RELATIONSHIP BETWEEN LEADERSHIP DEVELOPMENT AND LEADERSHIP EFFECTIVENESS, EMPLOYEE PERFORMANCE AND EMPLOYEE SATISFACTION

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A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Management)

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ABSTRACT

In spite of the fact that leadership development is one of the key factors for the success of an organization, there is still a lack of experiential evidence and systematic approach in leadership development. The main purpose of this study is to identify the leadership skills that need to be developed for an effective leadership development program. This study introduced seven leadership development skills by developing the following dimensions: inspiration of shared vision, environment of trust, communication, team work, creativity and problem solving, motivation in others by accrediting them and empowerment. Besides these skills, three factors were used to define effectiveness such as leadership effectiveness, employee satisfaction and employee performance. In addition, training and knowledge sharing were proposed as moderators in the relationships. Data were collected from managers of six private oil companies in Iran. Twenty three hypotheses were tested using Structural Equation Modelling and Stepwise Multiple Regression techniques. The results showed that developing inspiration of shared vision and communication skills contributed the most to leadership effectiveness. Statistically, developing creativity and problem solving, and empowerment, also influenced all the three factors of effectiveness. In fact, developing motivation in others by accrediting them had an influence on employees’ satisfaction and performance. Training was discovered to be a moderator in the relationship between leadership development and effectiveness outcomes while knowledge sharing did not have any moderator effect. This study has identified variables that organizations can use to expand their leadership development programs.
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CHAPTER 1

INTRODUCTION

1.1 Overview

The twenty first century is a century of changes that are happening faster than ever. Changes that are in line neither with the past nor with the future and they are the consequences of events and conditions totally disconnected with the trend of the past (Iranzadeh, 2002). To face these challenges, organizations must be prepared to have more flexibility in their structure (Fulmer et al., 2000).

Nowadays in the business environment, firms realize that it is crucial to adapt their businesses. They try to change their business from one that simply results in financial gains to a business that tries to find ways to keep competitive. These days, leaders do not concentrate solely on profit-earning activities. They use strategies to inspire and connect employees to give more to the organization for achieving the needed results (Savage-Austin, 2009). Cameron and Quinn (2006) stated that for continued 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.

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 (Beeson, 1998; Conger, 1993; McCall, 1998; O’Toole, 2001). 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.

There are many challenges for organizations of all sizes to prepare leaders who can guide the organization in an unstable environment. If organizations want to be successful, they must spend money in making leadership skills at different levels of their organization (Block and Manning, 2007). However, there are considerable quantities of studies on leadership and leadership development; researchers are still grappling to understand the leadership development phenomenon. This study was designed to find out what leadership skills need to be developed for an effective leadership development program to cultivate successful leaders through their influence on the effectiveness of Iran’s oil industry.

1.2 Background of the Problem

Leadership development is an area in which many leaders and managers recognize its importance but many of them acknowledge the lack of effective programs to develop leadership skills and practices (Osborne, 2011). It is obvious that organizations that attempt to develop successful leaders and have suitable structures and culture in their organization, and also have the strategic leadership programs, will be better prepared for challenges (Miller et al., 2001). Leadership is considered as a foundation of competitive advantage in many organizations. That is why more organizations give more attention to develop their leaders (McCall, 1998; Vicere and Fulmer, 1997).

Leadership development is not just the consequence of conventional programs in training like a simple classroom, but rather is the result of series of activities, which are interrelated as well with the purpose of employee development, with this happening through self-discovery via their job and their leaders (Beeson, 1998; Bennis, 1999; Brown and Posner, 2001; Cacioppe, 1998; Collier and Esteban, 2000; Day, 2001; London, 2001; Tichy, 1997; Tichy and Cardwell, 2002; Ulrich and Smallwood, 2003). A leadership development has to be merged in organizational
daily practices and also has to be considered as a part of the culture of the organization (Brown and Posner, 2001; Cacioppe, 1998; McClelland, 1994; Senge, 2006; Tichy, 1997; Tichy and Cardwell, 2002; Ulrich and Smallwood, 2003).

Effective leaders set direction, motivate, inspire, and align people (Savage and Sales, 2008). Leaders encourage employees to develop their abilities and skills and then they promote learning organizations. Finally, proactive leadership can improve an organization’s effectiveness.

Several managers recognize that there is a lack of formal process for developing new and current leaders who possess the appropriate skills, talents, and perspectives needed to suppose positions of leadership (Cadrain, 2005; Collins and Holton, 2004; Taylor, 2004). Researchers emphasize the need for leadership development, while they believe that there is less attention on growing leaders in the workplace. Therefore, leadership development is faced with lack of strategies in the organizations and there is a need for preparing and developing leaders (Day and O’Connor, 2003; Giber et al., 2009; Greengard, 2001; Kaplan-Leiserson, 2004; Study, 2008; Weiss and Molinaro, 2005).

In recent years organizations recognize that they cannot assure the job stability of their employees anymore. There are many factors like illness, retirement, attrition and more profitable job offers which may cause instability in an organization’s workforce (Rothwell, 2005). Therefore, guaranteeing the future of the organization becomes vital for this unstable organizational environment. To achieve this guarantee, organizations are trying to make sure that key positions always being filled.

It was also argued, that leadership is not a narrow concept for managers at top levels of organizations. Hersey and Blanchard (1998) explained that if leaders are to be successful in leading across varied situations, they have to have analytical ability and flexibility at all levels of the organization. Many organizations recognize that the only way which can satisfy them about the existence of executive talents that
they need in the future’s competitive world is by growing the leaders themselves (Byham et al., 2000).

Leadership development is vital within modern successful firms (Foster, 2006). The main focus of successful organizations is to establish a complete system of assessment and leadership development practices which can support most of the key talents in the whole organization (Groves, 2007). Leadership development sets up an understanding and perspective of leadership method and practice in organization (Avolio and Bass, 2006; Tubbs and Schulz, 2006). As almost all types of leadership development have been based on one or more leadership theories or approaches (Bass, 1990; Day and O’Connor, 2003; Schriesheim and Neider, 1989), in order to find the best leadership development program it is first necessary to focus on finding the best leadership skills and attributes which need to be developed in the organizations.

Kouzes (2003) argued that there are many definitions and opinions concerning leadership, and as such, there is not a single method of leadership that is perfect for all circumstances. There is a chronology of leadership styles in academic literatures. Four phases of leadership theories, which are introduced by researchers, are trait, behavioural, situational and new leadership theories (Ghasemi, 2003; Luthans, 1989).

Coyle (1997) researched and summarized the leadership characteristics which emerged from the findings of trait, behavioural and situational theories. He described five common and comprehensive themes as leadership characteristics and behaviours including group thinking, resetting direction, guiding cooperative actions, walking the talk and motivating others.

In the fourth phase of leadership theories - new leadership theories- which emerged from late 80’s up to now, transformational, transactional and servant theories of leadership received more attention. Kouzes and Posner (2007) explained that leadership is a set of practices and behaviours, not a position. These practices provide a guideline for the organization’s leaders to achieve goals or to perform 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, modelling the way, and encouraging the heart” (Kouzes and Posner, 2007; 14).

Bass (1990) added that highly effective leaders would display two types of behaviour (transactional and transformational leadership). To prove his assertion, Bass (1990) presented the complete model for leadership incorporating leadership qualities of both transformational and transactional leaders. Avolio and Bass (2006) developed characteristics of transformational and transactional leadership including: “idealized influence (behaviours), idealized influence (attributed), inspirational motivation, intellectual stimulation, individualized consideration, contingent reward, management-by-exception (active), and management-by-exception (passive)” (Avolio and Bass, 2006; 96).

Furthermore, some of authors and researchers believe that the servant leadership model is concerned with fundamental characters (Kouzes and Posner, 2007). The positive characteristics of servant leadership summarized in Page and Wong (2000), Bartholomew (2006) and Goodly (2008) are: empowering others, authentic leadership characteristics, participatory leadership characteristics, inspiring leadership characteristics, visionary leadership characteristics, and courageous leadership characteristics.

This research used the leadership skills and behaviours based on the previous theories of leadership to find the most important leadership skills to develop. Furthermore, leadership development is a process that improves leadership capabilities and organizational performance and effectiveness (Amagoh, 2009; Bandura, 2006). Therefore, to find the relationship of leadership development and effectiveness, this study used the variables of effectiveness outcomes which are driven from the Bass and Avolio model. According to Bass and Avolio (2000), extra effort, effectiveness, and satisfaction are by-products from leaders who supplement transactional with transformational leadership.
On the other hand, many researchers have discussed that training the leaders can help them to enhance the efficiency, effectiveness and productivity of the organizations (Ladyshewsky, 2007; Leard, 2010; Noe, 2002; Sahinidis and Bouris, 2008). In addition, training can affect people in a way such that it can change them to become successful leaders and is essential for leadership development success (Bennis and Nanus, 1997; Conger, 1992; Hurt and Homan, 2005).

Moreover, knowledge sharing is an important issue that has an influence on organizational development and performance (Mohd Bakhari and Zawiyah, 2009). Knowledge sharing also has influence on organizational effectiveness and can improve it (Olivera, 2000; Yang, 2007) while helping organizations to meet their goals (Cong and Pandya, 2003; Reid, 2003). In addition, many researchers have developed several aspects of leadership which are influenced by knowledge sharing (Abhishek, 2001; Allee, 2000; Bartol and Srivastava, 2002; Berends, 2005; Bhirud et al., 2005; Ellis, 2001; Greengard, 1998; Lin, 2007; Marks et al., 2000; Mathieu et al., 2000; Okhuysen and Eisenhardt, 2000; Srivastava and Bartol, 2006; Van den Hooff and De Ridder, 2004).

As a result, not only does the review of literature provide support for the notion that training is necessary to develop leaders and have an effect on leadership development and organizational effectiveness, but also, knowledge sharing can improve both leadership development and organizational effectiveness. Therefore, training activities and knowledge sharing are considered as moderator variables in this study.

This study had been done in Iranian private oil companies. From the year 2006, Iran’s government started a privatisation plan to overcome the imbalance of economical policy, which used to control 80% of economy by government. The implementation of this privatization’s plan became very important in Iran’s oil industry as Iran economy is mostly depend on its oil and gas exports (Ilias, 2010). The effectiveness of the new privatized companies depends on the abilities of their leaders to overcome the new challenges. Without competent leadership, the economy might fail (Ilias, 2010). A better understanding of leadership development
related to their effectiveness in private companies might also help improve the Iran’s economy.

1.3 Problem Statement

Organizations are dealing with many complex challenges. Some of these challenges include leadership gaps in ethical decision-making; competing in a universal environment of work; encouraging honesty between employees; retaining and developing talent; keeping up with technological advances and business changes; and leading within a more diversified structure (Charan, 2004). Since the new millennium, organizations’ experiences have changed. Therefore, leadership styles must change as the old ways of leading might not be suitable anymore (Lynham and Chermack, 2006).

Almost all of the leadership concepts have been well understood and discussed as very important practical subjects by researchers (Campbell et al., 2003). Effective leadership, leadership development and succession planning are important concepts for today’s organizations for achieving organizational success as well. Making the skills of the leader is the main concern of the leadership (Duncan and Pinager, 2002).

Nowadays, the demand for leadership positions has increased. These positions need special people with special abilities and skills such as the ability of concentrating on customers, creating effective strategies, conducting performance, working collaboratively and developing other people (Holt, 2011). Executives increasingly express the need to focus on initiatives like leadership development, but in fact only some of them consider developing leaders as a part of their business strategy. This came from research concluding that while most organizations emphasized the need to grow leaders, less than 50% of them really had systematic procedures of leadership development (Giber et al., 2009). Therefore, these organizations are not effectively ready to face the changing environments of their businesses.
Leadership development programs are often fragmented and lack an overall strategy that is embedded successfully within the organization (Weiss and Molinaro, 2005). Some sad events like the Asian tsunami disaster highlight this fact that organizations may suddenly lose their helpful leaders. Therefore if organizations want to be stable and move forward in this competitive world, they always need to have alternative leaders (Greengard, 2001).

Day and O’Connor (2003) stated that there is a lack of experiential evidence and systematic approach in leadership development. They mentioned there is a need for scientific research in leadership development. Theoretical contrast is present in which, as there is increasing interest to improve leadership development, the lack of effective leaders exists and the need for bearable leadership development planning grows faster (Kaplan-Leiserson, 2004).

In a study called “Global Human Capital” which was released by International Business Machines (IBM), some interesting reading was provided and the rising significance of leadership in organizations was highlighted. In this study, which is the result of interviews with four hundred human resources executives from forty countries, researchers suggest 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 (Study, 2008).

In order to replace the leadership position, many companies currently use succession planning, but the main problem still exists which is the lack of knowledge and perception of developing the specific leadership needs of these emerging leaders (Collins et al., 2000; Holt, 2011). Hiatt (2009) based on a survey of Centre for Creative Leadership Newsletter concluded that leaders recognize that leadership skills can be developed during leadership development program, but they openly acknowledge the lack of effective programs designed to develop leadership abilities in order to meet company goals and objectives.
One of the most important challenges of many organizations is to create a successful leadership development program. However, before creating a leadership development program, finding the leadership development needs perceived by the current leaders for the future is required (Holt, 2011).

The reasons of ineffective leadership programs and the suggestions to create more effective leadership development programs are mentioned by many researchers. For example, Cacioppe (1998) explained that there is a need for a full range leadership development experiences i.e. training. Collins and Holton (2004) asserted that enhancing the knowledge and skills of individuals will improve the effectiveness of each company. Boyce (2004) asserted that to supplement formal leadership programs, organizations and their leaders are becoming more and more dependent on individual self-development. Despite the organizational and individual benefit concerns with professional self-development, little research has been done on the topic. Holt (2011) stated that the initial need of leadership development programs is to find leadership skills and abilities; in addition, he asserted that as there is not an evaluation model which sufficiently measures the effect of leadership involvement which is needed to improve the performance and effectiveness of organizations, such a model can cover the sparse of leadership development studies.

In fact, leadership is not just an individual phenomenon. It is a phenomenon with complex aspects which is included in the interactions between three components: people, leader and organizational environment (Porter and McLaughlin, 2006; Vera and Crossan, 2004). Senge (2006) supports this idea since he argued that the vision of old leadership was individualistic and non-systemic. But in the new vision of leadership, the responsibility of building the organization in which individuals can increase their ability to learn and can understand the idea and the complexity of the organization, is by leadership.

Most leadership development approaches try to illustrate the steps of developing leaders e.g. (Block and Manning, 2007; Cacioppe, 1998; Leskiw and Singh, 2007; Weiss and Molinaro, 2006). Some research shows that the focus is on the effects of processes like coaching, mentoring, life experience and goal orientation
on leadership development (Edwards, 2009; Hymes, 2008; Moniz, 2008; Scriffignano, 2009). The viewpoint of some researchers in this field is that characteristics and practices need to be developed e.g. (Fulmer and Conger, 2004; Klagge, 1997; McCauley and Douglas, 2004).

Hymes (2008) believed that further research is needed to recognize the skills and abilities that emerging leaders need in order to develop their effectiveness levels and to recognize the approaches which can help them to identify the gaps in their current skills. He believed that in order to measure leadership development, using servant leadership instrument and transformational leadership assessment have many advantages. Besides he explained that using other instrument or combination of such instruments may provide better measure for leadership development.

As a matter of fact, many researchers believe that finding leadership development behaviours, characteristics and skills is very important part of leadership development (Campbell et al., 2003; Tubbs and Schulz, 2006). “All in all, leadership development should develop the character, integrity, skills and discursive intelligence necessary for the responsible exercise of power” (Storr and Trenchard, 2010; 479). However, while some researchers focus on the characteristics of leadership development, almost all of them consider only one leadership style in order to assess leadership development. Most of them concentrate on transformational leadership characteristics (Carter, 2007; Davis, 2007; Ryan, 2007; Warner, 1997). In some cases, researchers concentrated on developing servant leadership values as the best method for leadership development (Goodly, 2008; Greenleaf et al., 2003). However, using the vast range of leadership values can have advantages for each leadership styles. Goodly (2008) in his research used the servant leadership values to define leadership development. He suggested that comparing servant leadership values by other form of leadership like transformational, transactional, direct and situational leadership traits can provide contribution to the study.

Lyman (2010), explained that the field of leadership development has been greatly criticized for its lack of theoretical development and careful empirical
research. One of the challenges related to the leadership development is to build effective programs that maximize leadership talents in the organization. Although many researchers documented the need for effective leadership development programs, it has been difficult for organizations to create leadership development programs in a way that meet the individual’s needs and achieve the organizational goals (Holt, 2011). To create an effective program for leadership development and build the future leaders there is a need for a combination of different skills and abilities. Finding the necessary abilities and skills is one of the difficulties of leadership development programs (Holt, 2011). For example, Rathgeber (2009) asserted that there is lack of research to investigate the effect of a leader’s oral communication skill with follower’s and organizational performance. Orrell (2008) believes that nowadays, leaders are faced with a new generation of employees that are going to challenge the leadership abilities of organizations. These leaders’ creative and innovative ability is one of the challenges that must be addressed to satisfy the needs of this coming age (Pink, 2005).

Leadership development is concerned with developing a more extensive structure in which leader’s skills and abilities are able to be developed (Hernez-Broone and Hughes, 2004). Development of leadership at all levels has great impact on firm performance and effectiveness (Conger, 1993; Day, 2001; McClelland, 1994; O’Toole, 2001). One important question that needs to be considered in leadership development is: To what extent leadership development has an impact on performance. It is still not proven that how much continuing professional development influences the performance (Muijs, 2011; 53). Therefore, an effective leadership development program is needed in which leaders inspire the commitment of followers toward the goals and vision of the organization (Wright, 2007).

In addition, Amagoh (2009) stated that researches need to find out how to develop the competencies of the organizational members in order to improve performance. In some cases, the attitude of autocratic leaders causes poor employee performance (Van Maele and Van Houtte, 2009). Furthermore, Turo (2010) explained that future research has to concentrate on the value and benefit of leadership development of both organizations and participants. He also stated that
utilizing different leadership models and theoretical frameworks would lend a greater understanding in leadership development. Kaplan-Leiserson (2004) stated that regardless of the increased attention to leadership development programs, a lack of leadership material continues to exist with few effective development programs in place to encourage the growth of future leaders.

Holt (2011) explained that more research is needed to be conducted in order to examine the development of leadership development programs and also to question if such programs affect organizational success. In fact there is a lack of research to show how a leadership development program with a set of leadership activities can result in the outcomes and therefore, there is a need for more studies in this area (Russon and Reinelt, 2004).

Therefore this study aims to identify leadership development programs based on developing the leaders’ skills to increase effectiveness in organizations. In spite of the fact that leadership development has had a great impact on effectiveness, there is no solid model in leadership development and its impact on effectiveness. On the other hand, while 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.

Iran is located in the Middle East. It is almost 1,648,195 square kilometres and its population is more than 70 million people. The Caspian Sea is located in the north, and in the south, the Persian Gulf and Oman Sea are two important areas of the region in which oil and gas were found (Girshman, 2004). The oil sector in terms of its contribution to GDP (Gross Domestic Production) and the share of oil revenues in terms of budget and resources of the country's currency has an important role in Iran’s economy (Asali, 2004).

Until the year 2000, public organizations in Iran controlled 80% of Iran’s economy. To overcome this imbalance, the government of Iran started to privatize a number of enterprises that were managed by the government (Khajehpour, 2000). The government started a broad privatization plan from June 2006 (Ilias, 2010). For
the recently privatized companies to be efficient, effective, sustainable, and economically viable, leadership within the companies must overcome a lack of essential skills, competencies, and knowledge. In the public sector’s leadership model, the authority and power is centralized at the top of organization, but in private organizations leaders must shift from the public sector model to a decentralized model in management (Abbas and Amirshahi, 2002). In this decentralized model, they are faced with challenges of leading complex organizations (Bolman and Deal, 2003).

In fact, ineffective leadership in some organizations has been recognized as one of the most serious difficulties confronting developing countries, including Iran (Mosadegh Rad and Yarmohammadian, 2006). Babae (2004) believes future Iranian managers would not be able to lead the organizations with global standards, and also would not be able to create global capacity. To reach these goals, Iranian organizations need to have scholastic planning for developing their leaders. Thus, some issues like succession planning and leadership development are amongst important concerns of Iranian organizations (Babaei et al., 2004). Medhin (2007) asserted that exploring and understanding current Iranian leadership practices and skills may benefit organizations struggling with privatization.

Although the problem related to organizational leadership development in Iran’s private sectors is important, it becomes more challengeable in Iran’s oil industries because Iran is extremely dependent on oil exports as the most important source of income (Ilias, 2010). 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 (Asali, 2004).

Although Iran’s economy is mostly dependent on oil income, there is general mismanagement of the oil company (Khajehpour, 2000; Yeganeh and Su, 2007). Hooseini (2008) asserted that in spite of public opinion that the oil industry in Iran uses proper manpower, it actually does not have enough human, managerial and professional resources proportionate with its vast need of professionals. In some
cases qualified human resources in Iran have been recruited to take the job, without being provided with proper education during the job period (Nasimi, 2001).

Mohammadi (2007) stated that according to information contained in Iran’s human resource system, managers in Iran’s oil industry are an average age of 51 years old. Considering the high average age of these employees, a lot of managers are near retirement. So, in this situation, having a leadership development program is vital for the organization. In addition, having a key plan for developing managers and concentrating on future planning and creating an appropriate culture for these plans are important issues (Mohammadi, 2007).

On the other hand, beside the important role of training in development of leaders, it illustrated that only about 10% to 15% of training programs result in long-term transfer of learning in the work. In addition, in spite of the importance role of knowledge sharing in organizational development, Robertson (2004) has asserted that in practice knowledge sharing is not effective in organizations. Krogh (2003) also stated that there is a need to direct further attention towards knowledge sharing within the organizations.

The Iran’s oil industry is also faced with problems in terms of training and knowledge sharing from within. For example, Asmariyan Nasab (2003) states that studies of Management and Organization Planning (MOP) in September 2003, the Iranian managerial database indicated that many of the senior managers were not sufficiently qualified in management training. In many cases, knowledge, managerial skills and experience of managers were not seen as part of their responsibilities. We cannot find many top managers in public organizations or in industrial enterprises that started their professional job from a basic level and reached higher positions through enhancement of their capabilities and talents. Most of the problems for Iran’s future organizations are matching these organizations due to growth and change (Babae et al., 2004). In fact, education and training are the two most important parts of effective leadership development (Hunt, 1999). Tohidinia and Mosakhani (2010) also emphasised the lack of research about knowledge sharing in Iran’s oil industry.
Invariably, leadership development programs do not prepare people to take leadership responsibilities. In many cases, the lack of quality leadership development is related to lack of training design (Yukl, 2006). There is not sufficient research on the effectiveness of empirical leadership training programs (O’Neil, 2010). In addition as Yukl (2006) stated there is limited research that evaluates leadership and knowledge-oriented processes and outcomes.

In conclusion, the problems can be divided into two phases. Firstly, while many researchers emphasize the need for leadership development, there is less attention on growing leaders through on-the-job development. Therefore, leadership development is faced with a lack of strategies and programs in the organizations and the need for preparing and developing leaders still remains (Day and O’Connor, 2003; Giber et al., 2009; Greengard, 2001; Holt, 2011; Kaplan-Leiserson, 2004; Lyman, 2010; Study, 2008; Weiss and Molinaro, 2005).

The second phase of the problem is related to the private organizations of Iran. While the oil industry plays a very important role in Iran’s economy, it is faced with a lack of professionals and human resource management (Hooseini, 2008; Khajehpour, 2000; Yeganeh and Su, 2007). To overcome such problems, developing leaders is the most important factor in the Iranian oil industry especially for the companies that go through privatization (Medhin, 2007; Mohammadi, 2007; Mosadegh Rad and Yarmohammadian, 2006).

Moreover, in preliminary interviews with six managers of three oil companies, it was concluded that there has not been enough study on leadership development in these companies. It is good to know that the all of the interviewees emphasized developing leadership programs in order to reach better outcomes in their organization. For example, in an interview, Mr. Mansoor Khadem, the manager of developing human resource in Esfahan Oil Refinery Company, said there is a need to work on leadership development programs in their company (Khadem, 2010).

On the other hands, while organizations have been assessing the benefits gained from investments by leadership development, most of them have failed to
consider the outcomes of their leadership development programs. Therefore, such organizations may not be able to identify problems or keys require for the systematic change (Amagoh, 2009).

In addition, as Aghaee (2008) explained, effectiveness in Iran’s oil industries is a managerial concern and they have to give more attention to increase effectiveness from their leaders, managers and employees (Aghaee, 2008). Therefore, one of the leadership goals is effectiveness (Conger, 1993; Day, 2001; McClelland, 1994; O’Toole, 2001; Wright, 2007).

Although, some researchers such as Day (2001), Campbell et al. (2003), and McCauley and Van Velsor (2004) concentrated on leadership development skills, none of them carried out any empirical research and also they did not consider the effect of such skills on the leaders or employees’ effectiveness. It is a considerable gap in the literature especially by considering some resent researchers’ explanation who clarified the lack of careful empirical research in leadership development (Lyman, 2010) and the need for exploring leadership development skills based on their effects on organizational effectiveness and success (Holt, 2011).

On the other hand, as reviewing the literature showed transformational, transactional, and servant leadership as the most important leadership styles which can positively affect the organizational effectiveness. However, some researchers concentrated on the values of these styles in their leadership development program (e.g. Goodly, 2008; Carter, 2007; Davis, 2007; Ryan, 2007; Greenleaf et al., 2003), all of them focused on one of these style. There is lack of studies about the needed skills of these styles and comparing and considering these skills in a leadership development program, whereas, Goodly (2008) in his research suggested that other researchers has to compare the values of servant leadership with other form of leadership such as transformational, transactional and situational leadership in leadership development programs.

Based on all mentioned problems and gaps in the literature, this study is designed to find out kinds of skills and abilities necessary for developing leaders in
regards to the impact of these skills on the effectiveness outcomes. The findings are essential for building the appropriate leadership development programs. The results of this study might add to the body of knowledge of Iranian leadership development. These results might increase the speed and quality of programming of leadership development and enhance effectiveness within the Iranian oil industry.

### 1.4 Research Questions

The background and the problem of the study highlighted several questions to be addressed. This study is going to answer these questions:

i. What are the leadership skills which need to be developed in Iran’s oil industry?

ii. What are the effectiveness outcomes of leadership development in Iran’s oil industry?

iii. What is the relationship between leadership development and effectiveness in Iran’s oil industry?

iv. Do organizational training activities moderate the relationship between leadership development and effectiveness in Iran’s oil industry?

v. Do knowledge sharing practices moderate the relationship between leadership development and effectiveness outcomes in Iran’s oil industry?

### 1.5 Aim of the Study

The main aim of this study was to find out what leadership skills need to be developed for an effective leadership development programs to cultivate successful leaders through their influence on the effectiveness of Iran’s oil industry.
This study was designed to show the relationship between leadership development skills and its possible organizational effectiveness outcomes. It is also, important to note that training activities and knowledge sharing are two important issues which can help the process of leadership development to achieve more effectiveness in organizations. Therefore, evaluation the moderator’s effect of these variables on the relationships was another specific purpose of this study. This study was aimed to provide information that help companies in preparation their leadership development plans especially those developing the leadership skills that are emphasized in developing effectiveness.

1.6 Objectives of the Study

As objectives in this study, five goals are to be obtained.

i. To find out the skills that leaders need to develop in Iran’s oil industry.
ii. To determine the effectiveness outcomes of developing leaders in Iran’s oil industry.
iii. To find out any relationship between leadership development and effectiveness outcomes in Iran’s oil industry.
iv. To investigate the moderating effect of organizational training activities on the relationship between leadership development and effectiveness outcomes in Iran’s oil industry.
v. To investigate the moderating effect of knowledge sharing practices on the relationship between leadership development and effectiveness outcomes in Iran’s oil industry.

1.7 Scope of the Study

The scope of this study is limited to finding most important leadership skills, which need to be developed in leadership development programs and their
relationship to effectiveness outcomes including leadership effectiveness, employee performance and employee satisfaction. The introduced leadership skills covered the ones needed in transformational, transactional and servant leadership styles and, moreover previous researchers’ viewpoints in leadership development.

Training activities and knowledge sharing practices are identified as moderators in the relationship between leadership development and effectiveness. Training enclosed the extent that each person spends on formal training programs. Knowledge sharing covered donating knowledge to others and collecting knowledge from them, which is needed for leadership development programs. Literature context and questionnaires helped to identify and analyse the framework.

While Iran’s economy is dependent on the oil industry and its significant role in its economic development, the process of data collection was held within the several private oil companies including Esfahan Oil Refining Company, Shazand Petrochemical Company, Esfahan Petrochemical Company, Fanavaran Petrochemical Company, Petroiran Development Company, National Iranian Oil Engineering and Construction Company.

1.8 Significance of the Study

Regarding the lack of systematic research on leadership development and initial need of combining leadership skills and abilities in order to provide an effective leadership development program, this study used both quantitative and qualitative methodology to find out the relationship between leadership development and its effectiveness outcomes.

The first significant contribution of this study was to find the most important leadership skills which need to be developed in a leadership development program. This was done by combining skills and abilities of transformational, transactional and servant leadership and by considering the integration development of human
capital and social capital. Organizations that have obvious vision for developing future leaders, supporting organizational structures and have a systematic plan to utilize leadership development programs would be ready for the challenges of the future (Leskiw and Singh, 2007). In successful organizations, in order to develop the leadership capacity, they use a variety of developmental activities (Brittingham, 2009).

Effective leadership development programs still remain evasive. This is because of the difficulty of creating a program that develop employees’ leadership skills and abilities, and having internal learners who are able to self-reflect (Hanna and Glassman, 2004). The findings of this study are also expected to contribute to finding any relationships between leadership development and effectiveness outcomes. This was due to the fact that it has still not been proven how much continuing professional development influences performance. Considering the effect of leadership development on performance and effectiveness is one of the needs of leadership development programs (Muijs, 2011; Turo, 2010).

Behind identifying the relationship between leadership development and effectiveness, the study has provided an insight about the moderating effect of training and knowledge sharing in the relationships. The research has also contributed to the improvement of knowledge in the field of leadership, especially those qualities and skills that are emphasized in a developing effectiveness of organizations which work in the developing countries like Iran.

All in all, the results of this study provide information that may help other companies in preparation of their future leaders as well as assist comparable companies in Iran’s oil industry to develop effective leadership development programs. This would only happen by understanding the essential leadership skills which need to be developed in order to increase effectiveness in the organizations. The outcome of this research has generated new issues, concepts, and ideas for future leadership development research.
1.9 Conceptual Definitions

Following are some definitions of the terms used in this study.

1.9.1 Leadership

Organizational leaders are individuals who influence other employees to reach the desired objectives (Northouse, 2007). Leadership points to a process which is involved in the personality and behaviours of the leader, the follower’s perception of the leader and the context in which interaction between leader and followers take place (McCallum and O’Connell, 2009). Leadership represents the skills and abilities to influence individuals towards the goal’s attainment as well as guide the follower’s attitude in the work environment. As Kouzes (2003) explained leadership is a set of skills and abilities used by people to influence their employees and the environment around them.

1.9.2 Leadership Development

Leadership development is a process of developing the skills and behaviours of organizational employees to take on the leadership role more effectively (Day, 2001). This concept refers to every form of growth in a person’s life in order to expand his/her expertise as a leader. In fact, developing skills and knowledge which are needed to optimise the potential and performance of leaders is considered as leadership development.

These skills are defined in this study as inspiring vision, building the environment of trust, team work, communication, motivating others, creativity and problem solving, and empowering others. Developing and promoting these skills formed the concept of leadership development.
1.9.2.1 Developing Inspiration of Shared Vision

Successful leaders inspire their vision to share the future they try to create. Inspiring the shared vision is one of the leadership abilities which need to be developed in order to create a clear image of future. It helps employees to have a better understanding of future organizational goals and give them a pathway which facilitate their decisions making. Therefore, leaders have to develop these skills in themselves by improving their speech about the future needs, values, and they must upgrade their delivery to establish enthusiasm about the future.

1.9.2.2 Developing the Environment of Trust

Trust is the most valuable quality of leadership. “The confidence that the one who leads will act in the best interest of those who follow, the assurance that s/he will serve the group without sacrificing the rights of the individual” (McGee-Cooper, 2003; 13). Statton (2011) also believes that building an environment of trust is one of the leader’s abilities which help them to be an effective. Developing leaders require the skill to create environments of trust and support with those they lead. Improving the environment of trust by leaders requires encouraging the followers to follow their promises. Leaders also have to walk their talk, being honest and committed to quality outcomes themselves.

1.9.2.3 Developing Team Work

As Holt (2011) explained team working is one of the leader’s skills needed in improving the leadership development programs. An effective leadership development program needs to gather employees together and encourage them to work as a team, as people in a group can achieve more than work individually. Leaders must have the ability to build teams, while helping others and supporting the team’s results. Working as a team needs to be open to diverse opinion. Then leaders have to upgrade their vision to be open-minded.
1.9.2.4 Developing Communication

Developing communication skills helps leadership development to be more effective. In fact, effective leadership depends on effective communication. To exchange information, ideas, plans, and vision between employees and leaders, communication skills such as listening skills are necessary. It also helps to build more motivation and team building within the organizations. In an effective leadership development program, leaders have to improve their verbal communication. Treating others with respect and listening carefully to their ideas are the ways to raise communication efficiency between leaders and followers.

1.9.2.5 Developing Motivation in Others by Accrediting Them

The ability to motivate others makes up an important part of developing leaders. One of the significant issues in the leadership development structure is the development of the leader’s interpersonal skills in order to motivate others to act. It is one of the leadership skills like celebrating employee achievements, encouraging them and giving rewards to them that increases employee motivation. Investing in a leader’s credibility depends on records of achievement, devotion, and also their expression of what and how objectives require completion. Based on the argument of Lussier (2006) one of the most important considerations to the success of each organization is to create a good reward system by its leaders. Often, an appropriate system which accredits people would encourage workers to accept and apply new approaches.

1.9.2.6 Developing Creativity and Problem Solving

Leadership development programs have to contribute something new, surprising and interesting to the participants about the world they operate in. In addition, creative thinking is one of the skills of leaders which need to be developed in a leadership development process. Enhancing the leader’s creativity is defined as bringing something new that lets people to accomplish a level that they were not able to do before. They have to generate alternative solutions to problems by examining
new approaches. Besides, leaders must create an environment that encourages and supports new ideas and innovations.

1.9.2.7 Developing Empowerment in Others

Developing others is one of the social skills of leaders which has to be developed in a leadership development process. Successful leaders have this ability to help the employees to feel competent and powerful. In that case they usually consider the interests of other people. In order to have effective leadership development, leaders must spend time and energy in helping others to overcome their weaknesses. They have to serve others rather than be served. Coaching, mentoring and monitoring are some leaders’ skills with which they use to improve the work of their employees.

1.9.3 Effectiveness

How well an organization is meeting its recognized goals is called its organizational effectiveness. Leadership development is a process that improves leadership capabilities and organizational performance and effectiveness. Evaluation of the effectiveness outcomes of leadership development programs are one of the important parts of leadership development. Leadership effectiveness, employee performance in regards to their extra efforts and employee satisfaction are introduced as the most important effectiveness outcomes in this study.

1.9.3.1 Leadership Effectiveness

Increasing leadership effectiveness is one of the main targets of all leadership development programs in order to steer organizations through eras of change. Leadership effectiveness means a leader’s success in influencing followers to meet the organizational goals. Leading an effective group and meeting task-related needs are defined as leadership effectiveness. It also, describes how a leader meets job-
related needs and outcomes and leads an effective team from the perspective of subordinates: “Effective leadership within an organization is often viewed as the foundation for organizational performance and growth. Organizations that lack strong leadership are likely to fail meeting performance expectations” (Vardiman et al., 2006; 94).

1.9.3.2 Employee Performance

Employee performance will increase as a result of proper leadership development. When employees know what they need to do in their jobs, they can do it effectively. One of the most important factors in determining employee performance is their extra effort. Extra effort means doing more than expected. It can be the ability of leaders to get others work harder, and generate a desire in others to be successful. Developing leaders’ skills give them the abilities of enthusiastic followers who try hard to achieve better results.

1.9.3.3 Employee Satisfaction

Developing leaders have an influence on the satisfaction of their followers. As Madlock (2008) explained, leaders play the critical role in employee satisfaction. Without appropriately skilful leaders, employee satisfaction will suffer. Employee satisfaction at work depends on the actions of their leaders. Employee satisfaction is one of the measures which determine the organizational effectiveness and performance. Satisfaction when working with other people determines employee satisfaction. An employee’s satisfaction with their leader makes them more motivated and committed to attain organizational and group goals.

1.9.4 Training Activities

Successful organizations are using training activities to improve the quality of work, efficiency, effectiveness and productivity in the organization and increase the
performance of employees (Ladyshewsky, 2007). Proper training can prevent many disastrous errors and mistakes. As Thomas and Cheese (2005) explained, the aim of leadership training is to educate the trainees allowing them to develop their abilities and skills, resulting in enhancing their performance on the job. Success of each training program is measured by its effectiveness. Traditional training programs do not work anymore. Recent programs may be some programs like 360-degree feedback, Job assignment, Action Learning, Case study, Role play, and Job rotation.

1.9.5 Knowledge Sharing Practices

Knowledge sharing is distribution and transferring knowledge between people in organizations. The process of knowledge sharing practices is divided into two factors as knowledge donating and knowledge collecting. Donating knowledge entails giving others the intellectual capital by an individual, whereas knowledge collecting involves a person to collect intellectual capital by talking to other employees. Knowledge sharing can help the leadership to raise the effectiveness in the organization. Then one of the responsibilities of leaders is to facilitate the exchange of knowledge and information among members.

1.10 Outline of thesis

This thesis includes five chapters. Chapter one, gives an overview of the research topics. It presents the background of the study and problem statement. It also discusses study questions, aims and objectives. Chapter two comprises of a review of the literature. Some of the topics which are reviewed in this chapter are leadership, leadership development, organizational effectiveness, leadership training and knowledge sharing. At the end of the chapter, the conceptual framework and hypothesis are considered. Chapter three justifies the research methodology used in collecting and analysing data. Chapter four includes factor analysis and examines
the hypothesis. In addition, the result of post-hoc analysis is presented in this chapter. Chapter five discusses the findings and highlights the contribution made.

1.11 Summary

Organizations that wish to survive in chaotic and challenging environments have to develop their leaders at all stages. In both private and public organizations, developing leaders is a vital and strategic issue. While the need for effective leadership development programs is an undeniable fact, there is a lack of research in this field. One of the preliminary needs of leadership development programs is to find leadership skills and abilities which need to be developed in such programs. However, as Holt (2011) explained, there is not an evaluation model of leadership development which sufficiently measures the effect of leadership involvement needs to improve the performance and effectiveness in the organizations, such models can cover the gap of leadership development studies.

The other challenge of leadership development is to find the effect of it on organizational effectiveness. In fact there is a lack of research to show how a leadership development program with a set of leadership skills can result in the outcomes of organizations. Therefore, the main aim of this study is to find out the leadership development skills which need to be developed in order to receive high effectiveness, performance and satisfaction in the organizations. The findings of this study are expected to add new insights to the body of knowledge of leadership development and are also expected to provide the information that can help companies in preparing their future leaders.


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