



## The Role of Effective Leadership in Crisis Management: Study of Private Companies in Kurdistan

**Dr. Kofand Anwar**

Komar University of Science and Technology  
Part time Lecturer in Lebanese French University  
Govand.anwar@komar.edu.iq

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### ABSTRACT

The main aim of the current study is to investigate the relationship between leadership styles and crisis management in private businesses. Leaders and managers of business corporations and large organizations permanently make crucial decisions and expect good results in achieving the objective that they have in mind. A quantitative technique used in order to analyses this study. 130 participants were involved in the present study. The researcher developed three main research hypotheses. The findings revealed that the highest value among all leadership styles was transformational leadership. A bigger sample size and including all the key races in Kurdistan would provide support for further studies.

### 1. Introduction

Nowadays, the businesses realize their activities in a dynamic environment. The recognition of the aims of the businesses as well as continuing their existence is greatly dependent on their harmony with the environment. The organisational environment is continuously changing and exposing the businesses to various risks and threats. When these risks and threats which are playing a vital role in the continuation of the existence of the businesses are investigated, it is observed that they are very serious and uncertain that certain leadership styles do not fit the situation of the crisis. The crisis is a situation that cannot be predicted, when threatens the business's existence and the objectives with priority, which needs urgent precautions by the leader. One of the most important goals of business is to gain competitive advantage and obtain the higher level of performance. However, the business is operating under risk and uncertainty may encounter with difficulties from time to time. Moreover, these difficulties that the business encounters may arise from the style of the leader. The surrounding of the business is continuously changing. Leadership and crisis are tangled in that both concepts have a nature to complement one another. One of the main responsibilities of an effective leader is being able to respond to the uncertainties and threats stemming from crises. One of the vital leaders' challenges to bring the situation to normal, despite with the negative



influences that exist during the crisis, it is essential to recognize the truth that crises produce and create an opportunity in which a leader has the chance to reform institutional structures and long-standing policies. The responses of an effective leader are vital for the businesses particularly during the crisis period and it's significant to differentiate leadership from management. Manager is an individual who does things right while leader is an individual who does the right things. Managers achieve objectives and monitor resources, on the other hand leaders communicate among followers in directing the business's operations, as a result, leaders are responsible for crisis management (Anwar,2015). The foundation and base of the crisis does not consider as financial crisis, but it is human crisis; it is the crisis of leadership. It is very essential that businesses should have their own plan for crisis to be prepared and present the crisis and top level management should be present in the direction the organization is taking. Leaders should know how to respond constructively and learning to do so is a key piece of their professional development. CEO's should have the ability to change and adapt the change concerning the value and norms of organizational culture (Fenera & Cevikb,2015 ). This study investigates the role of a leadership style in crisis management in private businesses in Kurdistan.

## **2. Literature review**

### **2.1 Leadership**

The concept of the leadership has been conceptualized in many ways – typically utilizing a typology that defines certain sorts of leaders. Frequently these sorts are designated as leadership “styles” (Anwar & Balcioglu, 2016). The most significant characteristic of leading in the period of crisis is through an effective communication. Leadership treats are effective in the period of crises in general however it is obvious that certain situation of crisis will probably to need prioritization of various skills of leader. The researcher concentrated on three common and main leadership styles, as illustrated in table-1- (Renand, 2015).

**Table 1- Leadership styles**

<b>Type of leadership</b>	<b>Transactional</b>	<b>Transformational</b>	<b>Charismatic</b>
<b>Leader's role</b>	Focus on management tasks, reward compliance and punish disobedience	Inspire followers with their vision, work with their team, and identify common values.	Their ability to inspire and motivate followers to perform at high levels, and to be committed to the organization or the cause.
<b>Advantage</b>	Effective for meeting deadlines and emergencies, creating good structure and defining what should be addressed.	Leaders are honest, acknowledge followers' individual achievements and show interest in their working day and decision.	Inspire people to work together for a common cause
<b>Drawback</b>	Followers may underperform during the leaders' absence; the leader can be abusive, creating fear among staff and making decisions without consulting followers	Followers must be equipped with adequate knowledge/skills and should be team oriented.	Organizations can become dependent on charismatic leaders and may suffer if he or she retires, leaves the company, or dies suddenly

Source: Renand,(2015)

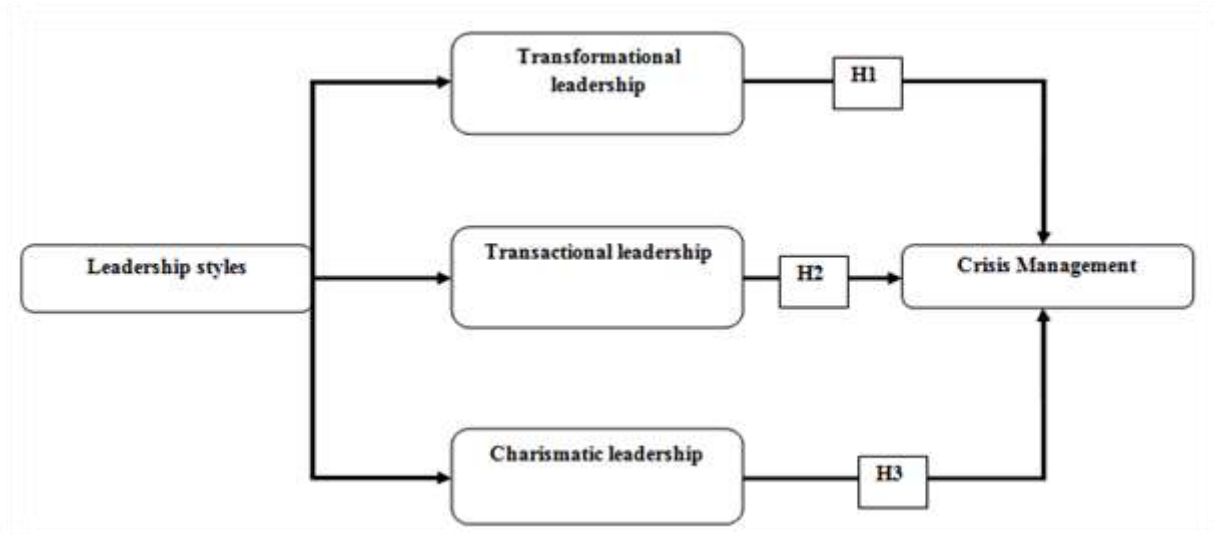
## 2.2 Crisis

The term of crisis is defined differently by various authors, for instance, (Celik, et al., 2016) defined crisis as a ‘‘ moment of life or death, sudden negative developments and a dangerous moment that faces the business. Moreover, Eldakak (2014), defined the crisis a ‘‘ tense situation, unexpected and unpredictable, requiring rapid response as well as rendering the prevention and conformance methods of the business inadequate and thus threatening its current asses, organizational objectives and assumptions. Furthermore, according to Fenera & Cevikb, (2015) crisis is ‘‘ the situation in which the basic structures, values and norms are affected negatively due to unexpected situation’’. According to Jaques, (2012), the crisis ‘‘ is the degree of risk and uncertainty’’. Moreover, Bolton & Stolcis, (2008) stated that the crisis is ‘‘ a tension creating situation threatening the top goals of the business and even sometimes is threatening its existence and requiring rapid response. The influence of the crisis on the business can be regarded as factors rendering the understanding of the crisis experienced by the business. The influence can be created on the business such as ‘‘during the period of crisis, the necessity for rapid information flow and multi-directional communication renders the current leader’s ability inadequate. Under such circumstances,

the leader might be forced to take deficient and unhealthy decisions for the sake of the organization (Demiroz & Kapucu, 2012). However, by centralizing the decision, the entire decision processes are managed by a powerful leader. Moreover, during the crisis process, the leaders mostly lack adequate time and alternatives at the decision process. During the period of crises, the implementation of planning, coordinating and controlling process are taking place within the basic functions of the leader, this will lead to rapid and continuous characteristics of the environmental transformations are rendered as difficult. In this case most of employees may accuse each other or their leader, accordingly will result in losing the trust between the followers and the leader ( Lopez, 2014).

### 3. Conceptual framework

#### 3.1 Research Model



**Figure 1- Research Model, created by the researcher, 2017**

#### 3.2 Research Hypotheses

**H1:** Transformational leaders are more effective during crisis in private companies in Kurdistan.

**H2:** Charismatic leaders are more effective during crisis in private companies in Kurdistan.

**H3:** Transactional leaders are more effective during crisis in private companies in Kurdistan.

#### 3.3 Methodology

The researcher adapted a quantitative research method to test the developed research hypotheses. According to the Erbil Chamber of Commerce & Industry, there are 8622 registered private companies In Erbil-Kurdistan, this including general trade companies and other specialized companies. Based on the participants’ request, the researcher kept companies identity confidentially; therefore the researcher kept any identifying information out of published reports. The researcher adapted and modified the questionnaire (as seen in

appendix-A-) from different academic sources (Murphy & Ensher,2008, Gill, et al., 2011, Judge & Piccolo, 2004, Flynn& Staw, 2004, Sadeghi and Pihie, 2012). The researcher distributed 150 questionnaires at private companies in Kurdistan; however only 130 questionnaires were filled and received back from the participants, therefore the sample size for the current study is 130 participants.

4. Analysis

**Table 2- Reliability Analysis**

<b>Factors</b>	<b>Questions</b>	<b>Factor loading %</b>	<b>Cronbach's Alpha</b>	<b>N of Items</b>
<b>Transformational leadership</b>	Leaders instil pride in employees for being associated with them	.77	.82	8
	Leaders act in ways that builds employees' respect	.67		
	Leaders mediate pride, respect and trust	.76		
	Leaders communicate convincing values and goals	.59		
	Leaders encourage people to think from a global perspective	.76		
	Leaders see the future optimistically	.68		
	Leaders seek differing perspectives when solving problems	.59		
	Leaders make innovative suggestions	.73		
<b>Transactional leadership</b>	Leaders provide employees with assistance in exchange for their efforts	.64	.79	8
	leaders express satisfaction when employees meet expectation	.75		
	Leaders recognize people for taking initiative	.62		
	Leaders are absent when needed	.77		
	Leaders lead a group that is effective	.53		
	Leaders consistently persecute mistakes	.72		
	Leaders delay responding to urgent questions.	.74		



	Leaders avoid making decisions.	.77		
	Leaders re-examine critical assumptions to question	.58		
<b>Charismatic leadership</b>	Leaders keep track of all mistakes	.71	<b>.77</b>	<b>8</b>
	Leaders are effective in representing employees to higher authority	.75		
	Leaders support employees who take calculated risks	.76		
	Leaders consider the moral and ethical consequences of decisions	.61		
	Leaders help employees to develop my strengths	.76		
	Leaders display a sense of power and confidence	.59		
	Leaders get employee look at problems from many different angels	.74		
<b>Crisis management</b>	Leaders have ability in identifying and predicting probable difficulties in crises	.81	<b>.84</b>	<b>8</b>
	Leaders take actions to coordinate and communicate with the various departments	.76		
	Leaders take proper actions to set up a health and safety system and to evaluate the risk management	.79		
	Leaders use qualified and experienced workforces in crises	.66		
	Leaders share information occurs	.83		
	Leaders are gathering data from quality and quantity view of safety equipment in crises	.72		
	Leaders share information from managers to personnel and vice versa	.71		
	The planning facilities and obtaining them affect response to crisis	.75		

The researcher implemented factor analysis to deduct unnecessary items (as seen in table-2) the factor loading % for all items were ranged from .53% to .83%. Moreover, the values of Cronbach's Alpha for (transactional leadership, transformational leadership, charismatic leadership and crisis management) were (.82, .79, .77, and .84) respectively, however the results revealed that all items were reliable for the current study.

**Table 3- Correlation Analysis**

<b>Variables</b>	<b>Pearson Correlation</b>	<b>Crisis management</b>
Transformational leadership	Pearson Correlation	.909**
	Sig. (2-tailed)	.000
	N	130
Charismatic leadership	Pearson Correlation	.910**
	Sig. (2-tailed)	.000
	N	130
Transactional leadership	Pearson Correlation	.871**
	Sig. (2-tailed)	.000
	N	130

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The researcher attempted to find the association among variables, therefore the correlation analysis was implemented (as seen in table-3). It was found that the value of Pearson correlation for charismatic leadership = .910\*\* > .0.01 therefore there is a positive and significant association between charismatic leadership with crisis management, the value of Pearson correlation for transformational leadership = .909\*\* > .0.01 therefore there is a positive and significant association between transformational leadership with crisis management, and the value of Pearson correlation for transactional leadership = .871\*\* > .0.01 therefore there is a positive and significant association between transactional leadership with crisis management.

**Table 4- Model Summary**

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1				
1	.930 <sup>a</sup>	.866	.863	.14918

a. Predictors: (Constant), transactional, transformational, charismatic,

It was found that the value of R square = .866 (as seen in table-4) this indicates that 86% of the variables have been explained.

**Table 5-ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.094	3	6.031	271.024	.000 <sup>b</sup>
	Residual	2.804	126	.022		
	Total	20.898	129			

a. Dependent Variable: crisis

b. Predictors: (Constant), Transactional, Transformational, Charismatic,

It was found the value  $F = 271.024$  and since the value is greater than  $.001$ , this indicates that there is a positive association between variables used to test research hypotheses.

**Table 6-Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.002	.197		-5.079	.000
	Transformational	.683	.130	.466	5.275	.000
	Charismatic	.546	.106	.478	5.131	.000
	Transactional	-.011	-.116	-.009	.092	.926

a. Dependent Variable: Crisis Management

The researcher utilized multiple regression analysis to find the most effective and suitable leadership style during crisis in order to manage the crisis. It was found that the value of B for transformational leadership  $.683 > .001$  this indicated that transformational leaders are suitable and effective leader during crisis in managing and running private companies, accordingly the first research hypothesis was supported which stated that ‘Transformational leaders are more effective during crisis in private companies in Kurdistan’. The value of B for transformational leadership  $.546 > .001$  this indicated that charismatic leaders are suitable and effective leader during crisis in managing and running private companies, accordingly the second research hypothesis was supported which stated that ‘Charismatic leaders are more effective during crisis in private companies in Kurdistan’, and finally the value of B for transactional leadership  $-.011 > .001$  this indicated that transactional leaders are suitable and effective leader during crisis in managing and running private companies, accordingly the third research hypothesis was rejected which stated that ‘transactional leaders are more effective during crisis in private companies in Kurdistan’.



## **5. Conclusion**

In today's business world leadership considers as one of the essential factor of managing crisis effectively in private companies. The main aim of this study is to examine the most effective and suitable leadership styles in managing crisis in private companies in Kurdistan. The researcher developed three main research hypotheses. Moreover, the researcher adapted multiple regression analysis to test the developed research hypotheses. However, the findings revealed that the most effective and suitable leadership style is transformational leadership style then follow by charismatic leadership style in managing crisis at private companies. Due to rapid technological innovation and economic changes in the business world, transformational leadership found to be one of the best and appropriate leadership styles during crisis. Open to innovation is one of the essential characteristic of transformational leadership and it includes fundamental changes in the business.

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**APPENDIX –A-  
QUESTIONNAIRE**

**THE ROLE OF EFFECTIVE LEADERSHIP IN CRISIS MANAGEMENT: STUDY OF  
PRIVATE COMPANIES IN KURDISTAN**

Dear Sir/Madam

I am faculty member of Business administration department at Komar University of Science and Technology. This study is carrying out an evaluation of the role of effective and its relationship with crisis management in private companies to find out how which leadership style is more effective in managing crisis. This survey is only for academic purpose, please fill in the square or circle that stands for your opinion. Kindly take the time to answer the following questions as honestly and accurately as you can. Thank you for taking the time to fill in this questionnaire; it should only take 10 minutes. Your answers will be treated with complete confidentiality, and unless you choose to provide an e-mail address, will be entirely anonymous. If you have any questions about this questionnaire, please contact Kofand Anwar.

Your time and help are highly appreciated it

Kind regards,

Kofand Anwar, PhD

Business administration

Komar University of Science and Technology

Govand.anwar@komar.edu.iq

Please tick (√) one cell for each statement that most closely describes your overall opinion of each item.

1= Unimportant, 2=less important, 3= somewhat important, 4=important, 5= very important

Variables	Questions	1	2	3	4	5
<b>Transformational leadership</b>	Leaders instil pride in employees for being associated with them					
	Leaders act in ways that builds employees' respect					
	Leaders mediate pride, respect and trust					
	Leaders communicate convincing values and goals					



	Leaders encourage people to think from a global perspective					
	Leaders see the future optimistically					
	Leaders seek differing perspectives when solving problems					
	Leaders make innovative suggestions					
<b>Transactional leadership</b>	Leaders provide employees with assistance in exchange for their efforts					
	leaders express satisfaction when employees meet expectation					
	Leaders recognize people for taking initiative					
	Leaders are absent when needed					
	Leaders lead a group that is effective					
	Leaders consistently persecute mistakes					
	Leaders delay responding to urgent questions.					
	Leaders avoid making decisions.					
<b>Charismatic leadership</b>	Leaders re-examine critical assumptions to question					
	Leaders keep track of all mistakes					
	Leaders are effective in representing employees to higher authority					
	Leaders support employees who take calculated risks					
	Leaders consider the moral and ethical consequences of decisions					
	Leaders help employees to develop my strengths					
	Leaders display a sense of power and confidence					
	Leaders get employee look at problems from many different angels					
<b>Crisis management</b>	Leaders have ability in identifying and predicting probable difficulties in crises					
	Leaders take actions to coordinate and communicate with the various departments					
	Leaders take proper actions to set up a health and safety system and to evaluate the risk management					



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	Leaders share information occurs					
	Leaders are gathering data from quality and quantity view of safety equipment in crises					
	Leaders share information from managers to personnel and vice versa					
	The planning facilities and obtaining them affect response to crisis					