

BUSINESS SUSTAINABILITY UNDER PROLONGED
INSTABILITY: BUSINESS OWNERS IN THE GAZA
STRIP

BY

ISMAIL J ABUSAADA

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ABSTRACT

Business sustainability has become one of the most strategic issues for leaders and business owners in the world. This research studies the challenge of prolonged instability facing business owners to sustain their business. This situation of prolonged instability is occurring in the Gaza Strip. Prolonged instability caused by many factors in the Gaza Strip. First of all, the Gaza Strip is suffering from the policy of “De-Development” applied by the occupation for more than 70 years. This policy aims to starve the economy and nation. In the last two decades, the Gaza Strip faced several extreme events like wars and sieges. Moreover, the Gaza Strip suffers from political conflict among the Palestinian political parties which increase the situation of economic instability. These factors form the situation of prolonged instability and increase the challenges for business owners in sustaining their business in long term.

The main goal of this research is to investigate how business owners in the Gaza Strip sustain their business under a prolonged unstable environment. This research has three particular objectives. The first objective is to identify the main challenges facing business owners in the Gaza Strip and the methods and processes they use to overcome these challenges and sustain their business. The second objective is to identify the most effective decision-making processes used by business owners to sustain their business under prolonged unstable conditions. The third and last objective is to develop a model of business sustainability under prolonged instability.

Two theories are used to guide the research work. The first is business sustainability theory as the main theory and the second is business continuity theory. The combination of two theories helped the researcher to develop a model of business sustainability under prolonged instability.

This research as an exploratory research applying a qualitative methodology. The data were collected through semi-structured interview with open ended answers. The informants of this study were business owners in the Gaza Strip. The sample was selected as criterion sample. All of the informants are running their business for more than 5 years, still running the business and intending to continue their business in the Gaza Strip. The data are analyzed via NVivo Plus 12 software.

The main outcome of this research is the model of business sustainability under instability. The research found that business owners can sustain their business under prolonged unstable environment. Business owners are using various tactics to sustain their business. Different conditions surrounding business owners and differences in management skills lead to different management styles and different business solutions to sustain business under prolonged instability. Decision-making plays a vital role in business sustainability. One of main findings in this research is that some business owners start new business under prolonged unstable environment to open new opportunity to stay in the market for a long term. Moreover, this research found that successful business owners are cooperating more than competing under extreme situation where they understand that cooperation means surviving for all. Older business owners gave valuable advices for new entrepreneurs to start, run and sustain their business under prolonged unstable environment.

خلاصة البحث

أضحت استدامة الأعمال والمشاريع من القضايا الاستراتيجية التي تشغل بال رجال الأعمال في العالم. هذه الأطروحة تبحث أحد التحديات التي تواجه استدامة الأعمال وهي عدم الاستقرار المزمّن. وقد جسدت هذه الحالة، عدم الاستقرار المزمّن في قطاع غزة. حيث يشهد قطاع غزة العديد من العوامل التي تؤدي إلى نشوء هذه الحالة، مثل سياسات الاحتلال في تقويض التنمية، والتي يطبقها الاحتلال منذ أكثر من 70 عام على قطاع غزة بشكل خاص وعلى الاقتصاد الفلسطيني بشكل عام. وقد شهد قطاع غزة - في العقدين الماضيين على سبيل المثال - عدة أحداث جسيمة مثل الحروب والحصار المطبق الذي فرض على القطاع. وإضافة إلى ذلك يعاني قطاع غزة من تبعات الانقسام السياسي الفلسطيني وعدم الاستقرار الاقتصادي الذي يستمر منذ أكثر من عقد من الزمن. هذه العوامل وغيرها أدت إلى نشوء بيئة عدم الاستقرار المزمّن وزادت من التحديات بشكل كبير في وجه رجال الأعمال لتحقيق الاستدامة المطلوبة على المدى البعيد.

تهدف هذه الأطروحة بشكل أساسي لبحث كيف استطاع رجال الأعمال في قطاع غزة تحقيق الاستدامة في أعمالهم على المدى البعيد في ظل بيئة غير مستقرة. وقد حددت هذه الأطروحة ثلاثة أهداف فرعية. الهدف الأول: تحديد التحديات الأساسية التي تواجه رجال الأعمال في سعيهم لتحقيق الاستدامة وآليات التغلب عليها. الهدف الثاني: تحديد الطرق الأكثر فعالية في اتخاذ القرار لدى رجال الأعمال لتحقيق الاستدامة في بيئة عدم الاستقرار المزمّن. الهدف الثالث: تطوير نموذج لاستدامة الأعمال في بيئة عدم الاستقرار المزمّن.

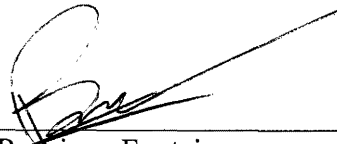
وقد استخدمت في هذه الأطروحة نظريتين، الأولى هي نظرية استدامة الأعمال، والثانية هي نظرية استمرار الأعمال. وقد استفاد الباحث من الجمع بين النظريتين في تطوير نموذج استدامة الأعمال في بيئة عدم الاستقرار المزمّن. وقد اعتمدت الأطروحة على المنهج الوصفي التحليلي كونها دراسة استقصائية. وتم جمع البيانات من خلال المقابلات الممنهجة غير محددة الإجابات. وتم اختيار العينة من رجال الأعمال ضمن معايير دقيقة تمثلت في شرط الخبرة لدى رجل الأعمال بما لا يقل عن 5 سنوات، وأن يكون ممن يمارس أعماله التجارية وينوي الاستمرار

داخل قطاع غزة في المستقبل. وقد تم تحليل البيانات باستخدام برنامج NVivo Plus
12.

ومن أهم ما توصلت إليه الأطروحة، هو تطوير نموذج استدامة الأعمال في ظل بيئة عدم الاستقرار المزمن. وقد تبين من خلال البحث أنه من الممكن لرجال الأعمال تحقيق الاستدامة في ظل عدم الاستقرار المزمن. ولتحقيق الاستدامة في مثل هذه الظروف، تختلف أساليب وتكتيكات رجال الأعمال لتحقيق الاستدامة. حيث يمر كل رجل أعمال بظروف مختلفة وتتفاوت قدراتهم الإدارية والتجارية مما يؤدي إلى اختلاف أنماط عملهم في تحقيق الاستدامة المطلوبة. وفي مثل هذه الظروف يلعب أسلوب اتخاذ القرار دوراً حيوياً في تجاوز الأزمات وتحقيق الاستدامة على المدى البعيد. ومن النتائج المهمة في هذه الأطروحة، هي أن عدداً من رجال الأعمال، قاموا بإنشاء مشاريع تجارية جديدة بهدف فتح فرص جديدة لهم في السوق والبقاء فيه لفترة أطول. ومن النتائج المهمة أيضاً، أن رجال الأعمال الناجحين، يلجؤون إلى التعاون أكثر من التنافس في الأوقات الصعبة لتجاوز الأزمات والاستمرار في السوق. وفي هذه الأطروحة يجد رواد الأعمال المبتدئون نصائح ثمينة قدمها رجال الأعمال الخبراء، ليستطيعوا بدء مشاريعهم والاستمرار فيها بنجاح في بيئة عدم الاستقرار المزمن.

APPROVAL PAGE

The dissertation of Ismail J Abusaada G1523871 has been approved by the following:



Rodrigue Fontain
Supervisor

Zabeda Bt. Abdul Hamid
Co-Supervisor

Dalhadi Zainuddin
Internal Examiner

Saridan Abubakar
External Examiner

Rafikul Islam
Chairman

DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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Signature 

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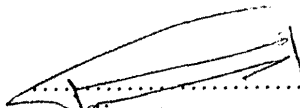
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*This thesis is dedicated to my parents, my wife and my family for their patience,
continuous prayers and support.*



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TABLE OF CONTENTS

Abstract	ii
خلاصة البحث	iii
Approval Page	v
Declaration	vi
Copyright.....	vii
Acknowledgements	ix
Table of Contents	x
List of Tables.....	xiii
List of Figures	xiv
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Prolonged Instability	2
1.3 The Need for an Exploratory Approach	3
1.4 Problem Statement.....	3
1.5 Research Objectives	5
1.6 Research Questions.....	5
1.7 The Case of the Gaza Strip	5
1.8 Significance of the Study	8
1.9 Limitations of Study	8
1.10 Research Design.....	9
1.11 Definitions of Terms.....	10
1.12 Chapter Summary	10
CHAPTER TWO: LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Business Sustainability Under Instability	11
2.2.1 Definition of Business Sustainability	11
2.2.2 Underlying Theories for Business Sustainability under Instability	12
2.2.3 Business Continuity Management as a Method for Business Sustainability	13
2.2.3.1 Definition of Business Continuity Management.....	15
2.2.3.2 Business continuity theory	16
2.2.3.3 Business Continuity Models	16
2.3 Instability and Extreme Contexts	18
2.3.1 Political Instability	18
2.3.2 Economic Instability	20
2.3.3 Extreme Context and Unstable Environment.....	20
2.3.4 Characteristics of Extreme Events.....	21
2.3.5 Differentiating Extreme Events from Crisis.....	23
2.4 The Role of Decision Making in Achieving Business Sustainability	25
2.4.1 Decision Making under Stresses, Crises and Extreme Events	25
2.4.2 Decision Making under Stress	26
2.4.3 Crisis Decision Making	29
2.4.4 Decision Making under Extreme and Unstable Environment.....	32
2.4.5 Decision Making under Instability	37
2.5 Theoretical Model.....	38

2.5.1 Business Continuity Model.....	38
2.5.2 The Proposed Theoretical Model	41
2.6 The Research Gap.....	43
2.7 Chapter Summary	44
CHAPTER THREE: RESEARCH METHODOLOGY.....	45
3.1 Introduction	45
3.2 Qualitative Research.....	45
3.3 Exploratory Approach.....	49
3.4 Research Design.....	51
3.5 Sample.....	52
3.6 Data Collection.....	53
3.7 Data Analysis	54
3.8 Chapter Summary	58
CHAPTER FOUR: DATA ANALYSIS	59
4.1 Introduction	59
4.2 Informants of The Study	59
4.3 Data Collection.....	62
4.4 Thematic Analysis.....	67
4.4.1 Phase 1: Familiarizing Yourself with your Data.....	70
4.4.2 Phase 2: Generating Initial Codes	73
4.4.3 Phase 3: Searching for Themes	74
4.4.4 Phase 4: Reviewing Themes.....	76
4.4.5 Phase 5: Defining and Naming Themes.....	77
4.4.6 Phase 6: Producing the Report	79
4.5 Themes	79
4.6 Findings.....	81
4.6.1 Theme 1: Prolonged Instability:	81
4.6.1.1 De-development	83
4.6.1.2 Political Instability	95
4.6.1.3 Economic Instability	98
4.6.2 Theme 2: Business Sustainability:	106
4.6.2.1 Sustainability Tactics	106
4.6.2.2 Decision Making	116
4.6.2.3 Spirituality	124
4.6.2.4 Optimism	127
4.6.2.5 New business.....	129
4.7 Spirituality	132
4.8 Optimism.....	136
4.9 Chapter Summary.....	139
CHAPTER FIVE: DISCUSSION AND CONCLUSION	141
5.1 Introduction	141
5.2 Discussion	141
5.2.1 Challenges of Prolonged Unstable Environment.....	142
5.2.2 Methods and Processes to Sustain Business under Prolonged Instability	146
5.2.3 Decision Making under Prolonged Instability	149
5.2.4 The Model of Business Sustainability under Prolonged Instability.....	150

5.2.5 Implications of this Research.....	156
5.2.5.1 Policy Implications.....	156
5.2.5.2 Economic Implications	157
5.2.5.3 New Entrepreneurs.....	158
5.3 Research Questions.....	159
5.3.1RQ1: What are the main challenges facing business owners in the Gaza Strip and how they can overcome these challenges and sustain their business?	159
5.3.2RQ2: How do business owner make their decisions to sustain their business under prolonged unstable conditions?.....	161
5.3.3 RQ3: What is a model of business sustainability under prolonged instability?.....	162
5.4 Contribution of the Study	164
5.4.1 Theoretical Contribution	164
5.4.2 Practical Contribution.....	164
5.5 Conclusion	165
5.6 Chapter Summary.....	168
REFERENCES	170
APPENDICES	186
Appendix (1)	186
Appendix (2).....	188

LIST OF TABLES

Table 4. 1 Information of Informants	61
Table 4. 2 Interview Protocol.....	66
Table 4. 3 Themes and Sub-Themes.....	80



LIST OF FIGURES

Figure 2. 1 The Development of Business Continuity Management (Jedynak, 2013)	14
Figure 2. 2 Business Continuity Model Castillo (2005)	39
Figure 2. 3 Proposed Theoretical Model For Business Continuity Under Instability..	41
Figure 4. 1 Experience Of Informants in Years	62
Figure 4. 2 Number Of Extracts for Highest 10 Codes.	74
Figure 4. 3 The Initial Thematic Map	75
Figure 4. 4 Candidate Thematic Map	77
Figure 4. 5 Final Thematic Map.	78
Figure 5. 1 Model Of Business Sustainability Under Prolonged Instability	151



CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Business sustainability has become one of the most strategic issues for leaders and business owners in the world (Hamsal & Ichsan, 2021; Eswarlal & Vallesi, 2014). As time goes by, more and more business owners focus on implementing sustainability in their business in order to achieve better growth for their organization (Ahn et al., 2021; Eswarlal & Vallesi, 2014). This has led to the creation for sustainability indexes. Many sustainability indexes like Dow Jones Sustainability Index and the FTSE4 Good Indexes indicate that more business owners intend-to implement sustainability. Research shows that organizations who applied sustainability show better performance and profitability than others (Galpin et al., 2015).

The term of “sustainability” is used in multiple ways in the literature (Eswarlal & Vallesi, 2014). It can refer to maintaining the social equity (Bansal & DesJardine, 2014). It can mean focusing on a business’s survival and growth strategies (Eswarlal & Vallesi, 2014). It can simply mean that an organization is trying to at least maintain the same level of profitability and growth in the future (Bansal & DesJardine, 2014).

Developing a sustainable business is challenging because an organisation faces internal and external obstacles. Sometimes these obstacles worsen and a crisis develops. Such crises are reasonably predictable (Sweeny, 2008). At other times, a crisis happens suddenly and all organisations are caught by surprise (Casto, 2014; Hamsal & Ichsan, 2021). In general, the difference between effective leaders and ineffective leaders is not the crisis itself, but how they react to the crisis. In this light, effective leaders will have contingency plans and they will have trained their subordinates prior to the crisis. For example, what are the contingency plans if a fire happens? What are the contingency plans if there is a hacking of the company’s computers? Unfortunately, many organisations do not have such training and they simply react to crises (Fontaine, 2012). The causes of these crises are different and variant regarding to the kind of business, the field of work and the overall situation of the country (Monadi et al., 2012). In some countries, peace has existed for a long time and a war is a very unlikely scenario. In other countries, a war is a very probably scenario.

Many companies face internal crisis due to the mismanagement of internal resources. Typically, there are not enough resources allocated to solve problems, so that problems enter a queue and a fire fighting culture develops inside the organisation (Fontaine, 2012). This culture of fire-fighting leads individuals inside the company to misinterpret and misjudge crises (Mezzey, 2004). This perspective will consume most of the time and efforts of managers in solving daily problems as they face new crisis repetitively. As a consequence, managers lose track of strategies issues and long-term goals (Bohn, 2000).

However, crises may occur due to external causes. These crisis are more difficult to manage because the company can't control the causes or factors related to the crisis. The best thing to do is simply for managers to be ready to face unpredictable changes in the surrounding environment. The nature of crises triggered by changes in the external environment requires a different approach to decision making to sustain the business (Sayegh et al., 2002).

Galpin et al., (2015) notes that one of the most important point relate to sustainability is the need to keep the organization healthy and successful for long periods of time. This requires a stable environment and reasonably predictable conditions.

1.2 PROLONGED INSTABILITY

This study will present how business owners run their business under a complicated challenges in long term. Although many countries face crisis from time to another, certain countries seem to be in a state of prolonged instability. In such places the situation seems to be unstable in the long term. The situation there, is highly complicated and the business environment affected by many factors and face different types and shapes of extremities.

Instability is defined as “*the absence of perceived stability in daily life combined with an increased inability to predict the upcoming course of events owing to changes in one or several areas of life*” (Schmid-Mohler et al., 2014, p.10).

Prolonged instability in this research will be defined as, "due to the breakdown of social, political and economic institutions in a country caused by an internal or external crisis; individuals and organisations face a chronic situation of instability." What needs to be emphasized is that these situations are often linked to international

events – such as military invasion – that creates incredibly complicated political situations. The situation go under instability for decades and no one can predict when it will left or change. In this research the case is one of the prolonged unstable environment, where the situation is unstable for more than six decades and looks to stay unstable for more time.

1.3 THE NEED FOR AN EXPLORATORY APPROACH

The situation of prolonged instability is complicated by various types of extreme situations and instabilities. Thus, a researcher needs an approach that allows him or her to handle different source of information with high flexibility so as to figure out the reasons and causes of the problem. As Swaraj (2019) noted, exploratory research is used to find out the causes and factors affecting a situation. Exploratory research is useful when information is lacking and there is no clear understanding of the factors and relationships involved. Exploratory research is *“consists of an attempt to discover something new and interesting, by working your way through a research topic”* (Swedberg, 2020, p. 17).

In the academic literature, not enough is known about a prolonged unstable environment (Casto, 2014; Hannah & Parry, 2014). Much research has been done on business sustainability under high risk, crises and extreme events. But more research needed to understand how business owners can run and sustain their business under prolonged unstable environment (Eberly et al., 2017; Hannah & Parry, 2014).. In this situation, exploratory research is a valid approach to achieve better insights into how business owners deal with prolonged instability.

1.4 PROBLEM STATEMENT

Business sustainability is a one of main concerns of business owners. Much research has been conducted from different perspectives to answer the question of how business owners can reach business sustainability (Hamsal & Ichsan, 2021; Tajbakhsh & Hassini, 2015; Vidmar et al., 2021). In this manner, business owners develop their business model to be effective in normal situation and working against crises and extreme events (Niemimaa et al., 2019). Despite some crises occur internally due to mismanagement, many crises come from external environment where business owners cannot control but they can mitigate the negative effects (Hamsal & Ichsan, 2021). For example the current

pandemic of Covid-19 makes the situation all over the world unstable and unpredictable for some time. The global GDP growth affected and decreased from 2.3% to 2.2% (Hamsal & Ichsan, 2021).

In general, crises used to occur from time to another in different shapes and sizes. These crises occur for short period of time and left. Then, the situation returns to its normal condition and business continued as usual. In such cases, business owners prepare their business continuity plan to overcome the emergencies and return back to their normal operation (Niemimaa et al., 2019). In some places, crises and extreme events occur frequently. These crises and extreme events cause significant changes in business environment. Different shapes and sizes of changes lead to a situation instability in long term. In such environment, business owners face unpredictable crises from time to another. This situation raises a question of how business owners can run their business when the nature of environment become unstable.

However, many researches have been conducted about extreme contexts (Casto, 2014; Hannah & Parry, 2014) and some kinds of instability (Khan & Saqib, 2011; Shakil & Yousaf, 2015). These research aimed to study how leaders and business owners can face extreme events and overcome the challenges of the instability, but each research take specific type of instability or extremity. Some researches applied under more than one kind of instability (Elbahnasawy et al., 2016; Kountouris et al., 2015). This study is conducting under a unique situation. Business owners face different types of instability combined with the effects of the policy of “de-development” which aims to starve the economy and nation (Roy, 1991). This uniqueness makes the situation more difficult for business owners to run their businesses. In this manner, most of business owners fail to sustain their businesses. But in the same time, some business owners have been able to sustain their business under this prolonged unstable environment.

This study aims to explore how business owners can sustain their business under prolonged unstable environment. Under such environment, business owners face unpredictable crises and extreme events from time to another. These crises cause different shapes and sizes of change in business environment which need to explore how business owners can adopt their business models to respond for these changes and continue in the market. This research is an attempt to identify methods and processes used by business owners to sustain their business under prolonged unstable environment. Moreover, this study is conducting in a place of high level of extremity.

Exploring the methods of business sustainability under prolonged instability will help other business owners in places with lower level of extremity to understand how to sustain their businesses under instability and how to face unpredictable events.

1.5 RESEARCH OBJECTIVES

The main objective of this study is to investigate how business owners in the Gaza Strip sustain their business under a prolonged unstable environment. More specifically, the researcher aims to:

1. Explore methods and processes used by business owners in the Gaza Strip to sustain their business under prolonged unstable environment.
2. Investigate how business owners make their decision to sustain their business under prolonged unstable environment.
3. Develop a model of business sustainability under prolonged instability.

1.6 RESEARCH QUESTIONS

The research questions are as follows:

1. How business owners in the Gaza Strip used to sustain their business under prolonged unstable environment?
2. How do business owner make their decisions to sustain their business under prolonged unstable conditions?
3. What is a model of business sustainability under prolonged instability?

1.7 THE CASE OF THE GAZA STRIP

The Gaza Strip has been controlled by the Israeli occupation from 1967 (Owda et al., 2019; Winter, 2016). From that time onwards, the occupation forces have implemented a number of rules that restrict social, economic and political life in the Gaza Strip. In general the policy of the occupation aims to “de-develop” the economy of Gaza Strip in particular and Palestinian economy (Roy, 1987). De-development is, *“the process which undermines or weakens the ability of an economy to grow and expand by preventing it from accessing and utilizing critical imports needed to promote internal growth beyond a specific structural level”* (Roy, 1987, p.56). In other words, Israel has been starving the Gaza economy for decades. The Gaza Strip has witnessed many extreme events include sieges, wars, military attacks, and internal conflicts.

However, for better understanding of the situation of prolonged instability and the case of the Gaza Strip, here are the key dates in the history of Palestine and the Gaza Strip:

- a) 1948: War with Israel. Creation of the Israeli state. Jordan became the protector of the West Bank and Egypt became the protector of the Gaza Strip (Nur, 2008). All business link with the rest of Palestine stopped. Business owners import goods through Egypt.
- b) 1967: War with Israel. Israel starts to control life in the Gaza Strip directly. All importing and exporting done through the ports controlled by the occupation (Strand, 2014).
- c) 1987: 1st Intifada. This popular movement against the Israelis started in Gaza. At the end of the intifada, Gaza Strip was closed. The occupation applied the policy of closure where people and goods are banned to enter or exit the Gaza Strip according to security situation (Alimahomed-wilson & Potiker, 2017).
- d) 1993: the establishment of the Palestinian Authority (PA) to rule the West Bank and the Gaza Strip. PA started in part of the Gaza Strip and limited areas in the West Bank (Dessus, 2005). Business owners in the Gaza Strip had to run their business under the rules of PA. All borders and ports still under full control of the occupation.
- e) 2000: 2nd Intifada. This started in Jerusalem. This movement had more weapons (guns, small bombs) compared to the first intifada. This encouraged the Israelis to restrict the importation to the Gaza Strip of any material that could be used to make weapons (known as a “W materials”). Business owners become under pressure of closures and embargo of goods (Farsakh, 2008).
- f) 2005: Israeli occupation withdraw Israeli military and Israeli settlements from inside the Gaza Strip and continue control the borders (Farsakh, 2008).
- g) 2006: Second elections for the PA. Victory for Hamas (Pina, 2006). The results are not accepted by Fatah leaders. This led to a political conflict between two parties.
- h) 2007: Internal political conflict between Hamas and Fatah gets worse. Hamas takes complete political control of the Gaza Strip. The government was controlled by Hamas but, the president of the PA was the head of Fatah.

The president of PA “Mahmoud Abbas” sacked the government headed by Ismail Hanyiah and asked Dr. Salam Fayyad to form a new government. The legitimacy of this move was questioned so the government of Mr. Ismail Hanyiah continued to rule Gaza and the government of Dr. Salam Fayyad started to rule the West bank (Berti, 2015; Erakat, 2011).

- i. The Israeli occupation declare a comprehensive siege on the Gaza Strip. The government in the Gaza Strip was isolated and does not have any formal political relations with other countries (Pelham, 2012). The government of the West Bank works under legitimacy of the president and represents Palestinians with the occupation – according to peace agreements – and other countries. Thus, the government of the Gaza Strip rules the internal affairs of the people there and the government of the West Bank rules the external affairs of the people in the Gaza Strip. Business owners face new challenges as they had to deal with two governments for internal and external permissions (Al Hallaq, 2019; Winter, 2016). Borders with the occupation closed and importation stopped. Business owners start buy goods brought through informal tunnels with Egypt (Pelham, 2012).
- i) 2008: War with Israeli. Destruction of buildings and factories that have nothing to do with the resistance movement. More restrictions and more loss in economic infrastructures (Owda et al., 2019; UN, 2017).
- j) 2012: Short war because of the political support of Egypt. Fishing limits temporarily extended to 12 miles. Some easing of restrictions for farmers entering their land. However, more restrictions on importing goods (El-khodary & Samara, 2018).
- k) 2014: Longest war. Massive destruction of building, factories, and infrastructure. De-development policy becomes clearer (Al Hallaq, 2019; UN, 2017).
- l) 2021: new war continued for 11 days. The siege on the Gaza Strip continued and the restrictions eased but not ended (Mahase, 2021).

In such a difficult environment, many entrepreneurs and business owners fail to sustain their business. These extreme events are out of the control of the business

organizations in the Gaza Strip. Along the years, many business owners changed the types of their business according to the opportunities in the market shaped and affected by the political situation and the policies of the occupation. The current situation in the Gaza Strip is worse than the past and the business owners there still facing variant extreme events from time to another. Many business owners shocked with unpredicted closure for the borders or embargo for specific kinds of goods. In other cases, the occupation embargos some kinds of raw materials which undermined the ability of many factories to continue.

1.8 SIGNIFICANCE OF THE STUDY

This study will be significant in number of ways.

First, there seems to be a lot research concerning sustainability and crisis management. However, these crises are always temporary. The situation in Palestine and other countries are completely different. There is no end sight for the Israeli occupation, just like there is no end in sight for the Syrian conflict. In these very difficult situations, life still goes on and businesses still operate. This study will shed a light on how this is possible and thus make a new contribution to the body of academic knowledge.

Second, this study will be useful to help business owners and future entrepreneurs in the Gaza Strip to better understand how they can survive and thrive in a condition of prolonged instability. In particular, the focus on decision making will help other business owners. It is not possible to duplicate someone else's resources. It is possible to learn from how successful business owners make decisions (Casto, 2014).

For policy makers, this study will help them understand situations of prolonged instability. Researchers argue that when policy makers anticipate problems, they can prepare contingency plans and find ways to avoid such problems occurring in their home countries (Hannah & Parry, 2014).

1.9 LIMITATIONS OF THE STUDY

This study is an exploratory study which aims to also to develop a model of business sustainability under conditions of prolonged instability. Necessarily, the sample size will be limited and the validity of the model will be difficult to assess. This study can be seen as a first effort in understanding sustainability under conditions of prolonged instability. Although the aim is to develop a model that can be used in other countries –

like Iraq, Syria, Yemen and others – it is possible that the conditions imposed by the occupation forces in the Gaza Strip are so unique that generalisation will be difficult. Future researchers will have to build upon this study to develop a more comprehensive understanding of the problem.

1.10 RESEARCH DESIGN

This research is a qualitative study applying exploratory approach. The aim of this study is to explore how business owners sustain their business under unstable environment. This study needs to answer the questions of what, how and why. The question of what is related to the factors influence the business under unstable environment. After collecting and analysing the data, more things about these factors will be clear. The question of how and why require exploratory approach (Swedberg, 2020). By using a exploratory approach, the researcher can investigate unexpected and unexplored aspects of business sustainability under instability.

The informants of this study were business owners in the Gaza Strip. The sample was selected as criterion sample as an approach of purposeful sampling. This approach helps in determining and choosing information-rich samples (Palinkas et al., 2015). These criteria aim to choose respondents who have enough experience to show how business owners can overcome challenges and sustain their business. Respondents should have experience more than 5 years, still running the business and intending to continue their business in the Gaza Strip.

The data were collected through semi-structured interview with open ended answers. This data collection method allow the researcher to go in depth with the respondent to explore and identify methods and processes used by business owners to sustain their business (Swedberg, 2020). A total of 16 business owners interviewed from different industries and different levels of experience. However, after conducting the interviews, the researcher analyzed the data using thematic data analysis. The six phases of thematic data analysis suggested by Braun and Clarke (2006), have been followed in this research. The data are analyzed via NVivo Plus 12 software.

1.11 DEFINITIONS OF TERMS

Business sustainability

Business sustainability is the sustained positive performance such that the business is able to survive or continue operating regardless of the business/market environment (Golicic et al., 2017).

Instability

One of close definitions to this case is *“the absence of perceived stability in daily life combined with an increased inability to predict the upcoming course of events owing to changes in one or several areas of life”* (Schmid-Mohler et al., 2014, p.10). This definition consists with this study and can be used to understand and investigate the case. More specifically the researcher defines prolonged instability as: the situation with different major changes in the structure of the environment in a short period of time.

Business Continuity Management

Singapore Standard for BCM (SPRING) defined Business Continuity Management as: *“a holistic management process that identifies potential impacts which threaten an organization and provides a framework for building resilience and the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities”*.

Decision Making

As Gowin, Sloan, Ramchandani, Paulus, & Lane, (2018, p.118), Decision Making is *“the selection of an action from among available alternatives, resulting in an outcome that engenders a specified neural, cognitive, or emotional state.”*

1.12 CHAPTER SUMMARY

This chapter has discussed the main concept of sustainability and the specific meaning to be applied in this thesis and present a brief about the case of Gaza Strip. Additionally, the problem statement was discussed as this study aims to explore how business owners can sustain their business under instability. In this chapter also the objectives and questions of this study presented. Moreover, this chapter discussed the significance of this study followed by the limitation, research design and brief definitions of main key terms.