and MNCs should help their high potentials cultivate their networks. There are also indications that MNCs are not raising their leaders to share leadership, nor to foster innovation. Furthermore, many managers for high potentials are acting as mentors, and current research suggest that this is good and should be promoted. However, strategic priorities must be clearly communicated in order for this to work satisfactorily. Finally, high potentials should receive more support when formulating their career plans, and development efforts as a way of retaining high potentials should be prioritized.

#### **5.4.4 Is there alignment between the leadership development and future challenges?**

Fulmer and Goldsmith (2000, p. 18) state that "leadership development efforts should be internally focused and externally aware". This means that firms must be aware of changes occurring in the external business environment, while focusing on developing leaders able to cope with both current and future needs (ibid.). This is also stressed by Heinen and O'Neill (2004) who state that, in order to be successful, companies must continuously adapt their leadership development to match the needs of tomorrow. Consequently, the alignment between future challenges and the development of future leaders is critical in order to prepare high potentials for the situations they will encounter in the future.

In this discussion chapter, a picture has emerged of the direction in which seven Swedish MNCs are currently developing their leaders. The MNCs focus on educating their high potentials in leading groups, in understanding their organizations through rotation assignments, and in understanding themselves through stretch assignments. In short, the MNCs are developing strategic leaders, namely 'the leaders needed high up in MNCs today', as described by e.g. Boal and Hooijberg (2001).

However, little has come to light regarding the development of more future oriented skills needed for handling the modern and millennial workforce such as giving real-time feedback or being conscious of personal boundaries. Neither is there much focus on skills needed for e.g. holding together teams over distances, understanding new technology, and sharing leadership. The urgent importance of a global focus, cultural diversity etc., much emphasized by Goldsmith et al. (2003), is not prominent in the interviewees' sentiments either.

All in all, this indicates that MNCs are developing leaders that can lead their companies today. They are however not explicitly developing leaders that can meet the challenges of tomorrow. The MNCs' pure size and ambiguous relationships to change and innovation might very well be main contributors to this state of affairs. Interestingly, quite a few interviewees express that they feel there is a strong connection between the leadership development and their companies' strategies and future challenges. The discussion in this thesis indicates that this view might be wrong.

#### ***RQ4: Are high potential leaders in Swedish MNCs actively being developed to face future challenges and become Next Generation Leaders?***

There seem to exist discrepancies between the type of leader that Swedish MNCs are developing and the type of leader that the empirical findings and the theoretical framework suggest will be required in the future. However, the extent of these discrepancies cannot be quantified based on this study's empirical findings. The answer to this research question is therefore that MNCs seem not to be *actively* developing Next Generation Leaders that can take on all future challenges, and that there seems to exist a misalignment between leadership development efforts and strategy overall.

### **5.5 MODEL DRAFT FOR ALIGNING STRATEGY AND LEADERSHIP DEVELOPMENT**

As observed in sections 5.1 and 5.4 above, this study found indications on there being misalignments between today's leadership development and the challenges and requirements on future leaders that were discussed in chapters 5.2 and 5.3. The discussion above indicated that several relationships between key actors in the leadership development process today are ambiguous and therefore impeding the overall strategic alignment, as well as the actual leadership development activities.

Based on this thesis, the authors propose a model that can be used to communicate the interdependencies and responsibilities in the leadership development process. This model is meant to facilitate leadership development alignment with strategy and is consequently called 'the LeaDAS model'. A draft of the same can be found in Figure 5.5-1 on the next page, and should serve as a preliminary outline that can guide future research in this area. A descriptive text explaining the different parts of the model can be found below the figure. And it should once again be noted that this model is a proposal for future research; its validity has not yet been verified.

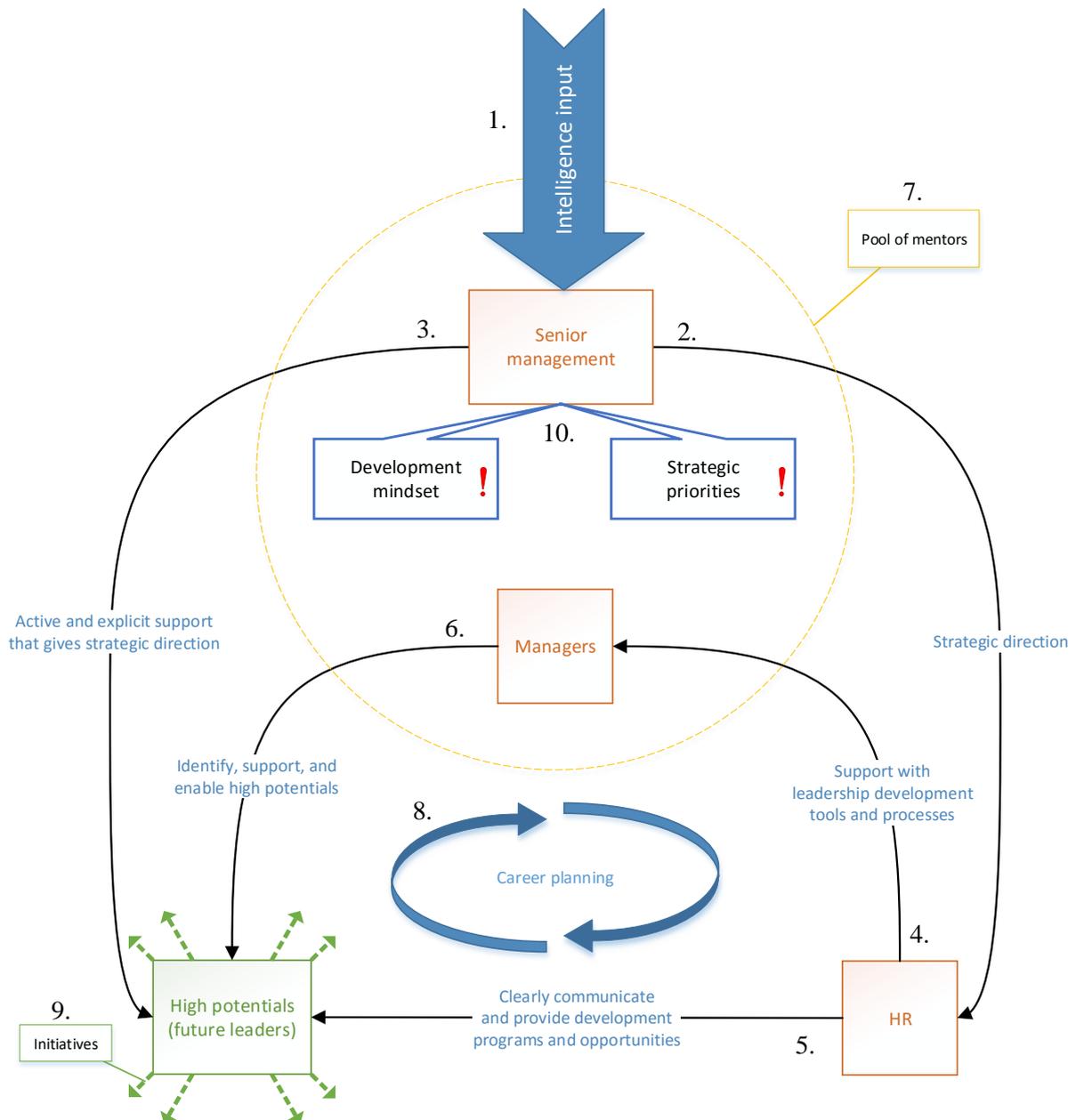


Figure 5.5-1 Proposed draft of a model that facilitates leadership development alignment with strategy: the LeaDAS model

As indicated in the figure above, the key actors in the leadership development process have been identified as: senior management, the HR function, managers at all levels, and high potential leaders. The main relationships between these groups (from the perspective of leadership development) are in the model signified with arrows along with brief descriptions. In addition, five factors found in the study to be crucial to successful leadership development are also depicted in the figure. These are: intelligence input, career planning, mentoring, initiatives taken by high potentials themselves, and senior management’s communication of strategic priorities and a development mindset. All of the relationships and elements have been numbered 1-10, and are described below.

**1. Intelligence Input.** In order to develop leaders that can take on future challenges, there must in the company exist some kind of inkling of what the future might hold. MNCs should therefore closely monitor both the external and internal environment; cultural, technological, and societal changes can be precursors to major changes in how organizations will be run, and thus also in the requirements on future leaders. Having efficient intelligence monitoring and input can facilitate the pinpointing of the

skills and capabilities that will be required in future leaders; these should be aligned with business strategy and subsequently developed in high potentials. Inappropriate or no input regarding the future and the surrounding environments' impacts on leadership capabilities can, as suggested by chapter 5.1, result in misperceptions of what is needed in leaders today and what will be needed tomorrow.

2. *Senior Management* → *HR*. Since senior management receives strategic intelligence input, they should engage in close collaboration with HR when developing the processes and tools used in the development of future leaders. HR's expertise in combination with senior leaders' strategic direction and input should result in leadership development programs and opportunities that are aligned with both future challenges and business strategy. The development programs would accordingly be designed to develop Next Generation Leaders. Failing to establish this collaboration between senior leaders and HR imposes a risk of losing the connection between strategy and leadership development, causing HR's developmental efforts to become misdirected.

3. *Senior Management* → *High potentials*. Senior managers must engage in high potentials throughout their development. They should also provide them with opportunities to better their strategic knowledge and understanding. Exposure to engaged senior leaders can help high potentials cultivate their networks, as well as their strategic perspectives on their businesses. Furthermore, exposure to senior management can serve as recognition for high potentials' efforts, thus increasing their motivation. Without this relationship it might be more difficult for high potentials to get a holistic and strategic view of their companies, and they might feel demotivated and lose track of what their development efforts are actually meant to result in.

4. *HR* → *Managers*. Effective leadership development requires that managers at all levels (including senior management) have access to appropriate development tools and processes. HR must therefore provide these things, as well as communicate how and when they can and should be used. If this relationship does not work well, the company risks getting managers that are either overworked or unengaged in their direct reports' development due to lacking support from HR.

5. *HR* → *High Potentials*. HR must provide high potentials with development opportunities that are designed to meet the stimuli needs of the high potentials. That is the core prerequisite for formalized leadership development and without this relationship all high potentials must look to themselves and their networks for development.

6. *Managers* → *High Potentials*. Managers in particular have very large impact on their direct reports. They must therefore actively shoulder the responsibilities of identifying, supporting, and enabling the development and movement of both their own and other's direct reports. Without managers' explicit engagement in these three areas, the leadership pipeline might run dry, high potentials become demotivated, and retention rates greatly decrease. It is important to note that 'senior managers' are often also 'managers' and must consequently shoulder both roles' responsibilities.

7. *Pool of mentors*. Well-functioning mentoring arrangements have, both in theory and in practice, proven very valuable for the development and strategic alignment of high potentials' capabilities (e.g. Day (2001)). And there are formalized and informalized ways of getting hold of a mentor. Some high potentials prefer establishing such connections by themselves, but many require some support and encouragement. If a mentoring policy is clearly communicated and a pool of willing mentors made visible to high potentials, it is probable that more high potentials will try to establish a mentor relationship out of their own initiative.

8. *Career Planning*. High potentials want clear career paths and they want to know that they have opportunities ahead. However, it has been found that they can have difficulties identifying appropriate paths and opportunities themselves. Thus, high potentials should receive support when developing their career plans from managers and HR. If high potentials do not receive support and input from

managers and HR, their career plan run the risk of becoming too narrow and shortsighted, thus impeding their development.

*9. High Potentials taking their own initiatives.* High potentials must, according to this study, own their own development, and hence they must take initiatives and drive their development forward. The other key actors' efforts are for naught if the high potentials themselves do not make use of the opportunities they are given and the environment they are in. It is however up to the other actors to communicate what types of initiatives are appreciated and acceptable, in order for high potentials to feel secure enough to act and possibly even take risks.

*10. Communicating strategic priorities and establishing a development mindset.* Senior management should drive leadership development by communicating to the whole organization why leadership development is important and where the responsibilities for it lies. Additionally, senior management should aim to establish a 'development mindset' in their organizations, that is: try to induce the company culture with an acceptance and encouragement for development and for promoting individuals that overachieve. This could also be embodied in, for example, alumni programs for leaders. Without these two things being actively communicated and integrated into company culture, there may be risks for managers, HR, and everyone else in the company suppressing or in other ways hindering the development of high potentials into Next Generation Leaders in the name of suboptimization.

## 6 CONCLUSION

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*The purpose of this thesis is to investigate whether Swedish MNCs entertain the same views as current research on contemporary and Next Generation Leadership, and whether high potentials are actively being prepared for future challenges. The authors of this thesis seek to fulfill this purpose by, in the below chapter, answering the four research questions connected to the purpose. The questions were answered in connection to their respective discussion texts, and are reiterated in this chapter.*

### 6.1 ANSWERS TO THE RESEARCH QUESTIONS

Below follow the answers to the four research questions connected to the purpose of this master thesis.

**RQ1:** *What are the potential differences between the views of Swedish MNCs and of current research on the requirements on contemporary leaders?*

Swedish MNCs do partly entertain the same views on the requirements on contemporary leaders as do current research; all expectations on today's leaders as identified by the interviewees can be found in research. However, many requirements were not identified by the interviewees, and there is moreover an indication of a lag in the perception of leaders in Swedish MNCs. If such a lag really exists, it can cause MNCs to misalign their development processes, and thereby develop leaders that are not prepared to take on future challenges.

**RQ2:** *What are the potential differences between the views of Swedish MNCs and of current research on the challenges that Next Generation Leaders will face?*

Current research and the interviewees both agree on the importance of certain trends and challenges in the future, however, theorists might be underappreciating the ever-present challenge of customer centered leadership. MNCs might on the other hand underappreciate the increasing complexity in business and alliance structures. Additionally, top executives and HR at MNCs seem not to have understood the challenge of new technology and innovation that future leaders must face, and these leaders' consequent need for being able to understand technology and foster innovation. The high potentials understand this, indicating an age bias.

**RQ3:** *What are the potential differences between the views of Swedish MNCs and of current research on the requirements that Next Generation Leaders must meet?*

MNCs and current research share many similar views on the requirements on Next Generation Leaders. There are also many differences, some of which possibly being a result of different foci or scoping of what 'requirements' entail. More worrying is that MNCs today do not seem to be focusing on 'shared leadership' in their leadership development, despite current research claiming that this will be essential due to the increasing complexity of business structures and alliances. Additionally, there are indications that MNCs are developing 'too hard' leaders that do not exhibit the, according to theory, required characteristics of modern managers. These future leaders might not be able to efficiently utilize and meet the needs of millennials, and thus not be able to retain them. Top executives need to lead the way in this area.

**RQ4:** *Are high potential leaders in Swedish MNCs actively being developed to face future challenges and become Next Generation Leaders?*

There seem to exist discrepancies between the type of leader that Swedish MNCs are developing and the type of leader that the empirical findings and the theoretical framework suggest will be required in the future. However, the extent of these discrepancies cannot be quantified based on this study's empirical findings. The answer to this research question is therefore that MNCs seem not to be *actively* developing Next Generation Leaders that can take on all future challenges, and that there seems to exist a misalignment between leadership development efforts and strategy overall.

## **6.2 RECOMMENDATIONS FOR FUTURE RESEARCH**

This study indicates that Swedish MNCs are not developing leaders that, according to current research and empirical findings, will be needed in the future. However, these discrepancies could not be quantified in this study. A subject for future research could therefore be to quantify these discrepancies, presumably by employing a quantitative approach, e.g. a survey with a large sample. Comparisons between countries could be an interesting perspective.

Additionally, this study resulted in a preliminary draft of a model, 'the LeaDAS model', aimed at depicting relationships between key actors in the leadership development process, and thereby facilitate strategic alignment of the same. This model needs to be substantiated and backed up by more studies, thus providing a broad possibility for future research.

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## APPENDIX 1: INTERVIEW GUIDE, HIGH POTENTIALS

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### Introduction

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

### Background

- Could you please tell us a bit about your background and how you ended up at XX?
- What is your role at XX?
- What attracts you to your company?
- What drives you forward in your professional career?
- What is expected of you as a leader at your company?
- What do you see as the three most important things that have helped you develop leadership skills?
- Can you describe a stretch situation or experience within the last 5 years that helped you develop as a leader at your company?
- Do you have someone that gives you leadership advice for how to act in different situations?
- In what ways does he/she help you?
- Who initiated the contact?

### Future challenges

- What three major strategic challenges do you foresee 5-10 years ahead for your company?
- What capabilities must your organization develop in order to still be competitive in such a future?
- How skilled is your company at changing and driving future oriented initiatives?
- What possibilities do you have to drive your own innovative and entrepreneurial projects?
- Are you in some way encouraged to be entrepreneurial?

### Next Generation Leadership

- What skills and capabilities are necessary for future leaders to develop in order to meet the challenges you can foresee?
- How does this differ from today's leadership?
- Who is responsible for this development?
- How is your organization currently working with leadership development?
- In what way is strategy involved in the leadership development process at XX?
- Do you see many future leaders developing around you?
- Can you identify and describe any needs for improvement regarding the leadership development in your organization?
- What would you personally need to prepare for becoming a top executive in 5-10 years?
- What do you need from your company to get there?

### Global leadership

- What would you say are the three most difficult/challenging aspects of global leadership?
- What are your reflections on challenges and opportunities with accommodating Swedish corporate culture to a global context?
- What would you personally need to do/develop to become a capable global leader?
- What support and opportunities have you gotten when developing your global leadership skills and preparing to take on global leadership assignments?
- Are people rotated between jobs globally and, if so, how does that work?

### Ending

- Is there anything you would like to add or feel that we missed?

## APPENDIX 2: INTERVIEW GUIDE, TOP EXECUTIVES

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### Introduction

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

### Background

- Could you please tell us a bit about your background and how you ended up at XX?
- What is your role at XX?
- What drives you forward in your professional career?
- What is expected of you as a leader at your company?
- What do you see as the three most important things that have helped you develop leadership skills?
- Do you have someone that you are mentoring and give leadership advice to?
- In what way do you help him/her?
- Who initiated that contact?

### Future challenges

- What three major strategic challenges do you foresee 5-10 years ahead for your company?
- What capabilities must your organization develop to still be competitive in such a future?
- How skilled is your company at changing and driving future oriented initiatives?
- What possibilities do high potentials have to drive their own innovative and entrepreneurial projects?

### Next Generation Leadership

- What skills and capabilities are necessary for future leaders to develop in order to meet the challenges you can foresee?
- How does this differ from today's leadership?
- Who is responsible for this development? (HR, senior leaders...?)
- How does XX work to identify and retain high potential leaders within the company?
- What do you see as the three most important things that can help high potentials develop their leadership skills?
- How is your organization currently working with leadership development?
- In what way is strategy involved in the leadership development process at XX?
- Do you see many future leaders developing around you?
- What initiatives should high potentials take in order to develop as leaders?
- Can you identify and describe any needs for improvement regarding the leadership development in your organization?

### Global leadership

- What would you say are the three most difficult/challenging aspects of global leadership?
- What are your reflections on challenges and opportunities with accommodating Swedish corporate culture to a global context?
- What do you think future leaders need to do in order to develop global leadership skills?
- What support and opportunities do XX offer high potentials who need/want to improve their global leadership skills?
- Are people rotated between jobs globally and, if so, how does that work?
- Who/What functions/-s are responsible for global leadership development?

### Ending

- Is there anything you would like to add or feel that we missed?

## **APPENDIX 3: INTERVIEW GUIDE, HR REPRESENTATIVES**

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### **Introduction**

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

### **Background**

- Could you please tell about your background and how you did end up at XX?
- What is your role?

### **High potentials**

- What drives high potentials forward in their professional career?
- What is expected of leaders at your company?
- What do you see as the three most important things that can help high potentials develop leadership skills?
- In what ways are high potentials exposed to tasks that are of stretch character?
- Do you know of any mentoring arrangements for high potentials?
- How do the arrangements work?
- Who initiates those contacts?

### **Future challenges**

- What three major strategic challenges do you foresee 5-10 years ahead for your company?
- What capabilities must your organization develop to still be competitive in such a future?
- How skilled is your company at changing and driving future oriented initiatives?
- What possibilities do high potentials have to drive their own innovative and entrepreneurial projects?

### **Next Generation Leadership**

- What skills and capabilities are necessary for future leaders to develop in order to meet the challenges you can foresee?
- How does this differ from today's leadership?
- Who is responsible for this development?
- How does XX work to identify and retain high potential leaders within XX?
- How is HR/your organization currently working with leadership development?
- In what way is strategy involved in the leadership development process at XX?
- Do you see many future leaders developing around you?
- What initiatives should high potentials take in order to develop as leaders?
- Can you identify and describe any needs for improvement regarding the leadership development in your organization?

### **Global leadership**

- What would you say are the three most difficult/challenging aspects of global leadership?
- What are your reflections on challenges and opportunities with accommodating Swedish corporate culture to a global context?
- What do you think future leaders need to do in order to develop global leadership skills?
- What support and opportunities do HR offer high potentials who need/want to improve their global leadership skills?
- Are people rotated between jobs globally and, if so, how does that work?
- Who/What function/-s are responsible for global leadership development?
- How do you take advantage of being a global organization when developing future leaders?

### **Ending**

- Is there anything you would like to add or feel that we missed?