Crisis Management: A Prudent Leader for Long-term Corporate Sustainability in the Context of Insurance Companies

By

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To my beloved parents, brothers, sister, and partner for all their continuous support throughout the years.
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Crisis Management: A Prudent Leader for Long-term Corporate Sustainability in the Context of Insurance Companies

Ali Mohamad Jibai

ABSTRACT

The study examines the relationship between crisis preparedness and corporate sustainability in the context of the Lebanese insurance sector, and investigates the role of leadership style in governing the relationship between both variables. Crisis management has become a critical element of survival for these firms and proactive crisis management strategies are being utilized to evade future crises and uphold sustainability. Therefore, one of the best reinsurance brokerage firms in Lebanon was chosen as a testbed to assess the relationship between crisis preparedness and corporate sustainability, and to recommend whether transformational or transactional leadership style is a better mediator for explaining this relationship.

A cross-sectional questionnaire was designed to assess the significance of the relationships between the afore-mentioned variables, namely: (1) leadership style, (2) crisis preparedness, and (3) corporate sustainability. The survey was distributed to all the 87 middle and top managers at the reinsurance brokerage firm under study, out of which 62 complete responses were collected, representing 71% of this experienced employees’ population.

The findings indicate the significant relationship between crisis preparedness and corporate sustainability only in the presence of one of the leadership styles, and demonstrate the privileged significance of transformational leadership over the transactional leadership when applying both as double mediators. Accordingly, in addition to a proper implementation of well-written processes, it is advisable that managers at all levels receive leadership training to improve the transformational skills as a main component of their leadership characteristics in order to enhance the opportunities for organizational sustainability.

Keywords: Crisis Management, Crisis Preparedness, Transformational Leadership, Transactional Leadership, Corporate Sustainability, Insurance Companies.
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<tr>
<td>CM</td>
<td>Crisis Management</td>
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<td>CP</td>
<td>Crisis Preparedness</td>
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<td>Transf.</td>
<td>Transformational Leadership</td>
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<td>Transac.</td>
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<td>Multifactor Leadership Questionnaire</td>
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<td>Corporate Sustainability</td>
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<td>SUS_INT</td>
<td>Sustainability in terms of Integration/Alignment</td>
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<td>SUS_ETH</td>
<td>Sustainability in terms of Ethics Practices</td>
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Chapter 1

Introduction

1.1 Research Background

Amid crisis, business failures and turbulent environments, lies an incessant need for a prudent and effective crisis management (Ringland et al., 2010). Crises fear no borders or boundaries. Crises sweep over nations and markets while threatening to captivate the lives of business organizations particularly those that are weakened by ill-management and poor leadership. Their rippling effects leave surviving organizations susceptible to the risk of being carved out of the market. Crisis management and preparedness have become the anchoring pillars for organizational resilience and sustainability against adversity.

Modern-day corporations exist in an era of unparalleled challenges and crises as they function in a greatly connected world that magnifies problems and that is fraught with perpetual changes in the form of technological advances, global competition and financial uncertainty (Heller and Darling, 2011). Indeed, the current business environment is highly demanding in nature; this is further exacerbated by the fact that consumers have shifted from passive end users to active, involved stakeholders that are constantly monitoring the market and searching for the best available alternative (Tucker and Melewar, 2005).

Organizational crises can greatly harm corporate reputation, decrease share values, damage organizational operations and hinder overall development (Fargouli and Ibidapo, 2015). As a result, there is an increase in the demand for effective crisis management skills and strategies in order to ensure corporate sustainability and survival.
As a matter of fact, a manager’s response to a given crisis plays a determinant role in the survival, or lack thereof, of the entire organization (Brockner and James, 2008). In addition, successful crisis management can ensure the aversion of the crisis as well as enhance the firm’s reputation and market performance in the long-run (Coldwell, Joosub and Papageorgiou, 2012).

The Institute for Crisis Management (2017) indicates that some organizational sectors tend to be more crisis-prone than others with the automotive, food, financial services and insurance sectors displaying the highest levels of crises likelihood as of late 2016. Specifically, insurance companies face a multitude of challenges such as (1) rapid globalization and market concentration, (2) growth in both national and international governing regulations as well as (3) an increasing focus on ethics, which have all been further amplified by the 2008 financial crisis and its drastic repercussions on the industry worldwide (Liedtke, 2009; Schanz, 2009). The latter has created a great sense of uncertainty within this sector leading to public loss of trust thus affecting both firm reputation and overall sustainability (Schanz, 2009). This thesis will focus solely on the case of crisis management in a specific company within the Lebanese insurance and reinsurance sector. The Lebanese insurance sector was chosen as a test bed since it is a crucial player in the nation’s economy yet the Middle Eastern country is highly turbulent in nature facing multiple political, economic, fiscal and environmental challenges leaving the naturally crisis-prone insurance sector highly vulnerable.

Much of extant literature focuses upon the analysis of specific corporate crisis cases and the reasons leading to them with very few studies assessing leader traits and mechanisms necessary to successfully manage such crises with most studies focusing on
the organizational response in general (Sheaffer, Bogler and Sarfaty, 2011). Additionally, most of management studies emphasize the aftermath and problems caused by an organizational crisis with little attention paid to the impact of leadership styles on crisis management within the financial industry (Haddon, Loughlin and McNally, 2015; Larsson et al., 2015). In fact, studies discussing leadership and crisis preparedness relative to corporate sustainability in the financial industry are generally focused on the banking sector, attributing little importance to the insurance sector (Monkiewicz, Gasiorkiewicz and Monkiewicz, 2015). Likewise, the extant literature has a dearth of studies that address the overall impact of crisis management on corporate sustainability, especially within the insurance sector (Dossa and Kaeufer, 2014; Peterlin, 2016). Moreover, and to the best of the researcher’s knowledge, no study to date has discussed organizational crisis preparedness and corporate sustainability while associating leadership styles as a key mediator in the context of Lebanese insurance sector.

In this dissertation, the researcher seeks to elaborate on the relationship between crisis preparedness and corporate sustainability, and investigates the role of leadership style in governing the relationship between both variables under study. The following research questions were addressed:

Research Question 1: To what extent does crisis preparedness influence corporate sustainability?

Research Question 2: How does transformational leadership affect the relationship between crisis preparedness and corporate sustainability?

Research Question 3: How does transactional leadership affect the relationship between crisis preparedness and corporate sustainability?
1.2 Thesis Structure

This thesis is composed of five chapters in total. The current first chapter offers an introduction to the topic of crisis management in the insurance sector and identifies the need for successful crisis preparedness methods while also highlighting the importance of the latter on corporate sustainability. The knowledge gap related to the latter topic is identified and subsequently the objectives of this study are presented.

The second chapter offers a detailed analysis of the existing literature related to the subject matter. The section commences with the definition of crisis management and the importance of crisis preparedness to the insurance sector specifically. It then develops into analyzing the specific case of the insurance sector in Lebanon identifying the reason behind choosing the nation as a test bed for the current study. This is followed by an analysis of the extant literature related to the impact of crisis preparedness on corporate sustainability. A discussion of managerial leadership styles and their subsequent impact on the relationship between crisis preparedness and corporate sustainability is then offered. The section closes with a description of the proposed theoretical framework based upon the hypothesis deduced from the above analysis.

The third chapter incorporates the methodology and details the rationale behind the utilization of a quantitative approach for this study. It offers a description of the survey instrument and each of the individual scales utilized to measure each of the constructs. This section also explains the sampling method chosen and details the data collection procedures employed to access the sample. The sample demographics are then presented.

Next, the fourth chapter will present the results of the different statistical analyses conducted in order to test each hypothesis. The rationale behind the choice of each mode
of analysis conducted is explained after which the results for each test are highlighted. Each hypothesis is later accepted or rejected based on these results.

The fifth chapter summarizes the conclusion and offers a methodical analysis of all the results respectively based on in-depth reasoning and interpretation relative to the existing literature. The links between each set of variables, or lack thereof, are justified. The theoretical and managerial implications of this study’s findings are then deduced and future research avenues that can build upon this study are proposed.
2.1 Crisis Management

A crisis is defined as a low-probability, high-impact disruption or phenomena that can harm a corporation and cause various losses to it and its stakeholders which can in turn impede its overall survival (Koronis and Ponis, 2012; Sheaffer and Brender-ilan, 2014). It includes any unpredictable situation with ambiguous causes, effects and solutions that can pose a threat, affect an organization’s developmental balance, incur great costs and/or is hard to maintain (Najafbagy, 2011). There are multiple reasons behind an organizational crisis, both internal and external, such as political, economic, cultural, communication, criminal, informational and natural causes, that can generate various forms of damage to the corporation’s overall reputation, legitimacy, viability and competence (Mitroff, 2004; Todarita and Ranf, 2009).

Organizational crises lead to a great need for crisis management, which is an ongoing form of management that aims to recognize, examine and manage business crises and variability successfully (Wei-Tsong, 2009). It is a systematic method of management that aims to deal with an organizational crisis and ensure that the corporation survives the calamity (Heller and Darling, 2012). This systematic method facilitates management in times of crises and has three main objectives, specifically to (1) expect and prevent damage, (2) alleviate and diminish a crisis’s negative impacts in instances where prevention fails, and (3) protect internal and external stakeholders (Constantinos-Vasilios and Vangelinos, 2008; Lei and Vhang, 2016).
Crisis management is a developing field of study that first originated in the late 1980s and encompasses a tactical analysis of, and response to, possible disruptions (Jaques, 2010); it incorporates a series of actions that are based upon individual characteristics, previous experience and the ability to make rapid decisions under great pressure (Constantinos-Vasilios and Vangelinos, 2008). Based on the extant literature, crisis management includes three distinct cyclical stages of action, namely (1) before, (2) during and (3) after the crisis itself (Simola, 2005):

1. **The pre-crisis stage:** Also known as crisis prevention, is focused on searching for any possible threats and weaknesses, recognizing a crisis before it takes place and preparing to deal with the issue (Najafbagy, 2011). It includes the systematic, proactive scanning of the environment for any possible risks to detect threats, minimize risks and avoid any future problems (Heller and Darling, 2012; Simola, 2014). This stage requires a conscious effort on behalf of management to accept possible risks and realistically prepare for such occurrences (Smits and Ezzat, 2003).

2. **The crisis stage:** focuses on the quick evaluation and containment of the crisis in a timely manner while ensuring the methodical analysis and assessment of all possible solution alternatives (Alpaslan, Green and Mitroff, 2009). At this stage, it is essential that the manager ensures expedient and continuous communication with all internal and external stakeholders while also guaranteeing that the crisis action plan is duly implemented (Netten and van Someren, 2011; Simola, 2014). It is essential that contingency plans are in place for all possible scenarios at this phase to allow for real-time responses and damage control measures.
(3) **The post-crisis stage:** this is the final stage of reflection and learning whereby the organization must review all lessons learnt from the previous crisis and evaluate the efficiency and effectiveness of their utilized plan (Smits and Ezzat, 2003). The firm must then ensure that all crisis management procedures and plans are updated and improved to avert similar problems in the future (James, Wooten and Dushek, 2011).

### 2.1.1 Crisis Preparedness

Existing literature on institutional crisis has come to release the incessant need for institutionalizing successful crisis preparedness. Various studies have evolved to embrace crisis preparedness as key construct of crisis management and raise awareness for its vital aspects including strategic excellence and crisis readiness, orientation of leaders as predictors of crisis preparedness and unlearning disappointment as a prominent mechanism (Lee et al., 2007; Sheaffer & Mano-Negrin, 2003; Carmeli & Schaubroeck, 2008).

Crisis preparedness is a state of promptness to forecast and effectively manage exogenous or internal adversity that can expectantly stimulate a multidimensional predicament by consciously acknowledging and effectively preparing for foreseeable adverse events (Sheaffer & Mano-Negrin, 2003). The inevitability of crisis renders its preparedness as an indispensable key component of effective crisis management (Prebel, 1997).

Crisis preparedness forms a vital element of its management and is generally known as a signal recognition or prevention/preparation stage (James & Wooten, 2005) which involves technological and people-oriented activities and events (Reilly, 1993),
targeting to reduce susceptibility to failure. It involves the recognition of early-warning stimuli, effective flow of data, mobilization and execution of resources and responsive decision-making initiatives (Elsubbaugh et al., 2004). A robust arsenal of adapting techniques and awareness raising culture are closely correlated to effective and successful crisis preparedness (Carmeli & Schaubroeck, 2008).

A distinctive and daring study conducted by Kets De Vries and Miller in 1984 proposes that institutional incapability to recognize or detect crisis signals hinges on top management’s psychology including megalomania and paranoia (Richardson, 1995). It is only logical to assume that such managers are inclined to excessively portray behavioral patterns as autocracy, introversion and selfishness (Richardson, 1993). Accentuating the scope of managers’ mental psychology, some researchers focused efforts on analyzing managers’ mental processes including dialectical investigation, complex analytical thinking and various other traits that stimulate solving catastrophic hurdles and obstacles. It has been found that such traits serve to lessen an organization’s proneness to catastrophes and crisis (Watkins and Bazerman, 2003). Mental perspectives as impairments to crisis preparedness are outlaid as mental biases that aim to eliminate proneness to crisis and disasters. These biases encompass harboring delusions that strengthen preconceptions and reinforce alliance to the status quo (Mano-Negrin and Sheaffer, 2003).

2.1.2 Crisis Management and Preparedness in the Insurance Sector

Crisis management is critical to all organizations across all sectors. However, and as of 2016, the insurance sector has been deemed one of the corporate world’s most crisis-prone
industries (Institute for Crisis Management, 2017). The insurance industry is one of the primary players in the global financial market and encompasses various functions and areas including, but not limited to: (1) connecting economic players, (2) transferring and minimizing risk, (3) enabling individuals and organizations to save money, (4) pooling financial uncertainty, and (5) compensating the insured for any losses and damages (Bobtcheff, Chaney and Gollier, 2016; Protopopescu and Teau, 2012). The value of this sector lies in the fact that it allows insured individuals and firms to invest and take greater risks thus encouraging entrepreneurship and contributing to the economy’s growth and advancement (Ilíc, 2012).

Nonetheless, insurance companies are considered complex, risk-prone financial corporations with diverse, and to a large part volatile, series of activities operating within a highly demanding, multi-dimensional environment (Liedtke, 2010; Liedtke, 2009). Indeed, one of the main challenges faced by an insurance company is to contain the possible risks and hazards of its own investments and processes (Lehman and Hofmann, 2010). Insurance companies aim to minimize their risks through the diversification of their activities and services; nevertheless, crises cannot be completely avoided especially in today’s unpredictable environment that is fraught with a multitude of challenges (Bobtcheff, Chaney and Gollier, 2016).

Truly, the insurance sector was highly affected by the 2008 financial crisis which spilled over from the banking into the insurance industry leaving the sector facing lower premiums, intensified declining sales and increased consumer mistrust (Baluch, Mutenga and Parsons, 2011). In addition, the industry is facing a multitude of major challenges that can result in organizational problems and crises, such as the: (1) complexity of new global
regulations and procedures, (2) growth in the number of competitors on both a local and regional scale, (3) increase in external risks in the form of terrorism, political instability and natural catastrophes as well as the (4) variabilities in national cultures and demographics across areas of operation (Ilic, 2012). Moreover, insurance companies are under great internal pressure to follow new global legislations that require updated processes and measures with regards to their accounting, risk analysis, disclosure, and technology systems (Szczepankiewicz, 2012); thus, increasing the need for crisis management strategies and contingency plans that enable continuity in the face of these possible adversities and problems.

2.1.3 The Lebanese Insurance Sector

This study focuses upon the case of a specific company in the Lebanese insurance sector. The insurance sector is an integral player in the country's economy as it has been growing ever since the early 1990s with premiums totaling 1.56 billion dollars as of 2016 (BlomInvest, 2017); as a matter of fact, it is considered to be one of the most advanced and well-developed sectors in the Middle East region and the industry is to a large part dominated by the ever-growing health insurance subsector (BMI Country Industry Report, 2017). The Lebanese insurance sector in particular was ranked the first in the Middle East and North Africa (MENA) region in 2015 with regards to insurance penetration outperforming its counterparts across the Arab region (BlomInvest, 2017). Additionally, the Lebanese insurance sector contains various companies, both local and international, and is supplemented in part by the nation’s strong commercial and entrepreneurial tendencies (Business Monitor International, 2015). Appendix A offers a
list of the top 20 Lebanese insurance companies based on the latest available market share statistics (BMI Country Industry Report, 2017).

Moreover, the Lebanese insurance sector includes many direct and reinsurance brokers. The direct broker is the intermediary between the insured/client and the insurance company, whereas the reinsurance broker is the intermediary between the insurance company and the reinsurance company.

The chosen company for this study is one of the top companies among reinsurance brokers in the Middle East and North Africa region. It has grown from a modest office, to a unique reinsurance service provider, with over 300 employees and operations running from more than 45 countries across Europe, the Middle East and Africa. It is one of the top 20 reinsurance brokers in the world and has become an intermediary of choice for many regional and international capacity providers for the insurance market.

2.1.4 Lebanese insurance sector challenges

The Lebanese insurance sector faces a series of challenges since it remains fragmented and highly competitive in nature with many structural challenges due to a highly ambiguous and ineffective regulatory and legislative framework (BlomInvest, 2017). This sector is primarily dominated by highly competitive private companies and family businesses with minimal government intervention or public competition (Bankmed, 2017). The intense competition present has in turn led to a fierce price rivalry between the various market players and organizations which has paved the way for mispricing and operational risks (International Monetary Fund, 2017).
On the other hand, the sector also faces multiple environmental threats caused by the financial, economic and political crises faced within the Middle Eastern nation (BMI Country Industry Report, 2017). Lebanon is susceptible to many political conflicts and in-fighting that have escalated even further by the ongoing Syrian crisis which has subsequently led to large national fiscal deficits and public debts (Business Monitor International, 2015). These political and regional problems have greatly strained Lebanon’s economy with economic growth in 2016 standing at a negligible 1% (International Monetary Fund, 2017). Consequently, these issues have further caused corporations to face a lack of access to capital and resources (Bankmed, 2017). As a result, the country has a significantly high level of brain drain causing organizations within this sector to suffer with regards to the attraction and retention of skilled employees (Business Monitor International, 2015).

2.2 Corporate Sustainability

Corporate sustainability is a 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 & Kaspereit, 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, 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 & Gupta, 2016).
Corporate sustainability has generally referred to the organization’s fiscal performance; nevertheless, today this construct has been further expanded to incorporate the economic impact of a given organization and its activities not only on itself but also on its subsequent stakeholders (Sar, 2014). As a matter of fact, corporate sustainability realizes the importance of economic profit while also emphasizing the importance of ethical practices, social protection and overall economic growth (Özçelik, Ozturk, & Gursakal, 2015). Therefore, sustainability indicates that an organization’s ability to develop value-added services will enhance its long-term financial performance and longevity and preserve its viability, reduce operational costs and improve the economic and fiscal status of all the firm’s internal and external stakeholders (Martínez & Rodríguez, 2014).

Many firms today are integrating sustainability procedures and processes into their day-to-day activities and business operations through the acquisition of new knowledge, promotion of new practices and application of new economic and management measures (Windolph, Schaltegger and Herzig, 2014). This is because corporate sustainability offers organizations various benefits since it augments the organization’s reputation, presents a significant competitive edge, enhances overall transparency and promotes employee commitment and motivation (Ozcelik, Ozturk and Gursakal, 2015). It must be noted that corporate sustainability as a construct further includes the corporation’s (1) ethical practices, and (2) its integration/alignment of employees with such sustainability practices and procedures (Fairfield, Harmon and Behson, 2011).

Indeed, one of the main drivers behind the constructs of corporate sustainability is deemed to be ethics and social responsibility whereby the interest of the organization is directly integrated with that of employee and societal well-being (Fairfield, Harmon and
Behson, 2011). This aspect of corporate sustainability is based upon the belief that a corporation is responsible to not only meet its fiscal goals and make profits but also the needs and wants of its stakeholders, both internal and external, in a manner that is conscientiousness and socially responsible (Ozcelik, Ozturk and Gursakal, 2015). It is built upon Elkington’s (1997) ‘triple bottom line’ which implies that sustainability is founded upon three main elements, namely: (1) people, (2) planet and (3) profit; the latter indicates that corporate efficiency, fiscal profitability and overall value stem from an organization’s processes and operations that minimize harm and display a responsible and ethical treatment directed towards ensuring the well-being of a firm’s employees, stakeholders as well as the entire society (Romero and Lamadrid, 2014). Subsequently, managers throughout various corporations are implementing codes of ethics that feature sustainable practices which aim to reshape corporate culture and highlight the moral standards needed to positively influence the firm’s financial viability (Garegnani, Merlotti and Russo, 2015). As a result, corporations today are taking a proactive role in establishing moral principles and diminishing the negative impacts of their operations to garner their stakeholders’ and community’s trust and commitment to create an ethical identity that ensures long-term profitability and stability (Goel and Ramesh, 2016).

In addition, the second primary element of corporate sustainability is an organization’s ability to integrate sustainable practices and align them with employee activities and goals (Fairfield, Harmon and Behson, 2011). Indeed, corporate managers are placing significant efforts into consolidating sustainability into their business operations to ensure financial profitability and meet performance targets while also utilizing a sustainability scorecard to measure the success of these variables and guarantee
that they fall in line with organizational processes and employee performance over the long term (Khomba, 2012). Moreover, many organizations today are actively reviewing their corporate vision, culture, policies, processes and reward systems to ensure that they are all closely integrated with sustainability initiatives and practices (Goel and Ramesh, 2016). Also, sustainable firms are assigning monitoring and accountability committees that are dedicated to the alignment of sustainability practices and strategic decision making, recruitment and development initiatives, the day-to-day operations of the organization and its management (Lenssen, Dentchev and Roger, 2014). Furthermore, managers are ensuring that employees are on board with sustainable practices through developing clear communication plans and training seminars that discuss the importance of these procedures and that highlight their significance to both individual and corporate success and long-term profitability (Petrini and Pozzebon, 2010).

2.3 Crisis Preparedness and Corporate Sustainability

Sustainability is especially important for financial businesses, such as insurance companies. Such companies have lost significantly in terms of their reputation, trust and longevity after the 2008 financial crisis, and this has resulted in severe repercussions for the sector that still linger to this day (Lenssen, Dentchev and Roger, 2014). As a result, crisis management has become a critical element of survival for these firms and proactive crisis management strategies are being utilized to evade future crises and uphold sustainability and competitiveness (Antonia, Sierra-Garcia and Zorio, 2013). As a matter of fact, the existing literature has indicated the presence of a link between successful crisis/risk management and corporate sustainability as well as a corporation’s financial
performance through boosting employee motivation and commitment, strengthening the corporation’s brand value and improving overall stakeholder relationships (Hahn and Reimsbach, 2014). This is due to the ability of crisis management to enable an organization and its management an advanced assessment of future risks and proactive incorporation of crisis prevention and long-term assessment into their business strategy thus paving the way for sustainability and long-term performance (Kantabutra and Siebenhuner, 2011).

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 (Bollas-Araya, Seguli-Mas and Polo-Garrido, 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 (Lauesen, 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 turn decreases a firm’s vulnerabilities and allows for its long-term prosperity (Bollas-Araya, Seguli-Mas and Polo-Garrido, 2014). Accordingly, the ensuing hypothesis is developed:

\[ H_1: \text{There is a positive relationship between the crisis preparedness and corporate sustainability.} \]
2.4 Leadership Styles

In order to successfully manage such crises, organizational leaders and their subsequent leadership styles are of critical importance (Prewitt & Weil, 2014). Leadership is defined as an individual’s ability to influence subordinates allowing them to maximize their performance and facilitating their ability to achieve both personal and organizational goals (Riaz, Tahir, & Noor, 2013); it must be noted that leadership and management, despite their overlaps, are different in nature with distinct functions and characteristics and thus are not mutually exclusive (Riaz, Tahir, & Noor, 2013). In fact, the concept of leadership is complex and it refers to a multitude of variables including an individual’s role, character, behaviors and personality (Limsila & Ogunlana, 2008). However, a series of different leadership styles exist with each having distinct defining features and characteristics (Leban & Zulauf, 2004). The most prominent leadership styles identified and categorized by researchers include the following: (1) transformational, and (2) transactional (Bass, 1985; Zareen, Razzaq, & Mujtaba, 2015).

Transformational leadership is a participative leadership approach whereby the leader is directly invested in the development of his/her employees’ professional skills and abilities while also paying significant attention to their personal growth and welfare (Allen et al., 2016). A transformational leader motivates his/her subordinates through inspiration and the creation of a common vision that appeals to his/her desires (Bennett, 2009). This leader thus aligns the corporation’s own goals and objectives with that of each individual employee’s goals providing his/her subordinates with a direct sense of ownership and responsibility with regards to the organization thus increasing their loyalty and commitment to their duties (Rowold, 2014). In addition, this leader further empowers
his/her employees and encourages them to think outside the box and develop creative ideas and innovative perspectives thus allowing them to reach their greatest professional and intellectual capacities (Washington, Sutton and Sauser, 2014). Such a leader fulfills the part of a role model that supports his/her employees, invokes their admiration and leads by example (Quintana, Park and Cabrera, 2015). Furthermore, this type of leadership is based upon the factors of idealized charisma/influence, intellectual stimulation, inspirational encouragement and individual consideration (Sudha, Shahnawaz and Farhat, 2016). As a result, a transformational leader is a fully engaged individual that appeals to his/her subordinates’ morals and values as well as their achievement and self-actualization needs (Xirasagar, 2008).

Transactional leadership, on the other hand, is a more bureaucratic form of leadership whereby the leader plays the role of a traditional authority figure who monitors employees and enforces certain behaviors through the implementation of reward and punishment schemes (Aarons, 2006). This form of leadership is contractual in nature whereby the leader utilizes a quid-pro-quo bargaining strategy in which he/she clarifies his/her expectation and requires his/her employees to fulfill their duties and meet their objectives in return for various financial and/or non-financial rewards (Overbey, 2013; Quintana, Park and Cabrera, 2015); in case the latter objectives are not achieved, the leader implements punishment and discipline schemes (Aarons, 2006). Such a leader is greatly goal-oriented and follows a corrective path which implies that he/she is only likely to take action when a mistake is made or a procedure is not correctly followed (Snodgrass et al., 2008). In fact, a transactional leader is highly autocratic placing primary focus on the monitoring of routine procedures and processes and their respective outcomes.
(Washington, Sutton and Sauser, 2014); subsequently, the transactional leader emphasizes
the importance of distinct performance objectives, role targets, contingent rewards as well
as task-oriented skills and achievements (Gross, 2016). Consequently, a transactional
leader motivates his/her employees through appealing to their basic psychological and
security needs (Xirasagar, 2008).

2.5 The mediating role of leadership styles between crisis preparedness
and corporate sustainability

In times of crisis and upheaval, individuals both internal and external to the organization
tend to look towards a strong, committed leader for guidance and reassurance (Prewitt
and Weil, 2014). Consequently, studies indicate that a leader and his/her subsequent
leadership style are essential in ensuring the successful management and containment of
an organizational crisis (Fragouli and Ibidapo, 2015). Corporate leaders are responsible
for preparing various crisis contingency plans, implementing these plans when needed
and successfully managing the various stakeholders throughout the entire process (Heller,
2012); similarly, studies have reported that the manner in which a leader manages a certain
crisis is the determining cause of any subsequent positive or negative consequences
(Fargouli and Ibidapo, 2015). As a matter of fact, leadership characteristics and behaviors
are deemed to be critical elements in ensuring an organization’s ability to successfully
overcome and handle crises (Prewitt and Weil, 2014).

Transformational leaders who display active leadership tend to be more proactive
in containing crises since they expect them in advance and display initiatives to avoid
and/or contain them (Sheaffer, Bogler, & Sarfaty, 2011). Moreover, a transformational
leader tends to communicate openly and honestly with his/her subordinates while engaging with them and asking them for their input and opinions (Bligh et al., 2004); such a leader is also likely to present the crisis as a ‘developmental challenge’ that promotes intellectual thought and allows for the creation of flexible results (Fragouli & Ibidapo, 2015). This in turn inspires his/her subordinates and enhances their feelings of self-control and confidence which subsequently increases their coping skills throughout a crisis and augments overall performance (Sheaffer & Brender-ilan, 2014). Likewise, recent studies have indicated that a charismatic leader who is interested in the welfare of his/her employees can significantly boost individual and organizational performance in times of crisis which ultimately serves to stimulate long-termed sustainability (Haddon, Loughlin, & McNally, 2015). As a result, the following hypothesis is proposed:

\[ H_2: \text{The relationship between crisis preparedness and corporate sustainability is mediated by the implementation of transformational leadership.} \]

On the other hand, a transactional leader is passive and corrective in character and is likely to ignore crisis warning signs and indicators only intervening and treating the issue once the crisis begins and grows (Peters & Peters, 2007). Consequently, transactional leaders tend to be more prone to severe crises since they display reactive rather than proactive behaviors in times of crisis (Sheaffer, Bogler, & Sarfaty, 2011). Moreover, crisis situations are highly unpredictable in nature and the rigid, bureaucratic structure of transactional leadership creates response delays, which minimizes effectiveness and increases associated stress (Waldman, Ramirez, House, & Puranam, 2001). In addition, in times of crisis, a transactional leader is likely to overload his/her
employees with duties and work to contain the issue that in turn will lead to employee dissatisfaction and mistrust (Laohavichien, Fredendall, & Cantrell, 2009). The exchange reward system traditionally utilized by such a leader can fail in the event of a crisis since it emphasizes and prioritizes an individual’s own needs and goals which in such instances may not always be aligned with those of the organization (Erkutlu, 2008). Failing to induce motivation and entice subordinates to align to leader’s objectives particularly in times of crisis places heavy strains on organizational sustainability over the long-run (Laohavichien, Fredendall, & Cantrell, 2009). Accordingly, the following hypothesis is proposed:

H3: The relationship between crisis preparedness and corporate sustainability is mediated by the implementation of transactional leadership.

The study also includes another layer of assessment. Many managers may have a combination of both transformational and transactional characteristics in different proportions, therefore, the study assesses such cases to examine which component will be more influential, if any, in explaining the relationship between crisis preparedness and corporate sustainability. Accordingly, the following hypothesis is proposed:

H4: The relationship between crisis preparedness and corporate sustainability is double mediated by the implementation of both transformational and transactional leadership styles.
2.5 Framework

In accordance with the above literature, this study aims to examine the relationship between crisis preparedness and corporate sustainability; it also aims to assess whether each leadership style, namely: (1) transformational, and (2) transactional mediates this relationship in both cases; separately and combined.

Figures 1, 2, and 3 offer a visual representation of each of these relationships and their relative hypotheses. The present study focuses explicitly on the case of a specific company within the Lebanese insurance sector due to the importance of this company in this sector and the importance of this industry to the nation’s economy as previously indicated above.

Figure 1: Theoretical Framework – The relationship between crisis preparedness and corporate sustainability, and the mediating role of transformational leadership on this relationship
**Figure 2:** Theoretical Framework – The relationship between crisis preparedness and corporate sustainability, and the mediating role of transactional leadership on this relationship.

**Figure 3:** Theoretical Framework – The relationship between crisis preparedness and corporate sustainability, and the double mediating role of both transformational and transactional leadership styles on this relationship.
Chapter 3

Methodology

3.1 Research Design

The choice of methodology has been deemed by researchers to be one of the critical elements of a research project’s overall success (Rudestam and Newton, 2007). In general, scholarly research is composed of two traditional methodological approaches, namely: (1) qualitative and (2) quantitative research. Qualitative research is an inductive mode of analysis that intends to describe and understand a given social phenomenon and/or related human behavior (Delattre, Ocler, Moulette and Rymeyko, 2009). This form of research is used in the early stages of a research problem in order to define the new concept, recognize its constructs and refine frameworks for future empirical validation (Bendassolli, 2013). Qualitative research is based on individual interpretation and allows for information-rich results that capture individual thoughts and experiences that may be lost in other forms of research (Hoflund, 2013). Qualitative research includes various methods such as interviews, focus groups, participant observation and case studies (Mackenzie and Knipe, 2006).

On the other hand, quantitative research is usually a natural progression from qualitative studies as it intends to objectively assess the relationships proposed by the latter. As a matter of fact, quantitative research is highly systematic in nature and incorporates a deductive analysis approach whereby causality between the variables is measured through statistical analysis and empirical testing to ensure relationship validity through quantifiable results (Eldabi, Irani, Paul and Love, 2002). This form of research is
a scientific approach with the objective of minimizing subjective social desirability biases and prejudices (Rudestam and Newton, 2007). Such studies usually allow for large-scale data collection and are dependent on analytical techniques such as surveys and questionnaires (Walsh, 2015).

The current study will employ a quantitative method approach. This methodology was chosen since this approach enables the researcher to utilize the necessary tools to answer the research questions and build upon the strengths of objective perspectives (vonder Heidt, 2011). Moreover, this research methodology allows the researcher to generate various scales of data that in turn permit the development of stronger, more reliable conclusions (Venkatesh, Brown and Sullivan, 2016). In addition, this methodology was chosen since corporate financial sustainability as a construct is relatively modern in nature and is multi-faceted and highly complex in nature (Ozcelik, Ozturk and Gursakal, 2015); consequently, many recent sustainability studies employ a quantitative method approach to allow for an accurate understanding of this topic (Kontic and Kontic, 2012; Opoku, Cruickshank and Ahmed, 2015). It is primarily used to verify the significance of theories while also allowing for the projection and generalization of data due to its representative nature (Baran, 2010). As a result, the chosen methodology will permit the empirical testing of the above hypothesis while also allowing for the development of new practical recommendations and strategies.

A questionnaire was designed to measure: (1) leadership style, (2) crisis preparedness, and (3) sustainability. The survey was completed by middle and top managers of the reinsurance brokerage firm which was used as a testbed for the study. This category of managers has a considerable level of managerial skills with varied years
of experience in the Lebanese insurance market. Accordingly, they are considered as an elite sample of managers and team leaders in the insurance sector dealing with various levels of multinational insurance and reinsurance companies. Hence, the perceptions and opinions within this segment can serve to improve the understanding related to corporate sustainability.

3.2 Questionnaire Design

A cross-sectional questionnaire was designed in order to assess the significance of the relationships between the afore-mentioned variables, namely: (1) leadership style, (2) crisis preparedness, and (3) corporate sustainability. The survey was developed based on an analysis of existing literature; validated scales associated with each of the variables were analyzed and incorporated into the existing questionnaire to ensure an accurate assessment of each variable while maintaining both construct reliability and validity. The final questionnaire (found in Appendix B) required approximately 5-10 minutes to be completed; the first section of the questionnaire included a list of questions related to respondent demographics, namely: (1) gender, (2) age, (3) education, (4) position, and (5) years of experience. The next section (3.2.1) will offer a thorough analysis of each of the survey sections and the rationale behind each of the scales utilized.

3.2.1 Questionnaire Measures

The first section of the survey questions an individual’s leadership style; this is measured using Bass and Avolio’s (1990) Multifactor Leadership Questionnaire scale which is deemed as the most reliable scale with regards to the measurement of an individual’s
leadership style applicable to various sectors and occupations (Konya and Gurel, 2014). The original scale is composed of 45 items in total while the updated MLQ-6s scale offers an augmented, condensed version of the scale with a total of 21 items (Bass and Avolio, 1997). It consists of seven sub-factors with a total of 3 items each, namely:

1. **Idealized influence**: a manager/leader’s willingness to sacrifice private interests for collective well-being,
2. **Inspirational motivation**: a manager/leader’s ability to inspire others and create a common vision,
3. **Intellectual stimulation**: a manager/leader’s ability to encourage innovation and creativity,
4. **Individual consideration**: a manager/leader’s ability to offer guidance and training for each individual employee,
5. **Contingent reward**: a manager/leader’s likelihood to stress exchanges and provide rewards when objectives are met,
6. **Management by exception**: a manager/leader’s ability to provide procedures that protect against mistakes, and
7. **Laissez-faire factor**: a manager/leader’s likelihood to get involved only after a mistake/problem has risen (Northouse, 2001; Popper and Druyan, 2001).

The first four factors measure transformational leadership, while factors 5 and 6 measure transactional leadership, and the last factor measures laissez-faire leadership. The self-reporting scale utilizes a 5-point scale with endpoints 1 = never and 5 = always. The researcher removed item # 13 (MLQ13_Transactional “As long as things are working, I
do not try to change anything”) because the responses were a bit confusing since most of the respondents selected the answer “sometimes”, and this did not guide the overall results. The reason for this response might have been because this question concept was not restricted to transactional leadership components although it was part of its scale. In fact, it falls in the middle criteria between transformational and transactional leadership styles, and may also rather describe the laissez-faire leader who may tend not to take any initiatives as long as things are going well. Therefore, the item was removed to improve Cronbach Alpha, and hence the reliability of the scale.

The next questionnaire section, and in accordance with previous literature on the matter (Sheaffer and Brender-Ilan, 2014; Sheaffer, Bogler and Sarfaty, 2011), measures a leader’s crisis management effectiveness according to his/her crisis perceptions; this is due to the fact that crises are deemed rare occurrences and thus managers with actual crisis management experience are considered rare to find (Sheaffer and Brender-Ilan, 2014). As a result, researchers measure individual ideas and beliefs relative to crisis management instead of his/her actual incident responses to actual incidents (Coombs and Holladay, 1996). This validated scale in turn aims to understand individual perceptions of the circumstances in which crises happen and how he/she responds to problems and issues (Sheaffer and Mano-Negrin, 2003; Sheaffer, Bogler and Sarfaty, 2011).

The above scale consists of 3 sections with 16 items in total; the first section includes 4 items investigating the perspective of crisis preparedness for each respondent, the second section has 5 items measuring the transactional leader characteristics in the context of crisis management, and the third section contains 7 items assessing the transformational leader characteristics within the crisis management field. It is worth
mentioning that the latter two categories were merged with their respective items in the MLQ scale in order to improve the reliability of the two leadership variables; transformational and transactional.

This questionnaire utilizes a 5-point Likert scale with anchors 1 = strongly disagree and 5 = strongly agree. However, we reverse coded the answers of the first section (CM_Crisis Preparedness) because the negative responses in this part indicate higher ability of crisis preparedness, therefore the reverse coding will allow easier understanding of results. Furthermore, we reverse coded the answers of the second section (CM_Transactional) to be consistent with the responses direction of MLQ_Transactional part, both of which were merged in the analysis as mentioned above. As a result, a high score on this scale indicates high crisis management preparedness and effectiveness while a low score indicates low crisis management effectiveness and thus a greater proneness to crises (Sheaffer and Brender-Ilan, 2014). Moreover, the researcher removed item # 10 (CM10_Transformational “I treat every employee personally and not merely as another organizational member”) of this scale in order to improve Cronbach Alpha as it appeared to be confusing for respondents. The reason may be related to the fact that some managers may perceive the term “personal” as favoritism, whereas others may see it as proper allocation of tasks according to the personal competences of employees, believing that the human relationship may come on top of a business relationship in a complementary way, hence assisting in the achievement of organizational goals.

The final section of the questionnaire included a corporate sustainability scale adapted from original scales devised by Fairfield, Harmon and Behson (2011) originally developed from the sustainability practices indicator cultivated by Harmon, Fairfield and
Wirtenberg (2009). The original scale included 15 items divided into three segments of which 8 items assessed sustainability integration and alignment with corporate practices and procedures, 4 items measured an organization’s employee-centered and ethical practices and the final 3 items assessed eco-efficiency (Fairfield, Harmon and Behson, 2011). For the purpose of this study, only the initial 12 items were adopted and utilized as the current study focuses solely on corporate financial sustainability and thus does not incorporate environmental sustainable practices. These items were evaluated based on a 5-point scale and the endpoints were: 1 = Not at all and 5 = To a very great extent.

3.2.2 Questionnaire Pilot Study

The survey underwent an initial pilot stage prior to the actual data collection phase in order to guarantee that the questionnaire was easy to understand and had no readability problems. This is in accordance with standard research protocols recommending that all questionnaires undergo a pilot stage in order to test the instrument and identify any possible issues with it (Bhate, 2014; Slavec and Drnovsek, 2012). As a matter of fact, pilot stages are conducted in the initial stages of empirical data collection to further enhance the reliability of the overall survey and ensure that any errors are rectified prior to large-scale survey distribution (Atkinson and Messy, 2011; Zhaung, 1995). The current questionnaire was administered to four insurance managers who were each asked to complete the questionnaire and indicate any comprehension, readability or overall formatting problems they identified while filling it out. The individuals all indicated that the survey was easy to understand and complete.
3.3 Sampling Design

3.3.1 Data Collection and Questionnaire Administration

This study targeted solely middle and top managers. The survey was distributed through SurveyMonkey platform to all the 87 middle and top managers at the reinsurance brokerage firm under study. The software showed 81 responses out of which 62 were complete responses, representing 71% of the population of this category of experienced employees at this company. The entire data collection process took a total of 6 weeks.

3.3.2 Sample Demographics

There were five categories of demographic items at the beginning of the survey, i.e. the gender, age, educational level, position, and years of experience for each respondent. For the gender, the number of males was 40 representing around 65% of the respondents, whereas the number of females was 22 representing the remaining 35%. For the age, 15 respondents (24%) were below 30 years old, 34 (55%) were between 31 and 40 years old, and the remaining 13 (21%) were above 40 years old. For the educational level, most of the respondents (more than 90%) were holding either a BA or MBA degree. For the position, 55 (88%) were from the middle management and 7 (12%) were from the top management. For the service years, 17 (27%) respondents had less than 5 years of experience, 26 (42%) had between 6 to 10 years, and the remaining 19 (31%) had more than 10 years.
Chapter 4

Data Analysis and Results

The reliability of the variables in this study were tested by calculating the Cronbach Alpha using R. Table 1 shows the results of this reliability testing.

Table 1: Summary of reliability measures for each scale (n= 62)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Items in Scale</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Cronbach Alpha, 95% confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational¹</td>
<td>18</td>
<td>62</td>
<td>4.2</td>
<td>0.33</td>
<td>0.76, [0.67, 0.85]</td>
</tr>
<tr>
<td>Transactional²</td>
<td>10</td>
<td>62</td>
<td>4.2</td>
<td>0.41</td>
<td>0.72, [0.61, 0.82]</td>
</tr>
<tr>
<td>Crisis Preparedness</td>
<td>4</td>
<td>62</td>
<td>4</td>
<td>0.61</td>
<td>0.62, [0.47, 0.77]</td>
</tr>
<tr>
<td>Sustainability</td>
<td>12</td>
<td>62</td>
<td>3.5</td>
<td>0.63</td>
<td>0.91, [0.87, 0.94]</td>
</tr>
</tbody>
</table>

Cronbach alpha of the transformational leadership variable in the MLQ scale was 0.73, and the transformational leadership variable in the Crisis Management scale was 0.71. A combination of these items gave a Cronbach alpha of 0.76 which is reliable. Moreover, Cronbach Alpha of the transactional leadership variable in the MLQ scale was 0.68, and it improved to 0.72 after removing the item MLQ13 as clarified above. The measurement of transactional leadership variable in the Crisis Management scale was 0.76. A combination of these items gave a Cronbach alpha of 0.72 which is also reliable.

Nevertheless, the Cronbach alpha of crisis preparedness variable within the crisis management scale was 0.62 which is slightly below 0.70, and can be considered reliable in view of the few number of relevant items in this section (4 questions).

¹ This is a combination of the MLQ and CM Transform items; excluding CM10.
² This is a combination of the MLQ and CM Transact items; excluding MLQ13; Reverse Coded CM_Transact items to match MLQ scale
As for the corporate sustainability, it consists of two parts: (a) sustainability in terms of integration of employees and their alignment within the company culture, and (b) sustainability in terms of employee-centered and ethics practices. The Cronbach alpha was 0.88, and 0.74 respectively. As a result, it became 0.91 when combining the two parts under corporate sustainability, which is highly reliable.

On the other hand, a correlation test was performed to assess the relationships between all the constructs of this study. Figure 4 shows the results of the correlation tests including the value of the correlation, its significance, a scatterplot of the bivariate relationships, and the distribution of each variable. In Figure 4, we see that all of the variables in this study follow a roughly normal distribution. Additionally, we find positive relationships between all the constructs with only the relationships between leadership styles, crisis preparedness, and sustainability being significant.

![Figure 4: Correlation Plot for all Constructs](image-url)
Tables 2 and 3 present the exact value of the Pearson correlations (Table 2) along with the p-values of these correlations (Table 3).

**Table 2: Pearson Correlation Matrix**

<table>
<thead>
<tr>
<th></th>
<th>Transformational</th>
<th>Transactional</th>
<th>Crisis Preparedness</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational</td>
<td>1.000</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Transactional</td>
<td>0.724</td>
<td>1.000</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Crisis Preparedness</td>
<td>0.266</td>
<td>0.418</td>
<td>1.000</td>
<td>--</td>
</tr>
<tr>
<td>Sustainability</td>
<td>0.545</td>
<td>0.479</td>
<td>0.159</td>
<td>1.000</td>
</tr>
</tbody>
</table>

**Table 3: P-values for Correlation**

<table>
<thead>
<tr>
<th></th>
<th>Transformational</th>
<th>Transactional</th>
<th>Crisis Preparedness</th>
<th>Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational</td>
<td>NA</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Transactional</td>
<td>0.000</td>
<td>NA</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Crisis Preparedness</td>
<td>0.037</td>
<td>0.001</td>
<td>NA</td>
<td>--</td>
</tr>
<tr>
<td>Sustainability</td>
<td>0.000</td>
<td>0.000</td>
<td>0.216</td>
<td>NA</td>
</tr>
</tbody>
</table>

As mentioned earlier, H1 examines the relationship between Crisis Preparedness and Corporate Sustainability. The tables show a p-value of 0.216 (more than 0.05) and a Chi-square of 0.159. This means that the direct relationship between Crisis Preparedness and Corporate Sustainability is a slight positive one, but it is not statistically significant.

Table 4 is a summary of the linear regression relating to these two constructs.

**Table 4: Summary of Linear Regression of CP and SUS**

| SUS (Dependent) | Estimate | Std. Error | t value | Pr(>|t|) |
|-----------------|----------|------------|---------|---------|
| (Intercept)     | 2.8808   | 0.5306     | 5.43    | 1.08e-16 *** |
| CM_CP           | 0.1647   | 0.1318     | 1.25    | 0.216   |
In order to test the hypothesized mediation relationship with Transformational leadership mediating the relationship between Crisis Preparedness and Corporate Sustainability, the structural equation modeling functionality of the R package Lavaan was used (Rosseel, 2012). As Figure 5 and Table 5 illustrate, the standardized regression coefficient between Crisis Preparedness and Transformational Leadership was statistically significant, as was the standardized regression coefficient between Transformational Leadership and Corporate Sustainability. The standardized indirect effect was \((0.143)(1.038) = 0.148\). We tested the significance of this indirect effect using bootstrapping procedures (Shrout & Bolger, 2002). Unstandardized indirect effects were computed for each of 10,000 bootstrapped samples. These results indicated that the indirect coefficient was significant at the \(p<0.05\) level with \(b = 0.148\), \(SE = 0.075\), and 95\% CI = \((0.002, 0.295)\). Thus, having a one-unit higher level on the Crisis Preparedness scale is associated with an approximately 0.15-point higher assessment of Corporate Sustainability as mediated by Transformational Leadership.

**Figure 5:** The mediating role of Transformational Leadership between Crisis Preparedness and Sustainability
As Figure 6 and table 6 illustrate, the standardized regression coefficient between Crisis Preparedness and Transactional Leadership was statistically significant, as was the standardized regression coefficient between Transactional Leadership and Corporate Sustainability. The standardized indirect effect was \((0.279)(0.774) = 0.216\). We tested the significance of this indirect effect using bootstrapping procedures (Shrout & Bolger, 2002). Unstandardized indirect effects were computed for each of 10,000 bootstrapped samples. These results indicated that the indirect coefficient was significant at the \(p<0.05\) level with \(b = 0.216\), \(SE = 0.080\), and 95% CI = (0.059, 0.372). Thus, having a one-unit higher level on the Crisis Preparedness scale is associated with an approximately 0.22-point higher assessment of Corporate Sustainability as mediated by Transactional leadership.

![Figure 6: The mediating role of Transactional Leadership between Crisis Preparedness and Sustainability](image)

*Figure 6: The mediating role of Transactional Leadership between Crisis Preparedness and Sustainability*
Table 5: Mediation Model (Transformational Leadership mediating relationship between Crisis Preparedness & Sustainability)

<table>
<thead>
<tr>
<th>lhs</th>
<th>op</th>
<th>rhs</th>
<th>label</th>
<th>est</th>
<th>se</th>
<th>z</th>
<th>p-value</th>
<th>ci.lower</th>
<th>ci.upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transform</td>
<td>~</td>
<td>CM_CP</td>
<td>a</td>
<td>0.143</td>
<td>0.066</td>
<td>2.169</td>
<td>0.03</td>
<td>0.014</td>
<td>0.272</td>
</tr>
<tr>
<td>SUS</td>
<td>~</td>
<td>CM_CP</td>
<td>c</td>
<td>0.016</td>
<td>0.114</td>
<td>0.143</td>
<td>0.887</td>
<td>-0.208</td>
<td>0.24</td>
</tr>
<tr>
<td>SUS</td>
<td>~</td>
<td>Transform</td>
<td>b</td>
<td>1.038</td>
<td>0.212</td>
<td>4.892</td>
<td>0</td>
<td>0.622</td>
<td>1.454</td>
</tr>
<tr>
<td>Transform</td>
<td>~</td>
<td>Transform</td>
<td>b</td>
<td>0.098</td>
<td>0.018</td>
<td>5.568</td>
<td>0</td>
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<td>0.132</td>
</tr>
<tr>
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<td>~</td>
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<td>5.568</td>
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</tr>
<tr>
<td>CM_CP</td>
<td>~</td>
<td>CM_CP</td>
<td>b</td>
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<td>NA</td>
<td>NA</td>
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</tr>
<tr>
<td>indirect</td>
<td>:=</td>
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<td>0.148</td>
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<td>1.983</td>
<td>0.047</td>
<td>0.002</td>
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</tr>
<tr>
<td>direct</td>
<td>:=</td>
<td>c</td>
<td>direct</td>
<td>0.016</td>
<td>0.114</td>
<td>0.143</td>
<td>0.887</td>
<td>-0.208</td>
<td>0.24</td>
</tr>
<tr>
<td>total</td>
<td>:=</td>
<td>c+(a*b)</td>
<td>total</td>
<td>0.165</td>
<td>0.13</td>
<td>1.27</td>
<td>0.204</td>
<td>-0.089</td>
<td>0.419</td>
</tr>
</tbody>
</table>

Table 6: Mediation Model (Transactional Leadership mediating relationship between Crisis Preparedness and Sustainability)

<table>
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<th>op</th>
<th>rhs</th>
<th>label</th>
<th>est</th>
<th>se</th>
<th>z</th>
<th>p-value</th>
<th>ci.lower</th>
<th>ci.upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transact</td>
<td>~</td>
<td>CM_CP</td>
<td>a</td>
<td>0.279</td>
<td>0.077</td>
<td>3.619</td>
<td>0</td>
<td>0.128</td>
<td>0.43</td>
</tr>
<tr>
<td>SUS</td>
<td>~</td>
<td>CM_CP</td>
<td>c</td>
<td>-0.051</td>
<td>0.127</td>
<td>-0.402</td>
<td>0.688</td>
<td>-0.299</td>
<td>0.197</td>
</tr>
<tr>
<td>SUS</td>
<td>~</td>
<td>Transact</td>
<td>b</td>
<td>0.774</td>
<td>0.19</td>
<td>4.074</td>
<td>0</td>
<td>0.402</td>
<td>1.146</td>
</tr>
<tr>
<td>Transact</td>
<td>~</td>
<td>Transact</td>
<td>b</td>
<td>0.134</td>
<td>0.024</td>
<td>5.568</td>
<td>0</td>
<td>0.087</td>
<td>0.181</td>
</tr>
<tr>
<td>SUS</td>
<td>~</td>
<td>SUS</td>
<td>b</td>
<td>0.299</td>
<td>0.054</td>
<td>5.568</td>
<td>0</td>
<td>0.194</td>
<td>0.404</td>
</tr>
<tr>
<td>CM_CP</td>
<td>~</td>
<td>CM_CP</td>
<td>b</td>
<td>0.364</td>
<td>0</td>
<td>NA</td>
<td>NA</td>
<td>0.364</td>
<td>0.364</td>
</tr>
<tr>
<td>indirect</td>
<td>:=</td>
<td>a*b</td>
<td>indirect</td>
<td>0.216</td>
<td>0.08</td>
<td>2.706</td>
<td>0.007</td>
<td>0.059</td>
<td>0.372</td>
</tr>
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<td>0.127</td>
<td>-0.402</td>
<td>0.688</td>
<td>-0.299</td>
<td>0.197</td>
</tr>
<tr>
<td>total</td>
<td>:=</td>
<td>c+(a*b)</td>
<td>total</td>
<td>0.165</td>
<td>0.13</td>
<td>1.27</td>
<td>0.204</td>
<td>-0.089</td>
<td>0.419</td>
</tr>
</tbody>
</table>

When combining both leadership styles as double mediators on the relationship between the crisis preparedness and corporate sustainability, as Figure 7 and Table 7 illustrate, the standardized regression coefficients between crisis preparedness and both of transformational and transactional leadership remained significant (p-value = 0.030 and 0.000 respectively), and only the standardized regression coefficient between transformational leadership and corporate sustainability was still significant (p-value = 0.007) despite the presence of the transactional leadership as a second mediator. However,
the standardized regression coefficient between transactional leadership and corporate sustainability was no longer significant (p-value = 0.237) in the presence of the transformational leadership as a second mediator.

Moreover, as a first glance, the standardized indirect effects of both transformational and transactional mediators were shown to be statistically insignificant (0.114 and 0.083 respectively) at 95% confidence level; however, the effect can again be significant only for the transformational leadership mediator at 90% confidence level (p-value = 0.091), which is not the case for transactional leadership mediator (p-value = 0.261). Based on this analysis, and in view of the sample size of this case study, the researcher postulates that the significance of the indirect effect of transformational leadership mediator on this combined model would emerge at the 95% confidence level with a larger sample size, taking into consideration that “n” is still largely representative in this study as it forms 71% of the population of the company under study.

Therefore, the transformational leadership mediator maintained its significant effect on the relationship between crisis preparedness and corporate sustainability even in the presence of the transactional leadership mediator, unlike the latter’s effect which is no longer significant in the presence of the transformational leadership mediator.
**Figure 7:** The double mediating role of Transformational and Transactional Leadership between Crisis Preparedness and Sustainability

**Table 7:** Mediation Model (Double Mediation of Transformational and Transactional Leadership on the relationship between Crisis Preparedness and Sustainability)

<table>
<thead>
<tr>
<th></th>
<th>lhs</th>
<th>op</th>
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<th>label</th>
<th>est</th>
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<th>p-value</th>
<th>ci.lower</th>
<th>ci.upper</th>
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<td>Transact</td>
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<td>2</td>
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<tr>
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<td>CM CP</td>
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</tr>
<tr>
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<td>CM CP</td>
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<td>0.077</td>
<td>3.619</td>
<td>0.000</td>
<td>0.128</td>
<td>0.430</td>
</tr>
<tr>
<td>5</td>
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<td>CM CP</td>
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<td>2.169</td>
<td>0.030</td>
<td>0.014</td>
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<td>6</td>
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<tr>
<td>7</td>
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</tr>
<tr>
<td>8</td>
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<td>5.568</td>
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<td>0.181</td>
</tr>
<tr>
<td>9</td>
<td>Transform</td>
<td>~</td>
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<td></td>
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<td>0.000</td>
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<td>0.132</td>
</tr>
<tr>
<td>10</td>
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<td>N/A</td>
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<tr>
<td>11</td>
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<td>:=</td>
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<td>0.074</td>
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<td>0.261</td>
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</tr>
<tr>
<td>12</td>
<td>indirect2</td>
<td>:=</td>
<td>a2*b2</td>
<td>indirect2</td>
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<td>0.067</td>
<td>1.692</td>
<td>0.091</td>
<td>-0.018</td>
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</tr>
<tr>
<td>13</td>
<td>total</td>
<td>:=</td>
<td>c+(a1<em>b1)+(a2</em>b2)</td>
<td>total</td>
<td>0.165</td>
<td>0.130</td>
<td>1.270</td>
<td>0.204</td>
<td>-0.089</td>
<td>0.419</td>
</tr>
</tbody>
</table>
Chapter 5

Conclusions and Managerial Implications

The statistical analyses performed based on the fieldwork conducted allowed for the advancement of relevant conclusions and recommendations for the managers of insurance companies.

5.1 Conclusions

The objective of this study is to highlight the relationship between crisis preparedness and sustainability and whether the transformational and transactional leadership styles mediate this relationship. The study indicates the results of the correlations between the variables of this study. There is a slight positive relationship between crisis preparedness and sustainability, however it is not significant. Therefore, we can conclude that there is no relationship between crisis preparedness and corporate sustainability, so $H_1$ is not supported. However, there is a significant relationship between crisis preparedness and transformational leadership and a highly significant relationship between crisis preparedness and transactional leadership. Additionally, transformational leadership is positively and significantly correlated with sustainability and transactional leadership is positively and significantly correlated with sustainability.

When mediating transformational leadership between crisis preparedness and sustainability, results show a significant positive relationship between crisis preparedness and sustainability. Also, results show a significant positive relationship between crisis preparedness and transformational leadership and a very high significant positive
relationship between transformational leadership and sustainability (see figure 4). Hence, 
H2 is supported. Thus, having a transformational leader is critical to sustainability rather 
than only relying on crisis preparedness processes. Moreover, it was revealed that 
transformational leaders are inherently crisis-prepared (Sheaffer and Brender-ilan, 2014). 
Baliga and Hunt (1988) also avowed that transformational leadership is vital during all 
the phases of organizations’ life cycle that is typically exposed to recurrent 
nonconformities and crises. The underlying ability of transformational leaders to engage 
their subordinates in cooperative teamwork actions guide them to sense and address crises 
successfully (Bligh et al, 2004). This type of leaders deliver confidence and develop self-
efficacy among teams in a positive constructive environment. Consequently, the 
combination of both the inspiring approach and the confident nature of transformational 
leaders empowers subordinates’ positive sensation and valuation of the surrounding 
circumstances, improving their competences to avoid or cope with crisis effectively for 
higher chances of long-term corporate sustainability.

On the other hand, when mediating transactional leadership between crisis 
preparedness and sustainability, results show a significant positive relationship between 
crisis preparedness and sustainability. Also, results show a highly significant positive 
relationship between crisis preparedness and Transactional leadership and a very high 
significant positive relationship between transactional leadership and sustainability (See 
figure 5). Hence, H3 is supported. Thus, transactional leadership is also critical to the 
sustainability of a corporation beyond simply relying on crisis preparedness tactics. 
However, this result can be valid when assessing the transactional leadership style on a 
stand-alone basis. In fact, any manager can have different proportions of both
transformational and transactional traits. Therefore, the researcher decided to take this analysis a step forward and assess the double-mediation of both leadership styles on the relationship between crisis preparedness and corporate sustainability. This analysis allows to examine whether both styles would remain significant when present concurrently in the same manager, and the style that would be more influential on the relationship under study.

The results showed that when both transformational and transactional leadership styles are included as mediators, only transformational leadership yields a moderately significant indirect effect in the mediation between crisis preparedness and sustainability; whereas the indirect effect of transactional leadership mediator turned to be insignificant in the presence of the transformational leadership mediator. This was verified by other studies that propose that transactional leaders are considered crisis-prone (Sheaffer and Brender-ilan, 2014), as transactional leaders are likely to display a higher level of one-sidedness management mentality. Accordingly, transactional leaders may hazardously and unreasonably stress a single extremity through transactional traits such as formality, competitiveness, and selfishness (Richardson, 1993). This may harm the work-life balance & corporate citizenship of employees and, in turn, may weaken retention of skilled employees and threaten the growth and long-term survival of the company.

In conclusion, each manager may have both a transformational and a transactional aspect to their leadership style. Both of these aspects are important in managing a crisis. However, when considering the interplay of the two styles it is the variation in transformational leadership style that serves to explain more of the variation in corporate sustainability. Transformational leaders enjoy motivation, charisma, self-awareness, and
other psychological competences. These traits facilitate teamwork and collaboration for stimulating activities that help crisis preparedness in the organization (Lee et al., 1999). Therefore, transformational leaders can encourage subordinates’ aspirations for achieving organizational strategic objectives; this comprises employees’ readiness to be in charge when organizational survival is at risk. Transformational leadership also increases the ability of subordinates to cooperate to address critical preparatory tasks in both collective and individual manners (Sheaffer and Brender-ilan, 2014).

As such, if top management wants to enhance sustainability, it should ensure that the managers at all levels receive leadership training to improve the transformational skills as a main component of their leaders’ characters, which will increase subordinates’ sense of ownership, loyalty, and commitment to their duties. Top management should also execute proper implementation of well-written crisis preparedness processes not only as a procedural pledge to avoid or cope with crises, but also as a way to motivate and integrate the willingness and competences of each and every member in the organization so as to address any crisis’ indication and be ready when company is at risk. Accomplishing this striving sustainability goal would be more doable if transformational leadership is diligently implemented to enhance crisis preparedness processes.
5.2 Study Limitations and Recommendations for Future Research

This study opens up for many lines of interesting future work to disentangle the relationship among crisis preparedness, sustainability, and different leadership styles further. Would a study that classifies managers as transactional or transformational find that a specific type of leader influences sustainability more? Or is it the unique combination of transactional and transformational traits that allow a company to weather a crisis? What if we include the time scale as an additional variable to measure how long each leadership style may help companies to sustain?

Besides, the main limitation of this study is the data collection from only one company; hence, it would be interesting to conduct future studies covering the totality of insurance/reinsurance companies locally at first, and later cross-compare results and available data with other countries in the region or otherwise to come up with cross-cultural findings. Besides, since this research is limited to the case of Lebanon, expanding the target population to include other regions would allow the generalizability of the findings.

Furthermore, the study focuses on the insurance industry solely; therefore, conducting a similar analysis in other business sectors could be insightful.

Finally, this research investigates the relationship between crisis preparedness and Sustainability with transformational/transactional leadership as a mediator, however, other variables such as situational leadership or internal/external communications are not within the scope of this research. Therefore, further research may integrate these variables into the model.
References

Aarons, G. (2006), Transformational and Transactional Leadership: Association with Attitudes toward Evidence-Based Practice. Psychiatric Services, 57 (8), pp.1162-1169.


## Appendix A: List of Top 20 Insurance Companies in Lebanon

<table>
<thead>
<tr>
<th>Insurance Company Name</th>
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<tbody>
<tr>
<td>ALICO-Metlife</td>
</tr>
<tr>
<td>Bancassurance</td>
</tr>
<tr>
<td>Allianz SNA</td>
</tr>
<tr>
<td>Adonis (ADIR)</td>
</tr>
<tr>
<td>LIA</td>
</tr>
<tr>
<td>Arope</td>
</tr>
<tr>
<td>AXA ME</td>
</tr>
<tr>
<td>Sogecap</td>
</tr>
<tr>
<td>Bankers</td>
</tr>
<tr>
<td>Medgulf</td>
</tr>
<tr>
<td>Beirut Life</td>
</tr>
<tr>
<td>Libano-Suisse</td>
</tr>
<tr>
<td>Credit Libanais</td>
</tr>
<tr>
<td>Fidelity</td>
</tr>
<tr>
<td>Security</td>
</tr>
<tr>
<td>Confidence</td>
</tr>
<tr>
<td>RL</td>
</tr>
<tr>
<td>The Capital</td>
</tr>
<tr>
<td>Trust Compass</td>
</tr>
<tr>
<td>Burgan</td>
</tr>
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</table>

*(BMI Country Industry Report, 2017)*
## Appendix B: Coded Questionnaire

### Demographic items

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<thead>
<tr>
<th>Q1-SEX Gender</th>
<th>1- Male</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2- Female</td>
</tr>
<tr>
<td>Q2-AGE Age</td>
<td>1- From 21 to 30</td>
</tr>
<tr>
<td></td>
<td>2- From 31 to 40</td>
</tr>
<tr>
<td></td>
<td>3- From 41 to 50</td>
</tr>
<tr>
<td></td>
<td>4- 51 and above</td>
</tr>
<tr>
<td>Q3-EDU Education Level</td>
<td>1- High School</td>
</tr>
<tr>
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</tr>
<tr>
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<td>3- MS/MA/MBA</td>
</tr>
<tr>
<td></td>
<td>4- PHD</td>
</tr>
<tr>
<td></td>
<td>5- Others (please specify)</td>
</tr>
<tr>
<td>Q4-POS Position</td>
<td>1- Assistant/Deputy Manager</td>
</tr>
<tr>
<td></td>
<td>2- Manager/Senior Manager</td>
</tr>
<tr>
<td></td>
<td>3- Director/Executive Director</td>
</tr>
<tr>
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<td>4- Chief Executive Officer</td>
</tr>
<tr>
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<tr>
<td>Q5-EXP Number of Years in the current company</td>
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</tr>
<tr>
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</tr>
<tr>
<td></td>
<td>3- From 11 to 15 years</td>
</tr>
<tr>
<td></td>
<td>4- From 16 to 20 years</td>
</tr>
<tr>
<td></td>
<td>5- More than 20 years</td>
</tr>
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<td>Variable</td>
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<td>----------</td>
</tr>
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</tr>
<tr>
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</tr>
<tr>
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<td>MLQ3 - Transf.</td>
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<tr>
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<td>MLQ4 - Transf.</td>
</tr>
<tr>
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<td>MLQ5 - Transac.</td>
</tr>
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<td>MLQ6 - Transac.</td>
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<td>Q12</td>
<td>MLQ7 - Laissez F.</td>
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<td>MLQ8 - Transf.</td>
</tr>
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<td>MLQ9 - Transf.</td>
</tr>
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</tr>
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<td>MLQ11 - Transf.</td>
</tr>
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</tr>
<tr>
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<tr>
<td>Q19</td>
<td>MLQ14 - Laissez F.</td>
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<td>CM10-Transf.</td>
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<tr>
<td>Q42</td>
<td>CM16-Transf.</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Ques. #</th>
<th>Variable</th>
<th>Sustainability (On a scale from 1 to 5, to what extent does your company have practices in place to do the following?)</th>
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<tbody>
<tr>
<td></td>
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<td><strong>Integration/Alignment</strong></td>
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<tr>
<td></td>
<td></td>
<td><strong>SUS_INT1</strong> Use sustainability-related criteria in recruiting and selection</td>
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<td><strong>SUS_INT2</strong> Use sustainability-related criteria in promotion and career advancement</td>
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<td><strong>SUS_INT3</strong> Link sustainability-related criteria to compensation</td>
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<td><strong>SUS_INT4</strong> Establish indicators to determine if the organization is meeting sustainability goals</td>
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<td><strong>SUS_INT5</strong> Highlight our commitment to sustainability in our brand</td>
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<td><strong>SUS_INT6</strong> Work with suppliers to strengthen sustainability practices</td>
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<td><strong>SUS_INT7</strong> Get groups across your organizations that are working on sustainability-related initiatives to work more closely together</td>
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<td><strong>SUS_INT8</strong> Provide employee training and development related to sustainability</td>
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<td><strong>Employee-centered/ethics practices</strong></td>
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<td></td>
<td></td>
<td><strong>SUS_ETH1</strong> Involve employees in decisions that affect them</td>
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<td><strong>SUS_ETH2</strong> Support employees in balancing work and life activities</td>
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<td><strong>SUS_ETH3</strong> Ensure the health and safety of employees</td>
</tr>
<tr>
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<td></td>
<td><strong>SUS_ETH4</strong> Ensure accountability for ethics at all levels</td>
</tr>
</tbody>
</table>