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Global Leadership Development through Transformational Leadership and

Psychological Empowerment:

A Study in Multinational Companies in Sri Lanka

Prabhashini Wijewantha

Department of Human Resource Management,

Faculty of Commerce and Management Studies

University of Kelaniya, Sri Lanka.

prabhashini@kln.ac.lk

Pavithra Kailasapathy

Department of Human Resources Management,

Faculty of Management and Finance

University of Colombo, Sri Lanka.

pavithra@hrm.cmb.ac.lk

Abstract

This study addresses the said problem 'why high potentials do not demonstrate the competencies of globally competent leaders?' In doing so, on the basis of transformational leadership theory, it uses the transformational leadership of line managers as a predictor of global leadership competencies of high potentials. Furthermore, it is proposed that the above relationship is mediated by Psychological Empowerment (PE) based on PE theory and both propositions are supported by the data. Primary data on which study is based were collected using questionnaires developed with standard measures from a sample of 158 dyads of high potentials and their respective line managers working in multinational companies in Sri Lanka. Both propositions were supported by the data. Study makes immense contributions to the theory and practice in the fields of leadership, management, International Human Resource Management, talent management, Human Resource Development, and Organizational Behavior.

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Introduction

The key differentiator between corporate winners and losers in the multinational business context in the 21st Century is the effectiveness of their human resource (Taylor, Beechler, & Napier, 1996). Thus, human resources with superior capabilities, identified as 'key talent' in an organization act as a prime source of sustainable competitive advantage for organizations (Hiltrop, 1999) and therefore managing talent is a top-of-mind issue of 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 in organizations in the future. In the current business context, developing and retaining effective leaders is not only a talent management priority, but also an overall business necessity. According to the Pulse Survey 2011 of Global Novations LLC (2011), 69% companies have identified leadership development as a major priority under their talent management initiatives. 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 thereby identifying suitable successors to existing leaders and placing them in 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 a major area within talent management and leadership development, which is developing competent future leaders for key positions in organizations (Kambil, 2010; McKinsey& Co., 1997). These key positions

are not restricted to the top management team, as key positions exist at the middle management level of the hierarchy as well (Collings & Mellahi, 2009).

In the global business context, Edwards (2011) emphasizes the need for global leaders with global leadership competencies, irrespective of where business regimes expand. As the world has arrived at the global age, the organizations need to be global players and there is a clear need for leaders who can think and operate globally. Javidan, Dorfman, de Luque, and House (2006) argue understanding global leadership is a critical success factor for large MNCs, which are touched by the impact of globalization. However, 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, which is the main focus of this research.

In a preliminary study among five HR Managers in MNCs in Sri Lanka, it was 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 as also stated by Kogekar (2009), as they are expected to be groomed as successors of key positions. The general expectation of organizations is that high performers would demonstrate leadership potential and become leaders in the future. But according to the interviewees, only a few high potentials become global leaders after taking over leadership while some do not display leadership potential at all though they manifest other technical capabilities. According to estimates, in the recent past, around 50-55% of high potential employees have failed in leadership positions (I. Dias, personal communication, April 25, 2012).

Above situation is not unique to 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 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,

saying "our high potentials may be very good in their subject, but they are not good leaders!" (p. 18). In a Harvard Business Review article in 2010, the authors have noted that, about 40% of internal upward job moves of 'high potentials' ended in failure (Martin & Schmidt, 2010). This problem is seen mostly among middle managerial employees tapping the door to enter senior management. Furthermore, the managers in the preliminary study also revealed that the reason for this cannot be shortcomings with their inherent leadership skills as all these employees are rigorously screened for leadership skills at selection (e.g., Unilever globally evaluates candidates on 'Global Standards of Leadership' introduced by headquarters UK) and are expected to possess the basic competencies for the making of a successful global leader.

Most of the web resources and scholarly work on high potentials focus on 'identifying' high potentials (Donahue, 2004; Spreitzer, McCall, & Mahoney, 1997), but none had addressed the issue of them failing in leadership due to not having global leadership competencies. Web resources highlight the problem, but they do not present empirical solutions to the issue (e.g., Gillis (2012) states that there is a shortage of global leaders which hinder companies' global business strategy execution). Morrison (2000) has found that most of the existing research on developing leaders with global leadership are limited to descriptive essays, based on small scale samples, using consultancy experience of authors, covering few countries, and therefore he emphasizes that more research needs to be done essentially on every aspect of global leadership development. In addition, previous research on global leadership is dispersed and there is a need for more synergistic research with a comprehensive theoretical framework. The researchers who observed this problem have come up with the solution of leadership training and have not considered other alternatives. But in the observed local context, the issue remains unaddressed. As such this study expects

to look at 'why all high potentials do not demonstrate the competencies of globally competent leaders?'

Next it is expected to address the above research problem by identifying the possible variables which could explain it using various theories.

Research Objectives

Accordingly based on the transformational leadership theory (Burns, 1978; Bass, 1985) which indicates that transformational leaders contribute to follower leadership development, it is expected

i) To identify the impact of transformational leadership of line managers on global leadership competencies of high potentials working under them

Based on the psychological empowerment theory and psychological empowerment being a consequence of transformational leadership (Givens, 2011), next it is expected,

ii) To see whether psychological empowerment of the high potentials mediate the relationship between transformational leadership and global leadership competencies

Next section discusses the literature which forms the base of the study along with the theoretical framework developed in this research.

Literature Review and Theoretical Framework

Out of an array of factors contributing to global leadership development, the role of the immediate supervisor of the high potential is emphasized here. Evans (2007) has identified the potential of transformational leaders to transform workers in to future leaders in a given organization. Hence, it is proposed that supervisors with transformational leadership would contribute largely to develop global leadership competencies within high potentials in the MNC context. 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 with transformational leadership would create a global leader 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 (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). These 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.

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, it is important to have supervisors with the ability to change followers and to develop them into the kind 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 potentials to reach their maximum capacity, could it be in job performance or demonstrating leadership competencies (Dvir, Eden, Avolio, & Shamir, 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, meeting the demands in the MNC context. Thus, it is proposed

> **H_1:** *There is an impact of line managers' transformational leadership on global leadership competencies of high potentials*

According to the transformational leadership theory, follower development also takes place through autonomy and empowerment (Graham, 1988). The same is confirmed by Bass and Avolio (1990), where they state that transformational leaders enhance the follower capacity to think on their own and develop new ideas, and thereby enable the followers to

develop themselves. As such it could be argued that, transformational leaders develop their followers, and help them to be future leaders through psychological empowerment.

According to Spreitzer's psychological empowerment theory, psychological empowerment is a psychological state that focuses on how employees actually think about, and experience their work (Vacharakiat, 2008). Empowered individuals believe about their own roles, feel confident, and become eager to be successful by embracing development and growth. The basic proposition here is that when individuals view their work environment as providing opportunities for, rather than constraints on, behavior and positive worker outcomes, that is psychologically, empowered. This empowered psychological state gives them confidence and competency to be successful at present and in the times to come. According to Spreitzer's (1995) psychological empowerment theory, empowered individuals demonstrate certain behaviors and competencies which are actually expected from leaders, especially in the global context. Further, the supervisor is a major contributor in creating this work environment related empowerment. Hence, it can be argued that transformational leaders make their subordinates, who are in this case high potentials, feel empowered and that empowered feeling in the subordinates enable them to demonstrate competencies expected from leaders, and in the MNC context the competencies expected from global leaders.

Thus, on the basis of psychological empowerment theory and empirical evidence it is proposed,

> H_2: *There is a mediating effect of psychological empowerment of high potentials on the relationship between line manager's transformational leadership and global leadership competencies of high potentials.*

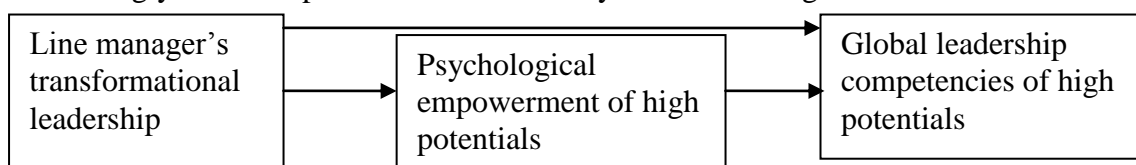Accordingly the conceptual model of the study is shown in Figure 1 below.

| Line manager's transformational leadership | → | Psychological empowerment of high potentials | → | Global leadership competencies of high potentials |

Figure 1 – Relationship between the independent, dependent, and the mediating variable

The next section will present the methodology used to test the above hypothesis.

Research Methodology

This study is conducted following the quantitative method based on the positivistic research philosophy following a deductionist approach. This explanatory research is based on primary data and adopts the survey strategy. It is a cross-sectional study. The unit of analysis here is the high potential and his/her respective supervisor which is a dyad.

Measurement of Constructs

Global Leadership Competencies of High Potentials

The 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) done to develop a 'Profile of the Global Leader of the Future'. It includes 10 dimensions with items to measure each, which add to a total of 41 items. The ten dimensions covered 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 and they were measured on a 7 point Likert scale.

Line Manager's Transformational Leadership

Opertaionalization 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 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 proposed four dimensions by combining attributed charisma and behavioral charisma as 'idealized influence'.

Psychological Empowerment

The 12 item original measure on a 7 point Likert scale by Spreitzer is adopted to measure four dimensions (meaning, competence, self determination, and impact) of psychological empowerment and it comprises of three items for each dimension. Measure qualifies for selection as it is validated by Spreitzer using a sample similar with the present study. Spreitzer has developed the measure combining separate items from previous research.

Control Variables

Antes (2010) identifies that leadership potential demonstrated by a follower might be affected by the length of time he/she has worked with a leader and as such, data about dyadic tenure is collected and controlled for in the present study. As the time dyads was together (dyadic tenure) could have an association with the impact of line manager on subordinate's leadership, as evidenced in prior research (Goertzen & Fritz, 2004; Gils, Quaquebeke, & Knippenberg, 2010; 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 research is all high potential employees in the middle management category working in MNCs and their respective supervisors. Out of the non-probability sampling techniques, the authors used, convenience sampling (haphazard or availability sampling) where dyads were selected considering the convenience to access.

Data Collection

Data collection was done through a self administered, anonymous, structured questionnaire. Identification of high potentials was done either through the HR Department, employee himself, or their respective bosses of MNCs. The data were collected through email or by delivering and collecting questionnaires.

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. The two main variables were measured on a 7 point Likert rating scale. Finally, the demographic information was obtained from both parties, as ensuring external validity of a study requires descriptive data on the basic demographic profile of the sample (Kallet, 2004). The sections in the questionnaire were arranged in a manner where data on key variables are collected initially and the personal information about the respondent is collected later.

Out of 300 questionnaires distributed 187 pairs responded and the response rate amounted to 62%. Out of the 187 questionnaires only 158 were usable. Considering the usable questionnaires, the response rate is 53%. Hence, the final sample size of the study is 158.

Sample Description

Most (39.2%) of the high potentials in the sample belong 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 of line mangers belongs to the age category of 41-50 years. There are more male line managers than females. Majority of the line managers (76) 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. The mean, Standard Deviation (SD), correlation, and reliability statistics related to the three variables in the model are shown in Table 01 below.

Table 1

Descriptive statistics and output of the basic preliminary analysis

Variable	Mean	SD	Correlation		Reliability
Global Leadership	3.76	1.25			.98
Transformational Leadership	3.88	1.34	.58		.98
Psychological Empowerment	3.91	1.38	.69(GL)	.37(TL)	.95

Hypothesis Testing

Since the present study is testing for an impact and as there is one predictor, one mediator, 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, mediating, 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 by creating four dummy variables specified by Hair et al. (2010) to make it suitable to be used in Multiple Regression Analysis.

In running the regression analysis, the summated means of responses was 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 of high potentials, when the 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 was 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 control variable is held constant, there is a positive impact (.51) of line managers' transformational leadership on global leadership competencies of high potentials. It means 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 ($.00 < .01$). "The smaller the value of *Sig.* (and the larger the value of *t*), the greater the contribution of that predictor" (Field, 2009, p. 239). As there is a statistically significant contribution from line managers' transformational leadership towards global leadership competencies of high potentials, hypothesis is supported by the data.

Model summary. Dyadic tenure alone accounts for 20% of the variance in global leadership 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 of high potentials is accounted for by the regression model from the sample. 44% of the variance in global leadership 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 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, it can be concluded that the addition of transformational leadership has increased the predictability of the model significantly.

   Testing the mediation effect of psychological empowerment. Indirect effect is defined by Hair et al. (2010) as the effect created by a third variable intervening between two related constructs. Hair et al. (2010) state that, a mediator facilitates the relationship between two constructs based on a theory.

Table 2

Model parameters and model summary

Variables	Model 1			Model 2		
	β	t	*Sig.*	β	t	*Sig.*
Control Variables						
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
Independent Variable						
Transformational Leadership				.51	8.41	.00
Model Summary Statistics						
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		

   Similarly it is argued based on the psychological empowerment theory, that psychological empowerment of high potentials appears as a third variable to facilitate the relationship between line managers' transformational leadership and global leadership

competencies of high potentials. "Mediation requires significant correlation among all three constructs" (Hair et al., 2010, p. 767). As shown in Table 1 a significant correlation exists among all three variables.

To test for mediation, a series of regressions need to be performed, following the four step three regressions approach proposed by Judd and Kenny (1981, as cited in Baron & Kenny, 1986) and significance of the coefficients is examined at each step.

(1)   Testing for the direct effect (DV predicted by IV)

A hierarchical multiple regression is run where global leadership was regressed in step one for dyadic tenure and in step two for line managers' transformational leadership. Table 3 shows the multiple regression statistics which confirm the existence of a statistically significant direct positive relationship between the variables.

(2)   The mediator predicted by the IV (testing for direct effect)

A hierarchical multiple regression was run where psychological empowerment - the mediator, was regressed in step one for dyadic tenure and in step two for the independent variable. Table 3 – Regression 2 statistics confirm that transformational leadership is a significant predictor of psychological empowerment with the t statistic of 4.10 being significant at .05 level.

(3) The dependent variable predicted by the mediator controlling for the independent variable (indirect effect)

As the first two regressions show significant prediction relationships, it is concluded that the possibility for a mediation effect exists, and therefore it is proceeded to the third regression, where the testing for the indirect effect is done. A three step regression was performed here, where global leadership of high potential subordinates was regressed in step one for the control variable, in step two for the independent variable, and in step three for the mediating variable. Table 3 shows the regression statistics.

Since there is a change (decrease) in the relationship between transformational leadership and global leadership of high potential subordinates after the addition of psychological empowerment as an additional predictor of global leadership, the mediation is supported. Thus, Hypothesis 02 is supported by the data.

If the mediator completely explains the relationship between the independent and the dependent variable, it is termed as complete mediation (Hair et al., 2010). But as it is proven that, there is a significant ($p = .00 < .05$) relationship ($B = .36$) between transformational leadership and global leadership, after adding the mediator, there is no full mediation situation here. That is, there is a relationship between transformational leadership and global leadership that is not explained by the mediator. Before adding psychological empowerment to the hierarchical multiple regression, the unstandardized B between transformational leadership and global leadership is .48 ($p = .00 < .05$) and as it is reduced to .36 ($p = .00$) and remains significant after adding psychological empowerment, it is identified that there is a partial mediation (Hair et al., 2010).

Decomposition effects. The magnitude of the mediation effect or the significance of the indirect pathway can be demonstrated by breaking down the total effect into direct and indirect effects. As SPSS does not provide the decomposition effects, they are calculated manually. Here the total effect is the unstandardized B of transformational leadership and global leadership. This should equal to the unstandardized Bs of transformational leadership and global leadership after including psychological empowerment, plus the multiplication of the unstandardized B of transformational leadership and psychological empowerment and unstandardized B of psychological empowerment and global leadership controlling for transformational leadership.

Table 4 shows the calculation of effects. The indirect effect of .12 represents the change in global leadership for every unit change in transformational leadership that is mediated by psychological empowerment.

Table 5.15

Calculation of direct effect, indirect effect, and total effect

Type of Effect	Value	
Direct Effect		.36
Indirect Effect	(.27*.42)	.12
Total Effect		.48

Sobel (1982) has provided an approximate significance test to measure the indirect effect of the independent variable on the dependent variable via the mediator (Baron & Kenny, 1986). The Sobel test is used to test the significance of the partial mediation in this study through the 'Online Calculator for the Sobel Test Calculation' and the Sobel test statistic is 3.53 with a p value of 0.00 ($p < .001$).This result confirms the significance of the partial mediation effect, which means that the indirect effect of the independent variable on the dependent variable through the mediating variable is significant.

Discussion of Findings

In addressing why most high potentials do not convert to better global leaders once they take up leadership in subsidiaries of MNCs, the study looked at how transformational leadership of line managers predicts the global leadership of high potentials reporting to them and found that it has a significant positive impact ($R^2 =.45$, $p =.000$) in developing the global leadership 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.

Table 5.14

Mediation effect of psychological empowerment on line managers' transformational leadership and global leadership competencies

	Model 1			Model 2			Model 3		
	B	*β*	*t*	*B*	*β*	*t*	*B*	*β*	*t*
Reg. 1 - *Control Variables* - Dyadic Tenure (yrs)									
< 01	-.71	-.23	-2.99**	-.61	-.20	-3.08**			
3-5	.89	.32	4.17**	.62	.22	3.43**			
6-10	.61	.09	1.17	.59	.08	1.36			
Independent Variable - TL				.48	.51	8.41**			
R^2		.20			.45				
Adjusted R^2		.19			.44				
ΔR^2		.20			.25				
ΔF		12.95**			70.65**				
Reg. 2- *Control Variables* - Dyadic Tenure (yrs)									
< 01	-.83	-.24	-3.40**	-.77	.-22	-3.31**			
3-5	1.34	.43	6.13**	1.18	.38	5.60**			
6- 10	1.04	.13	1.97	1.03	.13	2.04			
Independent Variable - TL				.27	.27	4.10**			
R^2		.32			.39				
Adjusted R^2		.31			.37				
ΔR^2		.32			.07				
ΔF		23.92**			16.83**				
Reg. 3 - *Control Variables* - Dyadic Tenure (yrs)									
< 01	-.71	-.23	-2.99**	-.61	-.19	-3.08**	-.29	-.09	-1.59
3-5	.89	.32	4.17**	.62	.22	3.43**	.12	.04	.69
6-10	.61	.09	1.17	.59	.08	1.36	.15	.02	.40
Independent Variable - TL				.48	.51	8.40**	.36	.39	6.94**
Mediating Variable - psychological empowerment							.42	.47	6.99**
R^2		.20			.45			.59	
Adjusted R^2		.19			.44			.57	
ΔR^2		.20			.25			.13	
ΔF		12.95**			70.65**			48.91**	

**- <.001, *- <.05

In line with previous studies (Avolio & Gibbons, 1988, Bass, 1985; Burns, 1978; Bass & Riggio, 2006; Dvir et al., 2002; Kovjanic et al., 2012; Sinha & Rai, 2004; Yukl, 1999), 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). 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 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. 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.

Thirdly, being consistent with literature (e.g., Avolio, Zhu, Koh, & Bhatia, 2004; Fuller, Morrison, Jones, Bridger, & Brown, 1999; Kark, Shamir, & Chen 2003; Morrison, Jones, & Fuller, 1997; Zhu, Sosik, Riggio, & Yang, 2012) the results also establish the predicted mediating role of psychological empowerment on the relationship between line manager's transformational leadership and global leadership competencies of high potentials. It suggests that transformational leadership per se is not the only contributor to global leadership development, and that it occurs also through psychological empowerment created within high potentials. Here psychological empowerment is identified as a main mechanism through which transformational leadership differentially relates to global leadership of followers. Furthermore, this finding of the study is also congruent with past research (e.g., Abbas & Yaqoob, 2009; Spreitzer, Janasz, & Quinn, 1999) indicating the significant impact of psychological empowerment of employees on developing their own leadership competencies.

Significance of the Study

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 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, the present 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 related disciplines to come up with a new model of global leadership development and the present study 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 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 that transformational leaders contribute to follower leadership development in the transformational leadership theory (Bass, 1985; Burns, 1978; Yukl, 1999), 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 study will add an essential bit of knowledge on this emerging concept. Furthermore, the study provides not only a theoretical framework but also 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, the present study 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.

The Accenture Institute for Strategic Change (2001) highlights the need to come up with new models of leadership development with the prevailing situation where leadership models of the past provide little guidance for creating models for the future. Though this would not be an all time valid model that has to be followed forever, the mode developed in this study will be a major guide in developing the tomorrow's generation of leaders. As this study integrates psychological empowerment it comes up as a novel model that further empirical studies could be directed at. Though previous studies (e.g. Spreitzer et al., 1999) have identified the relationship between psychological empowerment and leadership development, they have not looked at it as an antecedent of developing global leadership within a potential leader, which is the approach taken here. No studies are found using psychological empowerment as a mediator between transformational leadership and global leadership of followers and thus, by using it in this type of a model, the present study introduces a new conceptual view to the field.

There is a novelty in the 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 & Sanjeewani, 2006) and MNCs are often less addressed in research in Sri Lanka.

Practical Implications

In the 2000s, companies especially including MNCs are seriously considering leadership competencies of their employees as a source for competitive advantage and sustainable strategic development (Grachev & Beek, 2004). This indicates the obvious concern in the business setting to develop leaders, and the specific concern for developing leaders in MNCs. The above practical focus of MNCs is addressed in this study. 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, stating:

> An organization's capability to deliver targeted results and sustain economic viability over long term is highly dependent upon its focus on building, deploying, and retaining critical leadership bench strength. Organizations that fail to identify and prepare current and future leaders are at high risk. (p. 1)

Thus, the present study pays attention to the area of developing the next generation leadership, which is a highly focused topic within leadership development in organizations (Conger & Benjamin, 1999; Winston, 2008; De Meuse, Tang, Mlodzik, & Dai, 2005). A significant role is played by the supervisors with transformational leadership capabilities in developing high potential subordinates into leaders, as it helps the efforts of the HR Department, it is important to look at this area with greater emphasis. Given the situation existent in the organizations, the study will provide insight to practicing managers on developing future leaders within the talent pool in MNCs and thereby help them to enjoy strategic benefits that a better talent management strategy would produce.

The top talent wants a leadership that allows them to be innovators to bring forth new ideas and execute them (Fernandopulle, 2006), and this indicates the role of leadership expected by high potential employees. They expect their leaders to empower them so that they are able to bring in and implement innovative practices to the job. Psychological empowerment includes beliefs about one's purpose and potential (Payne, 2005). Thus, it is important to identify the role of a boss or a leader to create psychological empowerment within their subordinates, and contribute to leadership development within an organization. Zairi and Jarrar (2010) also confirms the capability of empowerment in unleashing the potential of high potential employees and therefore it is worthwhile to note that it acts as a better leadership development initiative in addition to classroom based leadership training.

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 potential employees, caused by line managers. It indicates the impact that a supervisor could have on a subordinate, which is possible to extend to the leadership development practices as well. Accordingly the present study helps organizations to understand the role of line managers in developing their high potentials directly and also through psychological empowerment.

Even though the above discussion is based on the sample, because of certain efforts taken, the outcome can be applied to a broader setting. Though the settings will not be exactly the same, the findings can be applicable to the subsidiaries of MNCs located in other countries and also to 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).

Limitations of the Study

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

The study faced the inherent risk associated with deductive research, which is non-return of questionnaires (Saunders, Lewis, & Thornhill, 2011). One possible reason for this could be the length of the measures. In addition to the questionnaire method, there are other methods of data collection within the survey strategy, which were not implemented here to the time and restrictions from MNCs. Therefore, it is possible for misunderstandings to occur (Zikmund, 2010).

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 time period. But as pointed out by Vianen, Shen, and Chuang (2011), practical obstacles in field settings prevented doing such a longitudinal study.

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).

Relatively low response rate of the study due to the nature of work engaged in by 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 is another limitation of this study. Unit of analysis being

dyads also prevented reaching a better response rate as the researchers had to get the responses of both. Despite the limitations, the techniques used in data collection and analyses also enhance the quality of the findings (e.g.; procedural remedies taken to eliminate 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 is an initial attempt to look at MNC leadership development and more theoretical and empirical work by Sri Lankan researchers is clearly needed on the area. Though leadership had been an attractive and important topic for research, there are many areas within it which are less explored.

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 though there is limited agreement and knowledge about those antecedents (Mendenhall, Osland, Bird, , Oddou, Martha, & Stevens., 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 development 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 has 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

The uniqueness of this study is that it contributes to the knowledge base of a variety of domains. In conclusion, it confirms that though there are no enough global leaders available to cater to the demands in MNCs, there is a framework available to ensure global leadership development efforts produce the bench strength required by those businesses to execute their global business strategies.

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