



Setting up advancement programs will help companies train—and retain—high-potential employees.

Developing the Next Generation of Chinese Business Leaders

To ensure the long-term success of their business in China, companies must learn how to identify and develop high-potential individuals among local staff.

William C. Byham

Most multinational corporations (MNCs) do not have enough local leaders to manage their growing businesses in China. The shortage of good leaders means that CEOs and executives are overstretched. Ideas and opportunities might abound, but there is insufficient leadership talent to execute them.

One strategy to compensate for the lack of qualified local leaders is to fill the gap with expatriate managers, but this is not the best solution for organizations that aim to create sustainable, profitable businesses in China. In most cases, an expatriate assigned to China costs up to five times his or her salary, and few expatriates are fully aware of the cultural nuances of the Chinese market. Hiring expatriates also limits opportunities for local

employees to take on greater responsibilities. Companies should therefore aim to develop their own local leaders.

Leadership pipelines and acceleration pools

The top obstacle that MNCs in China face is finding and retaining quality local, high-potential talent. Though high-performing employees may leave if they are not promoted, there is a danger that they will fail if promoted too early.

Build a leadership pipeline...

A leadership pipeline strategy develops leaders at each organizational level within the limits of their capacity and motivation, so that leadership performance—and thus, leadership contribution to the organization—improves each year. A pipeline strategy also grooms a few select people for the next level of management through special training, job experiences, and coaching. It is important that growth positions go to the people who will benefit most—the people with the highest potential for the next level.

...and an acceleration pool

In most rapidly growing organizations in China, the progression of individuals through the leadership pipeline to top positions is too slow to meet the organization's needs and the expectations of the best potential local leaders. Acceleration pools are one way to fast-track the few people with the capacity and motivation to rise to the top relatively quickly.

Acceleration pools, also known as high-potential or high-flyer pools, operate independently of the leadership pipeline. Pool members receive special training and mentoring, as well as the best assignments, enabling them to stretch their skills and show what they can do.

How to identify high-potential employees

High potentials in China tend to be pragmatic, self-interested, and quick to seize new opportunities. They are ambitious and hardworking and, unlike earlier generations, are willing to take risks. Often, young high potentials in China are viewed by their colleagues as aggressive and overly ambitious, and mentors must therefore guide them through interpersonal relationships with their colleagues and peers. High potentials are prepared to move between unrelated industries or sectors. They understand that they are not building functional competencies but leadership and business competencies. Also, many high potentials have or want overseas exposure—perhaps from overseas education or a foreign work assignment. Yet many employers in China make two mistakes when identifying high potentials:

■ **Mistake 1: Focusing on current performance rather than management potential** Many organizations leave identifying high potentials to the managers' personal judgment. This is a big mistake. Defining the difference between "high performer" and "high potential" can be tricky, and most Chinese managers identify potential based on a person's strong performance, along with some personal biases—for example, the manager prefers a schoolmate, friend, or family member—and gut

instincts. But individuals who are competent or even strong in their current job may not perform well at higher levels. Naturally, an individual's sustained business performance should be considered, but not exclusively. Development Dimensions International, Inc. (DDI) has identified 10 leadership potential factors (see p.30).

■ **Mistake 2: Failing to adopt a consistent and accurate process for identifying candidates** Few MNCs in China have a consistent process for identifying high potentials. Most companies say that they want to spread a wide net when they consider candidates, but few achieve this goal. People assigned near the organization's head-

quarters have a significant advantage, as do graduates of prestigious universities. Managers that make recommendations have different criteria for measuring potential. Thus, senior management is unable to systematically and accurately compare people nominated by different managers.

Affirm readiness and diagnose development needs

Even if an organization can successfully identify high-potential individuals, it may not have an accurate understanding of their specific development needs. Companies cannot develop high potentials in all aspects of leadership and management, because it would take too long and be impossible in the fast-paced China market. Companies must therefore diagnose each person's development needs to focus efforts on areas with the biggest payoff.

An Acceleration Center—a DDI-designed tool that helps employers identify high-potential needs and accelerate development—allows a reliable, consistent standard to be used across the organization. An Acceleration Center mirrors the daily decisions, interactions, and strategic challenges that managers and executives face when making major decisions in an ambiguous environment. The experience allows participants to try on their future roles, accountabilities, and activities in a realistic,

Quick Glance

- Companies operating in China can reduce costs and retain talented staff by developing local, high-potential employees for leadership positions.
- Companies should avoid several common pitfalls when they identify and develop high-potential individuals.
- Companies need to evaluate an individual's strengths and development needs and track the person's progress in all areas.

simulated business environment. It thus paints an accurate picture of where individuals stand relative to the skills needed at the target leadership level and provides senior management with an accurate and comparable inventory of available talent. In addition, it reaffirms the accuracy of identifying an individual as a high potential.

result, the identified individuals fail to develop or improve. Companies should avoid eight common pitfalls when developing their young high potentials:

■ **No written plans** Individuals often fail to record their development plans. Instead, they try to keep a “mental” plan of what they need to do to develop. Lee Iacocca, former chair of Chrysler LLC, said, “The discipline of writing

All too often, high potentials and their organizations fail to use the developmental feedback they receive.

The “day-in-the-life” format of a one-day Acceleration Center also tends to be seen by young Chinese high potentials as extremely fair and valid. Participants find that the stretch experiences from an Acceleration Center deliver well-rounded insights about their strengths and development needs and give them a realistic job preview. When Chinese high potentials receive Acceleration Center feedback, they often describe it as the first time in their career that they have received fair, direct, and constructive feedback. One Chinese high potential who participated in the Acceleration Center commented afterward that he had never realized that a business-unit leader in his company had such a challenging, complex role. Chinese high potentials frequently overestimate their abilities, and Acceleration Center feedback from an unbiased, third-party expert helps each person to fully understand his or her skills as they relate to the organization’s leadership needs and challenges.

Common pitfalls

All too often, high potentials and their organizations fail to use the developmental feedback they receive from their boss or even from an Acceleration Center. As a

something down is the first step toward making it happen. In conversation, you can get away with all kinds of vagueness and nonsense, often without even realizing it. But there’s something about putting your thoughts on paper that forces you to get down to specifics. That way, it’s harder to deceive yourself—or anybody else.” He is right. DDI research in the United States has found a strong link between writing a well thought-out development plan and subsequent meaningful development actions. The same relationship applies in China.

■ **Unattainable development objectives** Rather than setting an overly ambitious target of multiple, hard-to-achieve goals, it is better to focus on a plan with only one or two achievable goals per year; once those are accomplished, the individual can move on to new goals.

Senior Executive Commitments

Executives’ time, commitment, and follow-through are critical to developing high-potential talent. Senior executives’ most important roles are to

- Articulate and communicate a clear talent strategy for the organization;
- Develop a talent management framework and identify high-potential individuals;
- Sponsor and drive the accelerated development of one or more key high potentials;
- Discuss high potentials’ development progress with other senior executives at every possible opportunity; and
- Be accountable and hold others accountable for realizing talent growth.

—William C. Byham

Leadership Potential Factors

Leadership promise

- Propensity to lead
- Brings out the best in people
- Authenticity

Personal development orientation

- Receptivity to feedback
- Learning agility

Balance of values and results

- Culture fit
- Passion for results

Mastery of complexity

- Adaptability
- Conceptual thinking
- Navigates ambiguity

Source: *Leadership Success in China: An Expatriate’s Guide*, Yue-er Luo, Erik Duerring, and William C. Byham, © 2008, Development Dimensions International, Inc.

■ **Failure to focus on the total person** All the common success profile categories—behavior, experience, qualifications, and personal attributes—must be considered when developing talent for a particular position. But some are often overlooked. For example, when auditing development plans for one organization in China, DDI found that 87 percent of the plans focused on technical knowledge and only 13 percent addressed behavior.

needs are aligned with organizational needs, there is a much higher chance that management will support the development and that the individual will be motivated to complete the development training.

■ **Lack of supervisor involvement** Managers need to be involved early and often to refine and prioritize development goals, help staff seize development opportunities and learn and practice new skills, remove development barriers,

Development efforts need to include the acquisition and on-the-job application of new skills.

■ **Insufficient guidance** Sometimes development fails because individuals are given development targets but no guidance on how to acquire and apply their targeted skills. It is not uncommon for a person with poor team leadership skills to be assigned to lead a difficult team to learn on the job. A much better system is to provide the individual with behavior-based skill training to develop the skills before the assignment. This way, the individual learns from successes and not failures.

■ **Unused training and skills** Development efforts need to include the acquisition and on-the-job application of new skills. In China, employees often attend an MBA or executive MBA (EMBA) program but lack the opportunity to apply what they have learned immediately. This means that many of the new insights and skills, and much of the learning, are often lost. If a mid-level manager attends an EMBA strategic-thinking course but does not have responsibility or involvement in strategic or business planning, development efforts are wasted.

■ **Development unrelated to business** Individual development is most easily accomplished when the person's development needs, challenges of the role, and the organization's business drivers are all aligned. If development

and provide coaching and support. If a boss is uncooperative or unsupportive, it will be difficult for the individual to fully develop.

■ **No metrics to track development progress**

Quantitative measures of job performance and the completion of development goals are critical because they ensure motivation. For many Chinese employees, such quantitative measures of development are never established, making it easy to delay development activities.

How to develop high potentials

Organizations can plan for the challenges ahead on their high potentials' development journey once their specific development needs have been defined. This means having the appropriate development tools, systems, and processes in place. In some situations the choice of how to develop a person will be straightforward; in others, managers must weigh multiple options.

High potentials, their managers, and mentors—and often a human resources representative—should partner to establish a personalized and focused development plan. The direct manager and assigned mentor should help the person refine developmental activities and line up the support

Should Organizations Communicate the Existence of High-Potential Programs?

Some companies prefer an "open" high-potential program that is transparent for all to see and highly formalized. Other organizations opt for a closed program where special development attention is given without disclosing the high-potential status of its participants to the rest of the company.

A major benefit of an open program is that it reinforces high potentials' determination to succeed and reduces their motivation to look elsewhere for

career growth. Such programs also make an organization attractive to promising recruits from outside the organization.

The risk with an open development program is the potential for a backlash of resentment and disappointment from those not selected to participate. Companies also need to guard against the development of an elitist culture among those selected for accelerated development, particularly given the importance attached to status and face in

China. Proper communication about the program's purpose, objectives, and criteria for entry can alleviate misunderstandings. In addition, the organization needs to be clear with high potentials regarding what their participation means—special development offerings, senior visibility, and short-term assignments—and what it does not mean—guaranteed promotion.

—William C. Byham

needed—for example, the cooperation of another department. The ultimate success of a high potential's development and the program itself will be directly affected by the level and quality of support and the coaching provided.

Developing high-potential talent means exposing people to a range of functions and experiences and increasing their leadership and management responsibilities. Chinese high-potential individuals tend to prefer positions that

to them. After six years, 90–95 percent of the managers initially recruited were still with the company.

Though effective mentors provide insight and guidance, their main role is to act as a catalyst between the high-potential individual and that person's supervisor. In most cases, the boss has the opportunity to place people in learning situations, send them to training programs, and give them organizational exposure. Too often, however, manag-

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- Raise their profile with key organizational leaders or expose them to an influential group in the community;
- Provide them with skills and experience that will bolster their value and add to the quality of their personal portfolio; and
- Differentiate them from other people in the organization or marketplace.

Companies should challenge high potentials' skills and knowledge. Providing the right level of challenge is important. Challenges must be interesting and stimulating, but not so difficult that high potentials will fail.

Mentoring in China

Mentoring is important in China. Because age and experience are so respected in Chinese culture, young, high-potential employees will greatly appreciate having an older, more senior mentor. Many expatriate managers take a mentoring role to ensure that their high potentials' development remains on track. Other options include using senior Chinese managers as mentors or bringing in external coaches. For example, Asimco Technologies Ltd., which manufactures car components, overcame its retention problems by identifying 25 up-and-coming leaders every year and assigning mentors and specific projects

ers accept responsibility for developing people but become subverted by daily work pressures and pull people out of training programs or fail to follow through on commitments. Providing a mentor, who must report regularly on a high potential's progress, pressures managers to follow through with their commitments.

Assignments and rotations

Formal training must be supplemented by structured, on-the-job assignments. The high potential's manager should set goals, appraise performance, and provide feedback when these assignments are complete. Without sufficient time and resources committed to closely monitor the development progress of a high potential in a rotational assignment, a manager may find it easy to assume the individual is developing when he or she may not be. In China, where job rotations are common, managers must monitor the person's performance closely to ensure development activities have the desired effect.

Make promotion decisions carefully

Promotion decisions are by far the most sensitive staffing calls that organizations make. Promotion criteria and decisions send a clear message about the types of workers and competencies valued by management, and such decisions tend to be irreversible, especially in China. If someone fails to perform well in the new job, for reasons of face, resignation is often the only means of exit. Making the wrong promotion decision can therefore be disastrous. Having a pool of people who have demonstrated technical, interpersonal, and management skills will make future promotion decisions much easier and more successful. 完

Adjusting Development Programs for China

Compared with high potential individuals elsewhere, those in China have different expectations as learners. Generally, they prefer

- More action learning;
- More application of models and tools, and less theory;
- More links to current and future business challenges;
- A focused, business-relevant context;
- Development that is tied to results;
- Opportunity to network; and
- Formation of business partnerships at different functional and operating levels.

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“Current business leaders should teach or mentor the next generation and set up an apprenticeship system in developing essential tangible and intangible skills.” Second generation, China. When we conducted our survey, NextGens were also asked to identify how current leaders of the family business can best support them. The answers centred on building trust, providing mentoring opportunities (particularly to develop technical and leadership skills), as well as offering on the job training and rotations in different departments. The next generation of family business leaders 1. Confidence, skills, preparation: The next gens’™ expectations of themselves. For our survey, we talked to over 250 next gens across the world, from those just starting as trainees in the family firm, to those at board level with more than a decade of experience behind them. That plan was developed during the economic downturn. It was a tough time for the business, because consumers were spending less on premium food products, and at the same time the price of organic commodities was rising. “But because we’re a family business we could take a longer view and stay true to our values.