Crisis Management Factors that Affect the Organizational Sustainability through the Organizational Performance in Palestinian Listed companies; Moderation Interaction of Transformational Leadership

Mutassembelah alzatari¹, Sara Ramzani²

Ph.D. (Management), Limkokwing University of Creative Technology, Cyber Jaya, Malaysia

Lecturer, Limkokwing University of Creative Technology, Cyber Jaya, Malaysia

Abstract: Crisis management plays an essential role in an organization to conduct its daily activities, where a crisis has to be managed. Despite the scale of growth and development in the field of crisis management, however, the strategies and the practices on how organizations can maintain good performance which lead to the sustainability when faced with critical crises have largely remained unexplored and choosing the proper leadership style is the primary challenge to avoid disastrous consequences during the crisis situation within the Palestinian companies. Therefore, the primary objective of this study is to determine the effect of crisis management practices on company sustainability. The study further aimed to examine the influence of leadership styles in terms of transformational leadership as a moderating variable between the relationship of organizational performance and organizational sustainability in the context of public listed companies in Palestine. In order to achieve this objective, a quantitative method was applied, a survey was conducted in an attempt to understand the relationship between (the crisis management strategies, Crisis management team, Decision making, communication competency) and organizational sustainability through the organizational performance as well as the effect of transformational leadership on the relationship between organizational performance and organizational sustainability.

Keywords: Crisis management strategies, crisis management team, Decision making, communication competency, Transformational leadership, organizational performance, Organizational sustainability.

I. Introduction

The field of crisis management is one of the Modern administrative fields has exploded and climbed the foundations with this field and its concepts and axes and multifaceted at a remarkable and prominent in recent years, the rapid development of the field may be due to the great number of disasters and the nature of these disasters facing different kinds of organizations: (private, public, semi-governmental, governmental, international) Despite the scale of growth and development in the field of crisis management, this field is not yet complete. It is indeed a continuous process of evolution (Darling, J.R., 1994). It is always looking for the brand newest, which is linked to crises of an emerging and endless nature. Researchers in this field are still looking at the cornerstone of their methods, policies, strategies, procedures and tactics that make the field of crisis management a science and able to cope with crises in various forms and types and different fields in a rapidly evolving universe and change, which likewise makes this field able to get out of the disasters successfully and achieve the existence of those organizations as opposed to breaking and overcome the indicators of their crisis and its consequences.

It has become known in the business world which the only constant is change, and the business world is being retained within a basic premise based on continuous adjustments, challenges and persistent threats. The fact that these changes and challenges frequently lead to disasters, these emergencies cannot be avoided and sometimes occur without prior warning and with no warnings, even the crisis is chiefly a situation which is not sufficiently detected and fix and has devastating impacts on the organization. It's important to point out that lots of organizations return and restore the emergencies they have problems with the unforeseen events and situation (Chong, K., 2004). Nevertheless, the blame for its unforeseen events and requirements should stop, and the administration must shoulder its responsibility in successfully managing the crisis, and also keep pace together and exercise planning in order to avoid the effects of the crisis, and shouldn't be limited by its efforts to predict what's going to happen to the rest of the organization of the crisis potential to reflect this crisis (Chong and Escarraz, 1998).
Crisis management is an essential aspect of an organisation. When it comes to crisis management it is important to act and work carefully to prevent a crisis event escalating into a full-blown crisis. A crisis can vary but it is important to always have a crisis management plan in place. Together with the four factors, prevention, preparation, response and revision it can help to reduce the negative aspects of a crisis that will not only affect the stakeholders, but also the whole organisation (Coombs, 2014). An organisation must be prepared for what a crisis can bring and (Pearson et al.,1998) definition of an organisational crisis highlights the importance of preparedness. Even though a crisis does not happen every day, it is crucial that once it does, the organisation has a plan in place and its employees know what actions need to be taken in order to minimise the damages that can be caused by a crisis. Therefore, crisis management is far more than a task that is handled during a crisis. It must be in place in an organisation during the day to day work. Another pivotal factor relating to organisational crises is the internal communication, which is the exchange of information between employees within the organisation (Zerfass, A., et al., 2016), and a significant factor in the day to day operation of an organisation. There are various types of communication channels, for example face-to-face communication and email, that can be used in an organisation (Al Shobaki et al., 2016). Noteworthy is also that an organisation’s work is affected by the degree to which colleagues not only share goals and objectives (Whitworth, B., 2006) but also emotions.

II. Literature Review

2.1 Crisis management strategies (CMS)

Crisis management is defined as a series of steps performed by an organization to deal with a catastrophic event. A crisis disrupts business operations, threatens to harm people, damages your reputation, and negatively affects your finances (Fearn-Banks, 2016). Crisis management planning begins long before an issue arises. It can be tempting to put off risk management when things are going well. However, inadequate preparation can have serious operational, legal, and public relations consequences (Sadgrove, 2016).

When creating a crisis management plan, it is important to analyze the risk your organization has. Developing a crisis management plan will help to determine the appropriate techniques to manage the types of crisis you may face. You may face a backlash from public opinion, or can foresee a wave of negative criticism from your future business decisions. Developing a public relations strategy well in advance can help minimize impact or reduce the spread of negative publicity in the months after the crisis (Coombs, 2014).

Majli and Farhan Tamimi (2018) performed a study to examine the crisis management strategy and its impact on the performance of employees of a Jordanian production industry. The data collected from 248 workers shows that p value is less than 0.05 and there is a statistically significant impact of Crisis Management by its dimensions in improving the performance of the workers. The study was digging deeper in the micro strategies and found that different strategies such as changing path, Reserve mobilization, crisis fragmentation, crisis containment, and specialized groups have a direct impact in the employees’ performance and productivity (Majli and Farhan Tamimi, 2018). In another research in Nigeria Olawale (2014), There was a strong, positive partial correlation between crisis management strategy and organization performance, while controlling for the effect of the challenges of crisis management strategy, $r = -0.875$, $n = 312$, $p < .0005$. An inspection of the zero order correlation ($r = 0.805$) suggested that controlling for challenges of crisis management strategy had significant effect on the strength of the relationship between crisis management strategy and organization performance (Olawale, 2014). Mhaske and Khandekar (2016) conducted a basic research to identify the factors of crisis management effectiveness in construction projects and found that crisis management strategies is one of the seven factors. The authors initially identified 25 different factors, but the final shortlist is seven factors in the construction projects (Mhaske and Khandekar, 2016). Ali Mohamad Jibai (2018) conducted a study to examine the role of leadership style and crisis preparedness on corporate sustainability. The study found a significant relationship from crisis preparedness (which is another face of planning and strategies) through transformational leadership ($\text{Beta} = 0.791$) (Ali Mohamad Jibai, 2018).

2.2 Transformational Leadership

Transformational leadership is a leadership style in which leaders encourage, inspire and motivate employees to innovate and create change that will help grow and shape the future success of the company. This is accomplished by setting an example at the executive level through a strong sense of corporate culture, employee ownership, and independence in the workplace (Bass and Riggio, 2012; Sadiq, 2014). Transformational leaders inspire and motivate their workforce without micromanaging — they trust trained employees to take authority over decisions in their assigned jobs. It’s a management style that’s designed to give employees more room to be creative, look to the future and find new solutions to old problems. Employees on the leadership track will also be prepared to become transformational leaders themselves through mentorship and training (Bass and Riggio, 2012; Northouse, 2015).
Danielsson et al., (2012) emphasize leadership as central in all stages of crisis management. Whether the incident has severe impact on society or not, the management of the crisis can include complex psychological and social leadership dilemmas for the people. Transformational leadership is used partly with alternative names in some researches such as Olawale (2014) who use the challenges of crisis management which is a characteristic of transformational leadership. The study conducted in Nigerians multi-national corporations, challenges of crisis management strategy is used as a controller in the relation between crisis management strategy and organization performance. And an inspection of the zero order correlation (r = 0.805) suggested that controlling for challenges of crisis management strategy had significant effect on the strength of the relationship between crisis management strategy and organization performance (Olawale, 2014). Boin and Sundelius (2016) suggest that people tend to turn to leaders for answers and solutions in the event of crisis. A crisis is a test that can both strengthen and weaken incumbent leaders’ positions severely. They present five critical tasks of strategic crisis leadership that need to be executed in order to make the crisis a strengthening event. These are: 1) Sense making. 2) Decision making & coordinating. 3) Meaning making. 4) Accounting. 5) Learning. (Boin, Stern and Sundelius, 2016). The trust between the management and their underlying agencies is key. If the management lack trust in their agencies, any initiative from a lower level will be constrained and result in dysfunctional micromanagement. When trust exists there is an opportunity for the opposite (Helsoot, 2005; Danielsson et al., 2012).

2.3 organizational sustainability

Rimanoczy, et al., (2010) identify the colloquial definition of sustainability as being to keep the business going, whilst another frequently used term in this context refers to the “future proofing” of organizations. Jayaraman, S., et al., 2018. refer to achieving success today without compromising the needs of the future.

Organisational sustainability can be defined as the reduction of organizational risk that increases the likelihood that an organization will survive and thrive in the future, coupled with the mitigation of any harm to the things and people around it (Bryson,M., 2018). With this definition, “sustainability” can refer to Cultivating a diversity of income sources, Pursuing a diversity of types of income, Generating a profit or surplus, Building a financial reserve, Nurturing required organizational capabilities. Keeping key staff engaged, Making sensible strategic decisions, Acting ethically towards beneficiaries, stakeholders, suppliers, Acting ethically with respect to the environment, and Being comfortable taking calculated risks (Mazzucato, et al., 2018.).

2.4 Organizational performance

Organizational performance involves analyzing a company’s performance against its objectives and goals. In other words, organizational performance comprises real results or outputs compared with intended outputs. The analysis focuses on three main outcomes, first, shareholder value performance; second, financial performance; and third, market performance (Gelbard, et al., 2018). According to Richard, et al., (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.), (b) product market performance (sales, market share, etc.), (c) shareholder return (total shareholder return, economic value added, etc.) (Richard et al., 2009).

III. The Relationship Between The Variables And Hypothesis Development

Organisational Sustainability is also known as corporate sustainability and defined as the firm’s ability to grow and add value throughout the years despite challenges and crises and is one of the main factors behind the importance of crisis management which significantly impacts corporate longevity and sustainability (Lopatta, et al., 2014). It is defined as a firm’s value-added contribution aimed at assuring its present and future development with regards to economic and social considerations to ensure the given organization’s economic growth (Schneider, A., 2015.). It is one of the most prominent organizational issues as of the past decade as corporations across the globe are becoming more and more focused on integrating sustainability as a core value to maintain their competitive advantage and support future development (Singhal, et al., 2016).

Moreover, the aftermath of the 2008 financial crisis has significantly damaged consumer trust in financial services’ corporations and thus crisis managers have strongly favored the adoption and implementation of sustainable practices to assure the public of their commitment to responsible practices and in turn re-develop favorable opinions and regenerate lost trust (Hilty, et al., 2014). Likewise, crisis management places a growing importance on inclusiveness, ensuring all stakeholders are satisfied therefore enhancing the perceived value of the corporation’s performance and contribution consequently generating continuous goodwill that facilitates long-term profitability and stability (Marie, L., 2013). In fact, crisis management is considered one of the driving factors behind sustainability since it focuses on the development of new procedures and processes that assess crises threats and prevent such risks, enabling crisis containment which in
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turn decreases a firm’s vulnerabilities and allows for its long-term prosperity ((Hilty, et al., 2014). From the description above, the researcher proposed the following hypothesis:  

H1: There is a direct impact of organizational performance (OP) on organizational sustainability (OS) in Palestinian listed companies.  

Maji and Farhan Tamimi (2018) performed a study to examine the crisis management strategy and its impact on the performance of employees of a Jordanian production industry. The data collected from 248 workers shows that p value is less than 0.05 and there is a statistically significant impact of Crisis Management by its dimensions in improving the performance of the workers. The study was digging deeper in the micro strategies and found that different strategies such as changing path, Reserve mobilization, crisis fragmentation, crisis containment, and specialized groups have a direct impact in the employees’ performance and productivity (Maji and Farhan Tamimi, 2018). In another research in Nigeria Olawale (2014), There was a strong, positive partial correlation between crisis management strategy and organization performance, while controlling for the effect of the challenges of crisis management strategy, \[ r = -0.875 , \, n = 312 , \, p < .0005. \] An inspection of the zero order correlation (\( r = 0.805 \)) suggested that controlling for challenges of crisis management strategy had significant effect on the strength of the relationship between crisis management strategy and organization performance (Olawale, 2014). Mhaske and Khandekar (2016) conducted a basic research to identify the factors of crisis management effectiveness in construction projects and found that crisis management strategies is one of the seven factors. The authors initially identified 25 different factors, but the final shortlist is seven factors in the construction projects (Mhaske and Khandekar, 2016). Ali Mohamad Jibai (2018) conducted a study to examine the role of leadership style and crisis preparedness on corporate sustainability. The study found a significant relationship from crisis preparedness (which is another face of planning and strategies) through transformational leadership (\( \beta = 0.791 \)) (Ali Mohamad Jibai, 2018).  

The previous discussion shows that crisis management strategies have a main role in the crisis management outcome in different facets such as organisation sustainable performance, organisation performance, employees’ productivity, and organisation reputation. Therefore, this particular study is assuming the following arguments for investigation:  

H2: There is a direct impact of crisis management strategies (CMS) on the organizational sustainability (OS) in Palestinian listed companies  

H3: There is an indirect impact of crisis management strategies (CMS) on the organizational sustainability (OS) through the organization performance in Palestinian listed companies.  

Transformational leaders inspire and motivate their workforce without micromanaging — they trust trained employees to take authority over decisions in their assigned jobs. It’s a management style that’s designed to give employees more room to be creative, look to the future and find new solutions to old problems. Employees on the leadership track will also be prepared to become transformational leaders themselves through mentorship and training (Bass and Riggio, 2012; Northouse, 2015).  

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The previous discussion shows that transformational leadership has a main role in the crisis management outcome in different facets such as organisation sustainable performance, organisation performance, employees’ productivity, and organisation reputation. Therefore, this particular study is assuming the following arguments for investigation:  

H4: There is a moderation interaction of transformational leadership style (TLS) on the relationship between organizational performance (OP) and the organizational sustainability (OS) in Palestinian Listed companies.
From the description above, we can describe the research model as follows:

IV. Research Methodology

4.1 Research Design: This study used a quantitative research method to collect data from the respondents using three instruments which comprises of four sections. The use of quantitative methodology in educational research can be very useful when trying to determine whether or not a claim is true or false. Often times quantitative research is specific, unbiased and objective as researchers are not closely attached to the study environment (Creswell, 2017; Gay and Diehl., 1992).

4.2 Population: The population for this academic work is all the managers from all level who are working in a company in West Bank – Palestine, which is Listed in the Palestinian stock market. The number of companies is 41 company and the total number employees in theses companies is 9500. As our target is managers, the managers in these companies are 800.

4.3 Sampling Design: Stratified sampling is chosen. Stratified sampling is one of the random sampling techniques, and the most common used sampling technique whenever the population is categories in different strata (companies) (Krejcie, and Morgan , 1970.) Based on the study population (800), the sample size of 260 is (at 95% confidence level and 5% confidence interval). In this thesis more than required sample size was the final data set which is 260.

V. Results and Discussion

The results of the study show that first Crisis Management Strategies affects Organizational sustainability with \( R^2 = 0.663 \), path coefficient \( \beta = 0.175 \) and T-statistics = 4.320 second Crisis Management Strategies affects organizational sustainability through the organizational performance with \( R^2 = 0.792 \), path coefficient \( \beta = 0.435 \), T-statistics = 4.293 Third organization performance affects organizational sustainability with \( R^2 = 0.792 \), path coefficient \( \beta = 0.252 \), and T-statistics = 4.873 Fourth transformational leadership has interaction between the performance and the sustainability with, path coefficient \( \beta = 0.269 \), T-statistics value of 2.145985, P-Value = 0.007

In this study assessed the mediating role of organizational performance between crisis management strategies, decision making and organizational sustainability in the PLS path model. The product of the coefficient approach using the bootstrapping re-sampling method has been used to examine the significance of the indirect effect (Preacher, and Hayes., 2004.).

In this study, there are 4 hypotheses tested and based on the results of test. The results showed that all the hypotheses are supported by the data.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Hypothesis Statement</th>
<th>T-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>There is a direct impact of crisis management strategies (CMS) on the organizational sustainability (OP) in Palestine</td>
<td>4.320</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>There is an indirect impact of crisis management strategies (CMS) on the organizational sustainability (OS) through the organizational performance in Palestinian listed companies</td>
<td>( = 4.293 )</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>There is a direct impact of organizational performance (OP) on organizational sustainability (OS) in Palestine</td>
<td>4.873</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>There is a moderation interaction of transformational leadership style (TLS) between the relation of organizational performance (OP) and the organizational sustainability (OS) in Palestinian listed companies</td>
<td>2.145</td>
<td>Supported</td>
</tr>
</tbody>
</table>
The result of testing the hypothesis found that:

**Hypothesis 1:** The first hypothesis was supported and accepted. The first hypothesis predicted that crisis management strategies will influence the organizational sustainability (OS) in Palestinian listed companies.

**Hypothesis 2:** The second hypothesis was supported and accepted. The second hypothesis predicted that crisis management strategies will influence organizational sustainability (OS) through the organizational performance in Palestinian listed companies.

**Hypothesis 3:** The third hypothesis was supported and accepted. The third hypothesis predicted that organizational performance will influence organizational sustainability (OS) in Palestinian listed companies.

**Hypothesis 4:** The fourth hypothesis was supported and accepted. The fourth hypothesis predicted that transformational leadership style (TLS) will moderate the relationship between organizational performance (OP) and the organizational sustainability (OS) in Palestinian listed companies.

**VI. Conclusion**

The proposed model has seven variables, and all the perception results show a satisfactory level, but all the results are less than 4.0 (80%). The results can be understood as the employees’ perception is positive against the proposed variables but not at a high level of evaluation. The perception of the respondents for all the variables are in a satisfactory level, but all the results are between 3.03 and 3.91, which interpreted as positive against but not at a high level of evaluation. The variation between the variables is rational with the different importance of the variables to the organizational sustainable performance.

It is essential to measure the success of the model prediction, to assess the level of explanation provided by the proposed structure. The prediction is known as the predictive power and predictive relevance of the model. Results of the main dependent variable. Organisational Sustainability (OS), illustrate a strong predictive power and a large predictive relevance. As seen in the table the related R square value is 0.792 (a power of 79.2%) and the related Q square is 0.548 (a relevance of 54.8%). The prediction construct (CMS, CMT, CC, DM, and OP) can explain more than 79.2% of the OS variance. For the main dependent variable, Organisational Sustainability (OS), four of the five relations are accepted with variables (OP, CMS, CMT, and DM) and one relation is rejected with (CC). The precedence for the accepted four relations based on the path coefficient value (Beta) is CMS (0.329), DM (0.264), OP (0.252), and CMS (0.175).

Crisis Management Strategies (CMS) variable have two-associated hypothesis in the proposed model; direct and indirect relations with Organisational Performance (OP). Direct relation of Crisis Management Strategies (CMS) variable relation with Organisational Performance (OP) variable is in acceptable significance level and have a positive impact at the threshold of 1% significance level and two-tailed relation (T-statistics = 4.320). The significance level of the associated relation is labeled with path coefficient score of (Beta = 0.175) and a significant small effective size value (F2 = 0.063). The Indirect relation effect is significant at level of 5% and T statistics of 4.293. As the direct relation have a path coefficient value of 0.175 and the indirect relation have a path coefficient value of 0.11; therefore, the indirect relation effect is approved as partial indirect relation.

Crisis Management strategies (CMS) have a significant impact, which is mapped with previous studies such as Majli and Farhan Tamimi (2018), Olawale (2014), and Ali Mohamad Jibai (2018). The rank of crisis management strategies (CMS) as the most indirect and the second direct predictor is logical.

**References**


Mutassembelah alzatari. "Crisis Management Factors that Affect the Organizational Sustainability through the Organizational Performance in Palestinian Listed companies; Moderation Interaction of Transformational Leadership". IOSR Journal of Business and Management (IOSR-JBM), Vol. 21, No. 4, 2019, pp. 27-33.