ORGANIZATIONAL RESILIENCE AND ORGANIZATIONAL PERFORMANCE: EXAMINING THE MEDIATING ROLES OF RESILIENT LEADERSHIP AND ORGANIZATIONAL CULTURE

Suryaningtyas D., Brawijaya University, Malang
Sudiro A., Brawijaya University, Malang
Troena Eka A., Brawijaya University, Malang
Irawanto Dodi W., Brawijaya University, Malang

ABSTRACT

Emerging economies in the age of industrial revolution 4.0 have changed the way the business is running. This study aims to contribute to knowledge by investigating the relationship between organizational resilience and organizational performance both directly and indirectly, with resilient leadership and organizational culture play mediating roles. The findings reveal that organizational resilience was positively associated with organizational performance. Resilient leadership and organizational culture play significant roles in mediating the model used in this research. From practical significance point of view, resilient leadership has the strongest effect size is associated with organizational resilience. The implication to General Managers that organizational resilience should be continuously applied both operationally and strategically in order to maintain the sustainability of the company. Limitations of this study are lacking previous research and small sample size. Future studies suggested to examine the same variables using larger sample size and from various kinds of organizations or industries.

Keywords: Organizational Resilience, Resilient Leadership, Crisis, Sustainability.

INTRODUCTION

In the age of industrial revolution 4.0, emerging new economies era is unavoidable. When digital technology has become the main factor in the economies disruption, organizations must respond and adapt quickly in order to maintain the sustainability of their businesses. Organizations must be resilient. Resilient organizations have the capability to maintain positive changes and accomplish many challenges under crisis or difficult situations. It is important because organizations which unable to do resilience will decline in their lifecycles and then died. Therefore, the level of the organization's ability to respond to the various disturbances depends on the organization's objectives and level of maturity in the face of crisis.

Organizational resilience is multi-discipline and multi-dimensional, and relatively new in human resource management science. According to the British Standard, BS65000 (2014), organizational resilience is defined as the organizational ability to anticipate, prepare and respond as well as adjust for ever-increasing changes due to sudden disturbances in order to survive and be good or prosperous. Others see organizational resilience as an ability to rebound from unexpected, stressful, and adverse situations (Balu, 2001; Gittel et al., 2006).

Some researchers investigated in regard to resilience within an organizational context (Parsons, 2010) and very rare who investigate pertaining to organizational performance. And a

new variable of resilient leadership will follow the action of organizational resilience as well as organizational culture. The aim of this study is to investigate organizational resilience and how it relates to other variables so that it can help organizations to increase their performance in order to maintain sustainability in crisis conditions.

LITERATURE REVIEW

Organizational Resilience, Resilient Leadership, and Organizational Culture

Researchers defined organizational resilience as a capability of the organization to deal with change and continue to develop such as fostering learning and adaptation (Folke et al., 2010). Organizational resilience has two perspectives, such as operational resilience and strategic resilience (Lengnick-Hall et al., 2010; Valikangas & Romme, 2012). Operational resilience focuses on overcome crisis and bounces back to a former condition, often associated with the ability to adaptive interpretation and action, also called passive resilience (Pasteur, 2011; Somers, 2009). Conversely, an active resilience or strategic resilience defined as a capability to convert threats quickly into opportunities then identify a unique opportunity and act effectively as they compete (Valikangas & Romme, 2012).
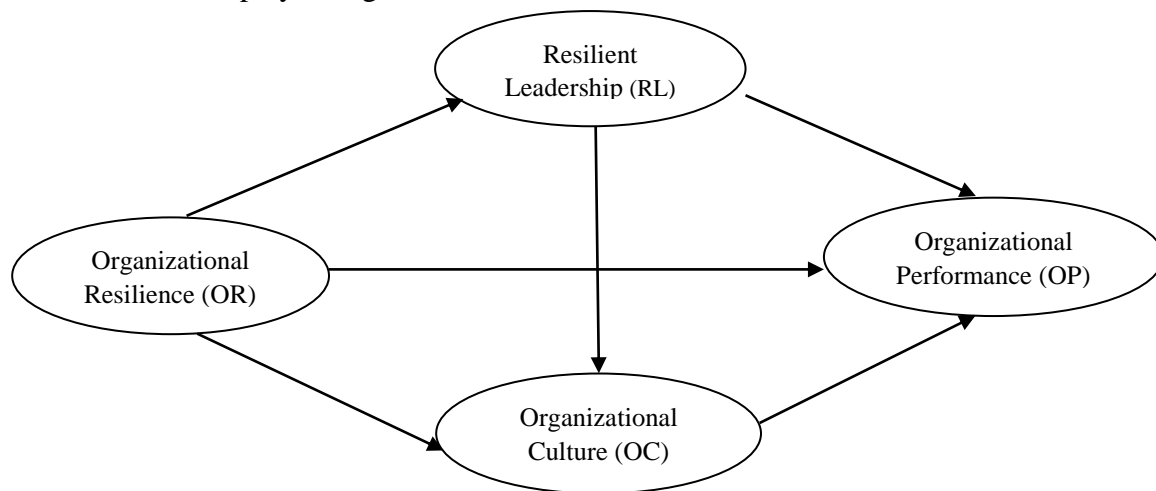
An effective leader means a leader who uses integrated styles of transformational and transactional leadership (Bass, 1985). A leader needed to do strategic resilience to anticipate and prevent the crisis, and continuously doing changes with or without a crisis. The new theory of leadership is that of resilient leadership. And according to (Baah, 2015), resilient leadership is the integration of transformational and transactional leadership, also mentioned as "*Transforsactional leadership*". This kind of leadership is needed to execute organizational resilience because transformational leadership will make changes the whole organization systems quickly and adjust to the changes in the external environment accordingly. On the other hand, orientation on a day to day activity that follows the changes to achieve superior performance will keep transactional leadership remains. The roles of a leader are mostly determined by organizational culture. In studying organizational culture quantitatively, many researchers used the Competing Values Framework (CVF) concept. Denison et al. (2004) who have been developing the theory of organizational culture and effectiveness by identifying four characteristics of culture which have positively associated with performance and organizational effectiveness.

The Relationship between Organizational Resilience and Organizational Performance

The act of organizations represents the type of organizational resilience, whether operational resilience (passive/reactive) or strategic resilience (active/proactive) (Vogus & Sutcliffe, 2008; Valikangas & Romme, 2012). While the relationships between organizational resilience and organizational performance have been proven by Mitroff (2005) that organizational resilience is a sustained target movement that requires high adaptability and reliability (Durodie, 2003) and the ability to manage disruptive challenges (Weick et al., 2005) that contribute to organizational performance.

Relationship of Organizational Resilience, Resilient Leadership, Organizational Culture, and Organizational Performance

Execution of organizational resilience needs an effective leader to overcome the crisis and which oriented to superior performance and focus on change. As resilient leadership is quite new in management science, there is still a rare research investigation regarding the relationship between organizational resilience and resilient leadership. An organizational culture that is created in the resilience action becomes the foundation for improvements, future success, and sustainability (Alesi, 2008). In addition, Madni & Jackson (2009) saw that resilience means cultural adaptability in facing external disturbances. This emphasized by Hiles (2011) that resilience born from a combination of culture and attitude, process, and a framework. In regard to relationship, Parsons (2010) explained that the relationship between organizational resilience and organizational culture is significant. Therefore, it is important to understand the role of organizational culture in the process of resilience. Other important issue concerns the possible interaction directly between organizational resilience and organizational performance. How do organizations respond to the adverse conditions and what type of organizational resilience will be chosen in facing a crisis? This research paper will investigate and discuss in regard to this issue. In order to figure out the concept of this research and hypotheses, herewith the conceptual model is built as the display in Figure 1.

FIGURE 1
CONCEPTUAL MODEL

HYPOTHESES

Hypotheses are needed to test those relationships, such as:

H₁: Organizational resilience is positively associated with organizational performance.

H₂: Organizational resilience is positively associated with resilient leadership.

H₃: Resilient leadership is positively associated with organizational performance.

H₄: Resilience leadership is positively associated with organizational culture.

H_5: Organizational culture is positively associated with organizational performance.

H_6: Organizational resilience is positively associated with organizational culture.

METHODOLOGY

This research was conducted in 3-star hotels and resorts in two towns in East Java, Indonesia. The research method was quantitative, using a questionnaire with five points of Likert's scale as an instrument to collect primary data. The questionnaire was administered to general manager and human resource manager or the persons in charge for those positions. These two positions determined as respondents because the general manager was responsible for all the organizational changes and decision making, while human resource manager was responsible for managing employee capabilities and implementing the changes. The amount of 70 sets of valid questionnaires from 38 hotels, resorts, and premium guest houses were processed using WarpPLS 3.0 version software. By using SEM-PLS, the model could be estimated with a small sample size (35-50) and reached high statistical power (Hair et al., 2013).

Measurement analysis of this study used to test composite reliability and Cronbach' Alpha and would be reliable if these were above the criteria of >0.70 (Nunnally, 1967). Average Variance Extracted (AVE) was to test convergent validity, and the validity should above criteria of >0.50. The model was free of multicollinearity if the result was below the criteria of <3.3. The R-Squared coefficient was above 0.5 indicated the model was good (Kock, 2014).

Structural analysis of this study used to test hypotheses. Model Fit indicators consist of three elements; there were Average R-Squared (ARS), Average Path Coefficients (APC), and Average Variance Inflation Factor (AVIF). P-value for ARS and APC should be >0.05 in order to be significant. AVIF should be <5 (Kock, 2014). The effect size was categorized as weak (0.02), medium (0.15), and strong (0.35) (Kock, 2014; Hair et al., 2013). Effect size values below 0.02 indicated that predictor latent variable was very weak from a practical point of view although p-value was significant.

RESULTS

Measurement Model Analysis

Based on Table 1, the result of composite reliability and Cronbach's Alpha were all above the criteria, so that there were all reliable. The result of AVE was all above the criteria so that all the variables used in this research were valid. The result of VIF was all below the criteria, indicated that all variables were free of multicollinearity. The R-Squared result was above the criteria, it meant that organizational performance construct 6.90% could be explained by organizational resilience, resilient leadership, and organizational culture. The Q-Squared coefficient was to measure predictive validity. Q-Squared was a good result because the value was more than zero.
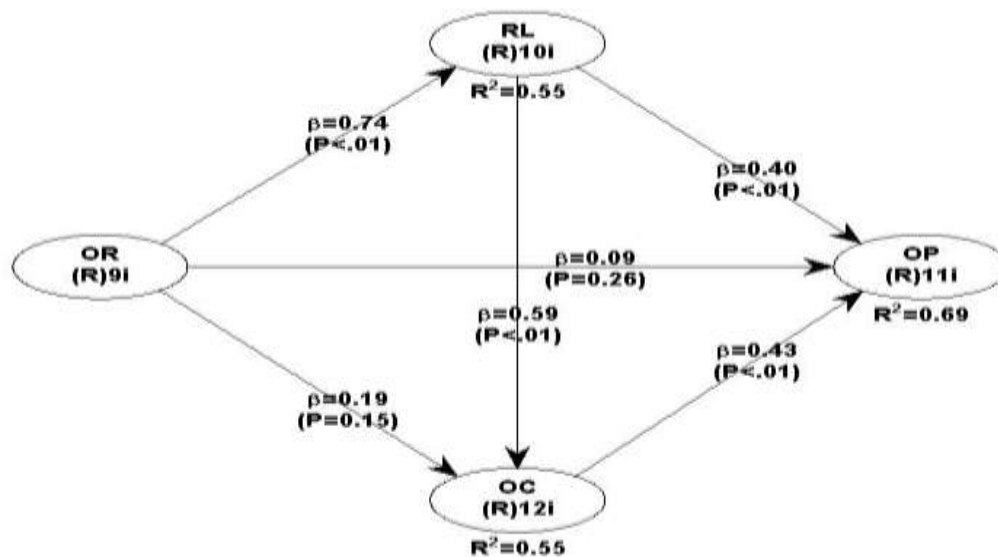
Table 1 MEASUREMENT MODEL				
Latent Variable Coefficients				
	OR	RL	OC	OP
Composite Reliability	0.904	0.934	0.927	0.938
Cronbach's Alpha	0.880	0.921	0.914	0.927
Average Variance Extracted (AVE)	0.515	0.586	0.518	0.579

Full Collinearity (VIF)	1.813	2.965	2.620	2.670
R-Squared		0.555	0.548	0.690
Q-Squared		0.553	0.555	0.689

Discriminant validity was also adequate. Overall, the analysis of the measurement model was reliable and valid.

Structural Model Analysis

Firstly, it was tested whether organizational resilience affects organizational performance directly was to test hypothesis H_1. The result showed that organizational resilience had significant effect on organizational performance (coefficient=0.64, p<0.01 and values of R^2=0.41). Hypothesis H_1 was supported. Then, resilient leadership and organizational culture was tested as mediating constructs. The result as shown in Figure 2 mentioned that organizational resilience was significantly associated with resilient leadership (coefficient=0.74, p<0.01; R^2=0.55). Therefore hypothesis H_2 which stated that organizational resilience was positively associated with resilient leadership was supported. While the result of association between resilient leadership and organizational performance was also positive and significant (coefficient=0.40, p<0.01; R^2=0.69). Therefore, hypothesis H_3 was also supported.

FIGURE 2
FULL MODEL

Lastly, the association of organizational resilience on organizational performance mediated was tested by resilient leadership and organizational culture. The result showed that organizational resilience had significant association with resilient leadership (coefficient=0.74, p<0.01), resilient leadership had significantly associate with organizational culture (coefficient=0.59, p<0.01), so that hypothesis H_4 was supported. Organizational culture had significantly associated with organizational performance (coefficient=0.43, p<0.01). Therefore, hypothesis H_5 was supported. The result of the association between organizational resilience and organizational culture was not significant (coefficient=0.19, p=0.15). So that hypothesis H_6 was not supported. Meanwhile, the relationship between organizational resilience and organizational

performance had declined on the values when it proceeded directly (excluded mediating variables) (coefficient=0.64; p<0.01), and when it was proceeded by including mediating variables (coefficient=0.09, p=0.26) the result was not significant. But overall, the results revealed that resilient leadership and organizational culture played mediating roles in the effect of organizational resilience on organizational performance. The indirect effect was counted which was displayed in Table 2.

Table 2 STRUCTURAL MODEL		
Indirect Effect Count		
Indirect effect: OR–RL–OP=0.74×0.40	0.296	
OR–OC– OP=0.9×0.43	0.082	
OR–RL–OC–OP=0.74×0.59×0.43	0.188	0.566
Direct effect (excluded mediating constructs)		0.640
Total effect		1.206

As shown in Table 2, the total indirect effect was 0.566, and the biggest contribution was on resilient leadership. Besides, an effect size test was performed as suggested by (Hair et al., 2013) to assess the practical significance of the study. The effect size of organizational resilience to resilient leadership was 0.555, this value was a strong effect so that it indicated practical significance. Model Fit Indices that consist of three fit indicators, Average Path Coefficient (APC)=0.408, p<0.001; Average R-Squared (ARS)=0.598, p<0.001, and Average Variance Inflation Factor (AVIF)=2.136, Good if <5. These results indicated that criteria of Goodness of Fit model had been fulfilled, significant, and supported by data.

DISCUSSION

The finding reveals that organizational resilience is positively and significantly associated with organizational performance directly. This finding supports Parsons' (2010) finding. Besides, organizational resilience is positively and significantly associated with organizational performance indirectly, with the mediating roles of resilient leadership and organizational culture. The strongest effect size is resilient leadership, and when it integrated with organizational culture, the findings support Madni & Jackson (2009) that resilience means cultural adaptability in facing external disturbances. With the role of resilient leadership, organizations have adaptive capability and reliability to manage disruptive challenges that contribute to organizational performance. These findings support Durodie's (2003) and Weick et al. (2005) findings. On the contrary, the finding of the relationship between organizational resilience and organizational culture was not significant, but when it comes to organizational performance, the result was significant.

CONCLUSION

In conclusions, the research findings reveal that in the design of strategic human resource management systems, organizational resilience directly enhances organizational performance. Resilient leadership and organizational culture play the mediating roles between organizational resilience and organizational performance and become the capabilities of organizations to manage disruptive challenges that contribute to organizational performance.

Limitation of this study remains lacking previous research and small sample size in examining the relationship of each variable used in this research. Therefore, future studies suggested examining this kind of model or another model by using a larger sample size from various organizations or industries. It is also suggested to investigate organizational resilience as a mediating role. Notwithstanding the above limitations, we believe that this study provides evidence that organizational resilience has been applied in the hotel industry to enhance organizational performance that mediated by resilient leadership and organizational culture.

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