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Business Continuity Management in the Middle East: an emerging story

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Introduction

The Middle East is dynamic, fast changing and politically unstable, as demonstrated by the events of the Arab Spring. Jordan is a small, but strategically important, country in the Middle East, which is politically more stable than many of its neighbours. Nevertheless, the pressures which it faces and its national and business cultures are typical of many other Arab countries. Therefore, it is a suitable laboratory within which to investigate the emergence of Business Continuity Management (BCM) in the Middle East.

There are five major risks facing Jordanian organizations in a variety of industries/sectors, which slow down the development of Jordan's markets and its economy. These are: financial crises; the ability to recover after disasters and business interruptions; organizational culture; terrorism and man-induced crises and disasters; and the use of traditional approaches to risk management. These risks can be reduced, or even prevented, via the use of BCM. Subsequently, this may help to sustain organizational and market development.

Jordanian banks represent an especially good context for investigating BCM. First, they have experienced many difficulties in the last few decades, as well as economic and financial crises. Indeed they are still facing a wide range of forces and pressures. Second, banks in Jordan have undergone significant developments during the past four decades. Third, they are sensitive to the need to sustain a strong positive reputation and public confidence. Fourth, banking is a business of risk. Therefore, the provision to customers of secure and uninterrupted banking services lays the foundation for ensuring the long-term success of a bank and will improve its competitive advantage.

We conducted an interviewer-administered questionnaire survey of all 17 banks (local, Islamic, and foreign) registered with the Amman Stock Exchange. Questionnaires targeted company headquarters only; branches and divisions were excluded. 11 responded to the questionnaire. Three respondents were BCM managers and eight were risk and compliance managers.

Financial crises

Jordan's 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, and a government budget deficit.

All the banks use BCM as a way to manage organizational risk, as well as business disruptions. Five organizations (45.4% of the sample) have used BCM for 1-5 years and six organizations (54.5% of the sample) have used BCM for more than five years. 72.7% of the respondents reported that senior management is responsible for BCM in their organizations; 18.1% reported that the board of directors is responsible for BCM; and only one organization reported that the operational risk department is responsible for BCM.

Disaster recovery

BCM requires the building of a corporate capability for recovery. It aims to ensure the survival and sustainability of the business after the occurrence of unexpected disasters and business disruptions. This capability for 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.

All of the banks consider disaster recovery to be a very significant component of BCM. Disaster recovery plans were integral parts of their overall business continuity plans. They included strategies for recovery, reconstruction, restoration of operations, and resumption of critical business functions. Details of backup sites and equipment were amongst the main elements of the disaster recovery plans.

Organizational culture and resilience

Although Jordan is one of the most open in the Middle East to foreign investment, its economy, politics, management systems, and business organizations must be seen in their wider Arab context. Jordan's politics, economy, and culture are all based on tribalism, religion, and a lack of democratic political systems. Arab organizations have a culture that is different from that of the West. Centralization of power, the existence of strong lines of authority and hierarchy, masculinity and bureaucracy and a lack of training and human development are among the features that characterise the Arab business environment. The workplace is highly regulated, systemized, dominated by rules and procedures and is associated with low levels of autonomy and delegation.

Local and Islamic banks in Jordan operate within the larger context of national and Arab cultures and values. Islam is the main driver of the majority of operations and banking services within the Islamic bank and was found to be a source of governance for some operations and banking services within the local bank. National and Arab cultures not just affect the practice of BCM, but also some other banking operations, such as international transactions and corporate communications. In the case of the

foreign bank, however, international standards are considered to be the main driver for BCM, especially the BS29555, ISO 17799, and Basel II guidelines. Nevertheless, national factors are still considered carefully in order to be able to operate in an Arab and Muslim country like Jordan.

Terrorism and man-made disasters

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 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. It also involves the creation of emergency plans which will play a significant role in the event of a terrorist attack.

Terrorism and human-induced disasters are amongst the major threats facing Jordanian organizations and society and are amongst the main priorities of the Jordanian government, with a large proportion of the country's budget dedicated to anti-terrorism efforts. Jordan has suffered many terrorist operations and threats in the last decade, such as the Amman hotel bombings of November 9, 2005; the gun attack in Amman of September 4, 2006 at a popular tourist site; and lately, the social unrest and the consequences of the Arab Spring which lead to increased restlessness within Jordanian society.

We found that terrorism and man-made disasters are amongst the major risks facing Jordanian banks. All the banks surveyed reported having continuity and recovery strategies for a wide range of potential terrorist activities and man-made disasters and crises, such as cyber space attacks, hijacking, money laundering, hacking, hardware and software malpractice, and other operational risks arising from sub optimal business practices.

Traditional approaches to crisis management

The Business Continuity Institute has 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 lead to the creation of a holistic and integrated approach 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 these organizations focus on the recovery of computing systems only as a way to crisis management. Others focus on dealing with operational and technical disruptions only, while paying less attention to other types of disruptions. Other organizations lack holistic and integrated approaches to crisis management. These approaches to crisis management are likely to reduce firms' potential to withstand crises and external pressures.

In Jordanian banks, BCM encompasses various procedures necessary for the entire disaster/crisis lifecycle, including pre-disaster/crisis phase; disaster/crisis phase; and post-disaster/crisis phase. All of the banks surveyed have prepared preventive and corrective measures for a wide range of potential crises and disasters that may result from operational, technical, and social disruptions. It was also found that Jordanian banks focus on the training, testing, and updating of the business continuity plans in order to create an enterprise-wide culture of continuity. Training, testing, and updating activities are considered as major elements in the development of a holistic and integrated crisis management framework within an organization.

Conclusion

Jordan is located in the heart of the Middle East, a region characterised as highly dynamic, politically unstable, and vulnerable to a wide range of risks. BCM is emerging as a comprehensive approach to risk, disaster and crisis management. The Jordanian banking sector, which is exposed to a wide stream of risks, is leading the way in the adoption of BCM. All the banks included in our study have adopted BCM in order to better predict future unexpected incidents and business disruptions and to deal with their aftermath.