

DEVELOPING GLOBAL LEADERS THROUGH TRANSFORMATIONAL LEADERSHIP

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ABSTRACT

This paper attempts to see whether there is an impact of line managers' transformational leadership on global leadership competencies of high potentials in MNC subsidiaries operating in Sri Lanka. The relationship is established extending the transformational leadership theory to the MNC context, based on previous literature that line managers contribute to follower leadership development. This is a quantitative survey study, based on primary data. The unit of analysis is dyads: the high potential subordinate and his or her respective supervisor. Data were collected using self-administered anonymous questionnaires after taking precautionary methods to reduce CMV. Questionnaires were developed using the 'Profile of the Global Leader of the Future' developed by Accenture containing 41 items and 39 items from Form 5-X of the MLQ, covering the four main dimensions of transformational leadership. Data were analyzed with SPSS and AMOS 16.0 software using hierarchical regression analysis. According to the results, the hypothesis is supported indicating there is an impact of line managers' transformational leadership on global leadership competencies of high potentials. As the number of studies reported on high potentials in the Sri Lankan context with respect to both MNCs and local companies is very limited, the present study fills that void in literature to a great extent.

Keywords: *Global leadership, Transformational leadership, High potentials, Line managers, MNCs*

BACKGROUND OF THE STUDY

Superior talent is a prime source of sustainable competitive advantage for organizations (Hiltrop, 1999) and hence, managing talent is an important issue for business leaders world over. One vital trend in managing talent is identifying promising leaders among internal talent pools and making them competent to take over leadership positions of organizations in the future. Developing and retaining effective leaders is not only a priority in talent management, but also an overall business necessity, in the current business context. As identified by Bersin (2006), leadership development is where the management of the organization focuses on the development of high potentials by attempting to cultivate key leadership competencies among them after assessing their leadership potential and identifying suitable successors to existing leaders and placing the high potentials into right development paths. Considering the growing importance of leadership development and the increasing need of the corporate world to have competent leaders, this study is directed at one major area within talent management and leadership development, which is developing competent future leaders for organizations (McKinsey & Co., 1997). In the global business context, Edwards (2011) emphasizes that present day leaders need to be global leaders with global leadership competencies, irrespective of the extent that its business regime expands. Javidan, Dorfman, de Luque, and House (2006) argue that understanding global leadership is a critical success factor for large Multinational Corporations (MNCs), which are largely touched by the impact of globalization. Due to the significance of leadership in the MNC setup, it is observed that MNCs today not only focus on making their current leaders globally competent but also have gone one step further, to focus on developing the next generation of leaders. Due to all these initiatives taken by the organizations, the expectation is that all organizations should have a sufficient supply of leaders with expected global leadership competencies to take over leadership positions once the existing leaders either move up or outside. However,

according to Conger and Benjamin (1999), most organizations today, have failed to cultivate leadership talent within their junior managers and as a result face a leadership succession crisis.

Related to this crisis situation, in a preliminary study conducted among HR Managers in MNCs in Sri Lanka, it was also found that there is a major concern over the failure of a majority of high potentials as leaders. Here, the focus is not on all employees but on high potentials who have been categorized as ‘talent’, as they are expected to be groomed as successors for key positions in the future. As per the view of the interviewees, only a few high potentials become global leaders as expected, once they take over leadership positions, while some do not display leadership potential at all in the present though they manifest other technical capabilities. Furthermore, managers in the preliminary study also revealed that the reason for this is not shortcomings with their inherent leadership skills as all these employees are rigorously evaluated for leadership skills at the selection stage (e.g., Unilever evaluates candidates based on ‘Global Standards of Leadership’ introduced by headquarters UK) and are expected to possess the basic competencies of a successful global leader. This situation observed regarding high potentials is not unique to the MNCs in Sri Lanka; as it is also observed in other countries. Boyatzis and Skelly (1990) say that certain individuals may possess leadership ability but simply choose not to exercise. A statement by a respondent to a survey of the Association for Human Resources Management in International Organizations (2010) confirms that, “our high potentials may be very good in their subject, but they are not good leaders!” (p. 18). This evidence confirms that the problem is observed mostly among middle managerial level employees tapping the door to enter senior management positions.

There are many web resources and scholarly work on high potentials, but most of them focus on ‘identifying’ high potentials (Donahue, 2004; Spreitzer, McCall, & Mahoney, 1997), but none had addressed the above explained issue of them failing in leadership positions due

to not having global leadership competencies. Web resources highlight the existence of the problem, but they do not present empirically confirmed solutions to the issue (e.g., Gillis (2012) states that there is a shortage of global leaders which hinder companies' global business strategy execution). Most of the researchers who have observed this problem have come up with the solution of providing employees with leadership training and have not considered other alternatives. But in the observed local context, the issue remains despite the efforts by HR Departments of MNCs to provide high potentials with training opportunities related to leadership.

Morrison (2000) has found that most of the existing research on developing leaders with global leadership competencies are limited to descriptive essays, based on small scale samples, using consulting experience of authors, covering few countries, and therefore emphasizes that more research work needs to be done essentially on every aspect of global leadership development. Gillis (2012) mentions that in previous generations global leadership competencies were not required, and this may be a reason for the shortage of literature and research studies in the area.

PURPOSE OF THE STUDY

The purpose of this paper is to fill the above explained void in literature by addressing the issue of 'why high potential employees fail in displaying global leadership competencies? (Lewis & Heckman, 2006)'. In addressing this issue of shortage of global leadership competencies among high potentials in MNCs, it is expected in this study to identify the impact of transformational leadership of supervisors, on improving global leadership competencies of subordinates, based on the transformational leadership theory (Bass, 1985; Burns, 1978), which suggests that transformational leaders can contribute to follower

leadership development. Accordingly it is expected to look at whether ‘there is an impact of line managers’ transformational leadership on global leadership competencies of high potentials?’ through this paper. This study falls within the domains of talent management, International Human Resource Management (IHRM), and leadership. The research is conducted in MNCs operating in Sri Lanka.

Next section discusses the literature related to high potentials, global leadership, and role of supervisors in developing leadership within their subordinates which form the base of the study.

LITERATURE REVIEW

Developing High Potentials in to Global Leaders in MNCs

With the changes taking place in the business environment, the leadership competencies that were of paramount importance are inadequate and inappropriate for the new business paradigm (Mendenhall, 2000). Hence, it is important to have on board, the right kind of leaders with required competencies to drive MNCs towards success amidst turbulence (Gillis, 2012) by getting the leaders. Many studies (e.g., Mendenhall, 2000; Adler & Bartholomew, 1992; Bartlett & Ghoshal, 1992;) have identified that though it is not possible to exactly identify the ‘right’ kind of leaders suitable to meet the demands of this corporate evolution, organizations must prepare their leaders in a global capacity. The MNCs today have to prepare future leaders who can successfully carry out a global corporate strategy.

Mendenhall (2000) has explained how the field of leadership has now been influenced by the current and emerging field of global leadership with the changes in the environment. There he identifies the need for global leaders who can deal with people from different nationalities, work in different countries, and deal with complex organizational structures.

According to the Global Leadership Forecast 2011 (Boatman & Wellins, 2011), organizations with global leaders were likely to outperform their competition 13 times more in key bottom-line metrics. Hence, based on literature it is evident that organizations including MNCs need to strongly emphasize on developing global leadership talent among the limited pool of high potentials. As global competition is rapidly becoming the norm in which nearly all business organizations must compete in one fashion or another, MNCs need to pay attention on creating global leaders to face the competition heightened by globalization.

Literature related to HRM practices in MNCs fall under the domain of IHRM, and though previously the discipline focused about how traditional HR functions differ when it comes to MNCs, more recently the definition of strategic IHRM has expanded to include localization of management and global leadership development (Morley, Heraty, & Collings, 2006). This also confirms the increased attention on developing world-class global leaders. During the global economic recession, many MNCs were guilty of losing their focus on talent, as they focused on reducing cost to save businesses. According to Boatman and Wellins (2011), those MNCs are now experiencing the consequences of those actions as they fail in the recovery process due to not having the leaders needed for today and more importantly, for the future. The same authors further emphasize the need of developing global leaders referring to previous editions of the Global Leadership Forecast, which mentions that the strength of people prepared to take leadership positions in organizations in the future is alarmingly weak, as the progress in improving leadership has been stagnant for far too long. While presenting this, they highlight that the time has come to revolutionize leadership practices in organizations to develop global leadership in future leaders to keep up with the speed of expansion of business. In the present business setup, all these evidence indicate the need to pay attention on developing high potentials to be global leaders, for MNCs to successfully navigate in the 21st Century.

Stahl et al. (2007) identify that a majority of MNCs have developed global leadership competency profiles confirming that these organizations have understood the need of having global leadership competencies among high potentials in their efforts to build and sustain the talent pipeline. According to the same study, some MNCs tend to and the others need to, match the employees in corporate talent pools with their global leadership competency profiles and focus their leadership development initiatives according to the findings of the match. Chugh and Bhatnagar (2006) state that most of the MNCs get their subsidiaries to identify the global headquarters' leadership imperatives as the benchmark. Global headquarters' leadership imperatives include descriptions on making a global leader who can work anywhere in the world facing environmental turbulence successfully. MNCs and their subsidiaries often face vacancies in global positions and they need to find suitably qualified people to fill those vacancies. Though they have the options of recruiting externally and promoting internally, they prefer internal promotions (Caliguiri, 2006), and therefore, it is important to pay attention on developing global leaders who match with the headquarters' leadership imperatives, from the high potential talent pools.

Corporate Leadership Council (2005) identifies high potentials as, employees demonstrating a high contribution, strong organizational values, potential to move up within a given time frame, and assume greater responsibility in the future. They exhibit a history of high-performance and are expected to demonstrate leadership potential. This definition is applied throughout this paper for 'high potentials'.

Role of the Supervisor in Developing Leadership Competencies of Subordinates

Though the HR Departments of MNCs take lot of efforts in developing employees to be future leaders by even having a separate manager for leadership development (e.g., Unilever Sri Lanka); and they conduct 'High Potential Leadership Development Programs' for future

leaders at each work level under learning and development, the MNCs are strongly of the opinion that line managers play a major role in their subordinate leadership development (Talent Management in Unilever, n. d). This aligns with the idea that ‘every manager is an HR manager, irrespective of their functional specialization’.

Grooming subordinates to take up leadership in the future is identified not as just a task in the Job Description (JD) of supervisors, but as one of their main responsibilities. However, it is not an easy task for the leaders who follow the traditional autocratic pattern of direction, as they have to change. Timmons (1993) highlights the responsibility of leaders to develop their followers stating “understand that a big part of your job is to develop the next generation of leaders” (p. 9). According to French (2000), many organizations have clearly established subordinate development as a supervisory responsibility in top-level doctrine. Hence, organizations today have included follower leadership development as a performance evaluation criterion of managers. But the problem has occurred, as this top level doctrine has not been well implemented. This may be due to the fact that, line managers do not get sufficient inputs on their behavior as leaders, which lead to poor development of next generation of leadership (French, 2000). Each individual leader is not stepping up to the responsibility of developing their followers unless there is a corporate backing, as some are reluctant that the followers will become better leaders. Supervisors think well developed subordinates are capable of replacing them (French, 2000) and sometimes get scared of a possible layoff. The degree to which this responsibility is taken by every supervisor will have a tremendous impact upon the collective leadership development in MNCs.

Under follower development efforts to take up leadership, the leader should help the followers to develop their own initiative, strengthen them to use their own judgment, enable them to grow, and become better contributors to the organization (Kram, 1988). This kind of work experience is important in leadership development, as in the practical context,

experiences gained through day-to-day work under the supervisor provide better development, than educational opportunities. Considering the above evidence on the role of the supervisor in developing the leadership of followers, there are sufficient implications in literature to argue that the supervisors of high potentials, who are often middle or senior managers of MNCs have a major role in developing high potential subordinates into global leaders.

The next section presents the hypothesis to be tested in the study based on the support from literature and the transformational leadership theory.

Theoretical Development of Hypotheses - Line Managers Transformational Leadership and Global Leadership Competencies of High Potentials

Out of an array of factors contributing to global leadership development, the role of the immediate supervisor is emphasized in this study. Concise Oxford English Dictionary defines a line manager/supervisor as a person with direct managerial responsibility for a particular employee. In this study, the term line manager refers to the immediate supervisor or the reporting manager of the high potential.

In leadership literature (e.g., Bass, 1985; Dionne, Yammarino, Atwater, & Spangler, 2004; Kovjanic, Schuch, Jonas, Quaquebeke, & Van Dick, 2012) it is identified that out of the leaders who contribute towards the development of followers, the leaders with transformational leadership contribute most to the positive outcomes of followers. Avolio and Gibbons (1988) also confirm this stating, the principal aspect of transformational leadership is follower development, whereas Kovjanic et al. (2012) state followers' needs are the main focus in transformational leadership. Yukl (1999) states that transformational leaders can influence followers to make self-sacrifices, commit to difficult objectives, and get them to achieve more than initially expected, and ultimately develop themselves into leaders. It is

possible to extend this notion on transformational leadership and follower leadership development, and argue that if the supervisor /line manager is a transformational leader, he/she would contribute to make their high potential subordinates into global leaders in the MNC context. Though there are studies on the impact of the supervisor on follower leadership development, there are no studies found extending this notion to the MNC context and to global leadership development and this paper contributes to fill that void in literature.

Evans (2007) has identified the potential of transformational leaders to transform employees into future leaders in a given organization. With the greater need of MNCs to develop global leaders, it is possible to argue based on the transformational leadership theory (Burns, 1978) that having a supervisor/line manager with transformational leadership would create a global leader in the MNC context. Hence, it is proposed that supervisors with transformational leadership would contribute largely to develop global leadership competencies within high potentials in the MNC context.

The transformational leadership theory is supported by the work of Bass (1985), Dvir, Eden, Avolio, and Shamir (2002), Conger and Kanungo (1988), Kark and Shamir (2002), Tichy and DeVanna (1986; 1990), and many others (e.g., Antonakis & House, 2002; Nichols, 2008). Larsson and Eid (2012) refer to this as the developmental leadership model because it explains how leaders could develop followers under them. According to the transformational leadership theory (Avolio, Walumbwa, & Weber, 2009), transformational leaders demonstrate behaviors that transform and inspire followers to perform beyond expectations while rising above their self-interests, for the good of the organization. Bass (1985) states this theoretical explanation is on symbolic leader behavior; such as visionary, inspirational, emotional, ideological, and moral, and focuses on individualized attention and intellectual stimulation. The theory suggests that transformational leaders raise followers' aspirations and activate their higher order values (e.g., altruism) such that the followers identify with the

leader and his or her mission/vision, feel better about their work, and then work to demonstrate greater performance (Avolio, 1999). In addition, the theory also suggests transformational leaders contribute to follower leadership development and convert followers into leaders (Bass, 1985). Transformational leaders create a change within followers by transforming their attitudes, beliefs, and values as opposed to simply gaining compliance (Rafferty & Griffin, 2004), and thus followers tend to develop leadership and also show performance with a passion. As stated by Lowe and Gardner (2000) because of this differential focus, transformational leadership theory has turned out to be the most frequently researched theory over the 20 years from 1980-2000.

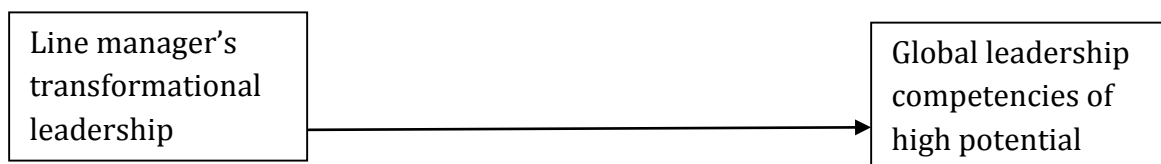
Although significant progress has been made in studying transformational leadership via the transformational leadership theory, a number of areas still deserve further attention and discussion (Avolio et al., 2009). For example, though it is confirmed that transformational leadership contributes to follower leadership development; there is a lack of research that extends this argument to different contexts. Hence, this study attempts to extend the above argument to global leadership development in the MNC context. As MNCs suffer from a shortage of leaders with global leadership competencies, it is important to have supervisors with the ability to change followers and to develop them into the type of leaders demanded by MNCs. It is the transformational leaders who can do this as they influence the perceptions, cognitions, decisions, and behaviors of their subordinates (Bass, 1985). The transformational leader inspires, intellectually stimulates, and individually considers about the followers and their performance (Bass, 1999). These behaviors of transformational leaders would transform the high potentials in the MNC context, to reach their full potential and produce the highest level of performance including leadership. According to the transformational leadership theory, transformational leaders empower followers to recognize the importance of their work and develop their competencies to reach their full potential

(Bass, 1985). This view of Bass implies that transformational supervisors could stretch the high potential subordinates to reach their maximum capacity, could it be in job performance or demonstrating leadership competencies (Dvir et al., 2002). Transformational leaders evaluate the potential of all of their followers in terms of their ability to fulfill current commitments (Rafferty & Griffin, 2004), and in the case of high potentials who need to be groomed as future leaders, the leaders envision on expanding their future responsibilities. Then, the followers would make better global leaders in the future leading themselves and others, according to the demands in the MNC context.

Based on the above theoretical and empirical support, the following hypothesis is tested in this paper.

H₁: There is an impact of line managers' transformational leadership on global leadership competencies of their respective high potential subordinates

Figure 1 – Relationship between the independent and the dependent variable



RESEARCH METHODOLOGY

Based on the ontological assumption that the reality is objective and the positivistic epistemological stance, this study is conducted as an explanatory, quantitative study (Saunders, Lewis, & Thornhill, 2011). It is a cross-sectional study based on primary data collected using the survey strategy. The unit of analysis is dyads: the high potential subordinate and his or her respective supervisor.

Measurement of Constructs

Global Leadership Competencies of High Potentials

This study uses the dimensions empirically confirmed to be critical for a global leader of the future in the ‘The Evolving Role of Executive Leadership’ study by Accenture (2001), to develop a ‘Profile of the Global Leader of the Future’. It includes 10 dimensions with items to measure each. The dimensions covered by the measure are; customer-oriented change mastery, personal mastery and behavior, develops and empowers people, thinks globally, builds alliances, anticipates opportunity, performance demands, creates a vision, builds teamwork and partnerships, and shows technological savvy.

Line Manager’s Transformational Leadership

Operationalization of transformational leadership presented by Bass and Avolio (1990) including 39 items from Form 5–X of the MLQ, covering the four main dimensions (four ‘I’s) of transformational leadership (Hinkin & Tracey, 1999) is used to measure line manager’s transformational leadership. Bass has made the original concept of Burns’s about transformational leadership measurable (Khatri & Duggal, 2011) by identifying five dimensions (Bass & Avolio, 1994), which are, (a) idealized influence or attributed charisma, (b) idealized influence or behavioral charisma, (c) inspirational motivation, (d) intellectual stimulation, and (e) individualized consideration. However, Hinkin and Tracey (1999) state, Bass later proposed four dimensions by combining attributed charisma and behavioral charisma as ‘idealized influence’. Accordingly, the 39 item measure used in this paper is associated with the four dimensions presented by Bass later.

In addition to the two main variables in the model, dyadic tenure is considered as a control variable based on literature and it is discussed in the following section.

Control Variables

Antes (2010) identifies that leadership potential demonstrated by a follower might be affected by the length of time he/she (a high potential follower) has worked with the leader (line manager), and as such, data about dyadic tenure is collected and controlled for in the present study. As the study looks at the impact of line managers on the high potential subordinates and as the time they were together (dyadic tenure) could have an association with the impact the line manager would create on subordinates leadership, as evidenced in prior research (Gils, Quaquebeke, & Knippenberg, 2010; Goertzen & Fritz, 2004; Zhang & Bartol, 2010), decision to control for dyadic tenure is justified. Dyadic tenure is a demographic variable and was measured in the questionnaire through an item in the personal details section demanding a categorical response. There were five (05) response categories for the item and were analyzed using dummy variables.

Population and Sample

The population of this study is all high potential employees in the middle management category working in MNCs operating in Sri Lanka, and their respective supervisors. It is not possible to obtain the size of the population or the sampling frame, as no clear information or a database is available about the number of MNCs operating in the country. The sample of the study is non-probabilistic, even though the survey strategy is chosen as it is not possible to specify a sample frame (Schutt, 2006; Polit & Beck, 2009; Saunders et al., 2011). Out of the non-probability sampling techniques, the authors used, convenience sampling where the dyads were selected considering the convenience to access the respondents and their willingness to participate in the survey.

Data Collection

Data collection was done through a self-administered, anonymous, structured questionnaire. Data on line managers' transformational leadership were collected from their high potential subordinates' in Questionnaire A. Global leadership competencies of high potentials were measured in Questionnaire B – Part I, filled by the respective line managers who were the best people to evaluate a subordinate's leadership potential. Both variables were measured on a 7 point Likert rating scale.

Identification of high potentials was done either through the HR Department, through the employee him/herself, or their respective bosses of MNCs. The data were collected through email or by delivering and collecting questionnaires. The researchers made sure that the words in the questionnaire are simple, direct, and familiar to the respondents and since the language of these employees is above par level, having the questionnaire in English language was not a barrier. Subjects were given clear written instructions on how the questionnaire should be filled since certain respondents were not directly met. The questionnaires were accompanied by a cover letter stating about the researchers, a lucid explanation of the study, and a request to respondents to give their frank responses. These measures were taken as procedural remedies to avoid Common Method Variance (CMV) and to get a better response rate.

Data collection took approximately 2 ½ months where 187 dyads out of 300 responded and the response rate was 62%. This is due to the nature of work engaged in by the dyads, the dyads occupying positions in the middle managerial level and above in the organizational hierarchy, the relatively smaller size of the population, and the restrictions posed by MNCs in data collection from their employees. Data collection was challenging as MNC employees are very busy meeting deadlines and targets given by headquarters or regional offices. At the

time of distributing the questionnaires, the pairs of questionnaires given to each dyad were pre-coded to make sure that they can be matched easily upon collection. Unit of analysis being dyads prevented reaching a better response rate as the researchers had to get the responses of both high potentials and their respective line managers. Out of the 187 questionnaires only 158 were usable. Thus, the response rate is 52%.

Sample Description

Most (39.2%) of the high potentials belongs to the age category of 30-40 years. There are 56 % male and 44% female high potentials in the sample. Most (36.7%) of the high potentials have worked in their organizations for 3-5 years. A larger percentage of them (42%) have been in their current job for 3-5 years. A majority of the high potentials have been with their respective bosses for 1-2 years. All high potentials in the sample are Sri Lankans. The highest percentage (43%) of line managers belongs to the age category of 41-50 years. There are more male line managers than females. Majority of the line managers (48%) have been with the organization for 3-5 years. The most number (69%) of line managers have been in their present job for 3-5 years.

DATA ANALYSES

This section presents the data analyses done using SPSS and AMOS 16.0 software.

Preliminary Analysis

Before performing the hypothesis testing, the preliminary analyses were performed, and this included data screening and ensuring reliability and validity. Accordingly missing data were treated and data were tested for normality, linearity, and homoscedasticity. Content and criterion related validity of the data are ensured as standard measures developed by experts in the field are used and construct validity which comprises of convergent and discriminant

validity were ensured by performing a Confirmatory Factor Analysis (CFA) using AMOS and by performing the AVE test and developing a discriminant validity matrix. Reliability was ensured by calculating Cronbach's alpha and the values are .98 for both variables. There is a strong positive correlation (.58) between transformational and global leadership. In addition, Harman's Single Factor test was also performed to confirm that there is no CMV present and therefore no statistical remedies were required.

The mean, Standard Deviation (SD), correlation, and reliability statistics related to the two variables are shown in Table 1.

Table 1

Descriptive statistics and output of the basic preliminary analyses

Variable	Mean	SD	Correlation	Reliability
Global Leadership	3.76	1.25		.98
Transformational Leadership	3.88	1.34	.58	.98

Hypothesis Testing

Since the present study is testing for an impact and as there is one predictor and one control variable multiple regression analysis - hierarchical regression or block wise entry is used (Field, 2009; Foster, 2001).

As emphasized by Hair, Black, Babin, and Anderson (2010), the independent and the dependent variable are metric and thereby qualify to use multiple regression analysis. However, the control variable 'dyadic tenure', is a non-metric variable representing an

ordinal measurement scale, thus, is transformed with dummy coding as specified by Hair et al. (2010) to make it suitable to be used in Multiple Regression Analysis.

Dummy Variables for the Control Variable

As instructed in Field (2009), the second category (1-2 years) which has the most number of responses in the data sheet is considered the baseline and four dummy variables are created to match the five response categories.

Regression Analysis

In running the regression analysis, the summated means of responses for each construct is used. There was a positive correlation between the variables, thus the gradient of the regression equation testing the hypothesis is positive. The b_0 in the regression equation denotes the level of global leadership competencies possessed by high potentials, when predictor in the equation is absent. This is practically possible as all the sample members are high potentials.

Measuring the direct relationship. A hierarchical multiple regression is performed to test the impact of line managers' transformational leadership on global leadership competencies of high potentials, by entering the dummy variables of dyadic tenure in block one and line managers' transformational leadership in block two. In order for the hypothesis to be true, the impact of the predictor on the dependent variable must be statistically significant, and the strength of the impact after controlling for dyadic tenure should to be identified using the 'change in R square' statistic.

Model parameters. The standardized beta (β) for transformational leadership indicates if the effect of the control variable is held constant, there is a positive impact of line managers' transformational leadership on global leadership competencies of high potentials, and the degree it affects global leadership competencies of high potentials is .51. It means

that when transformational leadership of line managers' increase by one standard deviation, global leadership competencies of high potentials increase by .51 standard deviations when dyadic tenure is held constant. In addition, the probability of the t -statistic (8.41) for the standardized beta (β) coefficient of the independent variable is significant ($.00 < .01$). Statistics relating to the regression are depicted in Table 2. As there is a statistically significant contribution from line managers' transformational leadership towards global leadership competencies of high potentials, the hypothesis is supported by the data.

Model summary. Dyadic tenure alone accounts for 20% of the variance in global leadership competencies of high potentials as explained by R^2 in Model 1 in Table 2. Similarly, if the model had been derived from the population, dyadic tenure would account for 19% of the variance in global leadership competencies of high potentials as indicated by adjusted R^2 in Model 1. In Model 2, 45% of the variance in global leadership competencies of high potentials is accounted for by the regression model from the sample. 44% of the variance in global leadership competencies of high potentials is accounted for by the model had it been derived from the population. The model indicates that 25% of the variance in global leadership competencies of high potentials is explained by transformational leadership alone. F statistic indicates the significance of R^2 and as the F change for both models 1 and 2 are significant at .01 level. Hence, it can be concluded that the addition of transformational leadership has increased the predictability of the model significantly.

Table 2

Model parameters and model summary

Variables	Model 1			Model 2		
	β	t	Sig.	β	t	Sig.
<i>Control Variables</i>						
Dyadic Tenure (yrs)						
< 01	-.23	-2.99	.00	-.20	-3.08	.00
3-5	.32	4.17	.00	.22	3.43	.00
6-10	.09	1.17	.25	.08	1.36	.18
<i>Independent Variable</i>						
Transformational Leadership				.51	8.41	.00
<i>Model Summary Statistics</i>						
R	.45			.67		
R^2	.20			.45		
Adjusted R^2	.19			.44		
ΔR^2	.20			.25		
ΔF	12.95*			70.65*		
Sig. ΔF	.00			.00		

*- Significant at .01 level

Discussion of Findings

The results offer several notable findings to discuss. Firstly, the study was conducted to examine, why most high potentials do not convert to better global leaders once they take up leadership positions in subsidiaries of MNCs. In addressing that, the study looked at how

transformational leadership of line managers predicts the global leadership competencies of high potentials reporting to them. According to the results, the line managers' transformational leadership has a significant positive impact ($R^2 = .45, p = .000$) in developing the global leadership competencies of high potentials. This hypothesis was established based on previous empirical evidence (e.g., French, 2000; Kram, 1988; Timmons, 1993), giving greater emphasis to the line manager regarding follower development. Based on leadership literature (e.g., Bass, 1985; Burns, 1978) and according to the transformational leadership theory, the study focused on transformational leadership of the line manager, as one of the major characteristics of transformational leaders is follower development, and it is not only mere development but developing them to become future leaders (Bass, 1985; Burns, 1978; Yukl, 1999; Avolio & Gibbons, 1988; Bass & Riggio, 2006; Dvir et al., 2002; Kovjanic et al., 2012; Sinha & Rai, 2004;). In line with those studies, the present study also confirms that line managers' transformational leadership has a major impact on leadership competencies of subordinates.

Secondly, the selection of transformational leadership of the line manager as the independent variable is further justified, given the context in which the study was performed. According to Olsen (2011), transformational leadership is most effective in environments of great transformational changes, with absence of stability, and greater insecurity. Transformational leadership boosts the development of followers, challenging them to think in novel ways which they were not accustomed to think previously, stimulating them to accomplish beyond what they normally felt was possible, and motivating them to do so while keeping the values and high moral standards that guide them in mind (Avolio, 1999). This confirms the necessity of transformational leadership for leadership development, given the congruence between the environments suggested in literature for transformational leadership to be effective and the environment in MNCs. MNC settings are shaped by both

technological change and commercialization worldwide (Chang & Taylor, 1999). Accordingly, based on prior evidence confirming the congruence between the MNC setting and the setting in which transformational leadership will be effective, the present study suggests transformational leaders would contribute to develop their high potential subordinates into global leaders, as it is important to develop global leaders according to the requirements of MNCs (e.g., Mendenhall, 2000; Adler & Bartholomew, 1992; Bartlett & Ghoshal, 1992;). Hence, the extended argument is supported by the data and that is a novel contribution of the study.

Descriptive statistics confirm the existence of the problem addressed through the study showing a low level (mean = 3.76) of global leadership competencies among high potentials. Many organizations announce that their business is being held back by lack of leadership talent, and that those organizations are considering improving leadership skills as their top priority in the years to come (Bersin & Associates, 2011). This confirms the currency of the study, being in line with the pressing need in the corporate world to develop the needed type of leaders. In addition to the problem explained at the beginning using interviews and literature, the low mean value in the data also further confirms the existence of the problem in the study setting. As suggested in this study, a salient reason for this low global leadership among high potentials is, low (mean = 3.88) transformational leadership of their respective line managers. Even though the above discussion is based on the data in the sample, because of certain efforts taken in this study, the outcome can be applied to a broader setting. Though the settings will not be exactly the same, the findings are applicable to the subsidiaries of MNCs located in other countries and also to the large local organizations operating in Sri Lanka. Not only MNCs, but also most of the large local organizations are now emphasizing on leadership development (A. I. A. Perera, personal communication, April 20, 2013).

The research methodology, the data analyses techniques, and selecting a large sample of high potentials across industries increase the generalizability of the findings. Though there are differences between organizations selected, as MNC subsidiaries they have a lot of similarities despite a few cultural differences resulting from the culture in the parent company and the county, and those similarities contribute to the generalizability of the findings. In addition, the selected population - all high potentials in the middle management level in MNCs operating in Sri Lanka and their respective supervisors - is also logical to generalize the findings to all MNCs operating across industries in Sri Lanka. Though this study uses non probability sampling in contrast to most studies which are generalizable, it is possible to generalize about populations from non-probability samples too (Saunders et al., 2011). Further, according to Field (2009, p. 220), “for a regression model to generalize we must be sure that underlying assumptions have been met” and as in this study, it is ensured that the underlying assumptions for regression analysis are met; it is possible to generalize the regression model derived from the data.

Theoretical Implications

The study makes an immense contribution to the theoretical and empirical knowledge base on managing high potentials as it looks at the unpreparedness of the high potentials to take over top leadership positions (Adler & Bartholomew, 1992), which is an area that demands serious attention of academic researchers. As the number of studies reported on high potentials in the Sri Lankan context with respect to both MNCs and local companies is very limited, this study fills that void as it looks at converting high potentials into global leaders.

Uniqueness of this study is that it belongs to a variety of domains and contributes to the knowledge in the areas of talent management, leadership, and IHRM. Holt and Seki (2012) has emphasized the importance of collaborative use of disciplines to come up with a new

model of global leadership development and this paper responds to that claim well, at a time where there is a lack of studies combining two or more of the above domains.

Leadership is an important topic in Social Science research for decades, but it has gained greater popularity nowadays with the recent renewed interest on it among practitioners and the academia (Elbers, 2007). Despite the richness of literature on leadership, there is a need for more systematic research on micro concepts within the broad leadership domain such as global leadership, leadership development etc. (Den Hartog & Koopman, 2011). According to the authors' knowledge, this is the first study to relate two areas within leadership, namely, transformational and global leadership. Another unique feature in this study is, it extends the idea in the transformational leadership theory (Bass, 1985; Burns, 1978; Yukl, 1999) that transformational leaders contribute to follower leadership development, to the context of global leadership development in MNCs.

In a situation where a new type of corporate leaders are emerging, due to globalization, namely the global leaders (De Meuse, Tang, Mlodzik, & Dai, 2005), the accumulated knowledge base on global leadership, as well as the volume of ongoing global leadership research, is surprisingly limited compared to its importance (Morrison, 2000). Hence, this paper will add an essential bit of knowledge on this emerging concept. Furthermore, this research lays the foundation for further empirical work in the areas of talent management and global leadership.

At a time when the number of studies reported in the South Asian context and especially in Sri Lanka, using new leadership theories are very limited (Jayakody, 2008); this study is based on the transformational leadership theory, which belongs to the genre of new leadership theories. By establishing a relationship between line managers' transformational leadership and global leadership competencies of high potentials, this paper goes beyond the

traditional notion of leader development through training (Day, 2001), to emphasize the less noticed role of the boss in follower leadership development.

There is a novelty in the research context, as studies done on MNCs in Sri Lanka are not found according to the authors' knowledge and at the same time, leadership studies done in such a context are also not available. Though there is a certain amount of leadership research conducted in Sri Lanka, they are done in local organizations (e.g., Abeysekera & Jayakody, 2011; Jayakody & Sanjeevani, 2006) and MNCs are often less addressed in research in Sri Lanka.

Managerial Implications

Further to its theoretical contribution, the study contributes to the practice of HRM in the MNC context (IHRM), talent management, Human Resource Development (HRD), and leadership.

According to Weerakkody (2011), line managers have contributed 39% to the exit of key talent from organizations in the Sri Lankan and Asian context, justifying the need to look at the issues related to high potentials caused by line managers. It indicates the impact that a supervisor could have on a subordinate, which is possible to extend to leadership development. The study provides insight on leadership development in organizations, especially focusing on planning leadership development programs. According to this study, in addition to the high costs incurred on training programs (Lalonde, 1995) organized by the HR Departments with the support of trainers, extensive leadership development can be done during the day-to-day course of work by line managers at no cost.

The need to develop effective leaders with adequate competencies has become obvious in recent years (Bonnstetter, 1999; Brake, 1997; Morrison, 2000; Adler & Bartholomew, 1992; Brake, Walker, & Walker, 1995; Suutari, 2002 as cited in Jokinen, 2005). In 2000s,

companies especially including MNCs are seriously considering about leadership competencies of their employees as a source for competitive advantage and sustainable strategic development (Grachev & Beek, 2004). This focus of MNCs is addressed in this study. Through the study it is expected to provide insight to get away from the traditional understanding that leadership training using traditional methods of delivery is the only solution (Centre for Creative Leadership, 2010) for the shortage of leadership in organizations. In addition, this study also alarms about the need to move away from the thinking that, the role of developing and training people solely lies with the HR and HRD managers in organizations, by emphasizing the greater responsibility lying in the hands of supervisors (French, 2000).

Though most of the local firms focus on developing the today's leaders, MNCs have gone one step forward to look at the possibilities of developing the future leadership. Thompsen and Smith (2006) also confirm the importance of increasing the leadership talent pool or the future leaders of MNCs highlighting the gravity of not doing so. Thus, this study pays attention to the area of developing the next generation leadership, which is a highly focused topic within organizations today (Conger & Benjamin, 1999; Winston, 2008; De Meuse, Tang, Mlodzik, & Dai, 2005).

Limitations of the Study

Despite the study's contributions, there are some limitations to be addressed in future studies.

First, the study faced the inherent risk associated with deductive research, which is non-return of questionnaires (Saunders et al., 2011). One possible reason for this could be the length of the measures. A better response rate could have been achieved if measures with relatively lesser items were available. In addition to using the questionnaire method, there are

other methods of data collection within the survey strategy, which were not implemented in this study due to time constraints and restrictions from MNCs.

Second, the design of the study is correlational and cross-sectional. The relationship would have been better tested if the global leadership competencies of high potentials were tested once and then evaluated after they work under leaders with transformational leadership for a particular time period. But as pointed out by Vianen, Shen, and Chuang (2011), practical obstacles in field settings such as loss of response over time and problems with sustained cooperation of organizations prevented doing such a longitudinal study.

Third, the study does not have a sampling frame and the sample does not contain an equal representation from all industries. As convenience sampling was used, there is an underrepresentation of companies in certain industries in the sample. This was caused by the official policies among certain firms to not expose their high potentials to participate in research (Sheehan, 2012).

Despite the limitations, the techniques used in data collection and analyses also enhance the quality of the findings (e.g.; procedural remedies taken to reduce CMV). This is a major strength of the study as it thereby eliminates a salient weakness associated with field studies (Wat & Shaffer, 2003). The research context of this study is not used by many researchers and with the increasing investments by foreign companies in Sri Lanka after the war; this kind of knowledge generation may appear very much useful.

Directions for Further Research

This study attempts to look at MNC leadership development and more theoretical and empirical work by Sri Lankan researchers is clearly needed in this area. Though leadership had been an attractive and important topic for research, there are many areas within it which

are less explored. There are many areas for exploration especially with the emphasis of organizations to develop global leaders, to meet the pressures of globalization.

Further, it is important to look at other factors which contribute to global leadership development in organizations. According to the results, 25% of the variance in global leadership competencies of high potentials is explained by transformational leadership alone, and 20% of the variance is accounted by dyadic tenure. This finding is not surprising because the global leadership competencies of employees is likely to be influenced by many other factors besides the leaders' transformational leadership, though there is limited agreement and knowledge about those antecedents (Mendenhall et al., 2013). Other possible factors would account for the remaining 55% of the variance. Thus, it would merit to look at factors like perceived organizational and supervisor support, organizational culture, mentoring and coaching programs, leader's personality, cross-cultural training, family background, empowerment practices of managers, and international assignments as possible predictors of global leadership in future research. Another broad factor that could be addressed is the impact of HR practices of MNCs on developing global leadership competencies of high potentials. It would cover most of the areas suggested above and thereby provide the impact of each HR practice on global leadership competencies of employees of MNCs.

As in Khatri and Duggal (2011), Bass has suggested that leaders can simultaneously display transformational and transactional leadership, and based on that view, if the future researchers can bring together both the transformational and transactional leadership of line managers or the full-range of leadership (Bass, 1997) as the independent variable of this study, using a measure like the Multi Factor Leadership Questionnaire (MLQ), the quality of the study could be further enhanced.

CONCLUSION

In conclusion, this study confirms that though there are not enough global leaders available to cater to the demands in MNCs, the line managers of high potential employees can easily provide the solution for the organizations to overcome this issue by displaying transformational leadership. This will ensure MNCs that they can easily produce the bench strength required by those businesses to execute their global business strategies.

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