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Business continuity management in emerging markets: the case of Jordan

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ABSTRACT

Despite their considerable growth in last few decades, emerging markets (EM) face numerous risks that have the potential to slow down or obstruct their development. Three main issues are discussed in this paper. First, the risks facing organizations operating in emerging markets and Jordan in particular. Second, the role of business continuity management (BCM) in emerging markets. Third, potential factors that underpin the role of BCM in emerging markets. These issues are significant since they represent the role of BCM in highly dynamic and fast changing business environments. The paper provides a discussion of the significance of BCM in reducing or preventing risks facing organizations operating in emerging markets, especially those in Jordan.

Keywords: business continuity management, emerging markets, organizations, risk, Jordan.

INTRODUCTION

There is a large amount of literature that discusses issues relating to EM, their development, and progress.¹ Despite the fact that EM are increasingly becoming the main drivers of the global economy,² they are facing various types of risks that have the potential to slow down or obstruct their development.³, ⁴ These risks have to be confronted in order to ensure the successful and sustainable development of these economies.

Jordan and its organizations are facing risks similar to those facing EM in general. This is because Jordan is a small and open country in the Middle East, a region characterised as being risky, dynamic, fast changing, and politically unstable.

BCM has evolved since the 1970s in response to technical and operational risks facing organizations and threatening their long term survival and ability to recover from major disasters and business interruptions. In the last decade, BCM has evolved significantly from ad hoc reactions to unexpected incidents to predetermined, systematic, and more holistic business processes. It has the potential to play a more integrated and strategic role which helps to develop an organizational, as well as a social capability of resilience through engaging not only people from inside the organization in the BCM process, but also the larger context of community, as well as establishing links between organizations and between industries.⁵, ⁶

BACKGROUND TO EMERGING MARKETS

For the purpose of this research, the term EM is used to describe a list of middle-to-higher income economies among the developing countries. The term EM is relatively new and has been expanded to include almost all developing countries.⁷ Until the 1950s, those countries described today as EM were known as “poor”. However, since it was perceived as politically-incorrect to call them poor, the term was replaced by “lesser developed”. Later, they were called “developing” countries. During the Cold War, they were known as “Third World”. Later, they were called “non-aligned” nations. Now, they are known as EM. EM are found in China, South Asia, East Asia, Latin America, Middle East, and Central and Eastern Europe.⁸
Studying EM is significant due to their demographic features, the fact that they are home to almost 85% of the world’s population, and their higher growth rates compared with the developed countries. The significance of EM also relates to their role in the sustainability of global trade growth, the remarkable pace of change and the transformation of organizations operating within these markets.

Sustainable businesses are the nucleus for ensuring social and market continuity. “Developing sustainable communities depends on sustainable businesses”. EM are constantly facing risks that have the potential to influence their development, as well as the sustainability of businesses and organizations operating in these markets. Sustainable businesses are the nucleus for ensuring social and market continuity. “Developing sustainable communities depends on sustainable businesses”.

Among the risks facing EM are: their high rate of expansion; the high level of competition within these markets; the lack of democratic political systems; the vast extremes between wealth and poverty; the high levels of central control and regulation over economic activity; the unstable business environments; and the scarcity of resources, human skills, and capabilities in many EM. A review of the literature reveals that there are five major risks facing Jordanian organizations. These risks have also been identified as major concerns for Jordanian organizations from different sectors which slow down the development of Jordanian markets and its economy. These are: financial crises; ability to recover after disasters and business interruptions; organizational culture and resilience; terrorism and human-induced disasters; and the traditional approaches to crisis management. Yet, this does not represent an exhaustive list of all the risks facing Jordanian organizations, but rather the major ones only. It dealt with using BCM, these risks could be minimised or prevented. Subsequently, this could sustain organizational and market development.

ROLE OF BCM IN EMERGING MARKETS

Financial crises

Issues of financial globalization and EM volatility, and EM financial crises that have taken place over the last few decades have been discussed extensively. Jordanian financial institutions and banks face many domestic threats, such as rising inflation, exchange rate deterioration, changes of lending and borrowing rates in the light of developments in international markets, the consequences of Gulf War I and II, and a government budget deficit. Indeed, Jordanian financial institutions and banks historically have experienced many economic and financial crises; for instance, in 1989, the Jordanian Dinar lost 50% of its value due to a series of financial problems. As a result, this stimulated the debate regarding financial openness, long-term sustainability of EM in the light of financial crises, and the need for international crisis-resolution strategies. The adoption of BCM, especially after the destruction of the World Trade Centre has increased significantly within the world’s finance centres. BCM has become an ongoing priority for financial services industry practitioners and financial authorities due to the wide range of risks that result in major operational disruptions to the financial system.

In the context of the financial crisis, BCM emphasizes the importance of collaboration between organizations in crisis responses and crisis management and harmonizes the quality and nature of practices within them. It also aims to develop state-of-the-art methodologies which can be incorporated in the long-term planning of the organization which subsequently will ensure organizational development and preservation of future competitiveness. More importantly, since the financial services industry is hugely dependent on technology and the continuous operability of computing systems, BCM, which traces back its origins in technology and systems, aims to ensure effective management of IT by the use of innovative IT solutions and contemporary strategies.

Disaster recovery

Disaster recovery refers to an organization’s capability to recover and return to its normal state and resume normal business operations and critical functions as quickly and effectively as possible after the disruption and damage that has already occurred. A study of eHosting DataFort- a Middle East IT service provider- and the Business Continuity Management Institute, which was conducted in 2009 and targeted 75 organizations in the Middle East, including UAE, KSA, Bahrain, Qatar, Oman, Kuwait, as well as Jordan from various business sectors revealed that 70% of those organizations have not put in place comprehensive and robust disaster recovery or BCM programmes which subsequently affect their ability to recover following disasters and major business disruptions.

BCM calls for building a corporate capability of recovery. It aims to ensure survival and sustainability of the business after
the occurrence of unexpected disasters and business disruptions. Indeed, some argue that disaster recovery planning is considered to be a major component of BCM. This capability of recovery is significant and can be developed not only within individual organizations, but also within industries and societies through the use of BCM. Moreover, it is significant to note that BCM does not support operational recovery only, but also biological and psychological recovery.

Organizational culture and resilience
The main cultural differences among nations lie in values. Therefore, their assumptions about doing business differ. Arab society has its own cultural environment that has a great influence on Arab organizations and their management systems. Arab customs and values have been linked to a bureaucratic form of organizational structure. Therefore, Arab organizations have a culture that is different from those of the West. Centralization of power and the existence of lines of authority and hierarchy are among the features that characterise Arab culture. In addition, work is highly regulated, systemized, dominated by rules and procedures, and normally associated with low levels of freedom, autonomy, and delegation. Arab management systems are hugely influenced by the Arabic language, tribe, and history. However, Islam remains the main driver of Arab culture and is considered a symbol of identity.

Jordan is a part of the Arab world. Therefore, its culture, management systems, and business environment need to be seen within an Arab context. Its politics, economy, and culture are all based on tribalism, Islam, and a lack of democratic political systems. Since many organizations today are increasingly facing pressures from their environments and competition, as well as a new series of threats not experienced before, it becomes necessary to adapt to such environments by adjusting or changing their cultures in order to be able to sustain long term existence. Jordanian organizations operate in a highly uncertain and risky environment, as do many other Arab organizations. Therefore, it becomes necessary to create healthy organizational cultures by changing or modifying some aspects of their original cultures in order to create more resilient organizations.

BCM emphasizes this view and calls for building organizational resilience (culture of resilience). For instance, BS25999 defined BCM as: “a holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities”.

Building a culture of resilience can be achieved by embedding BCM in the culture of the organization. It can also be developed by incorporating BCM in corporate strategies and strategic planning. This will add value to the organization since a large proportion of value is created by securing critical business functions and ensuring their continuity during unexpected events in order to achieve corporate strategic objectives.

Terrorism and human-induced disasters
Terrorism and human-induced disasters have a huge influence on organizations and societies around the world. After the destruction of the World Trade Centre, phrases such as “new era” and “our lives will never be the same” became familiar. The degree of sophistication and coordination of these attacks were considered major developments in terrorism and introduced a new type of global risk that had to be confronted using all available resources and human efforts.

Terrorism is an intentional, coordinated activity targeting businesses and organizations and is a consistent international business threat, as well as being a threat to the security of the United States and Europe and to Western interests round the world.

Terrorism and human-induced disasters were found to be amongst the major threats facing Jordanian organizations and society and were amongst the main priorities of the Jordanian government to deal with and counteract, with a large proportion of the country's budget dedicated to anti-crime efforts. Indeed, Jordan has suffered many terrorist operations and threats in the last decade, such as the Amman bombings of November 9, 2005, which left many casualties and much destruction to infrastructure; the gun attack in Amman of September 4, 2006 which was performed by a Jordanian militant who fired a series of 12 shots at a group of tourists at a popular tourist site and resulted in the death of one tourist and injury to many others; and attempts by Hamas and Hezbollah to conduct operations from inside Jordan.

Since the early 2000s, the interest in BCM has increased considerably. The destruction of the World Trade Centre, terrorism, cyber
terrorism, and man-made disasters have provided a great boost to BCM.\textsuperscript{56,57,58} BCM helps to develop a defensive organizational capability against external risks, including terrorism and man-made disasters. It acts as an early warning system to potential deliberate man-made disasters, thus alerting management in advance. BCM also involves business vulnerability assessment which aims to identify potential weaknesses in business in order to strengthen them, thus improving crisis preparedness.\textsuperscript{59} It also involves creating emergency plans which play a significant role in the event of a terrorist attack. For instance, business continuity planning is defined as a “strategy of carrying out several emergency plans to hedge against risks and to reduce the associated impacts and losses”.\textsuperscript{60}

**Traditional approaches to crisis management**

In Jordan, as well as in other Arab countries, such as UAE, KSA, Bahrain, Qatar, Oman, and Kuwait, there are many organizations from different sectors which adopt limited or inadequate approaches to disaster and crisis management. Some of those organizations focus on the recovery of computing systems only as a way to crisis management. Others focus on dealing with the operational and technical disruptions only, while paying less attention to the other types of disruptions. Other organizations lack holistic and integrated approaches to crisis management.\textsuperscript{61} These approaches to crisis management are likely to reduce organizations’ potential to withstand crises and external pressures.

BCM is a more comprehensive approach to risk, disaster, and crisis management. The Business Continuity Institute noted that "BCM is not just about disaster recovery, crisis management, risk management or about IT". BCM involves developing preventive and corrective, proactive and reactive measures to counteract the impacts of operational, technical, and social disruptions. It is based on a cross-functional and enterprise-wide participation which ultimately leads to the creation of a holistic and integrated approach to crisis management.\textsuperscript{62}

**POTENTIAL FACTORS THAT UNDERPIN THE ROLE OF BCM IN EM**

**Integrating BCM with strategic planning**

The wealth of literature on BCM indicates a myriad of information about its operational and functional approaches. However, the strategic role and nature of BCM and the value of incorporating BCM in strategic planning have not been discussed extensively. Integrating BCM with strategic planning means addressing general strategic issues, as well as continuity issues.

Integrating BCM with strategic planning, especially in those organizations operating in EM where the business environment is risky, volatile, and fast changing, could prove to be advantageous and can yield many benefits, not only at an organizational level, but also at industrial and national levels, such as developing better planning techniques, a better understanding of the business environment and environmental relations, dealing more effectively with organizational crisis and business interruptions, and protecting corporate reputation and public image. These can be crucial in allowing organizations to take advantage of market opportunities, while being alert to weak signals that precede potential threats, thus reducing the level of risk an organization is likely to face.

Moreover, it must be emphasized that integrating BCM with strategic planning creates a mutual benefit. While this integration is expected to improve strategic planning by adding anticipatory tools and techniques, it also puts BCM at a strategic level where it becomes a process that identifies an organization's exposure to internal and external risks and synthesises hard and soft assets in order to provide effective prevention and recovery, and improves continuity of operations in the event of a disaster or crisis.\textsuperscript{63,64,65}

**Encouraging nation-wide involvement in BCM**

The role of external parties, community, and government in BCM has been overlooked in the literature. The existing literature focuses mainly on BCM at an organizational level, while drawing less attention to BCM at the industry and national levels.

BCM should go beyond the organizational level; it can contribute to social and market sustainability. Building resilient and crisis prepared communities and markets requires introducing BCM at industry and national levels. External parties should be involved in BCM to a greater extent. These include: local authorities, emergency services, insurance services, and all key stakeholders (employees, shareholders, suppliers and contractors, customers, media, and enforcers).\textsuperscript{66} Media can also play a major role in this context. The utilisation of the media as a tool to increase
public awareness and promote a resilience and continuity culture helps to develop a capability that an organization, industry, and society needs to withstand or recover from disasters and crises.

Moreover, BCM should not be a concern to one particular type of organization or one sector only; organizations of all types and from all sectors should have BCM. Furthermore, BCM should not just be a matter of concern to large organizations, but also to small and medium sized ones since they are under continuous pressures from their customers and shareholders to expand their operations, which may possibly be associated with higher levels of risk. In addition, in many small and medium sized organizations, there are many problems that can be caused by people or process failure. Therefore, the result of not having BCM in place could be risky. 67, 68

**Fostering innovation and creation and developing managers’ skills**

BCM is about anticipating incidents. It is a proactive type of planning that aims to develop state-of-the-art continuity solutions in order to be ready for disaster or emergency situations. Therefore, unlike traditional approaches to disaster and crisis management, BCM is based on innovative approaches to risk, disaster, and crisis management which then are transformed into business continuity strategies and plans that aim to sustain and protect business critical functions. 69, 70 Moreover, despite the fact that there exists a quite wide range of regulations and international standards that govern the use of BCM and calls for standardisation of practice, BCM is still a management activity that is based on common sense and good practice. 71

Therefore, business continuity managers and practitioners alike should have to develop strategic and creative skills in order to enhance their strategic foresight which is a necessary element in BCM. Innovative skills enable the development of adaptable continuity strategies and solutions which are capable of protecting organizations’ mission-critical functions and meet their recovery requirements in the most effective ways.

In the context of EM, Jordan in particular, promoting innovation and creativity amongst BCM professionals and managers is very important. This is because Arab, including Jordanian culture is based on a bureaucratic form of organizational structure and work is highly regulated, systemized, dominated by rules and procedures, and normally associated with low levels of freedom, autonomy, and delegation.

**Promoting the true value of BCM**

EM are short of resources, human skills, and capabilities. Therefore, it becomes very important for many organizations operating in EM to secure, sustain, and utilize their resources in the most effective ways in order to reduce a drain on resources. The availability of organizational resources, human skills, and capabilities are crucial to the functioning of all organizations, and without the careful management of these resources many of those organizations could fail.

In many organizations, especially those operating in EM, managements and business owners may sometimes be reluctant to make new investments, to apply new technologies, and change organizational culture. This is due to the fact that these investments and changes may require new resources or may consume a huge amount of existing resources and may not be associated with a quick return on investment. Thus, the use of BCM might be neglected.

In many organizations, even those operating in the developed countries, it is sometimes perceived that the investment in BCM may require huge amounts of financial and human resources. This might slow down or obstruct the wider adoption and use of BCM. In this context, promoting and communicating the true value of BCM within organizations, industries, and communities becomes very important.

BCM calls for the effective use and management of resources. BCM is characterised as “efficiency focused”; that is BCM is not a drain on resources. In contrast, it aims at ensuring that money, people, and machinery, as well as every aspect of organizational resources are utilised carefully and can be called upon to ensure business survival. 72 Moreover, the true value of BCM lies in its potential to improve organizational resilience and disaster preparedness, thus adding value to the entire organization since a huge proportion of value is created by securing business operations and critical functions. BCM is therefore value creating and a value adding process. BCM is also about value preservation. Value preservation is “a background capability that is underpinned by BCM and provides an improved operational stability in which the competitive advantages achieved through the implementation of strategic initiatives can prosper”. 73
CONCLUSION

EM are increasingly becoming the main drivers of the global economy. Nevertheless, they are facing numerous risks that can slow down or obstruct their progress. This research has made a contribution towards the understanding of the significance and role of BCM in EM and some of the factors that underpin this role. The paper shows that BCM has the potential to support the evolution of EM through providing those organizations operating within these markets with the extra capabilities necessary against a background of increasing threats.

The strategic role and nature of BCM is still largely under explored. In a fast changing global business environment, a greater focus on the strategic side of BCM is required. Future research should also focus on the significance of community and government participation in BCM in order to develop a nation-wide framework for BCM.

Organizations are inseparable from their markets. Market success and growth is therefore related to the performance and success of those organizations operating within this market. Building resilient organizations that are able to cope with internal and external pressures will contribute to the development of their markets. For this reason, further research is required in order to identify all the risks facing organizations operating in risky business environments, in particular those operating in EM.

The factors that underpin the role of BCM in EM that have been discussed in this paper do not represent an exhaustive list of all factors, but rather the major ones only. Other factors may include: conducting BCM training and simulation tests; encouraging local communities to take part in continuity training and simulation tests; developing nation-wide BCM standards and policies; incorporating BCM within the international corporate governance agenda; and allocating the financial and human resources required for developing a comprehensive BCM framework.

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