

A White Paper



Trends in Succession Management in Asia

HR Perspectives Across Three Countries

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Executive summary

Succession management is a process of identifying, selecting and developing talent to build an organisation's bench strength and ensure the readiness of talent to immediately fill key positions inside the organisation.¹ Succession management helps build and secure leadership capability and capacity throughout the organisation in order to drive organisational performance. Succession management is not only a human resource practice but can be a process for building organisational capability in the short- and mid-term. Many of the best organisations see succession management as a lever in achieving business objectives. Having next-generation leaders who are really ready for the challenges of the future in the shorter term is a critical competitive advantage.

Even with the tremendous growth opportunities throughout Asia, the environment is hyper-competitive and full of uncertainty. For organisations operating in such an environment, having an effective pipeline of leadership is critical for current and future organisational growth. A leadership pipeline is "effective" when there is a strong flow of talent, or the right quantity/supply of talent; when talent is readily deployable due to practices that accelerate development for critical roles; and finally when it provides the experiences and time necessary for leaders to gain wisdom.

As part of our global research on how organisations can achieve sustainable and robust talent practices, the Center for Creative Leadership (CCL) sought opinions from HR leaders. In addition, CCL is finding that broad assumptions about talent in Asia Pacific miss important regional differences that may shed light on best and next practices for the future. Hence, we surveyed HR leaders from three countries in Asia: Singapore, Malaysia and Indonesia, to learn more about the succession management practices in their organisations.

Key Findings

Talent Identification, Supply and Retention

- Although most organisations believe they have identified the next generation of leaders for senior positions, an effective process to identify high-potential talent earlier in their careers is lacking.
- Organisations are struggling with an inadequate supply of talent for both leadership and critical (nonmanagerial) roles.

Leadership Development

- Although organisations utilize leadership development initiatives to some extent, leadership development practices are not integrated well with other talent management systems, such as competency models that guide leadership development practices.
- One of the challenges HR leaders continue to face is measuring the impact of leadership development initiatives.

Senior Leader Involvement and Organisational Culture

- Senior leaders' support and involvement is critical to effective succession management.
- It is important to create a coaching culture, where employees help each other develop by providing support, advice and constructive feedback.



Introduction

Despite the recent economic slowdowns in Europe and North America, Asian economies are growing faster than many organisations are able to keep pace. Asia Pacific may well be the primary driver of global economic growth now and in the future.

The challenges of today and tomorrow will be navigated most successfully by those organisations, teams, and individuals that possess effective leadership.² Effective leadership is not only about talent identification and selection but how best to grow leaders for the future.

Asian organisations are realising that, to navigate external opportunities and manage internal complexity, talent is and will continue to be the key.³ Senior leaders are aware that the success of their business strategies depends on whether their organisations are able to attract, identify, develop and retain talent with the motivation and capability for current and future organisational success.⁴ It has been and is also currently their biggest challenge.

Senior leaders in Asia are struggling to continuously develop the next generation of leadership and ensure an effective pipeline of top talent for the future. Succession management is a process that combines leadership development with talent management and succession planning to ensure a pipeline of top talent ready to fill critical roles and navigate an uncertain and complex future. Most organisations spend their time, energy and resources on the systems side of succession by creating human capital infrastructure. While this is important, too few invest in a culture that attracts and engages the best talent and encourages (and rewards) executives for their ability to develop next-generation leaders.

This white paper provides an overview of current succession management trends in Asia. These trends (overall and by country) help identify succession management strengths and gaps in Asian organisations, and indicate areas for organisations to focus on for greater effectiveness in their succession management efforts.

Figure 1



Note: In a recent research forum, we asked participants (most of them senior leaders in organisations): “What are your key challenges as a leader in Asia Pacific?” We provided 19 options based on our previous research for them to choose. On average, participants chose 4. Figure 1 shows the options that were chosen by the highest percentage of participants.

Talent identification, supply and retention

To ensure an effective pipeline of talent for various levels (particularly senior leadership levels), organisations need to have the ability to identify, retain and engage a potential pool of talent for various positions. We asked HR leaders the following questions regarding talent identification and retention:

- Has your organisation effectively identified the next generation of leaders for senior leadership positions?
- Does your organisation have an effective process for identifying future leaders early in their careers?
- Does your organisation have an adequate supply of qualified leaders to move into senior leadership positions?
- Has your organisation identified an optimal supply (pool) of qualified critical talent?
- Is your organisation able to retain top performers in senior leadership positions?

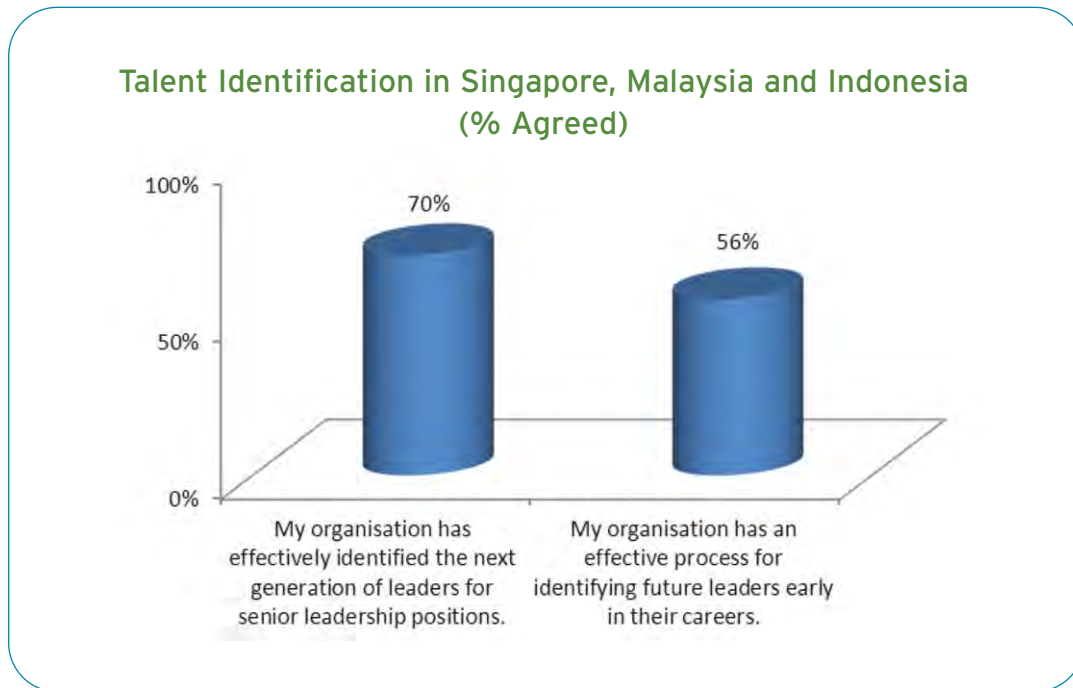
Talent Identification

Senior leaders (what we define as the top three levels of leaders in the organisation) set organisational direction and influence the organisational culture – therefore it is critical to identify and develop leaders ready to navigate complex challenges and make wise decisions. Seventy percent of the HR leaders surveyed reported that their organisations have identified the next generation of leaders for senior leadership positions (Figure 2).

To create an effective succession plan and prepare for the smooth transition between the current and next

generation of leaders, it is important to identify high-potential leaders (or future leaders) when they are still early in their careers. Despite its importance, only 56 percent of the HR leaders said that their organisations have effective processes to identify future leaders in the early stages of their career. Many factors may contribute to the difficulty in identifying future leaders earlier in their careers. One of the root causes may be an inadequate supply of early career talent, which creates supply issues throughout all levels of an organisation.

Figure 2



Supply of Talent

When we asked if these organisations have an adequate supply of qualified leaders to move into senior leadership positions, only 50 percent of HR leaders agreed that the supply in their organisations is adequate (see Figure 3). An inadequate supply of talented leaders in the pipeline creates risk within an organisation. Without adequate supply, there will be a gap between the current and next generation of senior leaders, and such a gap can be detrimental for organisational growth. When defining adequate supplies of senior leadership talent, many organisations answer this question based on current challenges and competencies. Too few define adequacy in looking forward and define capabilities critical for the future. As a result, many organisations may be underestimating their exposure.

This shortage in talent supply is not exclusive to leaders and managers. Critical talent refers to nonmanagers or nonleaders in critical organisational roles that contribute significantly to organisational success. Slightly more than half (54%) of the HR leaders agreed that their organisations have identified an optimal supply (pool) of qualified critical talent (Figure 3).

Figure 3



Retention of Talent

Apart from talent identification and supply, another important component of succession management is talent retention. Talent retention is a challenge in Asia because of the intense competition and scarcity of talent.⁵ Top talent are highly demanded in the market and, as a result, they have many choices and high mobility. Younger generations also appear to be less concerned about committing to a single organisation for the entirety of their careers. It is important that organisations keep them motivated and engaged and provide sufficient recognition. Among the HR leaders we surveyed, a majority of them think that their organisations have done an effective job retaining top performers in senior leadership positions (Figure 4).

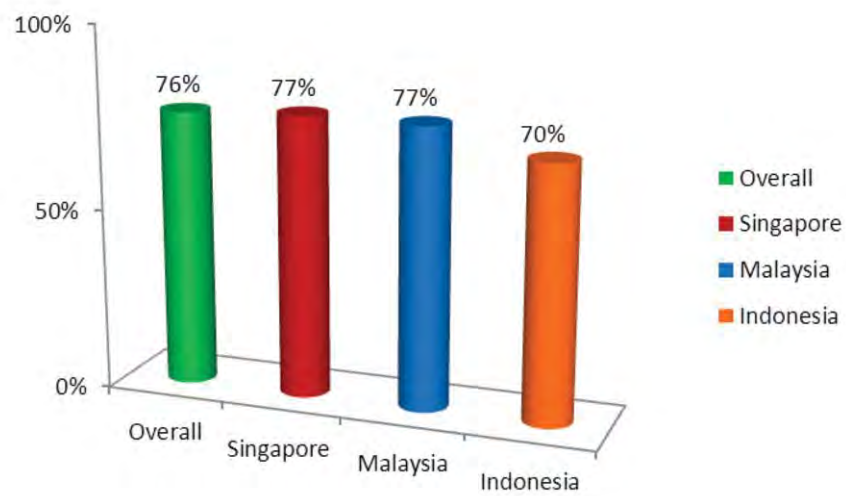
Reflection questions

- What best practices for identifying senior leaders in your organisation could be applied or leveraged to identify future leaders earlier in their careers?
- What challenge represents the greatest barrier to your organisation having an adequate supply of both critical and leadership talent?
- What would your top talent say are the reasons they stay with your organisation, and what factors would lead them to leave?



Figure 4

My Organisation is Able to Retain Top Performers in Senior Leadership Positions (% Agreed)



Leadership development

Identifying high-potential talent and next-generation leaders is only one function served through succession management. Organisations must also focus on how to develop current and future leadership capability. Leadership development, as a critical component of succession management, helps ensure a continuous supply of leadership talent; it also provides leaders with an understanding of the organisational-specific competencies that equip them to move up to the next level. Furthermore, leadership development is also an important strategy to attract and retain talent, as talent look for challenging opportunities that can advance their learning and expertise.

Competencies and Derailers

The ultimate goal of leadership development is to ensure that there are skilled and experienced leaders in place to implement organisational strategy. One way to connect leadership development with the organisation's strategy is by identifying the competencies required of leaders to be effective. Many (62%, Figure 5) organisations have identified a leadership competency model that is aligned with the strategic direction.

Figure 5



Both as individuals and as organisations there is often a bias toward only focusing on what makes us successful in the short term. To better develop leaders across all levels of an organisation, it is also important to identify the common causes of failure and/or derailment. Research has shown that 30 to 50 percent of high-potential managers and executives derail at some time during their career.⁶ When the causes of derailment are identified, organisations are able to:

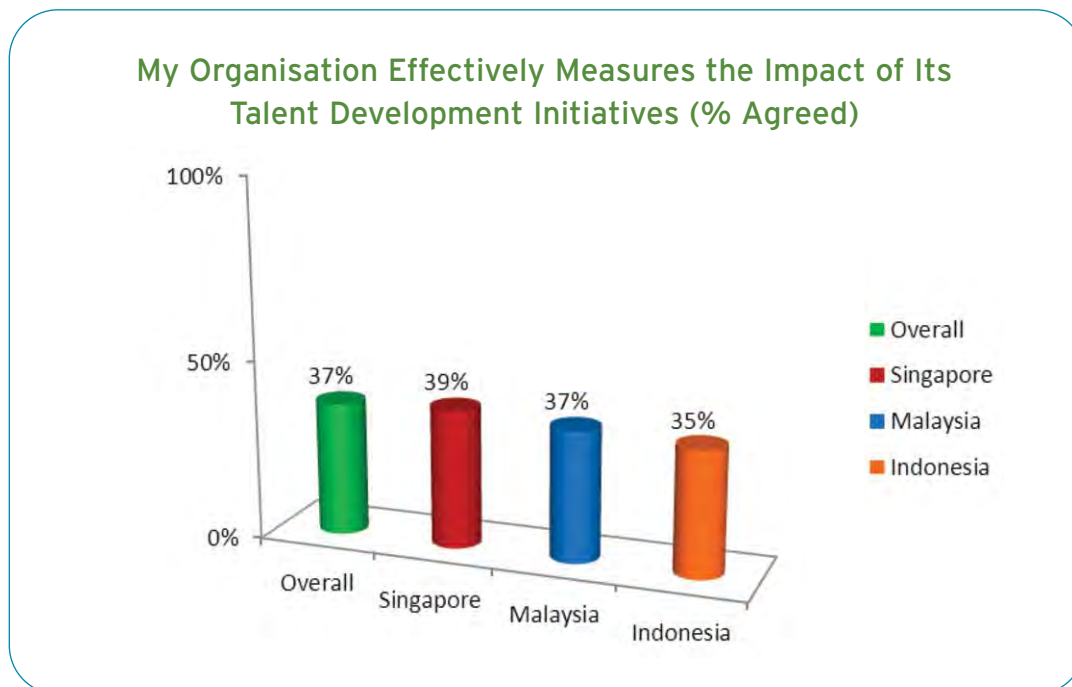
- 1) Raise the awareness of potential derailers among leaders;
- 2) Invest resources to improve a leader's ability to reduce derailment;
- 3) Support leaders to demonstrate behaviours that reduce derailment.⁷

Less than half of the organisations (46%, Figure 5) indicated that they understand the most common derailers for future leaders.

Evaluation of Leadership Development

Leadership development is a long-term investment that does not have clear measures for return on investment. Some leaders believe in its impact while some don't. To get senior leaders' buy-in, and to incorporate leadership development into business strategy, organisations should have a strategy to evaluate the impact of tools, processes and practices to develop leaders. A small percentage of HR leaders (39% in Singapore, 37% in Malaysia and 35% in Indonesia; see Figure 6) agreed that their organisations effectively measure the impact of talent development initiatives.

Figure 6



Leadership Development Practices

Given the talent supply challenge many organisations face, we asked HR leaders to share the leadership development practices used in their organisations. Many organisations have adopted leadership development practices that fall under the following three categories.

1 Assessment and Training Programs

Organisations invest in assessment tools, open programs and sometimes customized programs to help leaders to develop. Some organisations have also set up corporate universities or leadership academies to provide a continuous and sustainable learning environment for employees. However, HR leaders expressed some frustration at the large number of choices among many leadership development products in the market. As one HR leader commented, “overabundance of tools can be stressful!”

2 On-the-job Training

Learning by doing is believed to be an efficient way for leaders to grow. Many organisations train their leaders by providing them with challenging/stretch assignments. Job rotation is also used for high-potential leaders to accumulate cross-functional experience. There are also trade-offs when employing on-the-job training as a development approach: First, it may be costly, especially overseas assignments. Second, it is a long-term investment. “It’s a chicken and egg situation,” shared an HR leader; putting high-potentials in corporate projects to learn may slow down the project process in the short term.

3 Learning Relationships

Many organisations also realize the importance of learning from relationships. Opportunities are created for leaders to learn from their colleagues. HR leaders told us that they encourage coaching and mentoring in their organisations; in some organisations, a learning network is available for employees to share and learn from each other. The challenge of promoting learning relationships is that leaders are often too busy with “making the numbers” and too often neglect the work of “developing leaders.”

Reflection questions

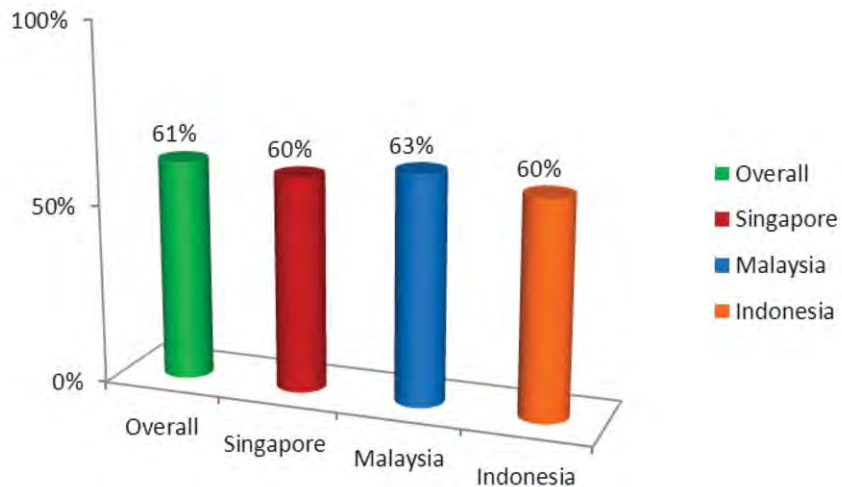
- As an organisation, what systems, processes and mechanisms do we use to make sure leadership development efforts are directly tied to strategy?
- What succession management metrics would tell you the most about the “health” of your leadership and critical talent pipelines?
- How closely are business plans and strategies linked to leadership strategies which define the critical competencies and capabilities of leaders in the future?

Senior leader involvement and organisational culture

One of the most common findings among those organisations identified as “best practice” in succession management is the high degree of ownership, commitment and engagement of top leaders toward developing talent. Succession management cannot succeed without senior leaders’ support and involvement. Among the HR leaders we surveyed, more than half of them told us that their senior leaders are personally involved in developing the next generation of leaders. Personal involvement of senior leaders in the process as well as individual commitment and involvement with next-generation leaders differentiates best-practice succession management.

Figure 7

Senior Leadership in My Organisation is Personally Involved in Developing the Next Generation of Leaders (% Agreed)



Successful organisations often have a strong coaching culture.⁸ In those organisations with a coaching and development culture, senior leaders view talent as the most important asset and have the mind-set that talent can and should be developed from within. A coaching and development culture often has the following characteristics:

- Leaders role-model coaching approaches;
- Coaching is integrated with other people-management processes;
- Employees provide honest and constructive feedback, not only to subordinates, but peers and bosses;
- Coaching behaviors are recognized, motivated and rewarded⁹.

Top leaders are often the drivers of a coaching and development culture for organisations. In our survey, more than half of the organisations (54% in Singapore, 56% in Malaysia and 55% in Indonesia; see Figure 8) believe they have a coaching culture.

Figure 8





Reflection questions

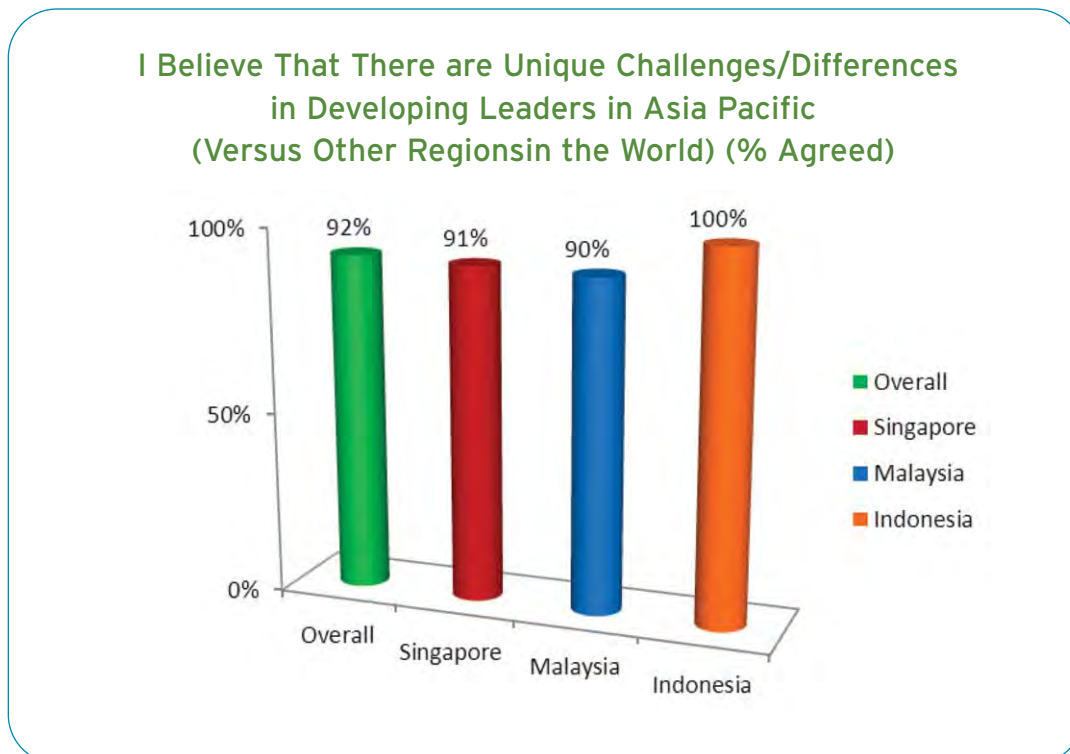
- Does the top leadership in your organisation “own” succession management, or is it seen as being owned by HR?
- Are the leaders in your organisation adept at having coaching and development conversations, and are they able to incorporate coaching and development into everyday interactions?
- Does your organisation actively “map” the development networks within the enterprise and leverage the knowledge within the network?

Uniqueness in Asia and comparison across countries

Almost all the participants (92%) believe that practising succession management in Asia has unique challenges, compared to other regions in the world. Participants from Indonesia gave the highest rating of the difference – 100 percent of them agree that leadership development in their country is different (Figure 9). Specifically, HR leaders in Asia are facing the following challenges:

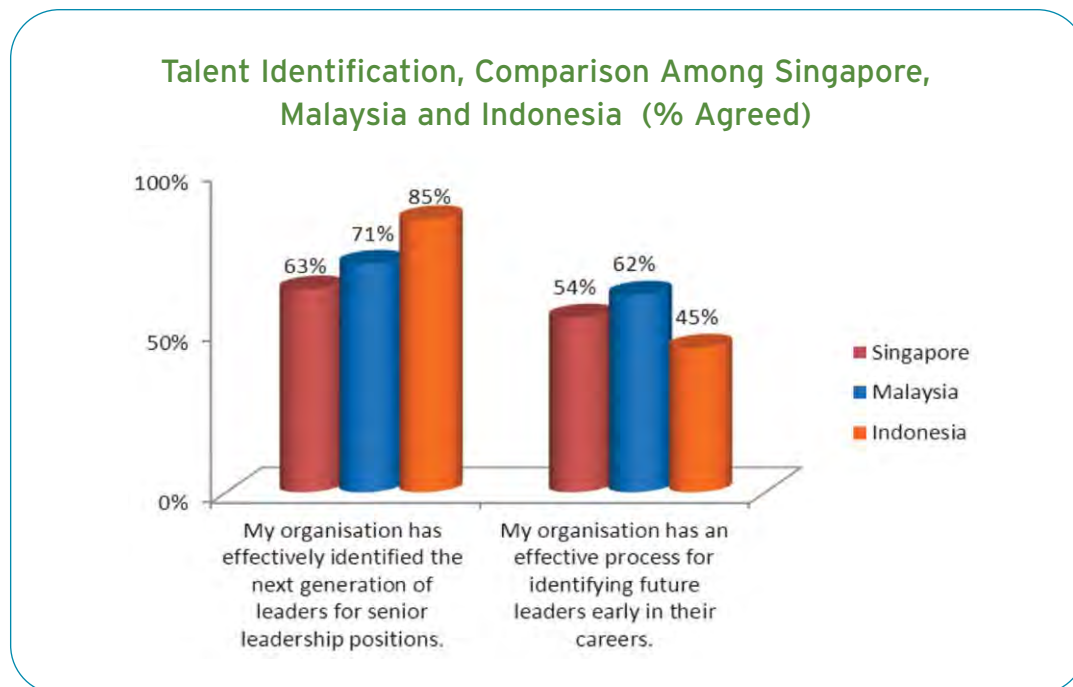
- How to choose the right tools that fit the need of local culture.
- How to adjust leadership development interventions in various countries so that they are more relevant.
- In a multinational company, how to develop both global awareness and cultural intelligence so that managers can lead a diverse workforce more effectively.
- How to balance and prioritize global, regional and country needs when it comes to leadership development.

Figure 9



Among these countries – Singapore, Malaysia and Indonesia – there are also some differences regarding the practices of succession management. As shown in Figure 10, HR leaders from the three countries differed in their organisation's ability to identify talent. Although 85 percent of the Indonesian organisations have identified the next generation of senior leaders (highest among the three countries), only 45 percent have effective processes for identifying future leaders (lowest among the three countries; see Figure 10).

Figure 10



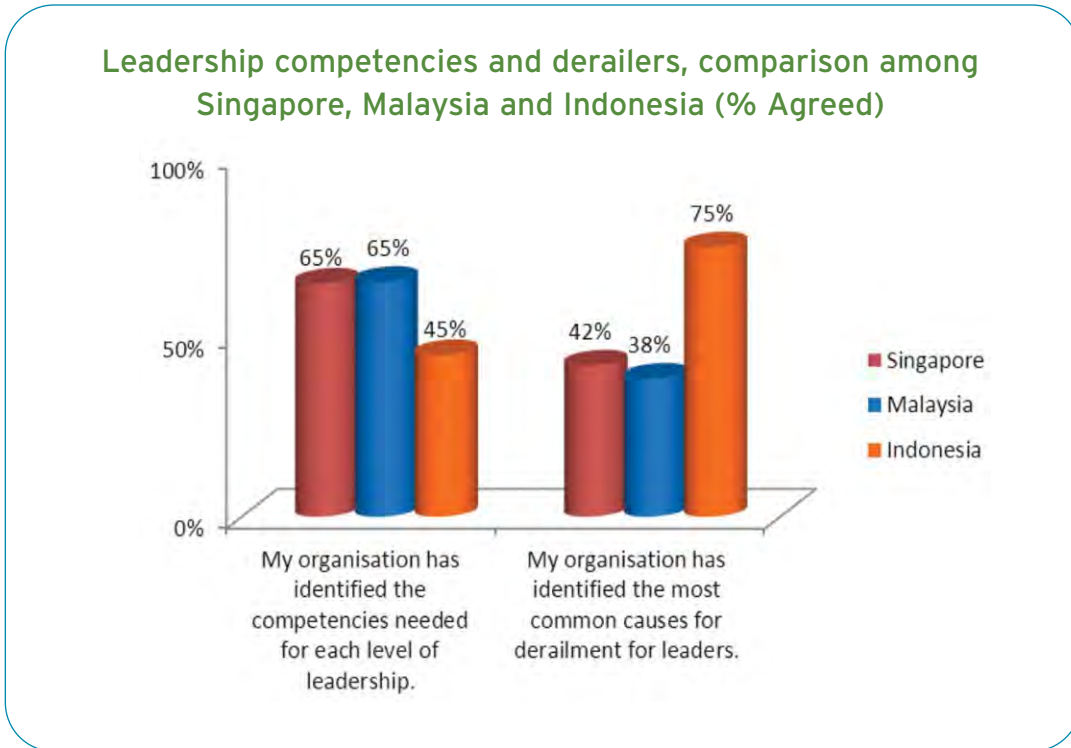
When it comes to talent supply, 65 percent of the Indonesian organisations surveyed reported that they have adequate supply of qualified leaders and an optimal pool of qualified critical talent (Figure 11). By contrast, only 44 percent of Singaporean leaders and 52 percent of Malaysian leaders agreed that their organisations have an adequate supply of leaders for senior positions. In addition, 54 percent of Singaporean leaders and 50 percent of Malaysian leaders told us that their organisations have identified a qualified critical talent pool (Figure 11).

Figure 11



Moreover, HR leaders from Indonesian organisations appear less likely to have identified leadership competencies. While 65 percent of Singaporean and Malaysian organisations have identified competencies needed for each leadership level, only 45 percent of Indonesian organisations have done so (Figure 12). However, 75 percent of Indonesian organisations have identified the most common derailleurs for leaders, while only 42 percent of Singaporean organisations and 38 percent of Malaysian organisations have done so.

Figure 12



Conclusion and recommendations

Organisations operating in the Asia Pacific understand the tremendous opportunities and complex challenges the region represents. No one is immune to the challenge of identifying, developing and retaining critical talent and leadership talent needed now and for the future, and needed at the top and through all levels of the organisation. Organisations are balancing the need to accelerate the development of leaders with the need to have them stay long enough in a position to allow them to glean the important knowledge and experiences to minimize the risk (of bad decisions in the future) and maximize the return for the enterprise.

There are no signs that talent supply, identification and retention will cease to be challenges. As indicated by the HR leaders in this survey, it is extremely challenging to effectively build robust talent pipelines in a hyper-competitive talent market like the Asia Pacific. Many of the Asian and multinational organisations CCL has studied are using leadership development not only to build future capability but also to attract and retain highly prized talent.

One of the key differentiators CCL continues to see in “best practice” organisations is top management ownership, involvement and accountability for talent management. Without this critical element, it is very difficult for an organisation to build an effective succession management process. Building an organisation where leaders are both learners and developers means that leadership development is not a training event but an ongoing process. Organisations always need to be on the lookout for new sources of talent outside the organisation. While this is true, the best return on invested capital would be to provide senior leaders with the tools and incentives to cultivate, develop, engage, retain and leverage the leaders within the organisation.

Give senior leaders the training, accountability and encouragement to be talent developers and effective coaches. Help next-generation leaders and high-potentials to build developmental support networks within the organisation so they have the benefit of reflection and feedback from multiple sources when they learn from experience. These two capabilities, above and beyond systems and processes, differentiate the best-practice organisations from the rest.

About the research

A survey comprising questions on succession management was administered to participants of three HR networking events in Singapore, Malaysia and Indonesia. Participants were from various industries including IT, government, finance, manufacturing, etc. A total of 129 fully completed responses were collected, with 57, 52 and 20 responses from Singapore, Malaysia and Indonesia, respectively.

Table 1

	SINGAPORE	MALAYSIA	INDONESIA
HR leaders	60%	48%	61%
L & D leaders	17%	20%	23%
Senior (non-HR) leaders	15%	20%	8%
Independent consultants/ specialists	8%	12%	8%

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ⁱ The 19 options are: Balancing multiple work priorities; Maintaining work/life balance; Improving my leadership skills; Attracting and retaining top talent; Developing future leaders; Building and leading an effective team; Leading people from different cultures; Leading people from multiple generations; Managing internal stakeholders; Creating a positive organisational climate; Dealing with internal/organisational changes; Developing a long-term strategic direction; Growing the company; Managing the growth of a company; Execution of strategy; Encouraging creativity and innovation; Dealing with external/environmental changes; Managing external stakeholders; Doing business in different cultures.



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