

# Leadership Development in Emerging Market Economies

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## INTRODUCTION

This edited monograph addresses an important and so far largely unexplored area of practice and research: leadership development (LD) in emerging market economies. In the USA, LD comprises the largest and one of the fastest growing segments of training and development efforts of the majority of business organizations. For example, in 2012 for-profit firms in the USA have spent \$14 billion on LD, and this amount has doubled compared with the annual spending in mid-1990s (Loew & O'Leonard, 2012). Furthermore, research by Bersin by Deloitte's (2014) showed that LD accounted for 35 % of learning and development budgets of more than 300 large U.S firms. While leadership and LD studies originated mostly in the USA and a handful of European countries, over the past two decades LD has become a dominant HRD trend both in developed and emerging economies globally (Dinh et al., 2014).

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At the turn of the twenty-first century, Goldman Sachs projected that by 2050 the combined GDP of four emerging countries, known as BRIC (Brazil, Russia, India, and China), will be larger than that of the G7 (seven largest developed economies; Goldman Sachs, 2001). Later, South Africa was added to the list and the group became known as BRICS. In 2005, Goldman Sachs has added a larger group of emerging countries to their watch list, calling them *The Next Eleven* (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea, and Vietnam; O'Neill, Wilson, Purushothaman, & Stupnytska, 2005). Despite the recession of 2008–2009 and recent overall decline of the growth rates in many of the emerging markets, the combined economies of BRICS and of *The Next Eleven* have grown much faster than those of the G7, and today there is no doubt that soon the emerging countries will account for a larger percentage of the world GDP, compared to the developed countries. A concurrent development is the rapid global expansion of multinational corporations (MNCs) based in the emerging market economies. Thus, the 2014 Fortune Global 500 list of largest companies worldwide included dozens of MNCs from China, Brazil, Russia, India, and other emerging countries (Fortune 2014).

Given the growing importance of the emerging markets, understanding how current and future business leaders in these countries are educated and trained is a matter of high priority for academics, business executives, and policymakers worldwide. However, systematic studies of LD in emerging markets and especially English-language publications on this topic are scarce. We hope that this book will help to close an important gap in the academic literature by bridging LD studies and research on emerging markets and by providing analysis of LD practices in a number of key emerging economies.

A single volume cannot provide a comprehensive picture of the LD landscape of dozens of countries, classified as emerging markets. By necessity, we had to make difficult choices. We included some countries, while leaving out other, arguably equally important examples. We have attempted, nevertheless, to provide representative examples from most important country groupings and regions. Thus, we included chapters on all five BRICS (Brazil, Russia, India, China, and South Africa). Furthermore, four largest economies of the South-East Asian region were included (Indonesia, Malaysia, Thailand, and Vietnam), as well as examples from the Eastern Europe (Hungary and Poland), and Middle East and Africa (Ghana, Kenya, and Saudi Arabia). Two countries in our sample do

not fall into any of the above groupings but were deemed important to include: Turkey and South Korea. Turkey is located in both Europe and Asia and has close ties with both the European Union and the Middle East region. It is one of the largest (both in population and by the size of its economy) emerging markets and has a potential for becoming one of the leading economies in the world. We included Turkey in the Middle East grouping of chapters. In making this decision, we followed the example of the GLOBE research project where Turkey was classified as part of the Middle East cluster (Javidan, Stahl, Brodbeck, & Wilderom, 2005).

South Korea, having achieved status of one of the largest and most developed economies in Asia, can no longer be classified as an emerging economy. However, it was listed among *The Next Eleven* by Goldman Sachs, and we felt that it was important to include this country as an example of an impressive development of LD systems that paralleled equally fast transformation of its economy from the developing to developed status.

### TOPICS COVERED IN THIS BOOK

Chapters in this book cover a wide range of LD practices and topics. While some authors focus exclusively on LD in the business sector, others are discussing such topics as LD in higher education (see the chapter on Indonesia), the role of higher education institutions in LD for managers and executives (e.g., chapters on China, Ghana, Poland, Russia, and South Africa), the role of religious institutions (Ghana), and LD in the government and public sectors (China, Ghana, Malaysia, South Africa, and Vietnam).

Chapters from Brazil, Malaysia, Russia, Thailand, South Africa, and South Korea include case studies of LD in individual companies. These cases and examples can be used in discussions of indigenous LD practices in courses on international and cross-cultural HRD, HRM, and leadership and organization development.

Since research on leadership and LD has originated in the West and LD is a relatively new phenomenon in emerging market economies, readers may assume that LD is at a rather rudimentary stage in most of the countries covered in this book. We hope that chapters in this book will provide ample evidence to suggest that this perception is wrong. Many of the countries in our sample have seen emergence, over the past 20–25 years, of rather sophisticated systems of LD that cover a wide spectrum of approaches. In some cases LD systems of emerging econo-

mies are more diverse and differentiated than those found in the West. Unlike the developed economies where LD is mostly concentrated in business organizations, in many emerging economies leadership capacity building is an important national priority. In these countries there are numerous government-led LD initiatives. In addition, LD is provided by foreign development agencies, local subsidiaries of foreign MNCs, professional associations, and non-governmental and not-for-profit institutions.

Since there are 16 country-specific chapters in this book, it would be impractical to devote this introduction to a chapter-by-chapter overview of the contents. Instead, we will discuss a number of common themes identified by us. We grouped these themes under three topics: factors related to national and ethnic cultures and norms, legislative and political frameworks, and global influences.

### *Sociocultural and Normative Factors*

**The role of networks, in-groups, and related cultural norms and practices.** The role of informal networks and related social norms and practices in shaping the business environment of emerging markets has been widely discussed and analyzed in the academic literature (i.e., McCarthy et al., 2012). Several chapters in this book discuss implications of the existence of such networks and associated norms for LD. Thus, Alagaraja and colleagues (this volume) point out that in India leaders participate in multiple levels of relational networks in and outside their organizations, and this could have a strong influence on how LD is organized, conducted, and evaluated. For example, Alagaraja and colleagues suggest that in the Indian context multisource feedback on leaders' performance may reflect not only their performance at work but also their role outside of the workplace.

Likewise, in China *guanxi* (a concept describing reciprocal relationships between members of interpersonal networks based on common background and in-group ties) is central to success in business. Li and colleagues (this volume) point out that *guanxi*-based relationships between leaders and subordinates are reciprocal and obligatory, and this could complicate LD-related decisions. For example, if leaders have *guanxi* ties with some of their employees, but lack such ties with other employees, they may feel obligated to let their relationship influence their decisions when selecting candidates for participation in LD programs (especially if

such participation is perceived as a reward or path to a promotion). On the other hand, *guanxi* can be beneficial since it facilitates learning through knowledge sharing among members of in-groups.

In Saudi Arabia, Dirani and colleagues (this volume) presented how it is important for leaders to develop informal connections and networks with colleagues for reasons related to consulting, mentoring, and listening to different opinions. These skills are critical for leaders to succeed in their work and within society.

Additional evidence of the importance of considering the role of informal networks when designing LD interventions is provided in the chapter on Russia (Ardichvili and Zavyalova, this volume). The authors argue that successful conduct of business in Russian organizations depends heavily on informal networks (called *swiazi*) and on exchanges of favors with members of these networks. A potential negative implication is that selection of candidates for promotion or participation in LD opportunities is most likely to depend not on outcomes of 360 degree feedback or other assessments but on top leaders' personal preferences, informed by the considerations of *swiazi*. This also suggests that there may be serious concerns about the validity of multisource assessments, since considerations of loyalty to one's in-group and competition with out-group members are likely to affect objectivity of raters' responses.

Finally, another implication of the existence of complex systems of informal networks for LD is the difficulty in explaining nuances of such concepts as *guanxi* or *swiazi* to managers and employees from developed economies working in emerging markets.

**The role of religion, spirituality, and philosophical traditions.** Most of chapters from countries of Asia and Africa discuss the role of religion, spirituality, and philosophical traditions in shaping the leadership and LD practices. Thus, chapters on China and Korea discuss the role of Confucianism in shaping the image of an ideal leader as a benevolent, paternalistic, patriotic, and socially responsible individual. The chapter on India stresses the importance of ancient traditions of spirituality and influences of various religious traditions that have originated in or are currently playing significant role in India: Hinduism, Buddhism, Islam, and others. Finally, chapters on Malaysia, Saudi Arabia, and Turkey show how Islamic norms and beliefs influence all aspects of business management and leadership as well as perceptions of what should be the focus of LD.

**The role of indigenous models of leadership.** All three chapters in this book that are covering countries of Africa (Kenya, Ghana, and South

Africa) discuss the importance of indigenous concepts and models of leadership and their role in LD. Thus, chapters by Yawson and Muyia and Nafukho discuss in detail the concept of Ubuntu and its central role in shaping the unique African way of doing business and leading organizations. In addition, Osafo and Yawson discuss the role of traditional tribal leadership and LD approaches.

Muyia and Nafukho explain that, according to the concept of *ubuntu*, “leaders are expected to be caring and humane in their leadership roles by showing respect and empathy” (p. 233), and LD “should rely on the three *tenets of ubuntu*: consensus building, dialogue and spirituality” (p. 233). Furthermore, leaders “must focus on the learning and development of people” (p. 233). Another conclusion made by the authors is that in the African context there is a need for caring leadership that creates cooperative and nurturing environment that is also emphasizing self-development and self-discipline (p. 234).

Advancing a similar idea, Yawson discusses the current debate about the use of Eurocentric and Afrocentric leadership models in South Africa. He shows that, in contrast to Eurocentric models borrowed from the West and focused on achieving profit maximization goals, Afrocentric models are focused on human relations and on caring for employees and the community. Yawson concludes that in African countries a combination of the two approaches, with a predominant emphasis on servant leadership and caring, can provide a good fit with the cultural assumptions of the society and be more effective in the long run.

Similarly, Dirani and colleagues discuss how the leadership norms in Kingdom of Saudi Arabia (KSA) are rooted in Arabia Bedouin cultures. Dirani and colleagues. (this volume) suggest that individuals need to develop a clear understanding of the Bedouin or tribal norms, such as generosity, pride, and courage, and sacrifice for the collective good. As such, people within the tribe have their particular perceptions of factors such as leadership, decision-making, problem solving, and ways of communication. The tribal norms and Bedouin perceptions of leadership are clearly portrayed, both in the Saudi society and Saudi organizations.

**Mindfulness and self-development.** The theme of importance of leaders’ self-development, discussed in the context of African leadership, was a recurring theme throughout a number of other chapters as well. Thus, Alagaraja and colleagues (this volume) pointed out that in Indian organizations an increasing attention is paid to self-understanding and healthy work–life balance. The authors suggested that, since mindfulness

and yoga-based approaches to leaders' self-development are gaining popularity in the USA and other developed countries, studying such practices in India, a country with millennia-long tradition of such practices, would be highly beneficial to LD professional around the world.

Likewise, the chapter on China (Li et al.) discusses the connection between currently popular in the West theory of authentic leadership and the Confucian philosophy. The authors cite Zhang and colleagues (2012) to assert that "all the qualities of an authentic leader—positive psychological capital, morality, self-conscience, and self-adjustment—could be found in Confucian philosophy" (p. 76).

**Paternalistic leadership styles.** Chapters on Malaysia, Brazil, Korea, Turkey, and Russia discuss the role of paternalistic leadership styles and implications for LD. A study of managerial behaviors in ten countries (Aycan et al., 2000) found that in a number of countries of Asia the paternalistic management style was one of the dominant. As pointed out by Aycan and colleagues, in paternalistic cultures leaders assume the role of parents who are expected to care for the needs of their employees; in return, employees are expected to show unconditional allegiance to the leader. However, leaders' behaviors are also affected by numerous other factors, including socioeconomic conditions in a given country, influences of legal and political frameworks, and the larger geopolitical situation. This means that, while the paternalistic style is found in a wide range of emerging market countries, specific manifestations of this style will vary, and its effects on LD could be different.

There are also signs that traditional paternalistic models are being challenged by the new generations of young leaders. Thus, the authors of the Turkey chapter cite a study by Aycan and Fikret-Pasa (2003) to point out that the young generation of Turks shows stronger preference for transformational leadership styles, as opposed to more traditional authoritarian and paternalistic styles endorsed by older generations, and values more individual growth and development opportunities. Similar tendencies toward the departure from traditional paternalistic and autocratic models can be traced in South Korea, as evidenced by the comparison of two very different LD models, implemented by two large Korean business organizations (Yoon et al., this volume).

In the KSA chapter, Dirani and colleagues argued that despite traditional paternalistic beliefs, more women are entering workforce in Saudi Arabia today. However, it is still obvious that men deal with external matters and women take care of household chores after work. These

traditional values undermine women's aspirations to pursue leadership positions, let alone career opportunities, and have resulted in the low presence of women in management and leadership positions in KSA.

*Laws and Regulations, Ownership Structure, and Political Factors*

**Differences in LD practices of organizations with different ownership structures.** A theme that is common to a number of the emerging market countries is the significant difference in LD approaches of companies depending on their ownership structure. In a number of emerging markets the role of state-owned companies is much more significant than it is in the developed world. And the state sector has, as rule, a distinctive set of norms that influence all aspects of management and leadership, including LD. This difference is especially pronounced in China and Vietnam, and the chapters on these two countries provide informative discussions of the specificity of LD in the state sector. While the said two countries are providing the most salient examples, the state sector is also playing a significant role in economies of Russia, Malaysia, Ghana, and many other emerging countries. Finally, in most emerging economies, in addition to the state and private sector companies there is a large presence of the third type of organizations—MNCs from Western countries. These organizations usually have a strong influence on the overall direction of LD in the country since local companies are often imitating or borrowing practices of MNCs. An example of the influence of MNCs on local LD practices is described by Ardichvili and Zavyalova (this volume): In a recent annual competition for the title of the best LD provider in Russia, all three top prizes were awarded to Russian subsidiaries of Western MNCs. Furthermore, the chapter demonstrates that practices of such MNC subsidiaries are regularly featured in influential leadership and LD publications.

**The influence of dominant political ideologies.** A unique characteristic of some of the emerging market countries covered in this book is the significant impact of dominant political ideology on leadership and LD. While in Western democracies such influence is virtually nonexistent, in countries that still have one-party political systems (China and Vietnam) the role of dominant political party and its ideological platform is impossible to ignore. Thus, Li and colleagues write, "The governing communist party has greatly influenced Chinese leadership and LD. Through



establishing a constitution that consists of guidelines for membership, organization system for central and local governments, party discipline, party cadres, and etc., the party tries to regulate members' behavior" (p. 78). Furthermore, "the party publishes six behavior guidelines for party members to follow ... party members must demonstrate exemplary behaviors in production, work, learning, and social life." (p. 78). Since membership in the party is considered an important factor in securing leadership roles in organizations, it goes without saying that the above guidelines are likely to have huge impact on the behavior of Chinese business leadership.

Likewise, in Vietnam the Communist Party committees play a central role in shaping business strategy and leadership of state-owned organizations. Policies, developed by the party, also affect the work of private sector organizations. In the state sector, there are two parallel leadership structures: the party apparatus (which includes the enterprise-based committee of the Communist Party and the secretary of the Communist Party) and the management group, responsible for day-to-day operations of the firm. Under this dual system, party leaders often play a more important role in important management decisions than do business executives and managers.

The described parallel structure is also mirrored in the LD systems. The party leadership has its own system for LD (political academies), where education is heavily skewed toward teaching political subjects. Since many business leaders and leaders of Communist Party committees of the enterprises are going through training at such party academies, their leadership behaviors and value systems are likely to be significantly influenced by the party ideology.

Dirani and colleagues (this volume) discuss religion and authority as factors that have a significant imprint on leadership practice and development in KSA. They argued that Islam, as a religion, has shaped KSA people's national identity, way of thinking, and behaviors, which in turn have shaped the leadership approach taken by leaders in KSA. The social culture, as well as the religion, has its impact on people's lives. In addition, the KSA basic law declares the king as the point of reference for all branches of government (judicial, executive, and regulatory). Thus, the king becomes the ultimate leader and many politico-religious matters rely exclusively on his choice or judgment. As such, the king makes similar claims to the caliphs and sultans in traditional Islamic history who claimed two authorities: the temporal and the religious.

**The role of the public sector.** A number of chapters describe, in addition to organizational-level LD efforts, programs and systems that exist on national levels. Thus, Johnathan and Hamidi provide a detailed discussion of LD programs, initiated by the government of Malaysia, and an impressive system of national training and development organizations (institutes), tasked with management of these programs. The system prepares leaders from various organizations, both in the government and private sectors. Such systems also exist in Vietnam, Thailand, and South Korea.

### *Global Factors*

**Global competencies and localization.** Several chapters discuss how the rapid internationalization of companies from the emerging markets leads to a new challenge facing LD providers: developing competencies for leading in foreign markets and beyond the national borders. Thus, chapters on Thailand and Vietnam point out that the impending integration with the ASEAN Economic Community means that most Thai and Vietnamese managers will need to develop new leadership competencies. Specifically, there is a need for developing global leadership competencies aimed at addressing the challenge of leading multinational workforce, consisting of nationals of other ASEAN countries, and leading their organizations' operations in other countries.

Alagaraja and colleagues (this volume) argue that developing global leaders is an important priority item for LD in a growing number of Indian MNCs. In discussing what global competencies may be important for Indian managers, they cite Mendenhall (2011) who identified two sets of such competencies: global business and operating expertise, and intercultural competencies.

Likewise, Li, Wang, and Wu (this volume) argue that global leadership competencies are highly important for leaders of Chinese companies, and currently there is a shortage of "Chinese talents with the necessary competencies and potentials to reach global and executive leadership positions in multinational corporations" (p. 81).

### CONCLUSION

In summary, LD practices in countries, represented in this book, are influenced and shaped by a complex interplay of global economic and geopolitical factors, national and ethnic cultures, societal and organizational

norms, and government regulations, legislation, and policies. In each case, there are some country-specific expectations for preferred leadership styles and behaviors. These expectations are also complemented by sets of expectations that are common to a larger group of countries. Thus, despite the continued importance of traditional paternalistic models, in most countries transformational, participative, authentic, and servant leadership models are gaining significant traction, especially with the younger generation of leaders. Other often encountered themes are the concern for leaders' self-understanding and self-development, and the important role of spirituality and ancient philosophical traditions.

Overall, we conclude that in the majority of countries, represented in this book, LD has already become or is rapidly becoming an important part of the overall national- and organizational-level HRD efforts. While the majority of LD approaches are either borrowed from the West or have evolved based on Western models, the realization is growing that the creation of indigenous models is important, and there are encouraging examples of efforts to develop and implement such models in organizations.

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