Crisis Management Strategy and its Influences on the Organizational Performance in Palestine

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Abstract: At one time or the other, organizations would witness crisis whether internal or external in which its impact could induce severe consequences or even disasters if wrong strategic moves are devised. The issue of how organizations can maintain good performance when faced with critical situations has largely remained unexplored. This study therefore examines the effect of crisis management strategy on organizational performance of Palestinian companies. Crisis management forms the bedrock for peaceful co-existence between employers and employees and even the society at large. Crisis is inevitable in any organization because it comes in varied forms and degrees. In carrying out this study a total of 140 respondents were randomly selected from a staff population. Two hypotheses were formulated to guide the study and the data collected were analyzed using partial correlation. The results revealed that management challenges to crisis management strategy are attributed to poor organizational performance and that crisis management strategy does not have any effect on organizational performance. Based on the findings of the study, recommendations were made that multinational corporations in Palestine should make funds available for crisis management on a continuous basis, and that management of organizations should be pro-active when it comes to issues of crisis management strategies. Therefore, the extent to which an organization is able to forge ahead in spite of this unavoidable constraint will depend much on the crisis management strategies on whom rests the arduous task of resolving crisis.

Keywords: Crisis Management, Strategy, Organizational Performance Palestine

I. INTRODUCTION

As an organization operating in today's society, it would at one time or the other witness instability in which the impacts of event(s) threaten its operations, survivals or reputation. The ability of such organization to successfully craft strategies to manage such crisis is what differentiate an organization that is able to manage instability state of affairs from another organization that allows such horrible state to dampen its strategic objectives [1]. Crisis management is therefore seen as the provision of an organization's preplanned, rapid response capability supported by a leadership, information management and communications capacity in an integrated fashion to enable fast decision making at a strategic level within a structured environment, and thereby allowing for effective recovery and protecting an organization's survival or reputation [2]. Also, it is imperative for the management to ensure that disasters do not happen or that the impact of critical situations be minimized [3]. A crisis is thus a critical situation that can have severe negative consequences to the organization [4]. Frequently, studies of crisis management have become listings of rhetorical suggestions that lack both the theoretical background and the quantitative foundation with the issue of how organizations could mitigate the impact when a crisis occurs remaining unanswered. There is also an insufficiency of study from an open system's perspective on how aspects of organizational design and task environment interact and affect organizational performance in critical situations [5].

Studies have also ranged from building mathematical models for advising corporate organizations and government parastatals on actions in organizational politics and military crisis situations [6], and also designing training tools for managerial crisis prevention [7], and further to relying on operations research for devising logistics systems for tackling crises [8]. While these studies have provided new insights into various issues of crisis management, they have largely based themselves on operations research and game theory approaches, instead of organizational theories and strategies, which, we believe, can provide a much more relevant and stronger foundation to the field of crisis management. An attempt is made in this study to address the fundamental issue of how organizations can maintain good performance when faced with critical situations from an open system's perspective of organizations [9]. Tackling crisis in an organization goes beyond developing a crisis management plan, it has to do with crafting effective strategy via information, communication, peaceful dialogue and other approach to resolving organizational crisis in order to enhance overall performance. In any organization the impact of crisis management strategy on organizational performance cannot be overemphasized, it affects everything that the organization stands for. Hence, the attention of

the management on crisis management in any organization goes a long way to meet the challenges posed by need for organizational performance. Crisis and its management by organizations and the policy makers, and its effect on organizational performance have the attention of this work. Crisis management is aimed at creating conducive atmosphere where business can thrive and be profitable. However, the inability of managers and other policy makers to successfully resolve crisis that may emanate from both within an outside the organization may have negative effect on productivity level of such organization, stagnation in operational activities, reduced proficiency, inability to meet stated targets, decrease in sales level among others. Crisis managed with levity by an organization might lead to exile of such organizations if appropriate strategic moves are not devised to avert the situation within the shortest time. This study is being conducted to analyze the method of crisis management strategy on efficient usage of resources in the organization.

II. LITERATURE REVIEW

a) Conceptual Clarifications of Crisis and Crisis Management

The word crisis means different thing to different people in different professions. The term crisis has also been defined and conceptualized by different scholars and authorities in the field of management. [10] defined crisis as an inherently abnormal, unstable and complex situation that represents a threat to the strategic objectives, reputation or existence of an organization. [11] sees crisis as an abnormal situation, or even perception, which is beyond the scope of everyday business and which threatens the operation, safety, and reputation of an organization. Crisis is also conceptualize as an unstable time or state of affairs in which a decisive change is impending [12]. Crisis is also defined as a specific, unexpected, and non-routine event or series of events that create high levels of uncertainty and threaten or are perceived to threaten an organization's high priority goals [13]. [14], Crisis is also conceptualize as a serious threat to the basic structures or the fundamental values and norms of a system, which under time pressure and highly uncertain circumstances necessitates making vital decisions. A change, which may be sudden or which may take some time to evolve, that results in an urgent problem that must be addressed immediately. An event that threatens the strategic objectives, reputation or existence of an organization [15] Crises are events or trends that threaten the viability of the organizations within which they occur. [16], see crisis as the perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization's performance and generate negative outcomes. Crisis Management is a term often used to describe the way in which an organization handles a crisis. A paucity of definitions exists within dictionaries, policy documents, and crisis literature, and where they do exist, those definitions provided differ vastly in focus, scope, and terminology used. The provision of an organization's pre-planned, rapid response capability supported by a leadership, information management and communications capacity in an integrated fashion to enable fast decision making at a strategic level within a structured environment, and thereby allowing for effective recovery and protecting an organization's survival or reputation. Crisis management is the art of making decisions to head off or mitigate the effects of such an event, often while the event itself is unfolding. This often means making decisions about your institution's future while you are under stress and while you lack key pieces of information. Consistent with the overall philosophy of this manual, the key to being able to manage a crisis is doing as much planning as practical before a crisis starts in order to best position you and your institution to respond to and mitigate such a situation. Crisis Management is the management and coordination of your institution's responses to an incident that threatens to harm, or has harmed, your institution's people, structures, ability to operate, valuables and/or reputation. It takes into account your planning and automatic incident response, but must also dynamically deal with situations as they unfold, often in unpredictable ways.

b) **Types of Crisis Management**

[17] posited that during the crisis management process, it is important to identify types of crisis, in that different crisis necessitate the use of different crisis management strategies. [18], argues that potential crisis are enormous, but crisis can be clustered. He later identified categories and types of crisis as:

a). Natural disaster, b). Technological crisis, c). Confrontation, d). Malevolence, e). Organizational misdeeds, f). Workplace violence and g). Rumors.

III. RESEARCH METHODOLOGY

Data collection procedure of this research is based on a survey. We developed a questionnaire which was reviewed and modified by a panel of experts, consisting of three ITM professors and four PhD students. We used Qualtrics to develop our online questionnaire. The responses to our questions were captured on a 5-point Likert-type scale. The survey was sent to more than 500 decision makers. The response rate of 20% left us with 101 completed questionnaires. Both adopter and non-adopter companies were asked to participate in this survey. In order to assure the

quality of the responses, several quality assurance (QA) questions were added to the questionnaire. The questions asked of participants were adapted mainly from papers already published in this field. In addition to the standard questions, we also developed some questions that are specific to the context of cloud computing.

IV.   RESULT

Table 1. Distribution of the sample members in the study according to their job name

Sector	administrative position	Number of individuals per administrative site	Percentage of administrative site personnel from the sector	Percentage of individuals per administrative site of the total number (n=140)
Services	General Manager	3	11.11%	2.14%
	Director of department	14	51.85%	10%
	Head of Department	10	37.04%	7.14%
	Total	**27**	**100%**	**19.28%**
Banks	General Manager	4	18.18%	2.85%
	Director of department	6	27.27%	4.29%
	Head of Department	12	54.55%	8.58
	Total	**22**	**100%**	**15.72%**
Insurance	General Manager	3	9.68%	2.14%
	Director of department	18	58.06%	12.86%
	Head of Department	10	32.26%	7.14%
	Total	**31**	**100%**	**22.14%**
Investment	General Manager	2	6.66%	1.42%
	Director of department	12	40%	8.57%
	Head of Department	16	53.34%	11.44%
	Total	30	100%	21.43%
Industry	General Manager	6	20%	4.29%
	Director of department	14	46.67%	10%
	Head of Department	10	33.33%	7.14%
	Total	30	100%	21.43.%
Total summation		140%	100%	100%

a.   Indicator Reliability and AVE

Normally the first criteria to be examined is internal consistency reliability. the traditional measure for assessing internal consistency is Cronbach's alpha, this measure presents the estimate of the reliability on the basis of inter-correlations among observed indicator variables [20]. The fundamental assumption of the Cronbach's alpha is that all indicators are equally reliable which means all indicators have similar outer loading on the construct.

Table1: Cronbach's Appha, Composite Reliability and AVE

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
CMT	0.875	0.911	0.642
Communication	0.894	0.921	0.703
Company Characteristics	0.607	0.786	0.555
Containment Strategy	0.871	0.905	0.628
Crisis Management Strategy	0.893	0.921	0.668
Decision Making	0.776	0.849	0.528
Denial Strategy	0.824	0.870	0.530
Leadership	0.854	0.898	0.648
company Performance	0.856	0.898	0.645

The second test for discriminant validity is known as Fornell-Larcker which is a stricter method for measuring discriminant validity. This approach compares between the square root of AVE values and latent variable correlations. To pass this measurement, AVE of a construct should be greater than its highest correlation with any other construct. This means AVE should be greater than the squared correlation with any other construct [19]. As such, to confirm discriminant validity of the constructs of this research measurement model, Fornell-Larcker test was performed, and all of the constructs achieved the requirement for passing this test (see Table 2).

Table2. Fornell-Larcker assessment

|	CMT	C	CC	CS	CMS	DM	DS	L	CP
CMT	0.801								
Communication	0.958	0.838							
Company Characteristics	0.921	0.846	0.745						
Containment Strategy	0.953	0.915	0.856	0.792					
Crisis Management Strategy	0.973	0.957	0.884	0.957	0.817				
Decision Making	0.941	0.920	0.889	0.910	0.943	0.727			
Denial Strategy	0.844	0.854	0.764	0.875	0.887	0.800	0.728		
Leadership	0.929	0.883	0.856	0.931	0.933	0.883	0.885	0.805	
company Performance	0.939	0.924	0.866	0.947	0.970	0.928	0.899	0.936	0.803
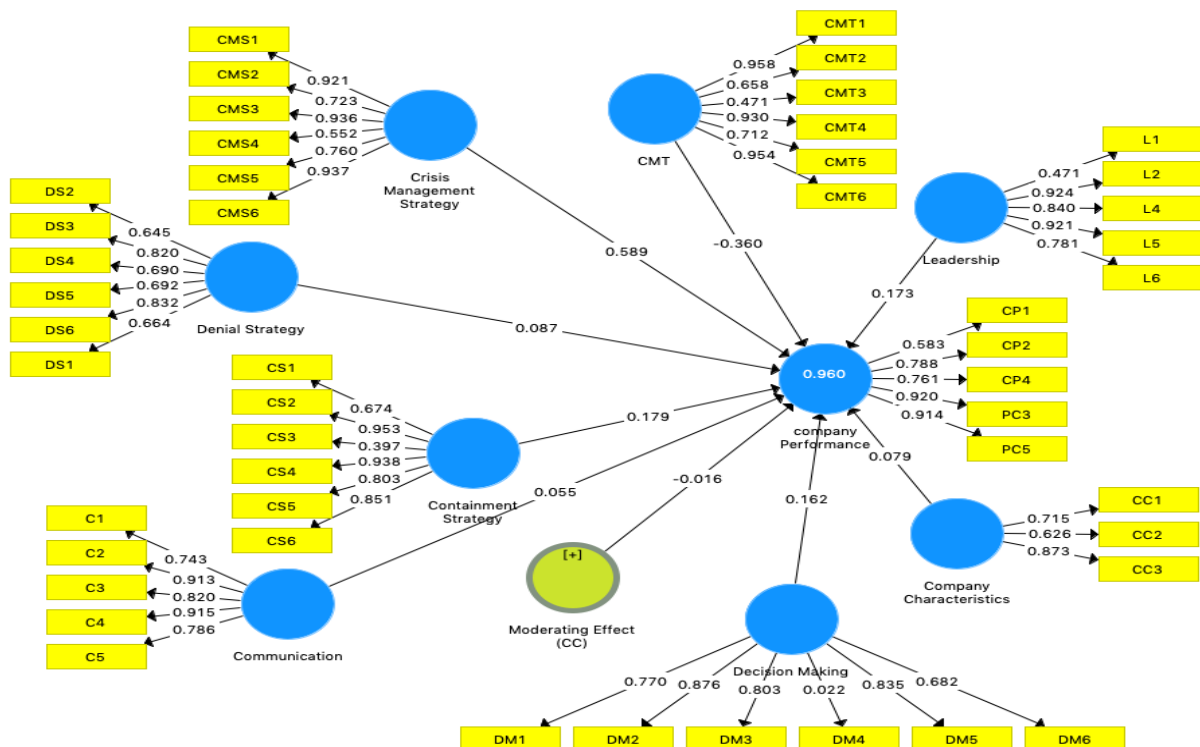
Figure 6.1 Results of PLS Algorithm Analysis

Table 2. Path coefficients (β), t-statistics and its significance level

Dependent Variable	Path Relations	Path Coefficient	Significant level	T-Value
Company Performance (CP) $R^2 =0.959$	CMT -> company Performance	0.360	**	3.797
	Communication -> company Performance	0.055	***	1.184
	Company Characteristics -> company Performance	0.079	**	2.115
	Containment Strategy -> company Performance	0.179	**	3.996
	Crisis Management Strategy -> company Performance	0.589	**	5.408
	Decision Making -> company Performance	0.162	**	4.541
	Denial Strategy -> company Performance	0.087	***	3.015
	Leadership -> company Performance	0.173	***	4.927
	Moderating Effect (CC) -> company Performance	0.016	***	0.010

V. DISCUSSION AND RECOMMENDATION

Crisis management has become a defining feature of contemporary governance. In times of crisis, communities and members of organizations expect their public leaders to minimize the impact of the crisis at hand, while critics and bureaucratic competitors try to seize the moment to blame incumbent rulers and their policies. In extreme environment, policy makers must somehow establish a sense of normality, and foster collective learning from the crisis experience. In the face of crisis, leaders must deal with the strategic challenges they face, the political risks and opportunities they encounter, the errors they make, the pitfalls they need to avoid, and the paths away from crisis they may pursue. The necessity for management is even more significant with the advent of a 24-hour news cycle and an increasingly internet savvy audience with ever changing technology at its finger tips. Public leaders have a special responsibility to help safeguard society from the adverse consequences of crisis. Experts in crisis management note to concern themselves with all crisis phases; the incubation stage, the onset, and the aftermath. Crisis leadership then involves five critical tasks: sense making, decision making, and meaning making, terminating and learning. Conclusively, the survival and growth of any business organization depend on its people because a considerable proportion of the value of an organization is determined not just by the recruitment and training policies adopted by the organization but also by the way in which the structure and culture of the organization allow strategic human resources development. Although this task is a very difficult one to accomplish, a first and necessary step towards a remarkable success in this area begins with a good knowledge of what the employees need in terms of career development. This enables the organization to adapt its capacities and capabilities to channelling all its available resources towards meeting these needs in their various forms. Crisis management methods of a business or in an organization are called crisis management plan. The credibility and reputation of organizations is heavily influenced by the perception of their responses during crisis situations. The organization and communication involved in responding to a crisis in a timely fashion makes for a challenge in businesses. There must be open and consistent communication throughout the hierarchy to contribute to a successful crisis communication process. The related terms emergency management and business continuity management focus respectively on the prompt but short lined "first aid" type of response (e.g. putting the fire out) and the longer-term recovery and restoration phases (e.g. moving operations to another site). Crisis is also a facet of risk management, although it is probably untrue to say that crisis management represents a failure of risk management since it will never be possible to totally mitigate the chances of catastrophes occurring.

VI. CONCLUSION

This study was conducted in order to investigate the influence of characteristics on the relationship between crisis management strategies and organisation performance. Initially the crisis management strategies, i.e. organizational policy, job description, training and development, governance and financial, which are causing the organisation performance were studied. Later on, characteristics, i.e. communication, leadership, decision making and CMT were studied. Finally, a conceptual framework was developed in which crisis management strategies were used as an independent variable, organisation performance as a depending variable and characteristics as a moderator variable. It

is suggested that effective crisis management involves addressing the activities and the management issues at each of the five distinct phases through which all crises pass: signal detection, preparation and prevention, damage containment, recovery and learning. The strengths and weaknesses of developers in each phase have been scrutinised in detail above. It was concluded that the crisis management capabilities of the developers are dependent on their size. It was established that the developers' crisis management efforts are highly and positively correlated to their opinions on its importance. This concluding section recommends the necessary activities and strategies to improve the crisis management capabilities of developers and suggests the direction for future research into the subject of crisis management.

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