

## Leadership Development Characteristics in Iran's Oil Industry

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**Abstract** - Organizations need to focus more on developing leadership functions and the team of leaders who can lead the organization which are changing in the competitive world. In spite of this fact that leadership development is one of the key factors in the success of organization, some studies show that in many cases there is a lack of experiential evidence and systematic approach in leadership development. While the challenges related to leadership development have been studied in many organizations worldwide, in many developing countries like Iran it seems to be more important. As Iran is extremely dependent on oil exports as the most important source of income, the main purpose of this study is to find the important leadership development characteristics within oil industry and petroleum in Iran. To meet the aim of the study, literature study and comparative evaluation of that literature and then a qualitative methodology were employed. As a result, eight leadership characteristics are introduced as the most important characteristics in leadership development in the oil companies including: "inspiring shared vision", "building trust", "team working", "building communication skills", "giving contingent rewards", "encouraging creativity and solving problems", "monitoring", and "empowering". In addition, as a secondary result, four factors were found as important outcomes of organizational leadership development. These factors are "leadership effectiveness", "more leaders' satisfaction", "better organizational performance" and "more competitive advantages".

**Keywords**- leadership; leadership development; Iran's oil industry

### I. INTRODUCTION

Nowadays in business environment, companies have found that it is crucial to convert their business from a business that simply earns a profit to a business that try to find the ways to keep a competitive advantage. In these days, leaders not only undertake strategies to come up with profit-earning activities, but also they undertake strategies to motivate and connect employees to give back more to the organization in order to reach the desired results [1].

In organizational environments where unpredictability and uncertainty are created by changes and there are many complex problems, the need for leadership development is very important [2]. Leskiw and Singh (2007) emphasized that in the business environment, leadership development is a perception that becomes more and more critical and increasingly strategic for organizations [3].

Despite the importance of leadership development in organization, leadership development practices are often fragmented and lack an overall strategy that is embedded successfully within the organization [4]. A basic process of leadership development was described by Day and O'Connor (2003). They stated that there is a lack of experiential evidence and systematic approach in leadership development; furthermore, they stated that leadership development faces with less serious scientific attention. In addition, they mentioned the need for a scientific research in leadership development by a detailed scientific method still remains unexplored [5]. 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 [6].

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. In fact, ineffective leadership in several organizations has been identified as one of the most serious difficulties confronting developing countries [7].

Iran is a country in the Middle East with populations of more than 70 million [8]. 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 [9]. Thus, some issues like succession planning and leadership development are amongst important concerns of Iranian organizations.

The most important income for Iran's economy is oil exports and the country is extremely depending on it [10]. Therefore, identifying the most important leadership development characteristics in Iranian oil industry can add to the body of knowledge of Iranian leadership behaviors. In addition, such knowledge might increase the speed of leadership development efforts and enhance organizational effectiveness within the Iranian oil industry.

### II. LEADERSHIP DEVELOPMENT

Leadership is not a narrow concept referring to managers at top level of organizations. Hersey and Blanchard (1998) explained that if leaders are to be successful in leading across varied situations, they have to have the analytical ability and flexibility at all levels of the organization [11]. Many organizations recognized that the only way in which they can

be certain about the existence of executive talent that they need in the future's competitive world is by growing the leaders [12].

Leadership development is vital within modern successful firms [13]. The great focus of successful organizations is to establish a complete assessment's set and leadership development practices which can support most of key talents in the whole organization [14]. Leadership development sets up an understanding and perspective of leadership method and practice in organization [15; 16]. To find the best leadership development program, it is necessary to focus at first on finding the best leadership characteristics and practices which need to be developed in the organizations.

Kouzes (2003) argued that there are many definitions and opinion concerning leadership, and as such, there is not a single style of leadership that would be perfect for all circumstances. Therefore a chronology of leadership styles, recognized in a variety of academic literatures, will help describe the diversity that exists within the body of knowledge [17]. Leadership theories represent the influential research of well known researchers. Four phases of theories recognized as trait theories, behavioral theories, situational theories and new leadership theories [18; 19].

Coyle (1997) summarized the leadership characteristics which emerged from the findings of several researchers who had studied leadership characteristics. He described five common and comprehensive themes as leadership characteristics include "group thinking, resetting direction, guiding cooperative actions, walking the talk and motivating others" [20].

In fourth phase of leadership theories - new leadership theories - which emerged from late of 80's up to now, transformational, transactional and servant theory of leadership got more attention. Kouzes and Posner (2002) explained that leadership is set of practices and behaviors, not a position. These practices provide a guideline for leaders to achieve their goals or to do their work. These practices appear as the necessary components in transformational leadership concept. The practices include "challenging the process, inspiring a shared vision, enabling others to act, modeling the way, and encouraging the heart" [21].

Bass (1990) stated that highly effective leaders would display two types of behaviors which are transactional and transformational leadership [22]. To prove his assertion, Bass (1990) developed the full range of leadership model to incorporate leadership qualities of both transformational and transactional leaders. Avolio and Bass (2004) characteristics of transformational and transactional leadership including: "idealized influence (behaviors), idealized influence (attributed), inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management-by-exception (active), and management-by-exception (passive)" [15].

Some authors and researchers emphasized on the pivotal role of character in leadership as in servant leadership model. In fact, this focus on character has gained increasing recognition [21]. The positive characteristics of servant leadership summarized in Page and Wong (2000), and

Bartholomew (2006) are of empowering others, authentic leadership, participatory leadership, inspiring leadership, visionary leadership, and courageous leadership [23; 24].

This research uses the leadership characteristics based on the mentioned authors to find the leadership development characteristics. Some of these factors explain the same concept and can be merged. The similar factors will be presented in the next section, and the selected factors will be illustrated as the most important leadership characteristics that need to be developed.

### III. LEADERSHIP DEVELOPMENT CHARACTERISTICS

Inspiring shared vision, building trust, team working, building communication skills, giving contingent rewards, encouraging creativity and solving problems, monitoring and empowering are realized as the most important leadership development characteristics as follow.

#### A. Inspiring Shared vision

The most general and unique characteristic which is identified with leadership is vision. Capacity to create the vision is defined as one of the most important quality of leaders [25]. According to Burns (1978) leaders initiate the vision. Shared needs, values, beliefs and purposes of the leader and followers led to shared vision [26]. Inspiring a shared vision is very important for getting people together in organizations and it is necessary to promote a commitment to share the future they try to create. Successful leaders will use positive attitude to inspire such a vision in their followers. They also use metaphors, symbols, positive language, and personal energy to create enthusiasm and excitement for the common vision of others [21].

Coyle (1997) stated "resetting direction" is developing or selling the vision especially for the future. It is what Kouzes and Posner (2002) indicate in their model as "inspiring shared vision". The "idealized influence" in Avolio and Bass view refer to drawing a vision for the future, as they mentioned in 2004. In addition, involving employee in a vision of a better future is a way to describe inspirational motivation as a transformational leadership practice dimension in Avolio and Bass's view.

#### B. Building Trust

"Trust is the level of confidence that one individual has in another's competence and his or her willingness to act in a fair, ethical, and predictable manner" [27]. Leaders create and maintain trust via their behavior [28]. Interpersonal trust for supporting team and organizational effectiveness is recognized as a central and important character [29]. Trust also, is a great deal of "participatory leadership" as a servant leadership characteristic in Page and Wong's model. In addition, Kouzes and Posner (2002) explain that "walk the talk" is a critical action to build trust among followers; and they did not consider talking about the vision only to be adequate. The enthusiasm of leaders ought to be shown through their actions [20]. The meaning of "plain talking" in "courageous leadership" is the same as in Page and Wong's model of leadership as they shed light that plain talking means "I mean what I say and say what I mean" and keep

promises and commitments to others. In addition, in “modeling the way”, Kouzes and Posners (2002) stressed on following promises and commitments as a character of leadership.

### *C. Contingent reward*

To achieve the goals, people usually need encouragement and motivation from their organization. Investing in leader’s credibility depends on their record of achievements, devotion, and also their expression of what and how things need to be done. Leaders use rewards and credit to job performance to influence employee motivation. When leaders celebrate their employees’ achievements, they are in fact allowing subordinates to feel that they are part of the significant group. With encouraging the employees by acknowledgment and celebration, leaders inspire them to better perform [21].

According to Leskiw and Singh (2007), recognizing and giving reward to those managers who build effective leadership capability for the organization is very important [3]. Giving rewards in Avolio and Bass model is a process which considers motivating people. Avolio and Bass (2000) clarified that in order to develop a reward system, people need to know what they may expect to receive if they meet the goals. In addition, celebrating accomplishments and praising well done jobs are the most important rewards to Kouzes and Posner’s vision.

### *D. Team working*

As Harris (2004) explained “team” is a group of people who get together in some joint action, while “teamwork” is illustrated as cooperative or coordinated effort in teams where people work with each other. Then, “Cooperative action” in Coyle’s characters of leadership also means “team working”. People in a team should rely on group collaboration so each member of the team can experience the optimum of success and goal achievement. People with different knowledge becoming a team would accomplish more than what an individual can attain [30]. In most occasions, when a person is unsure about his/her behavior, he/she will follow others and do what they are doing. In many cases, following others would lead people in their teams and direct them similar to the way an automatic pilot would lead an airplane. Many refer to this as “group thinking”. Kouzes and Posner refer to group thinking as one of the ways to challenge the process [20]. Furthermore, it is one of the parameters of “inspiring leadership” in Page and Wong’s model of servant leadership.

### *E. Building Communication skills*

People failing to communicate are the cause of many problems that arise in organizations. Communication is an “exchange and flow of information and ideas between people”. Being interactive and sharing in order to develop information and ideas are the characteristics of leadership. They also need to share their own ideas, feelings, and knowledge with others. A basis for better leadership and management, and team building is effective communication [31].

While there is an open communication climate in the organization, motivation will be lifted and team performance will be encouraged. Leaders could plainly share their ideas, plans, and vision with others throughout the good communication [32].

Having knowledge about listeners can help the communicator to form the message in a way so it becomes more acceptable to the audience. Engaging different audiences and demanding stakeholders are the most important concerns of communication leaders [33]. Leaders need to share their ideas, plans, and knowledge with others clearly. Direct oral communication helped leaders inspire followers and find what they expect from the leaders [32].

### *F. Encouraging creativity and problem solving*

Creativity, Innovation and leadership are three concepts which are directly related. Leadership is focused on better future, so leaders are essentially innovators. Innovation and creativity are constantly related to some realistic ‘in-the-world’ value which is about making new tools, products or processes. Creativity is about bringing something new to life which people were not able to do that before and therefore allows them to accomplish them now [34]. In fact lifeblood of each organization is creativity and innovation. New programs can drive from new ideas and this new programs may be better than those which already exist in the organization or planned for the future. Successful leadership always creates a climate that supports creativity and innovation [35].

The need for creativity to solve new problems is changed by many factors such as technology, global open marketing, and individual power. Technology is using knowledge and systems to make better products or provide better services. Obtaining valuable knowledge from the environment will be promoted by interaction of people and groups in organization and it can help to promote innovation and creativity.

Developing creativity helps solving problem. Also being creative and innovative to solve problems is the meaning of “intellectual simulation” in Avolio and Bass model. In addition when Kouzes and Posner talked about “challenging the process” in their model, they believed that challenging the process happens by creating, recognizing and supporting new ideas and this is a mean to find creative ways to improve the organizations. A possible way to develop creativity also can be highlighted in Kouzes and Posner model with seeking the challenging opportunities, challenging people to try new approaches, looking outside the organization to find ways to improvement, asking about what we can learn and taking risk.

### *G. Monitoring*

Although monitoring is not appeared in the mentioned factors but it hides in the meaning of “active management by exception” in Avolio and Bass model. According to Avolio and Bass (2004), the main concern of “Active management by exception” is ongoing monitoring for variances and deviations and taking active corrective action. Monitoring is the ordinary observation and recording the activities which happen in a program. It means gathering information on all parts of the program. A common example to explain the

monitoring is watching where you are going while riding a bicycle to make sure that you are on the correct path [36]. In addition, in Page and Wong's concept of "Visionary leadership", practical action rather than waiting for events and having the mission, is considered as a characteristic of servant leadership.

#### H. Empowering

Empowerment of people is a major contributor to the development of subordinates by allowing them to do extremely well by investing in themselves, even at the risk of making mistakes [23]. Empowering others to act led to doing a better job by followers, and made them be aware of their full potential. Successful leaders help the employees to feel competent and powerful. In that case they usually consider interest of other people [21]. "Enabling others to act" as Kouzes and Posner explained, is developing the collaboration and empowering others. Furthermore, Avolio and Bass (2004) mentioned in "individual consideration" that there is a need "to maximize and develop the employee potential". Leaders have to treat their follower as individuals rather than as a group and have to understand subordinates' developmental needs. In order to develop the potentials of the followers and empower them, leaders coach and mentor subordinates [15].

#### IV. METHODOLOGY

After analyzing the literature study and comparative evaluation of existing approaches to find the leadership development characteristics in this study, researchers then employed used semi-structured interviews. The main aim of these interviews was to revalidate the chosen characteristics which are important factors for leadership development. Also, another aim for this study was to illustrate the effect of the mentioned factors on the organizational outcomes.

Six executives in three different organizations were selected to interview for data gathering. The chosen organizations are different branches of oil industry located in Esfahan and are working under the oil ministry. Esfahan is the second large city in Iran and has one of the largest oil depots in Middle East [37]. These chosen organizations were Esfahan Oil Refinery Company, Esfahan Petrochemical Company and Esfahan Gas Company.

To achieve the first aim of the study, respondents were asked to express their ideas about the importance of all mentioned factors of leadership development based on their knowledge and experience. They were also asked to explain other leadership development characteristics except the ones mentioned by the researcher. Then to highlight the importance of the factors more, they were asked to explain the possible organizational outcomes which may arise from leadership development.

#### V. CONCLUSION

With the aim of finding best leadership development characteristics in Iran's oil industry, this study used the previous models in the literature and performed a qualitative research in three active companies in the oil industry.

Based on the data obtained from interviewees, all the participants (100%) validated the questionable factors as most important characteristics on leadership development, and only one of them added one factor to the list. He considered "developing of sense accepting criticism" as another factor of leadership development. However, researchers did not put it as a main factor, but Baier (1986) mentioned one of the advantages of building environment based on trust is that people become ready to accept other's criticism [38]. Therefore, "inspiring shared vision", "building trust", "team working", "building communication skills", "giving contingent rewards", "encouraging creativity and solving problems", "monitoring" and "empowering" are realized as most important leadership development characteristics in the oil companies.

As a result of the interviews four factors illustrated as more important outcomes of organizational leadership development. These factors include "leadership effectiveness", "more leaders' satisfaction", "better organizational performance" and "more competitive advantages".

This study will help organizations to understand the need of leadership development and enhance the way to grow their leaders. Using a quantitative approach to find the importance of leadership development characteristics is recommended, and might be useful for other researchers to test the effect of leadership development characteristics on organizational outcomes by applying quantitative approaches.

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