



**AN EVALUATION OF THE ADEQUACY OF COMPLIANCE WITH THE BASEL COMMITTEE ON
BANKING SUPERVISION'S HIGH LEVEL PRINCIPLES FOR BUSINESS CONTINUITY IN THE
IMPLEMENTATION OF BUSINESS CONTINUITY MODELS IN THE ZIMBABWE BANKING SECTOR**

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Dedication

This study is dedicated to my angels – Tafara and Tanyaradzwa, who throughout the study period, could have lost my affection and attention.

Abstract

The research investigated the extent of compliance with the Basel Committee on Banking Supervision's Seven High Level Principles for Business Continuity in the implementation of the Business Continuity Management models in the Zimbabwe Banking industry.

The research document is structured as follows:-

Chapter 1 covers the introduction, background and justification to carry out the study; Chapter 2 dwells on literature review on the subject matter of business continuity as it relates to business operations with a particular focus on the banking business. The literature review takes a chronological perspective in order to bring out a clear understanding and appreciation of the evolution of business continuity management as a stand-alone discipline;

Chapter 3 covers the Qualitative Research Methodology used to carry out the research and justification thereof;

Chapter 4 dwells on the data driven inductive thematic analysis approach employed to analyse data obtained through both primary and secondary sources, and,

Chapter 5 closes the research with discussions, conclusion and recommendations for areas requiring further research.

The results of the study reflect lack of uniformity in the implementation of BCM models in compliance with the BCBS' Seven High Level Principles for Business Continuity across the Zimbabwean Banking spectrum, emanating from factors such as bank size, age, indigenous or foreign owned and lack of clear guidance from the regulator.

On the basis of these findings, recommendations were proffered on what has to be done in order to implement BCM models in the Zimbabwe banking sector that are in compliance with the BCBS' Seven High Level Principles for Business Continuity and in tandem with international best practice. Recommendations were also made on areas requiring further research in the broader financial sector in order to bring out a holistic picture about the state of BCM in financial services industry.

List of Abbreviations

BAZ	Bankers Association of Zimbabwe
BCBS	Basel Committee on Banking Supervision
BCI	Business Continuity Institute
BCM	Business Continuity Management
BSI	British Standards Institute
CPU	Civil Protection Unit
DPC	Deposit Protection Corporation
ERM	Enterprise Wide Risk Management
GSM	Graduate School of Management
ICT	Information Communication Technology
IMF	International Monetary Fund
IT	Information Technology
RBZ	Reserve Bank of Zimbabwe
UN	United Nations
UZ	University of Zimbabwe
WB	World Bank
WEF	World Economic Forum
WTC	World Trade Centre

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Chapter 1

1.1 Introduction.

“Business survival depends on the assured continuity of core business activities and supporting services:” (Morwood, 1998)

In today’s dynamic, complex and highly risky business environment, the majority of business entities have embraced Business Continuity Management (BCM) models in order to enhance their capability to continue business operations and to recover quickly and effectively from any disruption whatever the magnitude and cause. The Business Continuity Institute (BCI) (2002) noted that an established and successful brand or public image, reputation and trust of either a private or public sector organisation can be destroyed in minutes unless vigorously defended at a time when the speed and scale of events can overwhelm the normal operational and management systems.

The 11 September 2001 terrorist attacks on the twin towers of the World Trade Centre (WTC) in the USA , hurricane Katrina, the triple disasters of earthquakes, tsunami and nuclear melting in Japan brought to the fore in horrifying details how vulnerable firms are to both man-made and natural catastrophes and how the impact can affect the entire world. Companies had “spent millions on contingency plans, disaster recovery schemes and risk management techniques only to discover that in the face of a real catastrophe, they simply hadn’t planned for the worst” (Rothfeder 2001).

In the African context, KPMG (2013) in their survey on BCM in Africa observed that Africa’s poor infrastructures and regulations along with corruption are old challenges. The continent suffered, in recent years, from floods in West and Southern Africa, cyclones in Madagascar and an earthquake in Malawi. In Zambia, the Chilonga Branch of Indo Bank (Z) Limited was burnt down in December 2006. It took a considerable period of time for the bank to resume normal operations. Preliminary information indicated that the bank’s capacity to recover from major disruptions was inadequate and the whole recovery process was protracted (Simwayi, 2008).

In the context of the Zimbabwean environment, the country is grappling with floods most notably in Masvingo Province where the burst of the Tokwe Mukosi Dam has not only put in jeopardy the livelihood of thousands of people but the continued existence of some business entities as well. The country's Civil Protection Unit (CPU) has clearly been overwhelmed by the occasion hence a comprehensive rescue package for the hapless villagers has remained elusive and protracted. The threat of the collapse of the Kariba Dam wall is set to leave "at least 3.5 million people in Zimbabwe, Malawi, Mozambique and Zambia in danger...." (Newsday, Thursday, March 20, 2014).

These events illustrate that all businesses, the banking sector included, are most vulnerable to operational disruptions arising from internal and external occurrences that may include fire, earthquakes, terrorist attacks, cyber-attacks, system failures and floods.

Public Safety Canada (2012), noted that although the above highlighted high impact, but low probability events could occur, business organisations with robust Emergency Management and Business Continuity Plans in place would survive whilst those that did not have would never recover at all. The events clearly demonstrate that their occurrence can threaten the solvency and business continuity of institutions, which in turn might adversely impact on the economy at large. These events have, as such, therefore heightened the need for organisations, banks included, to develop robust BCM models that would enable them to mitigate risks, manage crises and ensure continuity of service delivery even in the event of major disasters.

1.2 Background.

World-wide, banks are exposed to an array of external and domestic risks that are ever threatening their intermediation role and long term survival. As has already been hinted above, the destruction of the World Trade Centre in 2001, cyber space attacks, global terrorism, pandemics like SARS, earthquakes and the 2008/9 financial crisis threw the global financial markets into a turmoil that claimed the scalps of several financial institutions in Europe and the USA, and disrupted the

smooth flow of capital across the globe. These events awakened the global banking fraternity on the need to ensure business continuity following unexpected incidents, and to realize monetary stability (Al-Tamimi and Al-Mazrooei, 2007; Swartz et al., 2003). As such, a strong system of business continuity is essential to ensure the ability of banks to provide banking services even after the infrastructure required for their activities suffers significant damage (Bank of Israel, 2011).

Within the realm of the above cited concerns, the BCBS developed The High Level Principles for Business Continuity as a basis upon which financial sector regulators and financial institutions could develop their own BCM frameworks. In developing the Principles, the BCBS focused on both the *financial authorities* and *financial industry participants* in view of the convergence of their concerns for the global financial sector to remain resilient in the face of potential major disruptions.

As a result, international organisations and the governments of various countries have drawn up guidelines and recommendations in the area of Business Continuity Management (BCM) together with requirements for financial market participants and supervisory authorities (Swiss Bankers Association 2007). There are numerous benefits to accrue from implementing the Principles, amongst which are the following; the BCBS Principles provide a strong direction regarding the nature and scope of risk management as it pertains to BCM; recent research indicates that where an organisation has successfully dealt with a crisis, their shareholder value price has increased in the long run in contrast to those who did not or were perceived not to have managed the crisis well. Institutions also achieve competitive advantage by publicly recognising their compliance with the more rigorous risk management requirements.

In the African context, there is little documentary evidence on the implementation of the BCBS' Principles to enhance the risk management framework of the banking sector in tandem with international trends. This means African governments remain with a high sovereign risk tag and as such banks in Africa attract high premiums when it comes to negotiating international lines of credit. In the Zimbabwean context,

the researcher observed that the country could be lagging behind in the development of a holistic BCM model for the banking sector in tandem with international developments and best practice, hence the motivation for this study.

1.2.1 The Banking Sector in Zimbabwe.

At independence in 1980, Zimbabwe inherited a relatively highly-developed and sophisticated banking sector compared to other countries in the region. The sector comprised of the Reserve Bank of Zimbabwe (RBZ) at the apex, Commercial Banks, Merchant Banks, Finance Houses, Discount Houses, Building Societies and the Post Office Savings Bank.

The banks in Zimbabwe have been exposed to numerous domestic threats and challenges such as the rising inflation and exchange rate deterioration during the “lost decade” (1998-2008), bank closures (2003-04), and the persistent government budget deficits. Presently, Zimbabwean banks are in the midst of a confidence crisis due to the structural challenges bedevilling the sector. The protracted liquidity crunch that came along with the introduction of multi-currencies in 2009 has resulted in a growing shortage of physical cash in circulation, a development which has in turn relentlessly stoked public fears of the bank closures of 2003/4 and the cash shortages of 2008 coming all over again. Since 2004, 13 out of 25 banking institutions were liquidated, put under curatorship or administered under the RBZ Troubled Banks Policy. Six of the banks have been grappling to meet statutory minimum capital requirements, a development that reflects embedded financial sector fragility. Despite the recipe extended to the banks in the Monetary Policy Statement issued by the Reserve Bank of Zimbabwe in January 2014 for banks to regularise the new capital thresholds by 2020, some of the banks that had failed to keep pace with the staggered capital raising timeframe voluntarily surrendered their licences to the RBZ and in the process discontinuing service delivery to thousands of their customers.

Signs of financial sector fragility continue to be evident and entrenched. To date, five banks namely Capital Bank (formerly Renaissance Bank), Interfin, Genesis, Royal Bank and Trust Bank have collapsed as a result of deep seated corporate governance deficiencies. The festive season of 2013 witnessed most banks failing to

adequately meet the cash demands of their clients. At one bank agitated customers smashed windows of the bank's branch. The Zimbabwe Independent (May 10-16, 2013) had a front page headlined: "Kingdom Bank on the Brink of Collapse". Such headlines are worrisome as they have the debilitating effects of a deposit run that could turn out to be contagious, not only to the banking sector but to the economy at large.

In admittance of the challenges bedevilling the Zimbabwe banking sector, the RBZ Deputy Governor, Dr Kupukile Mlambo lamented that "Efficiency levels are too low; some banks are solvent but very fragile. The banks' ability to withstand a shock is very low....." (The Zimbabwe Mail Business, Monday April 7 2014, p12.) The statement by the Deputy Governor is, in the researcher's view, a tacit admission that all is not well in the banking sector's BCM models. Suffice to note is that in general, banks are sensitive to the need to sustain a strong positive reputation and public confidence in the organization, compared to many other organizations (Sawahla *et al*, 2011).

The above situation as it relates to the Zimbabwean context makes a compelling case for the need to investigate the extent to which the country's banking sector BCM models are in compliance with the BCBS' High Level Principles for Business Continuity.

1.2.2 The Evolution of the Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision (BCBS) originated from the financial market turmoil that followed the collapse of the Bretton Woods system of managed exchange rates in 1973. The collapse of the Bretton Woods system resulted in many global banks incurring huge foreign exchange losses in particular those that had unsettled trades with Bankhaus Hersatt in Germany. The turmoil spread across the globe resulting not only in the closure of Bankhaus Hersatt in Germany in 1974 but also the Franklin \National Bank of New York.

In response to these and other disruptions in the global financial markets, the G10 countries' central banks established a Committee on Banking Regulations and Supervisory Practices- later to be transformed to the Basel Committee on Banking

Supervision. The BCBS' major mandate is to enhance financial stability by improving supervisory knowhow and the quality of banking supervision world-wide. To this end, the BCBS has authored many guidelines to enhance financial sector stability, including the seven High Level Principles for Business Continuity; which are the subject matter of this study.

1.3 Statement of the Problem

Banks in Zimbabwe are assumed to have BCM plans in terms of Section 7.3 of the Reserve Bank of Zimbabwe's Risk Management Guideline (2006) but it is not known to what extent the BCM models are in compliance with the BCBS' High Level Principles for Business Continuity.

Globally, financial sector regulators and the banking sector have or are in the process of implementing the BCBS' High Level Guidelines for Business Continuity in the aftermath of the above cited natural and man-made disasters "to ensure the ability of banks to provide banking services even after the infrastructure required for their activities suffer significant damage".(Bank of Israel, 2011). The bombing in Manhattan in 1993 resulted in 150 of the 350 businesses located in the Centre going out of business. (Snedaker, 2007). The high failure rate of businesses at Manhattan (42%) can be contrasted with the many financial institutions that were housed in the Twin Towers on September 11 2001. The majority of them had BCM Plans in place which they were able to activate within a few days, underpinning the crucial importance of BCM in today's business environment.

In the context of Africa and other third world countries, there is insignificant literature on BCM. This research is therefore being carried out in the context of a banking sector in a third world country in Sub-Saharan Africa where literature on BCM is very scant. The majority of published literature on BCM is more focused on experiences in the US and Europe. Less attention has been given to the research on BCM in other geographical contexts. (Rai & Mohan, 2006). This research is probably the first to investigate the application of BCM models in the Zimbabwean Banking sector and to evaluate the adequacy of compliance of such BCM models with the BCBS' High Level Principles for Business Continuity. Existing literature on the banking sector in

Zimbabwe is largely focused on investigating other areas like causes of bank failure, (Makoni, 2010) and corporate governance challenges (Mambondiani, 2013), among others.

The fact that little is known about risk management practices in third world countries and the extent of implementation of internationally recognised regulatory guidelines like the BCBS High Level Principles for Business Continuity makes such countries (like Zimbabwe) continue to risk sanctions on lines of credit extension from multi-lateral lenders. Credit facilities from international lenders like the International Monetary Fund (IMF) and the World Bank (WB) come with conditions that include compliance with international regulatory benchmarks. Credit lines for subsidiaries of international banking institutions located in developing countries are authorised in high income countries only if their home country supervision meets with the BCBS standards. (Ward 2002).

The study therefore seeks to interrogate the adequacy of compliance of the banks' BCM plans with the BCBS' High Level Principles for Business Continuity. The researcher's findings are intended to form the basis for the development of a uniform regulatory framework for BCM Guidelines for the banking sector that is in compliance with the BCBS' High Level Principles for Business Continuity. For the academia, the findings are intended to add to the already existing literature on BCM and risk management.

1.4 Research Objectives.

This research is the first to investigate the use of BCM in the Zimbabwean Banking Sector. As such, the researcher's objectives are as follows;

1. To investigate the prevalence of risk management practices in Zimbabwean banks and determine the level of compliance thereof with international best practice.
2. To examine whether or not there are significant differences in risk management practices in Zimbabwean banks in terms of organizational characteristics, such as foreign owned, indigenous, size and age.

3. To establish the extent to which BCM models in Zimbabwean banks are in compliance with the BCBS' High Level Principles for Business Continuity.
4. To motivate initiatives for the development of a regulatory framework for BCM strategy model for the banking sector in Zimbabwe based on the BCBS' High Level Principles for Business Continuity.

1.5 Research Questions

The study seeks to address the following research questions;

1. How prevalent are risk management practices in Zimbabwean banks?
2. Are there significant differences in the practice of risk management based on organisational characteristics such as foreign owned, indigenous, size or age?
3. Are the BCM models in use in Zimbabwean banks in compliance with the BCBS' High Level Principles for Business Continuity?
4. To what extent have the Zimbabwean regulatory authorities kept pace with international developments and best practice in providing BCM guidance to the banking industry?

1.6 Justification of the Problem.

Zimbabwean banks have been ranked among the worst financial institutions in the world due to low capitalisation levels and systemic risks inherent in the economy. According to the World Economic Forum (WEF)' global competitiveness 2013 to 14 report released recently, the country was ranked 137 out of 148 countries on soundness of its banks.

The above ranking brings to the fore the question as to whether Zimbabwean banks can face the challenge of a severe operational disruption that can impair service delivery. The development of robust business continuity management framework is invariably a function of an institution's capital adequacy coupled with adoption and implementation of global standards and best practice approaches to risk management as developed by leading internationally accredited institutions like the BIS' BCBS.. The research is therefore justified as it seeks to establish the state of business continuity in a banking sector with such an alarmingly low global ranking. Does a business continuity framework that ensures minimal disruption to service

delivery exist in banking sector with such a low ranking? The research therefore seeks to unravel all such mysteries. It may be that there might be a yawning gap in terms of the extent to which such BCM plans conform to international models and best practices. The question is; what is the magnitude of the gap and how can be closed? As such, BCM gaps to be identified through this research would pragmatically assist financial sector authorities (the RBZ and Ministry of Finance) and financial sector participants (banks) in BCM policy formulation and the development of internationally accepted BCM models respectively. The research would also help in increasing on the understanding of why third world and developed countries would approach BCM differently and why banks in the same jurisdiction would have different BCM models.

To the academia, the research would add value to the already existing risk management body of knowledge. Rai and Mohan (2006) noted that banks are the hub of economic activity and as such, the banking industry is challenged to address the varied needs and expectations of the diverse segments of society and business. Each segment has unique demands for a customised range of products and services, combined with convenience at low cost any-time, anywhere. The any-time anywhere seems to denote that the segments served by banks care less about how and where they get served, - all they want is unparalleled convenience. These expectations assume a flawless service delivery, but in reality disruptions of major proportions unexpectedly occur. Any disruptions on the banking delivery systems infrastructure have a tremendous impact on the banking sector stability and on the country's economy. As such, the banking sector's effectiveness in delivering uninterrupted service irrespective of the circumstances is a key issue in enhancing customer confidence in the sector.

For any banking entity, it is not the nature of the threat itself that is the most important but its effect; that is a sudden and unplanned interruption in the bank's operations. Depending on the duration of the disruption, the bank can suffer significant losses that are not only financial but that may permanently damage its reputation. In extreme cases, the disruption of a bank's business continuity can even threaten its further existence. In addition, disasters that affect the banking sector have a contagion effect.

In view of the afore going, this study will have practical relevance in that banks in Zimbabwe should not be found wanting in the event of a major disaster by not having internationally compliant BCM plans in place. Given the magnitude of economic disruptions arising from banking business discontinuity, BCM is now taking centre stage not only as just an important element of a banking institution's good business practice but is becoming an internationally recognised legal prerequisite for financial institutions that must minimise service delivery impairment.

1.7 Main Proposition/Hypothesis

In the event of a major disaster, the Zimbabwean banks are not in a state of preparedness for business continuity because their BCM models do not measure up to international best practise as prescribed in the BCBS' High Level Principles for Business Continuity.

1.8 Organisation of the Research

The research is organised as follows:-

Chapter 2 dwells on literature review of BCM, taking the chronological perspective in order to reflect the evolution and development of BCM as a distinct discipline,

Chapter 3 covers the Research Methodology adopted for this study,

Chapter 4 provides the data analysis tools and procedures adopted for this research, and finally,

Chapter 5 wraps up the document with Discussions, Conclusions and Recommendations for areas requiring further research.

1.9 Conclusion

The first chapter has served to introduce and give background to the study, particularly highlighting the motivations for the study, the study objectives, statement of the problem and the main hypothesis of the study of the subject matter of BCM. The next chapter dwells on the literature review.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The preceding chapter gave an overview of the research proposal. This chapter proceeds to review relevant literature, taking a chronological perspective; viz tracking the evolution and development of BCM as a discipline and its incorporation into the Risk Management framework in organisations. The chapter will also dwell on the various approaches to BCM at the disposal of organisations and then finally focuses on the BCBS' High Level Principles for Business Continuity and their application in the development of BCM frameworks for the Banking Sector.

2.2 Evolution of Business Continuity Management.

The concept of Business Continuity is as old as history as it can be linked back to the era of Sun Tzu (544-496 BC) as outlined in Chapter 1. However, (Wheatman *et al.*, 2001), proffer that Business Continuity Management, as a recognized business program, only evolved over the past twenty plus years from a technology centric disaster recovery function dealing almost exclusively with data protection and recovery to a much wider holistic and enterprise wide supporting focus. This view is supported by Herbane (2010) who observed that companies began to store backup copies of their critical data, paper or electronic, at alternate sites. DR emerged from the desire by some US banks to enhance the protection and security of their corporate data centres. At that stage, the primary objective was to safeguard the technical systems rather than provision of organisation wide site protection.

The disaster recovery initiatives were further refined and led to the development of data recovery sites. The 1970s witnessed the advent of more frequent electronic file back-up and offsite storage procedures, with the development of third party regional storage facilities that were to become the alternate site, or "hot site".

Elliott, Swartz and Herbane (2010), also observed that over the decades emerging challenges surrounding DR led to continued new thinking and development of new models that have evolved into BCP and then on to Business Continuity

Management. This evolution is best demonstrated by a series of mind-sets outlined by Figure 1

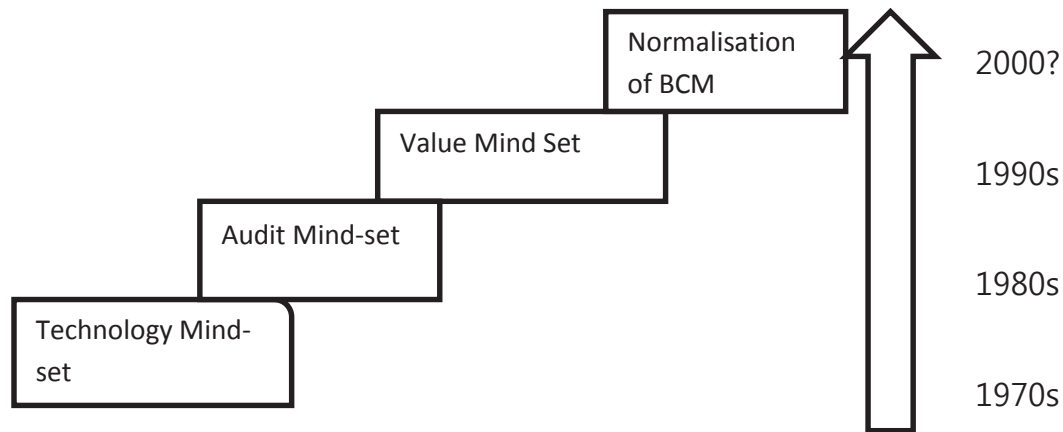


Figure 1 The Evolution of BCM Concept and Drivers (Elliott, Swartz and Herbane; 2010).

2.2.1 Technology Mind-set

This narrow and very basic DR approach focused purely on the technical aspect of recovering from disasters and assumed that disasters were triggered by technology failure. The approach was not expanded beyond the sphere of technology to consider the wider causes of business disasters according to Elliott, Swartz and Herbane (2010).

“The internal and hardware focus of disaster recovery permits only partial examination of the causes of disasters and seeks to treat their effects or symptoms rather than to prevent them.” (Swartz, Elliott and Herbane 1995, p.15)

The late 1970s and 1980s witnessed the broadening of DR to incorporate a wider base, and in the process developing the BCP approach which encompassed an analysis of wider internal organisational factors that had a bearing on crisis events in an organization. Panko (1987), outlined that this development was occasioned by the transformation of IT systems from a mainframe centred data processing approach to a more End User Computing (EUC) approach. The transformation to EUC led to the decentralisation of computing across organizational units and in the

process impacted significantly on DR as company data was now also decentralised rather than centralised; as was previously the case with the mainframe approach.

2.2.2 Auditing Mind-set

Panko (1988) noted that the emergence of personal computers during the 1980s and the diffusion of control of IS among organizations provided a basis for developing an auditing mind-set. Accordingly, the task for central IS departments was to “regulate and police.” (Elliott, Swartz and Herbane 2010, p.16)

The auditing mind-set, whilst by and large still focused on technology, expanded its horizon to incorporate the protection of business activities. It was largely driven by external regulation. The advent of legislation in auditing in the 1990s witnessed a major shift from traditional DR to BCP. The BCP approach was much broader than DR and looked to prepare for incidents that might disrupt all business activities in an organization. Garrett (2012) noted that BCP assisted organisations in identifying and understanding the hitherto complex causes of business disruptions.

The focus of the auditing mind-set remained largely on the prevention and organisational survival in the event of a disruptive occurrence; as well as on compliance with rules and regulations. The auditing mind-set approach however failed to incorporate the impact of the human contribution to disruption events or of the human influence on the impact of the BCP process.

Elliott, Swartz and Herbane (2010), noted that the ‘auditing mind-set’ covered BCP until the mid-1980s when a broadened scope created BCM and the value based mind-set. That is not to say that the auditing mind-set has disappeared. It is still prevalent in some organizations, especially those that are driven by compliance to regulation.

2.2.3 Value Based Mind-set

The ‘values based mind-set’ transformed BCP towards BCM and was described as: “Concerned less with compliance, regulations or technological failure than with the business itself. Crucially, in this mind-set BCM is regarded as having the potential to

add value to the organization, not just consume revenues.” (Elliott, Swartz and Herbane 2010, p.18)

Elliott, Swartz and Herbane (2010) noted that as developments in Value Based Mind-set widened to encompass staff and the entire organisation, the issue of employee inclusion in BCM brought in new challenges in implementing the concept. Other organizational stakeholders come into play under this mind-set as they are recognised as an important agents for change and hence for the introduction and development of BCM. BCM is then becomes a combination of social and technical systems embedded in all the organisational structures and functions. It also becomes as a value adding process as its implementation in organisations enhances efficiencies, raises ratings and enhanced visibility among key stakeholders.

2.2.4 The Birth of Business Continuity- 2000 and Beyond

Data Monitor (2002) noted that in the scare relating to the Y2K bug, many enterprises performed a close audit of their business involving contingency plans in the event of downtime or disaster. The UN JIU (2011) observed that the scare of the Y2K bug alerted organisations into realising that it was not only data that needed protection measures as data recovery did not translate to business continuity. The resulting solutions for the first time witnessed the widespread acceptance of the concept of business continuity whereby the business operations were to be maintained at all times in some form.

The continued occurrences of major disruptive events, such as natural disasters like earthquakes in Japan, and terrorist attacks, in particular the attack on the World Trade Centre on September 11, 2001, widened the scope of disaster and contingency planning to continuity planning first in the private sector and later in the public sector. The stark facts of September 11 are that the twin towers of the World Trade Centre in New York collapsed as a result of a terrorist attack. The buildings housed nearly 1,200 businesses, which employed approximately 40,000 people (Ballman 2001a). Many people died and many other businesses in the vicinity were also affected.

Whatever approach had been in use to BCM, the events of September 11 highlighted some major problems with established business continuity plans, challenged some conceptions about what is important in the business continuity management process and raised some issues relating to the future of business continuity management. Some of the more general problems that arose with established business continuity plans were (Global Continuity, 2001);

- Many businesses had underestimated the total business effect of a disaster (Scannell, 2001; Berlind, 2001);
- Some plans failed because they were written on the assumption that any incident would only affect an individual building
- Plans that were too detailed were often less effective; and
- Many organisations need to be more realistic about what is actually possible in the aftermath of a disaster. (Hill and Burgess 2012).

Yet despite all these leaps and bounds in the development of BCM models, we still find that some jurisdictions in Africa have not yet fully embraced the model. KPMG Africa Limited (2014) in a survey on BCM in Africa that involved 150 Executives from across 18 African countries established that;

- BCM programmes are increasing in Africa but BC is not yet embedded in the organisations' culture. Two thirds of the surveyed organisations had BCM plans on paper but more than half either have not implemented the majority of BCM components or have not renewed them in the last three years.
- IT Disaster Recovery Planning is the most implemented BCM component reflecting that IT and data disruptions are the African leaders' main concern.
- BC Planning is often not fully implemented – many organisations in Africa do not perform Business Impact Analysis to identify critical business processes and adequate recovery strategies.
- BCM standards adoption is still low in Africa – 61% of the organisations across Africa did not follow a BCM standard to support the implementation of BC programmes, less than 2% had their BC programmes certified and 6% are planning their BC programmes in the next three years.

Clearly, if this is the situation obtaining in business entities across Africa, it may not be surprising to find banking entities being among them.

2.3 Approaches to Business Continuity Management.

Various authors and institutions have proposed different approaches to BCM, each of which places emphasis on particular aspects of BCM (CCTA, 1995; Barnes, 2001; Hiles and Barnes, 2001; Starr, Newfrock, and Delurey, 2002; Smith, 2002); The frameworks illustrated below draw on these approaches and experiences in the field. Each framework is illustrated in terms of a standard template which highlights the key activities that must be undertaken, and the associated inputs and outputs.



Figure 2. Business Continuity Management Framework; Source www.k

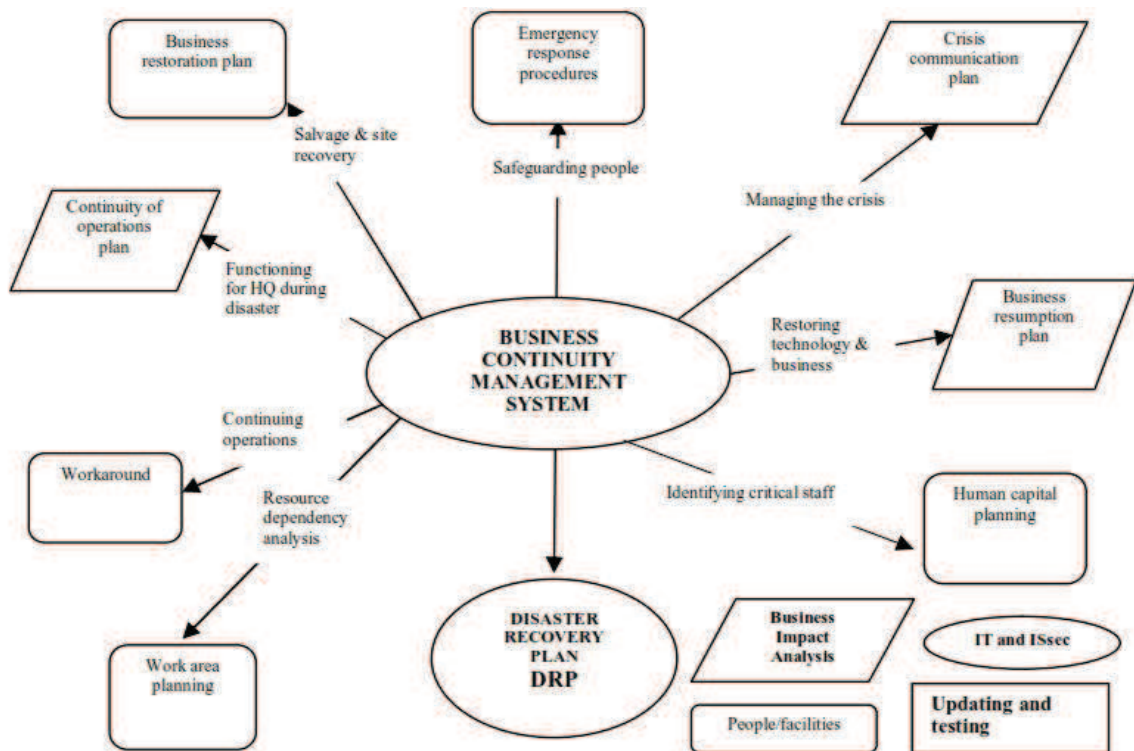


Figure 3 Components of Business Continuity Management; Source: Sheth *et al* (2008, 225)



Figure 4 The Unifying Process- Business Continuity Management.

Source: Business Continuity Institute (2002, p3)

As the Figures above reflect, the scope and structure of BCM can vary with individual authors but the basic principles remain largely the same and can be implemented by voluntary, private or public sector organizations, regardless of their size, scope or complexity of operations. (British Standards Institution BS 25999-1:2006) The argument here is that organisations are expected to execute normal operations without failure; and what matters is therefore the way an organization responds to the unusual event which makes the difference, hence the case for BCM.

2.4 BCM and Banking

It goes without saying that global trade and commerce is dependent on banks. Banks, in turn, have turned to increasingly complex technology and business models to deliver the services expected in this age of borderless commerce. .Sophisticated and interconnected Automated Teller Machine (ATM) networks, Tele-banking, Core

Banking Solutions and Internet Banking Solutions for seamless customer access are but some of technologies currently deployed. (Khanpurkar; 2008). With this background in mind, it is indeed worrying to imagine a scenario where a disaster may render a bank inoperative for an extended period of time.

Yet banks, like any other organisations, are confronted with numerous challenges in their day to today operations. These, according to Khanpurker (2008) include the following

- Unplanned events including natural and technological disasters, infrastructure and human threats;
- Security threats, such as computer viruses, worms and denial of service attacks;
- Ever increasing volume of data and the very high cost of down time due to data unavailability (see tables below);
- Increasing infrastructure and application interdependencies;
- Regulatory compliance requirements which are increasingly complex;
- Failure of key third party arrangements and;
- Globalisation and the challenges of operating in multiple countries.

Application	Industry	Average Hourly Loss
Brokerage Operations	Finance	\$7 840 000
Credit Card Sales	Finance	\$3 160 000
Authorisation & Catalogue Sales	Retail	\$109 000
Airline Reservations	Transport	\$108 000
Tele Ticket Sales	Media	\$38 000

Table 1. Average Hourly Losses Arising From Business Continuity Disruptions

Source: www.guardianiT.com accessed on 29 March 2014.

% of Up Time	Annual Downtime	Annual Broker Cost
99-9999	30 seconds	\$53 750
99-999	5 minutes	\$537 500
99-99	52 minutes	\$5 590 000
99-9	8.75 hours	\$56 000 000
99-5	43.7 hours	\$280 000 000
99-0	87.6 hours	\$560 000 000
98.0	180 hours+	\$1 000 000 000
95.0	450 hours+	\$3 000 000 000

Table 2. Information Availability Metrics

Source: www.guardianiT.com accessed on 29 March 2014

In the event of a disaster or disruptive event, banks like any other organisation, would suffer the following damages;

- Loss of revenue (as illustrated in Table 2) above;
- Damage to corporate image;
- Delays in responding to customer requests;
- Inability to process transactions in a timely manner;
- Inability to meet regulatory requirements;
- Destruction of operating premises.

As has already been highlighted elsewhere in this study, the World Trade Centre attacks on 11 September 2001 coupled with the high profile operational loss events world-wide heightened the impetus for banks to have effective BCM programmes. Following these developments, the Federal Reserve, Securities and Exchange Commission, Office of the Comptroller of the Currency and the New York State Banking Department released a white paper that identified three business continuity objectives as having special importance for all financial institutions. (Khanrpurker 2008);

- Rapid recovery and timely resumption of critical operations following a wide scale disruption;
- The ability to recover and continue operations following the loss or inaccessibility of staff in at least one major operation location, and
- High levels of confidence through on-going robust testing that critical internal and external continuity arrangements were effective and compatible.

In essence; the figure below illustrates what the above cited critical objectives sought to achieve for banks or any other business affected by a disruptive event.

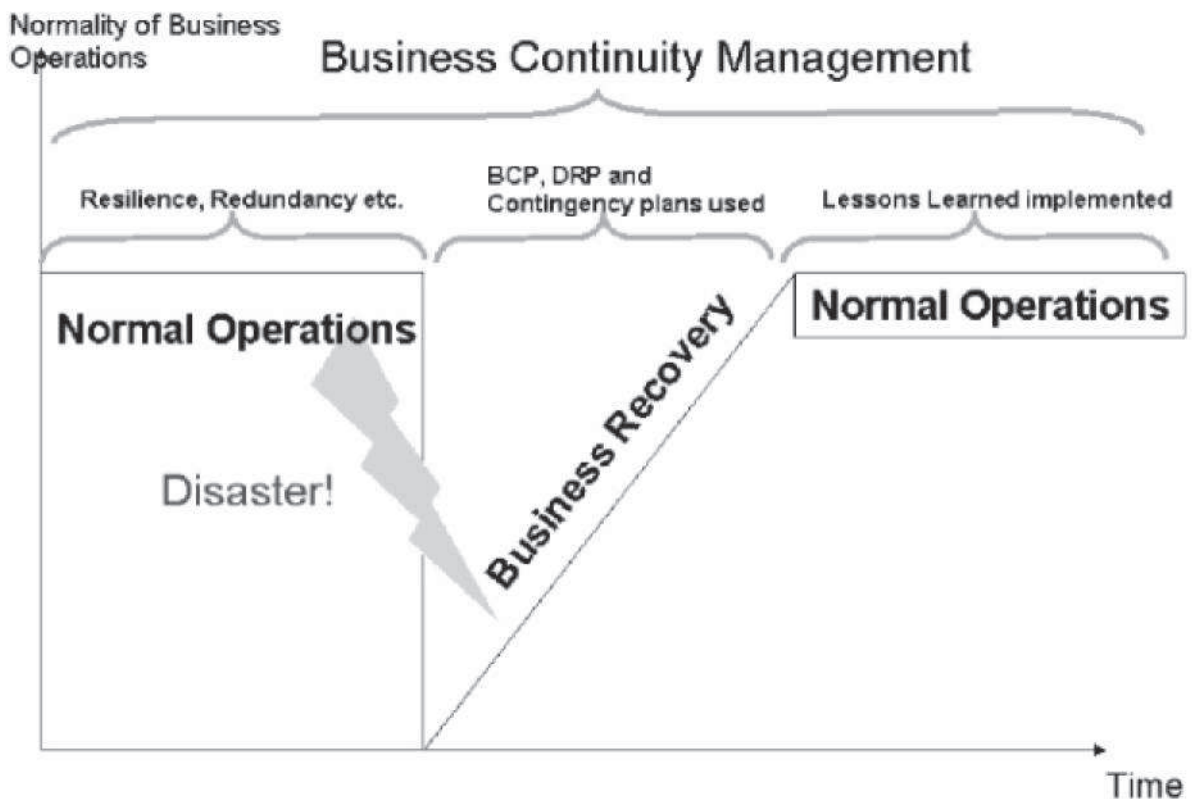


Figure. 5 Business Continuity Management Activation; Source: Cab Calling – July-September 2008

In tandem with the above BCM in banking developments and in keeping with the drive towards continuous availability of operations as an absolute necessity for customer satisfaction and brand protection in the case of banks and financial institutions, the BCBS released the publication Sound Practices for the Management and Supervision of Operational Risk (2003). The Guideline contained the following recommendations;

Banks should identify critical business processes, including dependencies on third parties or external vendors and identify alternative mechanisms for resuming service in the event of an outage.

- Pay attention to the restoration of physical or electronic records; care should be taken so that back-up facilities are at an adequate distance from the

impacted operations to minimise the risk that back-up facilities are unavailable;

- Banks should periodically review their disaster recovery and business continuity plans to ensure consistency with current operations, and
- BCP should be tested regularly to ensure that the bank would be able to execute the plans during a severe business disruption.

2.5 The BCBS High Level Principles for Business Continuity

The above cited recommendations from the Sound Practices for the Management and Supervision of Operational Risk, in the researcher's view appear to have been more focused on Disaster Recovery, than holistic BCM, hence initiatives for a holistic approach for the BCM model continued to be explored. The development of the High Level Principles for Business Continuity therefore emerged from the symposium on business continuity issues jointly co-hosted by the Financial Stability Forum and the Bank of England in the summer of 2004. Deliberations and the resolutions of the symposium formed the basis, upon which the High Level Principles for Business Continuity were developed by the Joint Forum comprising of the Basel Committee on Banking Supervision, the International Organisation of Securities Commissions and the International Association of Insurance Supervisors. The principles were meant for universal application across all the financial sector participants like banks, insurance companies and the stock exchanges.

For purposes of this study the abridged components of the principles are the independent variables, whilst the business continuity model that comes when the components are pieced together, is the dependent variable. For purposes of illustration, the independent variables and the dependent variable are as depicted in the diagram below.

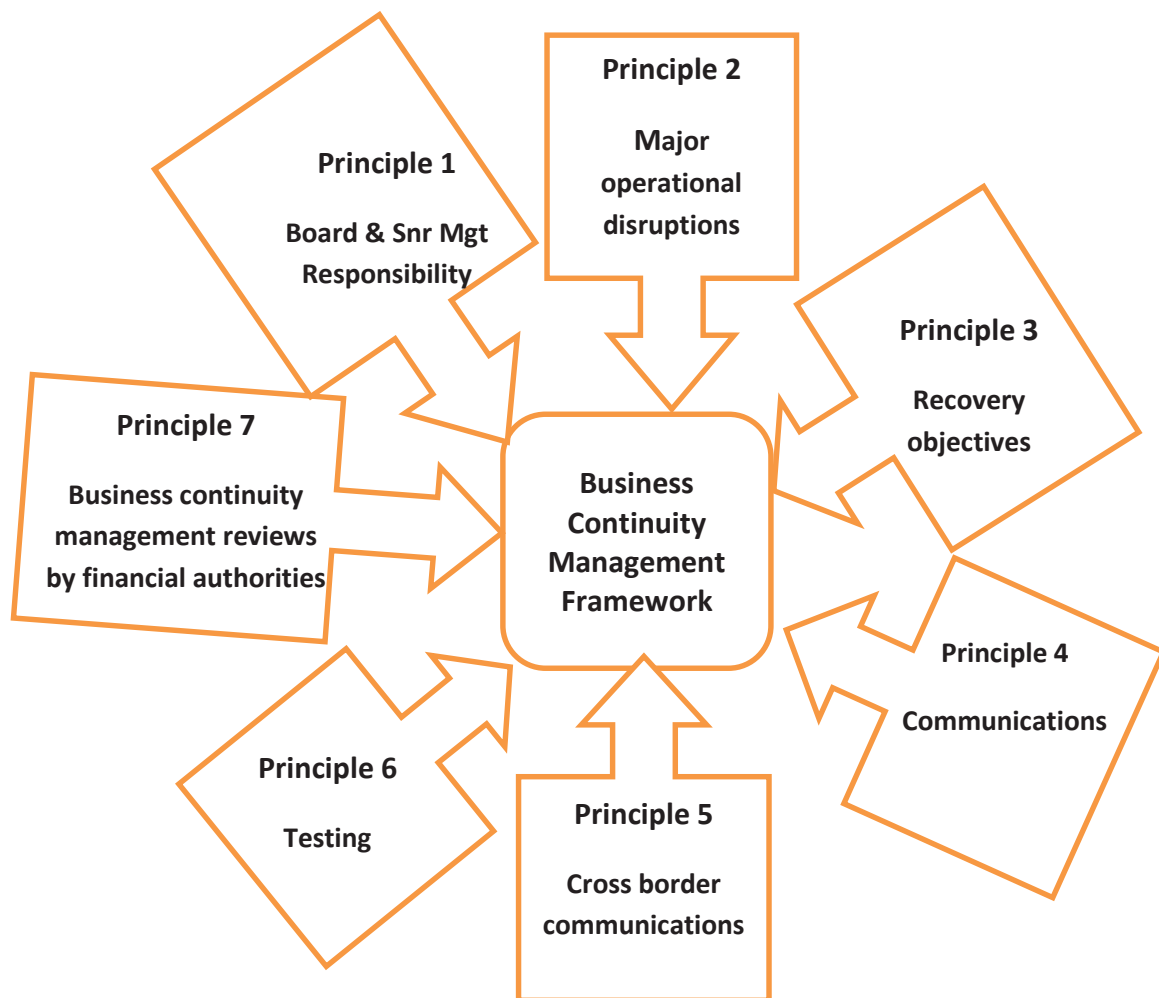


Figure 6. BCBS HIGH LEVEL PRINCIPLES FOR BUSINESS CONTINUITY MODEL

Source. Author

The Joint Forum then produced the Principles that incorporated measures that would enable both financial authorities and financial sector participants to handle Disaster Recovery, man -made and natural disasters, to bring the BCBS’s approach to BCM in sync with other internationally accepted models on BCM such as the Business Continuity Institute (2002) and the British Standards Institute (2006). The development of the Principles that incorporated both the financial authorities and financial industry participants was because of the convergence of their concerns for the global financial sector to remain resilient to major operational disruptions. This was also in recognition of the importance of the global financial sector in mobilising

global financial resources, in providing a platform payments for international trade and portfolio investments transactions as well as domestic clearing and settlement arrangements.

The abridged Principles are presented hereunder with the detailed set being provided for in **Appendix 1**.

Principle 1 stipulates that the board and senior management in the financial sector should have in place robust business continuity management arrangements.

Principle 2 requires that financial sector players should have business continuity management approaches that identify and factor in the expected major disruptions and need to formulate migratory measures

Principle 3 requires that the financial sector players should develop recovery objectives that are commensurate with their level of risk in the market.

Principle 4 requires that financial industry players should have well established internal and external communication protocols in case of a disruption.

Principle 5 requires the financial industry players to have in place cross border communications protocols.

Principle 6 provides for financial industry players to subject their business continuity plans to regular tests and upgrading.

Principle 7 requires regulators to incorporate business continuity management inspections in their scheduled on-site examinations of financial industry players.

2.6 Applying the Principles in Developing BCM Framework in Banking

Whilst the Principles are quite detailed in terms of the inputs necessary for the development of the BCM framework, the researcher noted a shortcoming in that they are not accompanied by an appropriate life cycle template that would guide financial authorities and financial industry participants in the development of the BCM framework premised on the Principles. This is in sharp contrast to the BCM Guidelines developed by the Business Continuity Institute (2002) and the British

Standards Institute (2006). Consequently, any financial institution trying to develop a BCM framework cannot solely do so on the basis of the BCBS High Level Principles alone. It will inevitably be a hybrid approach. This is the case with the South African Reserve Bank's Strategic and Operational Risk Management Guideline (that incorporates Business Continuity, Information Security and Financial Risk Management) which was developed in a hybrid approach that incorporated guidelines from the Principles, the Business Continuity Institute, the Enterprise Risk Management (ERM) and the ISO 27002 (South African Reserve Bank).

Nonetheless, the BCBS Principles provide a useful guide in respect of the appropriate approach to developing a BCM framework. generic life cycle can be developed . It is also important to note that the researcher has gone to great lengths and detail in incorporating the BCM lifecycle in this study after realising that similar studies conducted in Sub-Saharan Africa done by Simwayi (2008) and Antwi (2011) did not attempt to cover this crucial aspect in their literature review.

As such, since the BCBS did not define a life cycle based on the Principles, for purposes of this study the researcher used the generic BCM life cycle comprised of eight phases as follows:

- Program design/board & executive management support and sponsorship
- Risk assessment
- Business impact analysis (business alignment)
- Strategy design and plan documentation
- Testing
- Training and awareness
- Program maintenance
- Compliance monitoring and reporting

Based on this lifecycle, financial authorities and financial participants can develop their BCM frameworks incorporating the BCBS High Level Principles for Business Continuity.

2.6.1. Program Design/Board & Executive Management Support and Sponsorship

This requirement is adequately captured in Principle 1 where the BCBS emphasises that the board and senior management have the responsibility to develop suitable policies that ensure continuity in the event of a disruption. Executive management support and overall sponsorship is a key factor in all elements of a BCM lifecycle (Zawada and Isaac, 2004). This view is supported by Gallager (2003) who asserts that getting board commitment is the first step in starting a BCM programme. Seow (2009) also points out that not getting top management buy in and commitment to starting and sustaining a BCM programme in an organization can be an obstacle to the programme's success. Without board and senior executives' support, the BCM programme will almost certainly fail. It is the responsibility of the board of directors to review the business continuity programme annually according to Koch (2004). Directors have a fiduciary duty to protect corporate assets and safeguard the long-term survival of the organization. If the board does not play an active part in BCM, sustaining the programme will be difficult Garrett (2012)

2.6.2. Risk Assessment

This process is incorporated in **Principle 2**. Zawada and Isaac (2004) point out to the need for a continuity-oriented risk assessment-which addresses environmental, man-made, business process, supply chain, and information technology threats-is to identify and gauge likely failure scenarios to which the organization may be vulnerable. The BCBS addresses the necessity of conducting a risk assessment and provides high-level guidance to structure the scope of the risk assessment according to each bank's needs.

2.6.3. Business Impact Analysis

Paragraph 10 of the Principles covers this requirement as it states that for a business continuity management system to be effective, it should conduct a business impact analysis and come up with appropriate strategies for business recovery and continuity. A business impact analysis enables an organisation to make possible predictions of the damages likely to be incurred from a disruption of a business function or process and to gather information

required to craft recovery strategies. Zawada and Isaac (2004) also support this view as they assert that a business impact analysis, or BIA, is the second foundational element of an effective BCM process; and the typical outputs of such an analysis: potential impacts, criticality, and recovery objectives.

2.6.4. Strategy Design and Plan Documentation

This stage is incorporated in under **Principle 2**, Paragraph 30's three bullet points but basically, this stage requires organisations to establish alternate sites that are located in an area that does not share infrastructural facilities with the primary sites. In addition, the alternate site should just be a replica of the primary site, capable of being switched into operation in the event of a disruption to the primary site. Finally, and consistent with their recovery objectives, organisations should have in place logistical arrangements for the mobilisation and movement of expert staff to the alternate site in the event of a disruption at the primary site.

Although the above cited paragraph does not make direct reference to documented plans, clearly, it nonetheless addresses recovery strategy design and selection. In addition and based on lessons learned from September 11 and industry discussions, this stage highlights the need to maintain an adequate separation ("adequate" based on the results of a risk assessment) between primary and recovery sites in the event of a regional interruption. Zawada and Isaac (2004)

2.6.5 Testing

Testing is a critical success factor in an effective business continuity plan and strategy. The BCBS makes a clear, succinct reference to testing in **Principle 6**, noting that tests are needed to ensure banks can realistically execute business continuity strategies in the event of severe interruption.

2.8.6 Training and Awareness

The need to train response and recovery personnel regarding their roles and responsibilities following an interruption is a necessary, recurring activity. Additionally, making employees aware of the business continuity plan and its high-

level provisions will result in less uncertainty during a crisis Zawada and Isaac, (2004). The BCBS provides for training and awareness in **Principle 4 (Communication)** paragraph 36 where it is stated that the organisation should have timely training and information dissemination in order to reduce the for return to normal operation. **Principle 6 (Testing)**, requires business continuity plans to be tested and upgraded so that all key personnel are familiar with their roles and responsibilities in case of an operational disruption Gallagher (2003), notes that as the business changes and plans change and staff come and go, the BCM training and awareness programme must continue and training is needed in the form of awareness programmes to ensure senior management commitment, practical training for those with roles in the plan, general staff training and specific training in the operation of the plans and in areas such as crisis, trauma management and counselling. Howe (2007) also weighs in on training and awareness as he recognises the need for continued BCM training stating that as the initial BCM project winds down the corporate culture should include on-going support from management in continuing to build on employee awareness and training, and active participating in recovery exercises, BCM programme updates and plan tests.

2.6.7 Program Maintenance

Principle 6 par 41 emphasises the need to fine-tune BCPs in tandem with technological and environmental trends. Banks should periodically review their disaster recovery and business continuity plans so that they are consistent with the bank's current operations and business strategies. Organizations, regardless of industry, are constantly in a state of flux. Fewer and fewer firms regard business continuity planning as a one-time event. The Basel Committee correctly treats business continuity as a lifecycle without a defined end. Plans and strategies should reflect the current state of operations, as well as focus on critical business functions and technologies. Although this guideline points to the maintenance of plans, risk assessments, business impact analyses, strategies and plans should be continuously reviewed and updated as the organization and its environment changes (Zawada and Isaac 2004).

2.6.8 Compliance Monitoring

The final component of the business continuity lifecycle is compliance monitoring and reporting. This stage is covered in Principle 7 (par 44) where it states that financial players need to include business continuity programmes in their annual inspections of financial industry participants. The British Standards Institute (2006) weighs in adding that the on-going commitment from senior management is essential so that the BCM process is reviewed to ensure its continuing suitability, adequacy and effectiveness. It should address any required changes linked to policy or strategic shift or changes as a result of a BCM exercise. These periodic reviews will ensure that the BCM process is kept current and does not get forgotten by the stakeholders.

Many organizations have adopted a philosophy of what gets measured gets done. Measuring compliance based on an internal or external policy provides management with a sense of assurance that approved, mandated activities are being carried out in line with expectations. Where gaps are identified, management is positioned to act in order to manage risk-continuity, regulatory, or other.

2.7 Implementation of BCM by Financial Authorities and Financial Participants

Since the publication of the BCBS Principles and other BCM Guidelines by various authors and institutions, several governments and financial regulators especially in Europe, Asia and the USA have gone on to develop and implement BCM in their banking sectors. BCM models in these regions have also been embraced by private sector, quasi government, public companies and not for profit organisations, reflecting the growing importance of BCM.

In Africa, literature about BCM implementation in financial institutions is very scanty and very few studies have been carried out in that regard. Literature available in Africa on BCM in the banking sector is in the form of dissertations done by Simwayi (Zambia; 2008) and Antwi (Ghana; 2011). Whilst Simwayi (2008) focused on the entire banking sector in Zambia, Antwi's study focused on only one banking institution, the Societe' Generale' Social Security Bank (SG SSB). The Bank of Tanzania appears to be the only central bank in Africa with publicly available

information on BCM through its Guideline titled Business Continuity Management Guidelines for Banks and Financial Institutions (2009) that was prepared in terms of Section 71 of the country's Banking and Financial Institutions Act 2006. Although there is no acknowledgement in the Guideline, the document appears to have been prepared on the basis of the Principles. The state of affairs regarding implementation of BCM in the banking sector in Africa seems to corroborate the findings of the KPMG Africa Limited (2014)'s survey that was discussed in 2.2.4 above.

2.9 The State of BCM in Zimbabwean Banks

The extent of application of BCM in Zimbabwean banks is not clearly known and it is primarily for that reason that this study was undertaken. The financial sector stability function is vested with the Reserve Bank of Zimbabwe's Bank Licensing, Supervision and Surveillance Division. To date, the Division has published and issued out to the banking sector the following publications;

- Corporate Governance (2004) for Corporate Governance Framework
- Minimum Internal Audit Standards in Banking Institutions
- Board of Directors Evaluation Framework For Financial Institutions
- Consolidated Supervision Guidelines (2007) and the
- Risk Management Guideline No 1-2006,

Conspicuous by its absence from the above list of publication by the regulator is a guideline on Business Continuity Management. If Bank of Tanzania (2009) could provide such an important guideline to its market, why could the RBZ fail to take a cue? A perusal of Risk Management Guideline reflects that its preparation was premised on the BCBS' Sound Practices for the Management and Supervision of Operational Risk (2003). The RBZ guideline's emphasis is on management of strategic, credit, market, liquidity, operational, legal and compliance and reputational risks; and includes guidelines on sound internal controls.

The issue of BCM is scantily addressed in Section 7.3 of the Guideline as follows:

- a) A banking institution should have documented contingency and business continuity plans to ensure its ability to operate as a going concern and minimise losses in the event of severe business disruption.

- b) The business resumption and contingency plans should take into account different types of scenarios to which the bank may be vulnerable and should be commensurate with the size and complexity of the bank's operations.
- c) Management identify critical business processes, including those where there is dependence on external vendors or other third parties, for which rapid resumption of service would be most essential.
- d) For critical business processes, the banking institution should;
 - i. Identify alternative mechanisms for resuming service in the event of an outage;
 - ii. Pay particular attention to the ability to restore electronic or physical records that are necessary for business resumption;
 - iii. Ensure that back-up records are at an off-site facility, and that where a bank's operations must be relocated to a new site, care must be taken to ensure that the site is at an adequate distance from the affected operations.
- e) The business resumption and contingency plans should be reviewed periodically so that they are consistent with the bank's current operations and business strategies. Further, the plans should be tested periodically to ensure that the bank will be able to execute the plans in the unlikely event of a severe business disruption.

The recommendations cited above are contained in the BCBS' Sound Practices for the Management and Supervision of Operational Risk (2003), and not the BCBS' High Level Principles of Business Continuity. If this is the case obtaining in the banking sector in Zimbabwe, then it can be assumed that the country is lagging behind other jurisdictions in implementing BCM. This is therefore justifies the need to undertake this research.

2.11 Conclusion

The chapter extensively reviewed the evolution and development of BCM as an important and holistic risk management tool, especially in the advent of new forms of risk that have a debilitating impact on business operations. Emerging from the review is the evidence of acceptance and implementation of BCM across nations and the various sectors of the economy. Its growing importance is particularly epitomised by

its consideration as a key component in the due diligence process by European and American companies doing business with Japanese business firms. Closer to the (banking) sector which is the subject of this study, the fact that Euroclear Bank successfully applied the BCM framework to manage the impact of the collapse of Lehman Brothers and came through the collapse unscathed Business Continuity Institute (2009), should be sufficient demonstration of the importance of BCM to the business of banking. The next chapter explores the research methodology that will be employed in data collection and data analysis for this study.

CHAPTER 3

METHODOLOGY

3.1 Introduction

The previous chapter dealt extensively with the literature review on the BCM discipline. The purpose of this chapter is to present the research methodology. The methodology used for purposes of this research was the qualitative approach that used the inductive thematic analysis logic premised on existing application of BCM, the role of BCBS' High Level Principles for Business Continuity in enhancing the banking sector's preparedness to continue offering services to their clients even in the event of a major disaster (the logic of the research) and the outcome is one of applied research (applying the research to the banking sector in Zimbabwe) This is in line with the overall research problem as identified in Chapter 1.

3.2 Research Design

Research design relates to the overall strategy a researcher chooses to integrate the various components of a study in a logical and coherent way with a view to effectively address the research problem as stated in Chapter 1 as unambiguously as possible. The research design therefore entails obtaining evidence relevant to the research problem. As stated in Chapter 1, the research seeks to investigate the extent of application of BCM models in the Zimbabwean Banking Sector and to evaluate the adequacy of compliance of such BCM models with the BCBS' High Level Principles for Business Continuity.

In order to achieve the primary objective, the following secondary objectives were also being pursued;

- To examine whether or not there are significant differences in the practice of BCM in Zimbabwean Banks in terms of organisational characteristics such as size, foreign owned, indigenous and age
- To establish the extent to which BCM models in Zimbabwean Banks are drawn in compliance with the BCBS' High Level Principles for Business Continuity

- To motivate initiatives for the development of a BCM regulatory framework for the banking sector in Zimbabwe
- To add new knowledge to the already published BCM body of knowledge.

In view of the above stated research problem and research objectives, the thesis of this study was that implementation of BCM models in banks in Zimbabwe would enhance the sector’s capability to continue with service delivery even in the event of a major operational disruption.

3.3 Research Approach

Research approach can be represented by the following table.

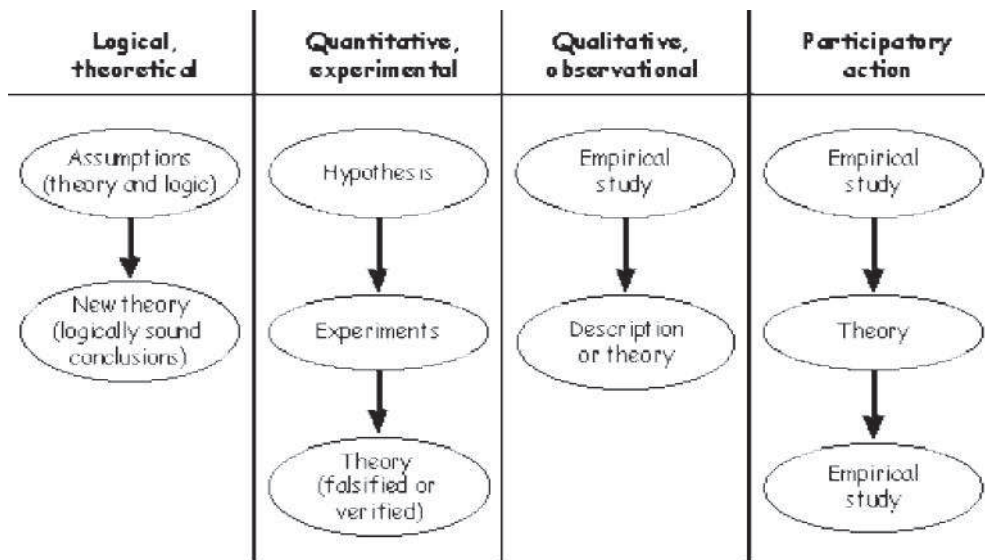


Fig 6. Approaches to Research

Source; Unknown Author

The research questions posed in Chapter 1 demonstrated a need for investigating and learning more about the dominant concepts of BCM modelling as a research domain. As such, a *qualitative* research approach based on document studies and interviews conducted with identified stakeholders in the banking fraternity is argued for in order to meet the research objectives.

3.3.1 Deductive or Inductive

Various authors have extensively discussed the choice between the deductive or inductive research paradigms; (Cavaye, 1996; Hussey & Hussey, 1997; Perry, 2001). Hussey and Hussey (1997:19). Deductive research is defined by Hussey and Hussey (1997) as “a study in which a conceptual and theoretical structure is developed which is then tested by empirical observation; thus particular instances are deduced from general influences.” Deductive research is a study in which theory is tested by empirical observation. Inductive research is a study in which theory is, “developed from the observation of empirical reality; thus general inferences are induced from particular instances, which is the reverse of the deductive method since it involves moving from individual observation to statements of general patterns or laws,” (Hussey & Hussey, 1997:13). The inductive approach fits well with this research project whose method of data collection was in-depth interviews.

Cavaye (1996:236) suggests a hybrid approach for the use of both inductive and deductive approaches, saying they can “both be used in the same study.” Perry (2001: 307), also discusses the possibility of using both deductive and inductive approaches to the same research study. He describes a continuum from pure induction (theory-building) to pure deduction (theory-testing); and goes further to advocate for a middle-ground of a balance between the two, striking the position of what he describes as the “theory confirming/disconfirming” approach.

For purposes of this this study, the inductive approach was used with the emphasis on generating new themes emerging from the data set that was collected from the identified stakeholders.

3.4 Research Strategy

A research strategy refers to the plan of action which shapes the way the research should proceed. It is the strategy that the researcher adopts to create the techniques and method of data gathering that will be employed. There are various qualitative

research strategies at the disposal of researchers which include phenomenology, observation, case study, document analysis and interviews.

For purposes of this research, the following three approaches were used;

- Case Studies (for an in-depth contextual analysis of a few events or conditions)
- Document Analysis (to evaluate historical or contemporary confidential or public records, reports, government documents and opinions)
- In-depth interviewing (conversational rather than structured)

A case study examines a phenomenon in its natural setting, employing multiple methods of data collection to gather information from one or a few entities (people, groups or organizations). The boundaries of the phenomenon are not clearly evident at the outset of the research and no experimental control or manipulation is used. (Benbasat et al; 1987, p.370).

The three pronged research strategy as indicated above was also premised on the guidelines of Myers (1997) who noted the need for;

- Determining the present situation: in this study this was accomplished through the in-depth interviews.
- Gathering information about background to the present situation: in this study was accomplished through document analysis (both hard and soft copies)
- Gathering more specific data: in this study accomplished by way of additional in-depth interviews with other stakeholders other than risk managers from banks.
- Presenting an analysis of findings and recommendations for action: in this study achieved through the feedback provided to the stakeholders on completion of the study.

A phenomenological approach is employed in the second phase of this research. (Cresswell 2007: 57 and 59) described such approach as: “the meaning for several

individuals of their lived experiences of a concept or a phenomenon.”; and clarified it further when he stated that: “phenomenology is not only a description, but it is also seen as an interpretive process in which the researcher makes an interpretation of the meaning of the lived experiences.” Furthermore, Cresswell (2007) points to the basic purpose of phenomenology as the reducing of individual experiences of a phenomenon to a description of the universal essence. This purpose met with the main goal of the second phase of the research which was carried out to generalise the results from interviews conducted with the various stakeholders in the BCM field.

Boyce and Neale (2006) define in-depth interviewing “as a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation”. Boyce and Neale (2006) further assert that in-depth interviews are useful when you want detailed information about a person’s thoughts and behaviours or want to explore new issues in depth. The primary advantage of in-depth interviews is that they provide much more detailed information than what is available through other data collection methods, such as surveys. They also may provide a more relaxed atmosphere in which to collect information—people may feel more comfortable having a conversation with you about their program as opposed to filling out a survey.

3.5 Research Methodology

Research Methodology is largely dominated by the Qualitative, Quantitative approaches or in some circumstances, a combination of both – known as Triangulation. In order to distinguish between qualitative and quantitative forms of research there is need to consider the philosophical perspectives of the research; viz the different ontological and epistemological issues that are taken cognisance of when discussing positivism, interpretivism and critical paradigms. Hughes (2006) points out that on first consideration, the use of questionnaires as a research technique might be seen as a quantitative strategy, whereas interviews and observations might be thought of as qualitative techniques. Similarly, it is often assumed that quantitative approaches draw on positivist ontologies whereas

qualitative approaches are more associated with interpretive and critical paradigms. Thus it is necessary to distinguish the two approaches as stated below:-

“Quantitative research is, as the term suggests, concerned with the collection and analysis of data in numeric form. It tends to emphasize relatively large-scale and representative sets of data, and is often, falsely in our view, presented or perceived as being about the gathering of ‘facts’. Qualitative research, on the other hand, is concerned with collecting and analysing information in as many forms, chiefly non-numeric, as possible. It tends to focus on exploring, in as much detail as possible, smaller numbers of instances or examples which are seen as being interesting or illuminating, and aims to achieve ‘depth’ rather than ‘breadth’. (Blaxter, Hughes and Tight, 1996: 61)

This research study was associated with interpretive and critical paradigm and was therefore premised on the qualitative research methodology. The selection of a qualitative approach blended well with Hussey and Hussey’s views (1997:20) who defined qualitative research as, “a subjective approach which includes examining and reflecting on perceptions in order to gain understanding of social and human activities.” This was planned to be the case for this research project as the researcher sought to gain an insight into the selected stakeholders’ perception on BCM.

3.5.1 Research Methods

Research methods refer to the data collection instruments that the researcher uses in his/her study. The most common research methods include field surveys, focus groups, in-depth interviews, literature searches, mail, telephone and internet surveys. For purposes of this research secondary data was gathered through literature searches as recommended by Saunders *et al.* (2000:46):

- To include the key academic theories within the chosen area: as depicted in Chapters 2 and 3,
- To demonstrate that the researcher’s knowledge of his/her chosen area is up-to-date: as identified through-out the research report.
- To show how the researcher’s research relates to previous published research: as shown in Chapter 2 and 4.

- To assess the strengths and weaknesses of previous work including omissions or bias and take these into account of the researcher's arguments: as is shown in Chapter 2 and 4
- To justify the researcher's arguments by referencing previous research: as was shown through-out the study.
- Through clear referencing, to enable those reading the researcher's study project report to find the original work he/she cites: as per the references supplied in this document
- By fully acknowledging the work of others, the researcher avoided charges of plagiarism: as per the referencing and bibliography supplied in this document.

Primary data was collected through in-depth interviews with the targeted stakeholders.

3.6 Population and Sample

3.6.1 Population

The term population is often interchangeably used with the term universe to refer to "the set of all units that the research covers or to which it can be generalised" (Neuman 2000:2001). The population for this study included all the 19 commercial banks in Zimbabwe, the regulatory authorities, viz and RBZ, the DPC and the BAZ and retired bank CEOs. The research targeted a population size of 30, participants, but was however, only able to interview 26 participants.

3.6.2 Sampling

Ibrahim (2013) noted that the need to use of a relatively small sample size in view of the extensive nature of the work required for the research. Accordingly, sample sizes are not subjected to mathematical calculations nor are probability approaches applied. Individuals for the study are selected purely on the basis of identified attributes that are applicable to the wider population. In addition, the individuals chosen must demonstrate beyond any reasonable doubt that they possess the requisite knowledge of the study and are therefore able to offer relevant information. They must also possess the capability of making contributions to the development of

the emerging theory (Bryman and Bell, 2011). In theoretical sampling, “data gathering is driven by concepts derived from the evolving theory and based on the concept of “making comparisons”, whose purpose is to go to places, people, or events that will maximize opportunities to discover variations among concepts and to densify categories in terms of their properties and dimensions” (Corbin and Strauss 1998, p201).

For this study, the criteria for selecting suitable participants was that the participant must be employed in a banking institution in Zimbabwe and be responsible for that banking institution’s risk management policy/documentation and secondly that each participant was selected from a different banking institution. (Purposive/judgemental sampling). In addition, participants were also selected on account of their being employed in any one of the institutions cited under the Population section above. Such Participants were selected on the basis of their knowledge of relevant information regarding business continuity and disaster recovery. It is, however, critical to note that the criteria for selecting the participants was deliberately narrow but the researcher did not anticipate that this would impose limitations for this study. The major reason for the selection criteria for the study participants was that the study was focusing on a risk management model which is yet to be fully implemented in Zimbabwe.

3.7 Data Collection

This research study utilized secondary data supplemented by primary data. The annual reports of public organizations are one of the sources often used in secondary data collection (Blumberg et al., 2011). For this study, several hard and soft publications on BCM were studied, analysed and the relevant information relating to BCM was extracted. In addition, the in-depth interviews approach is an appropriate data collection tool for this study as it is different from questionnaires in that it enables the participants to reply to the questions unrestrainedly and comprehensively (Bryman & Bell, 2011). In-depth interviews were conducted for the study as they were designed as a set of open-ended questions that were posed verbally to participants in an open framework (Mason, 1996). Researchers should make sure that participants are asked and answer the same questions to ensure a

common framework, even though it is sometimes difficult to get uniformity in answers because different people have different interpretations (Minichiello et al., 1995).

About 26 were interviewed over a period of two weeks. An interview schedule was designed to guide this study. Fifteen open ended questions comprised the interview schedule. Each interview was audio recorded with the participant's informed consent. Ideally, interviews were conducted in participant's offices or a meeting room in their organizations. The duration of the interviews was approximately be 45 minutes.

3.8 Data Analysis

Qualitative research is “the process of systematically and rigorously conducting flexible and contextual research that allows self-scrutiny by the researcher and produces explanations to intellectual puzzles” (Mason 1996, p5). The researcher collected and analysed the data on the basis of inductive thematic analysis. Thematic Analysis (TA) is a widely-used qualitative data analysis method. The purpose of TA is to identify patterns of meaning across a dataset that provide an answer to the research question being addressed. Patterns are identified through a rigorous process of data familiarisation, data coding, and theme development and revision. University of Auckland (2006)

According to the University of Auckland (2006), there are different ways TA can be approached:

- An inductive way – coding and theme development are directed by the content of the data;
- A deductive way – coding and theme development are directed by existing concepts or ideas;
- A semantic way – coding and theme development reflect the explicit content of the data;
- A latent way – coding and theme development report concepts and assumptions underpinning the data;

- A realist or essentialist way – focuses on reporting an assumed reality evident in the data;
- A constructionist way – focuses on looking at how a certain reality is created by the data.

For purposes of this study, an inductive thematic analysis approach was used based on the BCM development themes constructed from the interviews carried out with the stakeholder respondents.

3.9 What Counts as a Theme

A theme is “a cluster of linked categories conveying similar meanings and usually emerges through the inductive analytic process which characterise the qualitative paradigm” (Martyn 2010). Thematic analysis, like grounded theory, represents a view of reality way of systematically working through text to identify issues that are progressively integrated into higher order themes – via a process of de-contextualising and re-contextualising the data set (Martyn 2010). As such, a theme must capture something important about the data in relation to the research question. What is also critical to note is that a theme might be given considerable space in some data items and little or none in others; or it might appear in relatively little of the data set hence researcher judgement is necessary to determine what a theme is in terms of whether it captures something in relation to the research question. (Braun & Clarke 2006).

3.9.1 Why Thematic Analysis.

Ibrahim (2012) noted that good qualitative research needs to be able to draw interpretations and be consistent with the data that is collected. With this in mind, Thematic Analysis is capable to detect and identify factors or variables that influence any issue generated by the respondents. As such, the respondents’ interpretations form a significant basis in terms of giving the most appropriate explanations for their behaviours, actions and thoughts. This is in conformity with the features that are involved in the process of Thematic Analysis (Hatch 2002; Creswell 2003).

As is usually associated with qualitative research, the researcher engaged in recording, analysing and attempting to uncover the deeper meaning and significance of human behaviour and experience, including contradictory beliefs, behaviours and emotions. The researcher was more interested in gaining a rich and complex understanding of people's experience and not in obtaining information which can be generalized to other larger groups. Given the above processes in qualitative research, Thematic Analysis was considered as the most appropriate for any study that seeks to discover using interpretations. It provides a systematic element to data analysis (Ibrahim, 2012); and allows the researcher to associate an analysis of the frequency of a theme with one of the whole content. This confers accuracy and intricacy and enhances the research's whole meaning. Its flexibility provides a useful research tool which can provide a rich and detailed yet complex account of data (Braun and Clarke (2006). Qualitative research requires understanding and collecting diverse aspects and data. Thematic Analysis gives an opportunity to understand the potential of any issue more widely (Marks and Yardley 2004).

Namey et al. (2008) said, "Thematic Moves beyond counting explicit words or phrases and focuses on identifying and describing both implicit and explicit ideas. Codes developed for ideas or themes are then applied or linked to raw data as summary markers for later analysis, which may include comparing the relative frequencies of themes or topics within a data set, looking for code co-occurrence, or graphically displaying code relationships." (p.138)

Ibrahim (2012) further argues that Thematic Analysis provides the opportunity for researchers to move beyond calculating unambiguous words or statements or expressing the ideas. The themes develop the clues and then adapt or connect them to the raw data as summary indicators for deferred analysis. Namey & Namey et al. (2008) endorse this view and feel that by following these concepts thematic analysis, "May include comparing the relative frequencies of themes or topics within a data set, looking for code co-occurrence or graphically displaying code relationships." (p.138). Finally, Thematic Analysis allows the researcher to determine precisely the relationships between concepts and compare them with the replicated data. By employing thematic analysis there is the possibility to link the various concepts and opinions of the respondents and compare these with the data that would have been

gathered in different situations at different times during the study. For the above cited reasons, Thematic Analysis was found to be the most appropriate data analysis tool for this study.

3.9.2 Analytic Process

In Thematic Analysis the task of the researcher is to identify a limited number of themes which adequately reflect their textual data. For purposes of this study the following model was adopted for the thematic analysis process.

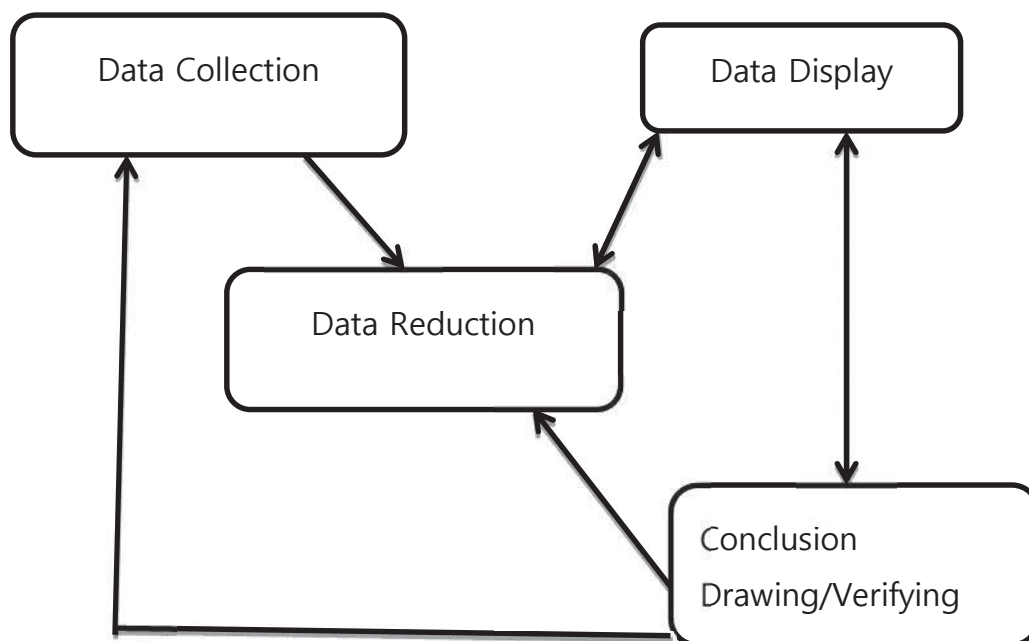


Figure 8: Components of data analysis: interactive model in Miles & Huberman (1994, p.12)

The data analysis for this study employed the above illustrated model. Suffice to mention at this juncture is that whilst there is an array of software available to analyse qualitative data, the researcher employed manual analysis rather the computerised method. This was because the researcher found the manual process equally competent in terms of providing the rigors of the analytical steps of the adopted analytical model to enhance validity and reliability. Furthermore, it has been noted that sometimes software may be less helpful. Welsh (2002) argued that software might not prove as helpful as one might expect in terms of addressing

issues of validity and reliability in thematic ideas that emerge during the data analysis process. This is due to the fluid and creative way in which these themes emerge.

3.9.3 Thematic Process

The data for analysis for this study was collected through standardised open ended interviews conducted with the main stakeholders identified in 4.1.1.(ii) above. The interview guide had 15 questions divided into three sections as follows:- (see Appendix 2 for the Interview Guide)

Section A contained (4) Introductory General Questions that in summary sought the respondents to

- Give a personal overview of the risk management practices obtaining in the Zimbabwean banking sector
- To comment on whether risk management practices differed between long established and new banks, large and small banks and indigenous and foreign owned banks
- To explain the basis for the uniform and or different approaches to risk management by the various categories of banks
- To give an indication of when the Risk Management Framework of the respondent's banking institution was last reviewed and updated and what new risk management issues emerged from the review.

Section B contained (8) questions entirely dedicated to the 7 High Level Principles for BCM and required respondents to explain the extent to which of the Principles had been implemented in the respective banking institutions.

Section C had (3) Concluding questions that required respondents to;

- Propose any other BCM model that could implement in Zimbabwe alongside or in addition to Principles

- Comment on what they considered as the major impeding (or conducive) factors to the development of BCM to international and best practice in Zimbabwe.
- Comment on what their expectations were from (a) the regulatory authority (b) the banking sector to enhance the BCM regime in Zimbabwe.
- An additional question was formulated following recurrent responses from the first set of questions that strongly recommended on the need for the establishment of one Data Recovery Centre for their entire banking industry.

Thus the interviews were structured around several focal questions designed to cover the main aspects of the research question and to elicit each respondent's experiences and understanding of the field of risk management and BCM. Probes and follow-up questions were employed to encourage the expansion of ideas that were deemed relevant to the question in order to get more detail and depth. All the interviews were face to face and conducted at the respective offices of the respondents. In addition, serve for two, the rest of the respondents consented to having the interviews tap recorded. The two that did not consent furnished written responses.

3.9.4 Data Reduction

Data reduction is, "A form of analysis that sharpens, sorts, focuses, discards, and organizes data in such a way that "final" conclusion can be drawn and verified." (Miles & Huberman 1994, p.11). It includes the process of selecting, simplifying and transforming the data "...*through selection, through summary or paraphrase, through being subsumed in larger pattern*" (p.11). (*Ibid*)

In the case of this study, the data set was edited so as to match each question to the respective responses of the various respondents. After this process, it was then possible to repetitively play the interviews carefully listening to response by response, detecting any significant patterns or themes and making connections between the respondents' thoughts, ideas and the data set. The repetitive listening process was in conformity with Bogdan & Biklen (2007) who argued that in Thematic Analysis, data "must" be read at least twice so that the researcher should "get a feel for the text by handling your [the] data multiple times." As is with inductive approach

to thematic analysis, themes emerge from the data, rather than searching for pre-defined themes. During the repetitive listening process and in keeping with the need for the researcher to at all times keep in mind the research questions during data collection and analysis, the researcher was able to identify accurately excerpts that relate to the research objectives. In the process themes began to emerge and excerpts relating to similar topics were organised into categories which could be modified, developed and new ones allowed to emerge freely

3.9.5 Reliability and Validity of Themes

In Thematic Analysis themes have to be evaluated to ensure they represent the whole of the text. Miles & Huberman (1994) argue that that validating themes in the early stages of data analysis is essential. This therefore requires that researcher should involve an outside reviewer during this early stage to evaluate whether the identified themes are compatible with the whole of the text or not. For purposes of this study, the researcher engaged the Supervisor to review the themes for validity and reliability. The main purpose of this procedure is to “*build reliability in themes analysis coding*” (Hosmer 2008 p.52)

3.9.6 Data Display

Data display is “*the organized, compressed assembly of information*” Miles and Huberman (1994 p.11). The main purpose of data display is to organise data that is collected, arrange concepts and the thoughts (Miles & Huberman 1994)

In conformity with the need to match themes to the research questions, all data relating to each question has to be organised in an orderly fashion. This is necessary in order for the researcher to be able to explore any differences, similarities and interrelationships by entering the data into conceptual clusters for analysis Ibrahim (2012). In this study, data display was used descriptively to enhance conceptual coherence by collating items that related to each research question (Miles & Huberman 1994) as cited by Ibrahim (2012).

In order to facilitate easy analysis, data may be displayed in a variety of ways that include figures, tables, graphs, charts, maps of categories, narrative text and

quotations (Yin 2010) as cited by Ibrahim (2012). Displaying the data as outlined above provides opportunities for in-depth understanding of the data and enables the researcher to focus and organise his/her thoughts by linking and comparing the information to reach conclusions (Miles & Huberman 1994; Gibbs 2002) as cited by Ibrahim (2012).

. For purposes of this study, the narrative text and quotations data display format was used. This was because direct quotations provide supportive meaning to the interpretation of some statements (Patton 2002).

3.10 Conclusion

This Chapter has outlined the Research Methodology employed in data collection and analysis for this study, describing the various approaches the researcher used and justification thereof. The chapter lays the foundation for the next Chapter that exclusively focuses on data analysis and reporting of findings.

CHAPTER 4 DATA ANALYSIS AND RESEARCH FINDINGS

4. INTRODUCTION

The preceding chapter on Methodology discussed in detail the various steps relating to the manner in which data for this study was to be collected and analysed. The main purpose of this chapter is to present and analyse the findings of the study in as much as they relate to the study objectives. As a recap, the study, as outlined in chapter one, had identified the following research questions;

1. How prevalent are risk management practices in Zimbabwean banks?
2. Are there significant differences in the practice of risk management based on organisational characteristics such as foreign owned, indigenous, size or age?
3. Are the BCM models in use in Zimbabwean banks in compliance with the BCBS' High Level Principles for Business Continuity?
4. To what extent have the Zimbabwean regulatory authorities kept pace with international developments and best practice in providing BCM guidance to the banking industry?

The analysis and discussion of findings to follow are to determine the extent to which the above research questions were addressed. The gaps identified formed the basis of recommendations for the next chapter.

4.1. Data Collection

4.1.(i) Secondary Data

As indicated in the preceding chapter, the researcher collected unobtrusive data through documents pertaining to risk management with a significant bias towards BCM. The documents were largely contextual material that included paper and electronic documents. They provided valuable secondary data about the deployment of BCM not only in banking but in other sectors as well. The secondary data was later to play a pivotal role as the basis for the formulation of interview questions that were to be used for collection primary data.

4.1.(ii) Primary Data

The collection of primary data involved three main stakeholder categories viz, (i) Risk Managers in Banking Institutions (ii) Regulatory Authorities, (iii) Retired Senior Banking Executives. Standardized open-ended interviews (Gall, Gall & Borg 2003) were used for the collection of primary data. As such the interviews served as the main source of primary data on BCM. The standardized open-ended interview is extremely structured in terms of the wording of the questions. Participants are always asked identical questions, but the questions are worded so that responses are open-ended (Gall, Gall, & Borg 2003). This open-endedness allows the participants to contribute as much detailed information as they desire and it also allows the researcher to ask probing questions as a means of follow-up.

4.2. Data Analysis

In this study the method of data analysis employed was the data driven inductive thematic analysis approach of Boyatzis (1998). Thematic Analysis in qualitative research is a conventional method for identifying, analysing and reporting patterns (themes) within a data set Braun and Clarke (2006). It minimally describes the researcher's data set in rich detail and also interprets various aspects of the research topic Boyatzis (1998)

The approach used in this study also employed the use of rigor in qualitative research, which involves in-depth planning, careful attention to the phenomenon under study and productive useful results, Horsfall, Byne-Armstrong and Higgs (2001). In addition, interpretive rigour requires the researcher to demonstrate clearly how interpretations of the data set have been achieved and to illustrate findings with quotations from or access to the raw data (Rice and Ezzy 1999). The respondents' reflections conveyed in their own words strengthen the face of validity and credibility of the research (Putton 2002).

4.3 Emerging Themes

From the above inductive analytic process, the following themes emerged;

1. Risk Management Practices in the Zimbabwean Banking Sector

2. Differences in Risk Management Practices by Bank Age, Size and Ownership Status
3. Reviews of Risk Management Frameworks
4. BCBS Principles
 - 4.1 Familiarity with Principles
 - 4.2 Board and Senior Management Involvement
 - 4.3 Operational Disruptions & Mitigatory Measures
 - 4.4 Recovery Objectives
 - 4.5 Domestic Communication Protocol
 - 4.6 Cross Border Communication Protocol
 - 4.7 BCP Testing
 - 4.8 Regulatory Authority Reviews
5. Other BCM Models
6. Constraints to BCM Development
7. Expectations from Regulatory Authority & Banking Sector
8. One Disaster Recovery Centre

Each of the emerging themes is discussed separately hereunder.

4.3.1 Risk Management Practices

This theme emerged mainly from responses relating to question (1) of the Interview Guide to Risk Managers. Responses indicated risk management was one of the key functions in the Zimbabwean banking sector. All the respondents acknowledged the presence of a risk management regime across the banking spectrum. The risk management framework is primarily guided by the Risk Management Guideline issued by the Reserve Bank of Zimbabwe in 2006, as evidenced by the following excerpts;

Respondent (1) “The Reserve Bank at the apex has got a Risk Management Guideline that they issued to the market”, which corroborates with;

Respondent (4) “as a sector there is a shift towards more integrated and structured approach to risk management as guided by the Reserve Bank” and,

Respondent (10) “The risk management practices obtaining in the banking sector are guided by the regulator”, and finally.

Respondent (17) “Our risk management model as a sector is driven by provisions of the guideline by the regulator”. These findings are consistent with the findings of

Simwayi (2008), who did a similar study in Zambia. The presence of risk management practices in banks is also in tandem with international best practice. .

4.3.2 Differences in Risk Management Practices by Bank Age, Size and Ownership Status

Responses to questions (2) and (3) of the Interview Guide to Risk Managers shaped the above theme. The responses were a mixed bag but in the final analysis affirmed different approaches to risk management by; long established banks and new banks, large banks and small banks, and finally in indigenous banks and foreign owned banks as the following excerpts would testify.

Respondent (4) “There is not much difference as we are all guided by the guideline from the regulator and we are all working towards full implementation of Enterprise-wide Risk Management Model” and,

Respondent (6) “Risk management issues in indigenous banks are compromised by Governance Structures where risk management systems are overruled by owner managers” and,

Respondent (7) “Large banks have adopted international best practices and foreign owned banks tap expertise from the parent company whereas for indigenous banks the first important thing is to meet regulatory requirements” and

Respondent (8) “Our risk management model is a hybrid of the practice from our parent company and the guidance from the Zimbabwean regulator. We take the best practices from both domains and craft our risk management policy. This applies to all other geographical areas our parent has a footprint”.

Respondent (10) “Risk management approaches will not differ because we are all going towards Enterprise-wide Risk Management but we are at different stages of implementation”,

Respondent (12) “The risk management set up we have here in Zimbabwe is determined by how our parent company is set up as well”,

Respondent (14) “Large Banks have capacity to go into complex transactions and the financial muscle to sponsor complex risk management systems. Small banks may not have the financial muscle and would work around manual systems”,

The varied responses relating to this theme came as a mixed bag with (15) of the Respondents affirming the existence of significant difference in risk management approaches amongst the bank categories. Despite all the banks being guided by guideline from the regulator, foreign owned and large banks emerged to have superior risk management models compared to their small and indigenous owned banks. The differences in approaches were largely influenced by financial muscle and linkages to parent companies. Three Respondents felt that because the underlying principles to risk management as prescribed by the regulator were the same, then there were no differences in approaches. However, research findings pointed heavily towards major differences to the risk management approaches, largely influenced by age, size, and shareholding status.

This finding corroborates the findings of Simwayi (2008) but is in contrast the BCBS (1999)’s assertion that all their underlying principles should be suitable for application to banks of varying levels of complexity and sophistication.

4.3.3 Reviews of Risk Management Frameworks

This theme emerged from responses to question (3) to the Interview Guide to Risk managers. With respect to this theme there was consensus that the Risk Management Framework Policy Document was reviewed and updated annually, although monitoring of evolving risk management issues was on-going and if need be, appropriate measures commensurate with the evolving risk would be implemented in the course of normal business operations. The following excerpts testify to this uniformity.

Respondent (4) “Our risk management framework is reviewed annually. In the last Risk Management framework review we have seen issues to do with Basel II Compliance being incorporated, the Internal Capital Adequacy Assessment Process (ICAAP) and stress testing have all been incorporated” and,

Respondent (10) “All our policies, including the risk management framework are reviewed annually but the monitoring and adjustments are on-going” and,

Respondent (11) “We review our risk management policy annually and also as and when we see certain environmental factors appearing that affect certain areas of our operations”.

All the (18) respondents confirmed their risk management frameworks were reviewed and updated annually with intermittent monitoring and adjustments. The findings are in compliance with the Reserve Bank of Zimbabwe Corporate Governance (2004) Guideline that require the board of directors to regularly review policies and procedures.

4.3.4 BCBS Principles.

The BCBS Principles formed the core of this research. The theme and sub- themes as presented here under were formulated from responses relating to questions (5) to (12) of the Interview Guide to Risk Managers. This theme produced a mixed bag, with some respondents confusing Basel II with the Principles as testified by the following excerpts when question (5) was posed to the respondents;

Respondent (5) “Business Continuity is part of our Enterprise-Wide Risk Management Framework” and;

Respondent (6) “We are subsidiary of an international bank, so these principles were introduced to our risk management systems a long time ago”; “We are very familiar with the principles these were introduced from our Group Head Office a long time ago.” and,

Respondent (7) “As a large bank, our risk management practices follow international best practice, so yes we are familiar with the principles”, and,

Respondent (10) “Every bank in town is seized with Basel II”, and,

Respondent (12) “I am not the correct person to deal with Basel II, that is driven by our Finance Team”,

Other responses however vouched familiarity with the Principles. The pattern of responses reflected an appreciation of the principles was from respondents from

large and foreign owned banks whilst lack of appreciation of the Principles appeared to emerge from indigenous and small banks.

In the final analysis (12) respondents vouched familiarity with the principles whilst (6) respondents appeared to confuse the Principles with Basel II. The basis upon which the BCM models from such respondents were developed is not clear. The findings is not consistent with the requirements of BCBS that require regulators to be always updating financial sector stability guidelines for the market in sync with international developments and best practice..

4.3.5 Senior Management and Board of Directors Involvement

This theme was derived from responses to the question on Principle 1 which sought to establish from the respondents the extent to which senior management and board of directors' involvement in BCM issues. All the respondents confirmed participation of Senior Management and Board of Directors in BCM issues. Common responses were "We have a Risk Management Committee at Board level seized with reviewing and approving BCM policy frameworks among other policies", and "BCM has to have support of the board and everyone else that's why we find budgets for BCM being approved at board level". This finding is in conformity with Principle 1 of the BCBS Principles for Business Continuity Management and the Reserve Bank of Zimbabwe's corporate Governance (2004) guideline. The finding also corroborates the findings of Simwayi (2008) and Antwi (2011).

4.3.6 Operational Disruptions & Mitigatory Measures

This theme emerged from the responses relating to Principle 2. All the respondents affirmed to have identified major operational disruptions that are incorporated in their BCM models as reflected by the following excerpts,

Respondent (4) "the major operational disruption in this environment is power cuts", and,

. Respondent (6) "We identified things like floods for example our Chiredzi Branch was nearly affected by the Tokwe-Mukosi floods, things like fire although we have smoke detectors here", and,

Respondent 9 “The major operational disruptions we have identified is in our communication lines and power, that may disrupt our Disaster Recovery Centre”, and,

Respondent (11) “Some occurrences like bomb scare, things like political or civil strife that prevent workers from coming to work”, and,

Respondent (13) “We want to look at life, our employees, our clients – we want to ensure that people are safe first and foremost”, and,

Respondent (16), “ The things that we plan for are things that are rare in terms of occurrence, if you picture an event like a fire that destroys this building which is our primary site for the system”.

Mitigatory measures in place to mitigate identified major operational disruptions were also identified as follows Respondent (3) “We have placed stand by generators at all our branches for business to continue in the event of power cuts on the national grid”. All the respondents confirmed the existence of an alternate Data Recovery Centre. There appeared to be confusion among some respondents as they appeared to consider a Data Recovery Centre as a Business Continuity Management system. Low Probability but high impact events like earthquakes and terrorist attacks appear not to have been identified as major operational disruption events as none of the respondents mentioned them during the interviews.

There was no evidence that the major disruption events identified and the mitigatory measures put in place were done after a Business Impact Analysis as prescribed by the Principles. This finding corroborates the findings of KPMG Africa (2014) who noted that organisations in Africa often do not fully implement BCPs and do not perform Business Impact Analysis to identify critical business processes and adequate recovery strategies.

. 4.3.7 Recovery Objectives

The Recovery Objectives theme emerged from responses to Principle 3 where respondents were asked to outline the recovery measures in place to ensure business continuity in the event of an operational disruption. The following excerpts give examples of some of the recovery objectives in place.

Respondent (6) “We have developed recovery objectives that ensure that we return to normal operations in shortest possible time. These include our RTO – Required Time to normal Operations and MTPD Maximum Tolerable Period of Disruption and if we are stretched by a disruption, it can take us about 8 hours to safely resume operations”, and,

Respondent (7) “We have come up with what are called Business Priority Maps- we start with services that must never be disturbed and then move on to services that can suffer a 2 hour or 4 hour disruption and then to services which we can do without for a day or two”, and,

Respondent (10) “Our recovery time objective is that we should be able to fully recover within 7 hours.”, and,

Respondent (13) “We singled out our Personal Banking, Business Banking, Corporate Banking and Treasury as key in terms of our recovery objectives”.

From the responses it would appear that there are no standardised recovery objectives across the banking sector. Each bank appears to have set its own independent recovery objectives. Again there is no evidence that a BIA had been done to come with the recovery strategies in conformity with the BCBS principles.

4.3.8 Domestic Communication Protocol

The theme on domestic communication protocol emerged from responses to question on Principle 4 that required respondents to outline the internal and external communication channels in place in the event of a disruptive event. All the respondents affirmed the existence of a communication protocol to alert the regulator, the press and staff in the event of a disruptive event. Some of excerpts in support of this were

Respondent (8) “We have set up a structure for Crisis Communication Protocol where we prioritise communication to the regulator, to the ‘Process Team headed by the MD. Whenever a disruptive event occurs, the MD as the Head of the BCPT handles communication for both external and internal stakeholders”, and,

Respondent (17) “Depending on the level of disruption, the Crisis Management Committee chaired by the MD of the bank takes over the communication to stakeholders function”.

The need for a communication protocol was noted to be part of the provisions contained in the Risk Management Guideline issued by the regulatory authority in 2006.

4.3.9 Cross Border Communication Protocol

The Cross Border Communication Protocol theme emerged from responses to a question on Principle 5 that sought to establish from the Respondents how their banks had incorporated cross border communication system in their BCP. All serve for three respondents confirmed the existence of external communication protocol. The excerpts;

Respondent (4) “We have two remote links with one linking us to the Regional Head Office in Africa and the other one linking us to our Group Head Office in Europe”, and,

Respondent (12) “We have an external conference bridge linking us to our parent company, which when a crisis is declared, we dial into it and start communicating with Head Office”, and.

The cross border communication protocol appeared in relatively little of the data set but emerged as a theme on the basis of the researcher judgement. This buttresses the assertion by Braun & Clarke (2006) who proffered that sometimes researcher judgement is required. What is also critical to note is that a theme might be given considerable space in some data items and little or none in others; or it might appear in relatively little of the data set hence researcher judgement is necessary to determine what a theme is in terms of whether it captures something in relation to the research question Braun and Clarke (2006). Judgement is necessary to determine what a theme is in terms of whether it captures something in relation to the research question. The fact that some banks do not have cross border communication protocols is not in conformity with the provisions of the BCBS principles and affirms the findings of KPMG Africa (2014) that BCM plan in African organisation are not fully implemented.

4.3.10 BCP Testing

The BCP periodic testing theme emerged from responses from a question on Principle 6 that sought to get from the respondents whether their BCP were subjected to periodic testing. All the respondents affirmed periodic testing of their do these drills for particular events; a fire simulation, branch flooding – what happens if the branch is inaccessible as reflected by the following excerpts;

Respondent (1), “We do such tests to see how we can best serve our clients when disruptive events occur”, and,

Respondent (3) “Our plans are annually tested”, and,

Respondent (4) “Our Disaster Recovery Site is tested annually firstly as a regulatory requirement and secondly to make sure it’s in working order should there be need to switch over”, and,

Respondent 6 “Our tests involve us evoking the Disaster Recovery Site into action to make sure that in the event of a major disruption it’s in perfect working order”, and,

Respondent (12) “We test our BCP on an annual basis, and we invite the regulator to come in to witness the simulation and to satisfy themselves that our BC systems are efficient”. The findings are in sync with Antwi (2011) that affirmed the need for regular testing of BCPs in compliance with the principles.

From the responses there is mixing of testing BCPs and Disaster Recovery Sites, a situation that corroborates KPMG Africa (2014)’s findings that IT Disaster Recovery planning is the most implemented BC component reflecting that IT and data disruptions are the African business leaders’ main concern. The fact that Respondents failed to distinguish between BCPs and Disaster Recovery is an affirmation that BCM models are not fully implemented in Africa. This also affirms Simwayi (2008) who found out that in Zambia BCP tests were focused on recovery of technology instead of the entire business processes.

4.3.11 Regulatory Authority Reviews

The regulatory reviews theme was formulated on the basis of responses to a question asked on Principle 7. The question required respondents to comment on the extent to which their BCM systems were subjected to regulatory reviews. All the respondents confirmed that their BCP were subjected to supervisory review. However, in the absence of an issued guideline on the 7 Principles, what is being examined by the regulatory authority are business contingency plans which are different from BCM. Some of the excerpts;

Respondent (6) “Our regulator has been very active”, and,

Respondent (10) “We are due for an annual on-site inspection and one the areas the regulator will not miss to inspect is our DR Site”, and,

Respondent (12) “We actually in the midst of an on-site examination and one of the areas the regulator will look at is BCP”.

There is more than the regulator needs to inspect on. First and foremost, the fact there no minimum standardised benchmarks for service delivery means that the inspection template cannot be applied across the board.

4.4 Other Models

The theme on other BCM models other than the 7Principles emanated from responses on question 13 that requested respondents whether they would recommend any other BCM models for adoption in Zimbabwe. Serve for one, respondents failed to recommend other models that could be applied to the banking sector. Excerpt for the one who recommended “we are in the process of implementing ISO 22301, which has to do with BCM – it’s more of a certification process meant to raise our organisation’s rating”. The fact that, serve for one all the other failed to identify alternative or additional models for adoption in the Zimbabwean banking sector reflects that the sector is not tracking international developments in BCM. In Zambia Simwayi (2008) found the same scenario obtaining where risk managers were not conversant with a couple of BCM models.

4.5 Constraints to BCM Development

The theme on constraints to full development of BCM development in the banking sector was formulated on the basis of responses the question on what could be the impeding (or) conducive factors for the development of BCM to international and best practices in Zimbabwe. Over and above the risk managers, this question was also posed the respondents from the Regulator, the Bankers Association of Zimbabwe (BAZ), the Deposit Protection Corporation, and three retired bank CEOs. It became necessary to incorporate other views from other respondents who were deemed adequately placed to give well opinionated responses to the question.

During the initial round of interviews with risk managers, all of them cited financial resources and considered BCM a costly exercise with no meaningful immediate returns. The excerpts;

Respondent 4, “The problem is BCM whilst it may be accepted at senior management and board level for compliance, it may not get sufficient buy in from the same members for budgetary support-it’s like investing in a white elephant”, and,

Respondent 5 “The liquidity challenges obtaining in the operating environment leaves banks with very little room to manoeuvre when it comes to investment decisions, and BCM is certainly not top on the agenda”, and,

Respondent (19) Banks will invest the barest minimum to comply with the regulator, just imagine the value of IT that goes into a Disaster Recovery Site that is idle most of the time”, and,

Respondent (21) “The major hurdle is financial resources, under the current environment, banks are operating on thin margins”, and,

Respondent (23) “When making investment decisions, banks work on the basis of return to shareholder. Under current circumstances of depressed returns, what would be the value of BCM to shareholder?” underlying vulnerability challenges bedevilling the Zimbabwe Banking sector. Again in Zambia as noted by Simwayi (2008) most small and domestic banks partially invested in BCM due to cost constraints. The fact that in the same market some banks fail to sponsor important risk management programmes is in contrast to the BCBS assertion that their

underlying principles apply to all institutions regardless of the level of complexity and sophistication. This buttresses the view that a one size fits all approach may not work in some instances.

4.6. Expectations from Regulatory Authority and the Banking Sector

The theme on expectations from the Regulatory Authority and the banking sector to enhance BCM in Zimbabwe emerged from responses to question 15 of the Interview Guide to Risk Managers. The question was also extended to the other stakeholders as indicated in 4.6 above. Expectations from the regulatory authority were represented by the following sample excerpts;

Respondent (8) “Banks are still operating on a cluster basis, that is to say there groups of banking institutions not will to do interbank business with certain banks. This distorts the market, banks must be willing to embrace each other especially under these biting liquidity challenges”, and,

Respondent (12) ““The regulator must update guidelines in tandem with international developments. We are still using the Risk Management Guideline of 2006, when other jurisdictions are now moving to Basel III”, and,

Respondent (15) “The Reserve Bank must establish minimum acceptable levels for business continuity in the event of a disruption. The current set –up where each bank decide on its own minimum service delivery objectives does not augur well for the market”, and,

Respondent (17) “The regulator need to consult widely with the market especially on programmes that might prove costly to banks”, Excerpts relating to expectation from the banks; Banks could cooperate and pull resources together to establish one Disaster Recovery Centre rather the current situation where each has it’s own stand-alone Recovery Site. This could save on costs. In South Africa banks share cash depots and CIT facilities.

Sentiments relating to expectations from the regulator clearly point to the fact that more is expected from the Reserve Bank of Zimbabwe in terms of development of guidelines in tandem with international developments and best practice. The expectations are pretty well placed because regulatory authorities according to

BCBS, regulators have greater responsibilities in terms of safeguarding and maintaining public confidence in the financial system.

4.7 Summary of Findings

From the preceding thematic analysis, the following summary of findings was extracted

1. In Zimbabwe banks have formalised risk management practices in their day to day operations.
2. The risk management practices, although guided by the Risk Management Guideline issued by the regulator in 2006, are not uniform across the banking spectrum. The risk management practices vary according to the bank's size, age, and origin of shareholder
3. The Risk Management Frameworks, like all other policies, whilst monitored and adjusted in the normal course of business are reviewed and updated annually.
4. There is no clear understanding of the BCBS 7 Principles for Business Continuity amongst the Risk Managers in the banking sector in Zimbabwe. There is a mix-up of the Principles with Basel II and the Enterprise –wide Risk Management model especially from Risk Managers of small and indigenous banks
5. Senior management and board members participate in BCM issues but ironically, are not supportive when it comes to budgetary allocations for BCM implementation
6. Recovery objectives identified skirt low probability high risk events like earthquakes and terrorist attacks.
7. There is no uniformity and standards to which recovery on recovery objectives are benchmarked. Each bank sets its own recovery objectives guided by its own disaster recovery capacity.
8. Each bank has a communication protocol for alerting the regulator, press and staff in the event of a disruption.
9. Only 4 banks have established cross border communication links

10. Smaller and indigenous have not fully invested in BCM mainly due to cost constraints. There also a mix up between BCPs, and ICT related Data Recovery arrangements.
11. BCPs are purported to be tested annually
12. BCM frameworks are subject to onsite inspection by the regulator, consistent with Principle 6 of the BCBS high level principles for business continuity
13. Major challenges for establishing BCM to international levels and best practices are lack of financial resources and lack of buy in from shareholders hence BCM policies in place are for window dressing only.
14. Banks must consider pulling resources together to establish a single Disaster Recovery Centre
15. The regulator was noted to be lagging behind international developments and best practice in the area of BCM as evidenced by the absence of a Guideline for the market, in contrast with other regional regulators like the Bank of Tanzania that issued BCM guidelines in 2009.

4.8 Conclusion

This chapter explored data collection and analysis process applied in this research study. Findings presented under the Emerging Themes section are detailed as they capture the direct words of the respondents in conformity with the inductive approach to data analysis. A summary of findings is presented in a manner that makes it easy to relate them to the study question and also to pick the gaps obtaining in the Zimbabwean BCM regime. The next chapter presents conclusions and recommendations for further studies on the subject.

CHAPTER FIVE DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapter covered in detail the data analytic process for this study. This chapter dwells largely on discussion of findings, conclusions, limitations and areas for possible future studies. The discussion primarily focuses on issues linking the study findings to the theoretical framework as outlined in Chapter 2. The Conclusions are derived from the researcher's own interpretation of findings in accordance with the data analysis process. The recommendations are also formulated by the researcher's perception of what areas warrant further enquiry. Limitations serve the purpose of explaining the restrictions and impediments the researcher encountered in the course of the research process.

5.2 DISCUSSIONS

The results of this study corroborate the Main Proposition/Hypothesis as stated in Section 1.7. Zimbabwean banks are not in a position to continue offering services in the event of a major disruption. This state of affairs emanates from the liquidity challenges bedevilling the sector that have incapacitated the banks from investing in international and best practice BCM models. This situation is further exacerbated by a lack of a clear understanding of the BCBS High Level Principles for Business Continuity, upon which robust BCM models could be developed. As the study revealed, the principles are confused with Basel II or Enterprise-Wide Risk Management models.

Whilst both the Basel II and ERM have elements of business continuity management, they are not synonymous with the BCBS High Level Principles for Business Continuity. Serve for foreign owned banks that have well developed BCM model in compliance with Group Policies, locally owned banks have not fully implemented BCM. For reasons related to cost constraints the majority of small and locally owned banks have invested only in one aspect of BCM viz IT disaster recovery planning. As such what some banks consider as BCM models are glaringly not developed in compliance with the BCBS High Level Principles for Business

Continuity. This state of affairs lies squarely on the lap of the regulator, who despite the leaps and bounds developments in the discipline of BCM, has not kept pace in up-dating the risk management guidelines. The Risk Management Guideline issued in 2006 contains scanty guidance for the development of BCM to international level and best practice.

There is still widespread misunderstanding Disaster Recovery Plans and BCPs. Yet from literature reviewed and from Figure 3, a Disaster Recovery Plan is just a component of the Business Continuity Management System. This confusion displayed by some respondents buttresses the statement of the problem that the BCM models in the Zimbabwean banking sector were not prepared in compliance with the BCBS' Principles.

As has been hinted earlier, the liquidity challenges have hampered the sector to fully implement proper BCM structures. But the study has also picked that there is lethargy on the part of shareholders to fund BCM development for the mere reason that there is no immediate investment returns. Surely that kind of thinking is misplaced, because in the unlikely event that disaster strikes, all the investment that is there now is be wiped out. Surely one wonders whether the 9/11 is not a sufficient wake-up call. What is lacking is the understanding that if BCM is appropriately implemented, it gives room for the board of directors to focus more on important issues such as;

- The bank's business and operating model,
- Key value creating products and services
- Providing clearer policy direction to the bank's underlying business lines and easier oversight at board level.

This state of affairs should be a wake-up call for the regulator to start working on shareholder awareness campaigns on the importance of BCM. The call for banks to cooperate and share costs on certain infrastructure like Disaster Recovery Centre is a highly noble one. Banks in Zimbabwe are so much used to the silo mentality that has only served to fragment the sector and heighten systemic risk fears. It is now the time to shift away from such costly postures. The regulator could use its morale suasion muscle in this regard and so should the Bankers Association of Zimbabwe

start open discussions on cooperation like South African banks have been practising in the area of cash depots and CIT.

5.3 CONCLUSION

In order to answer the main question, the study had sub questions as outlined in Chapter One. The first sub question was to find out whether Zimbabwean banks practised risk management in their day to day business. The study affirms having found a prevalence of risk management practices in the banking sector and concludes that there are risk management structures in banking institutions. The second sub question sought to establish whether the risk management practices differed between large and small banks, local owned and foreign owned banks. The conclusion from the research is that indeed there huge differences in approach due parent company influence and the adoption of international best practice by large banks that have the capacity to sponsor complex risk management systems.

The third research question sought to establish whether the BCM models in Zimbabwe were developed in compliance with the BCBS Principles. The investigation revealed two scenarios whereby large and foreign owned banks' BCM models were developed in compliance with the provisions of the Principles, whilst the second scenario small and indigenous banks' BCM models were not developed in compliance with the Principles but in line with the provisions of the Risk Management Guideline issued out in 2006. The research therefore concluded that partial implementation of the principles by small and indigenous banks reflect that the principles have not been fully embraced by the regulatory authority and as evidenced by the absence of a guideline to market. Consequently, the so called BCM frameworks in place were largely prepared on the basis of the Risk Management Guideline issued in 2006. This therefore means that the BCM models in place for some banks especially locally owned ones were not prepared in compliance with the principles.

5.4 RECOMMENDATIONS

The study makes the following strong recommendations;

1. The absence of a BCM guideline on BCM to the market requires that the regulator develop one as a matter of urgency. It is not clear why the local regulator has seemingly ignored the development of such an important guideline like what other regional regulators, for example the Bank of Tanzania did in 2009.
2. The regulator should constantly update the BCM Guidelines to the banking sector in tandem with international trends. This would give direction to the market to develop their BCM models to international standards and best practice.
3. It is evident that for some banks proper business impact analysis was not sufficiently done to determine the major operational disruption events and to formulate attendant recovery objectives and mitigatory measures. This state of affairs again stems from lack of proper guidance from the regulator. Accordingly, it is strongly recommended that the regulator should develop BCM guidelines for the market in order to enhance BCM. The current situation whereby each bank has own its set of recovery objectives and mitigatory measures in the event of a disaster does not augur well for the enhancement of public confidence in the sector. Accordingly, a regulatory guideline spelling out the minimum expected level of business resumption in the event of an operation disruption. Anything over and above the minimum expected level of service resumption in the event of an operational disruption is a bonus and a competitive advantage tool to the particular organisation.
4. The study has also revealed that whilst some board of directors and senior management staff sign off policies and procedures documents, the same members turn the other way when it comes to budgetary allocation requests for implementation of BCM programmes. Accordingly, it therefore means BCM policies from such banks are merely paper documents prepared for regulatory compliance. It is therefore recommended that the regulator starts work on publicity campaigns to the boards and senior management of banks on the benefits of investing in BCM systems.

5. The sentiments emerging that emerged from respondents on the need for banks to cooperate on investing in infrastructure for common use needs to be taken seriously. It is therefore strongly recommended that BAZ and the regulator engage each other to explore areas where the banking sector can share infrastructural and service facilities like the Disaster Recovery Centres.

5.5 Limitations

Despite the small number of the sample size (30), the researcher failed to secure interview with four risk managers. In what the researcher least expected, one bank categorically stated that they did not support research work. Two of the banks were under on-site supervision by the regulator during the period of primary data collection and could not release the Risk Managers for interviews. The last bank was in the midst of shareholder transition and staff rationalisation, and could not identify who amongst the staff would be retained as Risk Manager. These limitations meant that the researcher could not interview (30) respondents as had been originally planned.

5.6 Future Work

This research focused on the banking sector only. Yet when the BCBS Principles were formulated, they were intended to cover the entire financial industry participants viz, the banking sector, the insurance sector and the stock exchanges as well. Accordingly, in order to get a holistic picture of the state of BCM across the financial industry participants' spectrum, there is scope to widen the research to insurance and stock exchange sectors as well.

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