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9. The Role of Strategic Leadership and Resilience in Sustaining Lebanese SMEs During Times of Crisis

Charles Tawk¹

¹SBS Swiss Business School, Zurich, Switzerland

Corresponding Author: Charles Tawk

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Abstract

The article examines the intersection of strategic leadership and organizational resilience, exploring how they influence the responses of small and medium-sized enterprises (SMEs) in Lebanon. This research examined businesses located within the Greater Beirut Area. This research employs a quantitative approach and utilizes a nine-item questionnaire, which was completed by 50 managers. The data were analyzed using regression analysis and one-way ANOVA in SPSS. Findings indicate that strategic leadership and organizational resilience have a significant impact on the level of satisfaction, commitment, and adaptability within an organization. Furthermore, leadership and organizational performance gaps, which organizational resilience partially mitigates, underscore the need to build organizational resilience in conjunction with strategic organizational leadership, which is crucial to the organization's performance. This research seeks to inform SME leaders and policymakers on the importance of prioritizing business configurability during disruptive phases.

Keywords: *strategic leadership, resilience, disruption, Lebanese SMEs, adaptability.*

9.1 Introduction

Historically, Lebanese SMEs have focused on improving their production efficiency and expanding their market. This focus, however, has been drastically altered by the recent economic collapse, the COVID-19 pandemic, political instabilities, and mass emigration. In these unstable conditions, an organization's survival hinges on more than just the costs of production.

Strategic leadership and organizational resilience are increasingly seen as essential for this kind of agility. Leadership provides direction and stability during uncertain times, while resilience enables companies to bounce back from setbacks and respond effectively to external disruptions. Despite their importance, many Lebanese SMEs still lack structured systems to foster leadership development or embed resilience into their operations—leaving them vulnerable to ongoing crises.

This paper examines the impact of combining strategic leadership with resilience on the survival and performance of SMEs, with a particular focus on Lebanon's unique and challenging socioeconomic landscape.

9.1.1 Statement of the Problem

SMEs account for over 90% of Lebanon's businesses and play a central role in its economic stability. However, they are under immense strain due to the ongoing currency crisis, political paralysis, and a sharp drop in consumer trust. Many have shut down or scaled back, while others struggle with high employee turnover and a decline in competitiveness.

Despite their economic significance, most SMEs operate informally and lack formal leadership development or resilience strategies. Without a clear direction and the flexibility to respond to crisis conditions, many are ill-prepared to withstand long-term disruption.

This study addresses a crucial question: How do strategic leadership and resilience impact the survival and performance of SMEs in environments characterized by disruption, such as Lebanon?

9.1.2 Objectives of the research

1. To assess the relationship between strategic leadership and organizational adaptability in Lebanese SMEs.
2. To evaluate how resilience impacts employee satisfaction, retention, and performance.
3. To explore resilience as a mediating factor between strategic leadership and organizational outcomes.
4. To identify practical leadership strategies that enhance resilience in SMEs.

Research Questions:

- How does strategic leadership shape resilience in SMEs?
- What is the impact of resilience on employee satisfaction and performance?
- Does resilience mediate the effect of leadership on SME survival and growth?

Hypotheses:

- H0: Strategic leadership and resilience have no significant impact on SME performance.
- H1: Strategic leadership and resilience have a significant impact on SME performance.

9.2 Literature review*9.2.1 Strategic Leadership in SMEs*

For small and medium-sized enterprises, leadership is not buffered by bureaucracy and is not supported by layers of institutional structure. It is personal. In contrast to large firms, where strategic direction often flows through formalized systems, SMEs rely far more on the individual at the top. Their vision, temperament, and ability to pivot shape not only the firm's operations but also its very identity (Liu & Maitlis, 2014). Strategic leadership, in this context, is less about corporate choreography and more about the instinctive alignment of vision with action—where foresight meets improvisation (Ireland & Hitt, 2005; Rowe, 2001).

The challenge intensifies in unpredictable environments. Lacking deep financial reserves or diversified markets, SME leaders must act with precision under pressure. Agility becomes more than a trait—it is a survival mechanism. They interpret uncertainty, reframe obstacles, and extract value from limited means (Ling et al., 2008). Research continues to highlight that effective leadership in SMEs directly correlates with the firm's capacity to innovate, navigate volatility, and lay the groundwork for sustainable growth (Boal & Hooijberg, 2000; Carmeli et al., 2011). With a clear trajectory and empowered teams, even resource-constrained businesses can outmaneuver systemic disadvantages.

9.2.2 Resilience in SMEs

Resilience, often reduced to recovery, is something more profound in the SME world. It is about sustained adaptation—about recalibrating the business model mid-flight and maintaining internal cohesion when external stability vanishes (Lengnick-Hall et al., 2011). For smaller firms, there is no safety net in the form of excess capital or multi-layered restructuring plans. Survival hinges on creative problem-solving, strategic relationships, and an organizational culture that prizes flexibility (Smallbone et al., 2012).

Firms that manage to endure adversity tend to act pre-emptively. They diversify revenue, repurpose roles, and embed a kind of operational fluidity into daily work (Williams et al., 2017). Furthermore, while reacting to crises is part of resilience, so too is anticipation—forecasting where vulnerabilities lie before they surface (Vogus & Sutcliffe, 2007). In a country like Lebanon, where instability is the backdrop, resilience becomes not just an asset but a baseline requirement for doing business.

9.2.3 The Leadership–Resilience Dynamic

Leadership does not merely coexist with resilience—it shapes it. Leaders who foster a climate of trust and shared accountability are often the same ones who build organizations that bend without breaking (Mallak, 1998). The human element matters: transparent communication, trusted

teams, and autonomy that is not performative. These factors all increase a firm's capacity to adapt under duress (Boin & Van Eeten, 2013).

On the other hand, resilient teams contribute to the leader's capacity to act decisively. This reciprocity strengthens the entire enterprise, mainly when the leader exhibits transformational qualities—clear purpose, moral conviction, and the ability to inspire (Bass & Riggio, 2006). In SMEs, where layers of hierarchy are thin and decisions ripple quickly, this symbiosis becomes central. It fuels innovation, sustains morale, and deepens the firm's capacity to respond in kind when conditions shift (Hartwig et al., 2013; Denyer, 2017).

9.2.4 Lebanon: A Case in Extremes

In Lebanon, SMEs operate against a backdrop of near-constant disruption. Years of political dysfunction, a financial meltdown, and systemic economic decay have left the sector exposed (Atallah & Mahmalat, 2020). With over 90 percent of the country's businesses falling into the SME category, the fallout is both widespread and acute. These firms face chronic liquidity shortages, eroded consumer bases, and limited institutional support for recovery (Mekdessi et al., 2021).

Yet some persist. The common thread? Leadership. The firms that have adapted were not necessarily the best-resourced—they were the best-led. They engaged teams rather than isolating them, leveraged diaspora networks for opportunities, and shifted their operations toward digital solutions and foreign markets (International Labor Organization [ILO], 2020). In this context, leadership is not just strategic—it is existential.

Strategic leadership and resilience, while distinct in theory, are deeply fused in practice—especially within SMEs. One sets the direction; the other ensures endurance. In a volatile setting like Lebanon, the two do not merely enhance competitiveness; they also foster stability. They determine whether a business lives or dies.

9.3 Theoretical Framework

The framework for this study draws from **Strategic Leadership Theory** (Ireland & Hitt, 2005) and **Organizational Resilience Theory** (Lengnick-Hall et al., 2011).

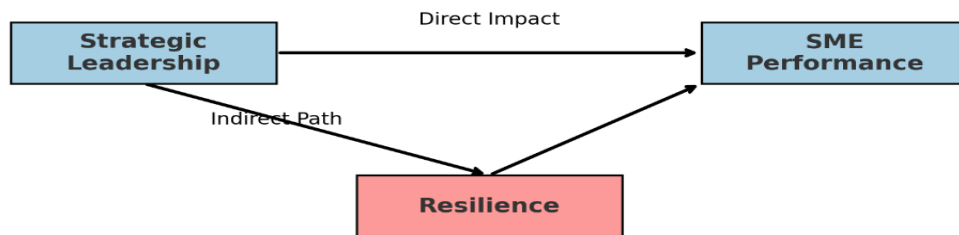
- **Independent Variable (IV):** Strategic Leadership
 - Dimensions: vision, communication, empowerment, strategic alignment.
- **Mediating Variable (MV):** Organizational Resilience
 - Dimensions: adaptability, flexibility, innovation, resourcefulness.
- **Dependent Variable (DV):** SME Performance in disruption
 - Indicators: employee commitment, satisfaction, adaptability, retention.

Proposed Model:

Strategic Leadership → (direct impact) → SME Performance

Strategic Leadership → (indirect impact through Resilience) → SME Performance

Conceptual Framework: Strategic Leadership, Resilience, and SME Performance



9.4 Methodology

Approach

This study adopts a positivist paradigm, using a quantitative survey to test the relationship between strategic leadership, resilience, and performance.

Instrumentation

A structured questionnaire (9 items, Likert scale) was distributed to managers and supervisors in SMEs across Greater Beirut. Questions covered dimensions of leadership vision, resilience practices, employee satisfaction, and adaptability.

Sample

A random sample of 50 managers was drawn from a database of 200 SMEs. The response rate (25%) provided statistically significant data for analysis.

Data Analysis

Responses were analyzed using SPSS. Regression and ANOVA tests measured the effect of leadership and resilience on performance indicators (employee commitment, satisfaction, and adaptability).

9.5 Findings

Sample size: n = 50 SME managers (Greater Beirut)

1. Reliability of Constructs

Construct	Cronbach's Alpha	No. of Items	Reliability Level
Strategic Leadership	0.87	3	High
Resilience	0.82	3	High
SME Performance	0.85	3	High

2. Correlation Analysis

Variables	Strategic Leadership	Resilience	SME Performance
Strategic Leadership	1	0.642**	0.589**
Resilience	0.642**	1	0.711**
SME Performance	0.589**	0.711**	1

The above table indicates strong positive correlations across variables.

Impact on Performance

Regression analysis revealed that strategic leadership has a positive influence on employee commitment and organizational adaptability. Leaders who communicated a clear vision and empowered their staff fostered higher performance scores.

3. Regression Analysis – Leadership → Performance

Model	R	R ²	Adjusted R ²	F	Sig.
Strategic Leadership	.589	.347	.332	22.5	.000

Strategic leadership explains 34.7% of variance in SME performance.

Impact on Resilience

Resilience was found to be a significant predictor of employee satisfaction and retention (Baek, 2024). SMEs that developed adaptive practices (e.g., flexible work arrangements, resource diversification) exhibited stronger resilience and achieved higher performance outcomes.

4. Regression Analysis – Resilience → Performance

Model	R	R ²	Adjusted R ²	F	Sig.
Resilience	.711	.505	.493	48.2	.000

Resilience explains 50.5% of variance in SME performance.

4. Mediating Role of Resilience

The analysis revealed that resilience partially mediated the relationship between leadership and performance. Leadership without resilience yielded limited results, while leadership combined with resilience produced more potent effects on survival and adaptability.

5. Mediation Test (Baron & Kenny method / PROCESS)

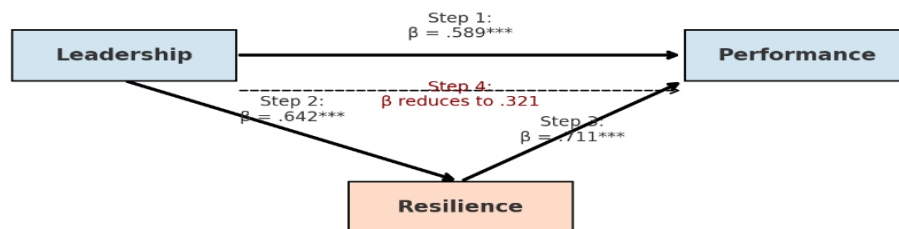
Step 1: Leadership → Performance (significant, $\beta = .589$, $p < .001$)

Step 2: Leadership → Resilience (significant, $\beta = .642$, $p < .001$)

Step 3: Resilience → Performance ($\beta = .711$, $p < .001$)

Step 4: Leadership → Performance (β reduces from .589 to .321 when Resilience is added).

Mediation Model: Resilience as Mediator between Leadership and Performance



9.6 Limitations

Several constraints shaped the scope and outcomes of this research. To begin with, collecting data in Lebanon's tightly interconnected business circles proved more difficult than anticipated. Concerns around confidentiality were common, and some participants hesitated to share detailed information about internal practices. This atmosphere of guardedness likely narrowed the range of responses. It may have introduced a layer of social desirability bias, where answers reflected what participants believed was acceptable rather than what was entirely accurate.

Another limitation emerged from participant fatigue. Many SME managers were already stretched thin—navigating daily crises and operational strain—which meant the survey was sometimes approached as an afterthought. Time pressures were cited explicitly by some respondents, leading to partial completions or answers that lacked depth. The modest sample size—50 participants—was sufficient for basic statistical purposes but still falls short of representing the full spectrum of Lebanese SMEs, particularly across varying sectors or regions.

Methodologically, the study relied solely on quantitative techniques. While this allowed for clear pattern recognition and the measurement of variables like leadership and resilience, it did not provide access to the lived texture of those experiences. Numbers can show correlation, but they cannot always tell the story behind it. A qualitative or mixed-methods approach—utilizing interviews or case narratives—could have provided a more nuanced understanding of how resilience and leadership are practiced on the ground (Donato & Harris, 2013).

Lastly, there is the issue of geographic scope. All data was drawn from SMEs located in and around Greater Beirut. While this urban concentration provided logistical convenience, it also created a blind spot. Businesses operating in rural or under-resourced areas of Lebanon face distinct challenges, and their exclusion may mean the findings are not applicable nationwide.

9.7 Conclusion

This research reinforces a clear idea: in unstable environments like Lebanon, strategic leadership and organizational resilience are not optional—they are foundational. SMEs that demonstrate agility, guided by leaders who can think long-term while adapting in real time, are far more likely to weather disruption and stay competitive.

The findings have broader implications for public policy. It is not enough to offer blanket support to SMEs. There is a need for tailored programs that address both the human and structural sides of resilience. Training that strengthens leadership must go hand in hand with initiatives that help businesses embed adaptive habits—be it through workforce flexibility, diversified operations, or stronger internal communication.

For leaders on the ground, the challenge is ongoing. They must balance vision with immediacy, inspiration with execution. Those who manage to embed resilience into the daily workings of their business—whether through decentralizing decision-making, maintaining trust among teams, or experimenting with new markets—do not just survive. They evolve. Furthermore, in Lebanon, where instability is more constant than occasional, that kind of evolution is not a competitive edge. It is a necessity.

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