Challenges of Organizational Leadership Development in Iran's Private Sectors

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Abstract-**Nowadays, organizations all over the world are trying to be more competitive by investing on growing their leaders. Since organizational leadership development is considered by many researchers, there is much evidence that this process is facing weaknesses in many organizations, especially in organizations in the developing countries such as Iran. On the other hands, while privatization is a new trend in Iran, it is facing more challenges in developing the organizational leadership. In this regard, the main focus of this paper is a general review on the challenges of organizational leadership development in private sector in Iran. Highlighting the challenges of this issue may encourage the researcher to work on different aspects of it in the organizations. It also will alert the organization's managers to pay more attention on growing their future leaders.**

Keywords- leadership development, challenges of leadership development, Iran's private sectors

I. INTRODUCTION

Twenty first century is the century of change with an increasing speed. Change that are not in line neither with the past nor the future; and they are the consequence of events and conditions totally disconnected with the trend of the past [1]. To face these challenges, organizations must be more flexibility in their structure [2]. For sustained survival of the organization, there is a need for leaders to continually assess their strategic position and align the organization's idealistic purpose with the organizational overall mission, goals, and objectives [3].

In recent years organizations recognized that they cannot be assured the job stability of their employees. There are many factors like illness, retirement, attrition and more attractive job offers which may cause instability in an organization's workforce [4]. Therefore, guaranteeing the future stability of these organizations becomes so vital for this unstable organizational environment, and thus, organizations are trying to ensure that their key positions stay skillfully staffed. As a result, leadership development appears as an important concept that becomes more and more vital for organizations [5].

II. LEADERSHIP DEVELOPMENT

The old traditional idea which considered employees as the greatest asset is changing by new ideas in many organization; these organizations arranged an investment in the future of their employees by establishing a strategic plan to develop the capable candidates for replacing the key staff as their positions become vacant. Having the right people in the right place and at the right time generates the need for organizations to implement a strategic plan [4]. Many organizations are on this believed that the growing of leaders is the only way to certain them about the existence of executive talents whom they need in the future's competitive world [6].

A rich body of literature discusses leadership development as an increasingly fundamental and strategic imperative for organizations and disputes that organizations that wish to survive in today's chaotic and competitive environment have to develop the leadership at all levels [5,7, 8, 9, 10,11].

In both private and public organizations, leadership development is a critical and strategic issue. Organizations that have an obvious vision for developing future leaders, supporting organizational structure, and a strategic plan to utilize leadership programs will be much better prepared for the challenges of future [5]. In successful organizations, in order to raise the leadership capacity, they use a variety of developmental activities [12].

A right kind of leadership is needed to prosper organizations in the competitive environment [13]. Employees need to be equipped with leadership skills [14] as both the role and the process of leadership are important elements in setting direction, creating alignment, and nurturing commitment in people [15].

The need to empower workers is clear. They will take ideas and assume leadership roles without the authority of position. Particularly in competitive strategies, organizations need leaders at all levels [16; 17; 3]. Although, many researchers emphasized the need for leadership development, however, there are many challenges in this regard [18].

III. LEADERSHIP DEVELOPMENT CHALLENGES

Since the new millennium, organizations' experience has been improved, and the philosophy of leadership has also changed to meet more changing needs of business. Literature found that some leadership styles that worked in the past may no longer be appropriate for this new age, while for-profit companies are investing large amounts of money in the hunt of leadership success [5].

An important factor in leadership is about developing the character of the leader. In successful organization leadership is not a "job" with specific time constraints but it is a way of life. Self-aware, adaptive, and agile are some characters which leaders at all levels of the organization must have [19].

Executives increasingly express the need to focus on initiatives like leadership development, but in fact only some of them consider growing organizational leaders as a part of their business strategy. These findings come from a research concluding that while most organizations emphasized on the need to develop leaders, only 44 percent of them really had a formalized process of leadership development [18]. As a result, these organizations may not be effectively prepared to face the changing business environment.

Leadership development practices are often fragmented and lack an overall strategy that is embedded successfully within the organization [20]. In a study called "Global Human Capital" which was released by International Business Machines (IBM), some interesting reading was provided and the raising significance of leadership in organizations was highlighted. In this study which is the result of interviews with 400 human resources executives from 40 countries, researchers suggests that organizations are putting their growth strategies at risk if they are not able to recognize and develop the next generation of leaders. The report also highlights the concerns the companies have in developing future leaders [21]

A conceptual dichotomy still exists that in which, while there is an increasing attention to improve leadership development, the lack of effective leaders still prevails and the need for sustainable leadership development planning grows faster [22]. Challenges related to leadership development can be recognized in many world organizations. The importance of this subject in many developing countries like Iran is an undeniable fact.

IV. IRAN, PRIVATIZATION AND ORGANIZATIONAL LEADERSHIP DEVELOPMENT CHALLENGES

Islamic Republic of Iran is a country in the Middle East. It is almost 1,648,195 square kilometers and its population is more than 70 million people [23]. The main industries in Iran are oil, gas, petrochemical, steel, textile, chemical, food, car manufacturing, and electric and electronic equipment [24].

Pursuant to article 44 of the Constitution of the Islamic Republic of Iran (1979), the Iranian economy consists of three sectors which are the state, co-operative, and the private sector [25]. Public organizations in Iran used to control 80% of the Iran's economy. To overcome this imbalance, the government of Iran started to privatize a number of enterprises that was managed by the government [26]. "Privatization is the transfer of property or responsibility from the public sector such as the government to the private sector [27]". Private banking started in Iran from 1999 and government wanted to continue the process of privatization with several other enterprises [28], broad privatization plan by government only started from June 2006 [29]. For the late privatized companies to be efficient, effective, sustainable, and economically viable, leadership within the companies must overcome lack of essential skills, competencies, and knowledge [30].

The problem is that little is known about the practice of leadership within the private Iranian companies [30]. In the public sector's leadership model, authority and power are centralized at the top of the organization but in the private

organization leaders must shift from the public sector model to a decentralized management model [31]. In such a case they would be able to meet the challenges of leading complex organizations [32].

Babae (2004) believes Iranian future managers would not be able to manage the future of the organizations with global standards, and also would not be able to create global capacity. To achieve these goals, Iranian organizations need to have scholastic planning for developing the future leaders [33]. Medhim (2007) asserted that exploring and understanding current Iranian leadership practices may help organizations struggling with privatization. [34].

In addition, AsmariyanNasab (2003) states that studies of management and Organization Planning (MOP) in September 2003 of Iranian managerial database indicated that many of the senior managers have not enough qualified management trainings. In many cases, knowledge, managerial skills, and experiences of managers do not fulfill their responsibilities. There are not many top managers in public organizations or in industrial enterprises that have been started their professional job from low level and reach higher positions through enhancement of their capabilities and talents. One of the vital problems that have been seen is to match organizations with the 'evolution and changing age' that would accrue in future [33].

As Khajepour (2000) indicated, one of the obvious challenges of Iranian organizations is overall weakness of effectively privatizing the country's economy [26]. It is a fact that without capable organizational leadership, the economy may fail [29]. Iranian private sectors have an important task of developing strong and innovative leaders who absolutely have an effect on economic growth [26]. A better understanding of leadership development in private companies might help improve the Iran's economy.

Although the problem related to organizational leadership development in Iran's private sectors is important, it becomes more crucial in Iran's oil industries because Iran is extremely dependent on oil exports as the most important source of income [29]. The oil sector in terms of its contribution to GDP (Gross Domestic Production) has an important role in Iran's economy, the same as the share of oil revenues in terms of budget and resources of the country's currency [35].

While Iran's economy is mostly dependent on the oil income, there generally are mismanaging in the oil company [26; 36]. Hosseini (2008) asserted that in spite of the public opinion that oil industry in Iran uses proper manpower, it does not have enough human, managerial and professional resource proportionate with its vast need of professionals [37]. Usually qualified human resources in Iran have been recruited to take the job, without providing proper education during the job period [38].

Mohammadi (2007) stated that according to information contained in Iran's human resource system, managers in Iran's oil industry have an average age of 51 years old. Also companies related to oil ministry have managers with average of 49 years old. Considering the high average age of these employees, many of these managers are near retirement. Thus, developing future leaders is very vital for organization

in Iran's oil industry. In addition, having a key plan for developing management and focusing on future planning and creating an appropriate culture for these plans are important issues [39].

V. CONCLUSION

As illustrated in the literature many studies show the need of leadership development but there is less attention on the growing leaders. Therefore, there aren't many studies in the area of growing leadership. The organizations (public and private) need the proper strategies to prepare future leaders who are capable of taking control. The challenges of developing the proper leaders in the organizations are more highlighted in developing countries such as Iran. Although privatization in Iran is considered as a new trend, it might be facing more challenges and therefore, organizational leadership development process needs the strong attention of managers. As a matter of fact, in many Iranian organizations the average age of managers are more than 50 years old and many of them are near retirement, therefore, developing leadership has to be considered as the most important process in each organization. More research on the process of leadership development and effectiveness of the leadership development for organizations may help the organizations to implement the process more effectively and consequently becomes a more efficient organization.

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