AN INVESTIGATION INTO THE EFFECTIVESS OF BUSINESS CONTINUITY PLANS FOR COMMERCIAL BANKS IN ZAMBIA

By

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DEDICATION

This work is dedicated to my wife Josephine Muleya and my children Mable Namwayi, Mumba Namwayi, Suwilanji Simwayi and Lenganji Simwayi for their sacrifices during my studies. It is also dedicated to my late father, Moffat Simwayi, for his encouragement and humility throughout the time we shared together.

DECLARATION:

I hereby declare that the work which is submitted here is the result of my own independent investigation and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references. I further declare that the work is submitted for the first time at this university/faculty towards Magister degree in Disaster Risk Management and that it has never been submitted to any other university.

TABLE OF CONTENTS

ABSTRACT

This study was aimed at investigating the effectiveness of Business Continuity Plans for Commercial Banks in Zambia. The study used both the qualitative and quantitative methods to address the objectives. The study targeted fourteen commercial banks, which are the total number of commercial banks in Zambia. The main reason for this was that the population, which included both local and international banks, was relatively small and manageable. Guided oral interviews, documentary analysis and questionnaires were used to collect data. Quantitative data was analyzed using the Statistical Package for Social Sciences (SPSS) while qualitative data was manually analyzed.

The study found that all the commercial banks had Business Continuity plans apart from one Commercial Bank and the Bank of Zambia. It was further discovered that the BCPs for eight banks are ineffective and BCP personnel from twelve commercial banks were not adequately trained to handle BCM programmes. As a result they did not have a clear understanding of BCM international standards.

The fact that BCP personnel were inadequately trained meant that the majority of employees from banks had a very scanty understanding of BCPs. The main recommendation therefore is to adopt a more holistic approach to BCM and its relevance to the strategic and operational aspects of the banks. There should be

an integrated organization-wide approach which must ensure adequate allocation of resources to the BCM programmes.

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ABBREVIATIONS AND ACRONYMS

BCI	Business Continuity Institute
BCM	Business Continuity Management
BCP	Business Continuity Plan
BSI	British Standards Institutions
DMMU	Disaster Management and Mitigation Unit
FFIEC	Federal Financial Institution Examination Council
FSDP	Financial Sector Development Plan
GDP	Gross Domestic Product
IBM	International Business Machines
ICT	Information and Communications Technology
IMF	International Monetary Fund
ISACA	Information Systems Auditing and Control Association
IT	Information Technology
PLC	Public Limited Company
RBS	Royal Bank of Scotland
USA	United States of America
ZANACO	Zambia National Commercial Bank

CHAPTER 1

1.0 Introduction

The chapter provides the background to the study. The historical background of the banking sector and an overview of the Zambian economy is presented to put the study in context. The banking sector and the economy in Zambia have been shaped by different factors. The chapter also deals with the significance of the study, the problem statement, research objectives, research questions and the structure of the study.

1.1 Background to the study

The current study is investigating the effectiveness of Business Continuity Plans (BCPs) for commercial banks in Zambia. The investigation can only be thorough and feasible through a clear understanding of the banking sector in Zambia and the role it plays in the economy. Further an overview of (BCPs) in relation to the banking sector is critical to the study.

1.2 Historical Background of the banking sector in Zambia

The details of the pre-independence banking sector in Zambia are linked to those of Malawi and Zimbabwe because the three countries to a large extent were treated as a single economic unit. Having been more developed than the others, it was Southern Rhodesia (Zimbabwe) that usually first attracted banks. For a region as a whole the period 1952 to 1963 was marked by an expansion in terms of both new entries and branch expansion. The earlier banks Standard Bank of South Africa, Barclays Bank DCO and the Netherlands Bank of South Africa were joined by Grindlays Bank and the Ottoman Bank (Musokotwane, 1985).

During that period all commercial banks operating in the Central Africa Region were foreign owned and remotely controlled from their head offices. For example Barclays Bank was controlled from London. Musokotwane (1985) further explains that towards the end of the federal period some banks like Standard Bank introduced an element of local control by enlarging local head offices or establishing local boards of directors. The African population's participation in the banking business was rather insignificant.

Musokotwane observed that at independence in 1964, Zambia inherited those branches of commercial banks which had local representation in Northern Rhodesia. These were:

(i) Barclays Bank DCO

(ii) Standard Bank

(iii) Grindlays

(iv) Bank of South Africa

In addition to the above banks, there was also the Merchant Bank of Central Africa. New additions to the commercial banking industry since then were the Zambia National Commercial Bank, Citibank and the Bank of Credit and Commerce.

According to Mwenda (2002), before the 1992/93 financial reforms in Zambia, the banking sector consisted of four (4) distinct groups as follows:

(i) Old foreign banks such as Barclays Bank DCO (1918), Standard Chartered Bank (1906) and Grindlays Bank (1956). They primarily served the interest of foreign corporate entities.

(ii) New foreign banks such as Citibank (1979), Meridian Bank (1984), Indo-Zambia Bank and Bank of Credit and Commerce (1979). They were primarily retail banks apart from Citibank.

(iii) State owned banks such as Zambia National Commercial Bank (1969), National Savings and Credit Bank (1972), Lima Bank (1984) and the Co-operative Bank (1989).

(iv) Local banks such as New Capital Bank (1987) and Manifold Investment Bank (1987)

1.2.1 The Financial Sector Reforms

In the early 1990s the Government of the Republic of Zambia through the Bank of Zambia started implementing the financial sector reforms as part of the World Bank/IMF structural Adjustment and Financial Stabilization Programmes. The reforms started with the partial liberalization of interest rates and the removal of sectoral credit ceiling. However, the most significant reforms took place after 1992/92 restructuring of Government owned financial institutions, the liberalization of foreign exchange and interest rates, liberalization of entry into the financial system and reforms to the prudential regulatory system (Maimbo, 2002).

These reforms promised more profitable and viable financial sector. However, as inflation and exchange rates began to stabilize in 1993 and 1994 some local banks found it difficult to maintain earlier levels of profitability. In an attempt to maintain previous performance levels, the banks are said to have began to disregard prudent banking loan procedures, started lending to related parties and insider borrowing, boards of directors became inefficient and exposed banks to various risks. The banks were exposed to both financial and operational risks. These factors culminated in the closure of three (03) banks in 1995 and a further five (5) banks in 1997/98. (Mwenda, 2002).

The table below gives a summary of closed banks.

It indicates that 1995 and 1997 were not very profitable years in banking.

Table 1. Bank Failures Summary

No.	Bank	Date Closed
1	Meridian BIAO	19 May 1995
2	African Commercial Bank	11 November 1995
3	Commerce Bank	29 November 1995
4	Credit Africa Bank	28 November 1997
5	Prudence Bank	18 October 1997
6	Manfold Investrust Bank	4 December 1997
7	First Merchant Bank	2 February 1998
8	Chase Trust Bank	Was taken over by ZANACO

Sources: Bank of Zambia (2006)

1.2.2 The current structure of the banking sector in Zambia.

The banking sector in the Republic of Zambia comprised the Bank of Zambia and thirteen (13) commercial banks (FSDP, 2004:55). In 2008 the Bank of Zambia licensed another commercial bank which brought the total number of banks to fourteen(14). Some banks are foreign owned while others are indigenous. These Banks are:

(i) Barclays Bank Zambia Plc - A subsidiary of a multinational British Bank.

(ii) Standard chartered Bank Plc - A subsidiary of a multinational British Bank.

(iii) Citibank Zambia limited - A subsidiary of multinational American Bank.

(iv) Stanbic Bank Zambia Limited - A subsidiary of Standard Bank, South Africa.

(v) Cavmont Capital Bank Limited - A local bank.

(vi) Zambia National Commercial Bank - A joint venture between Rabo Bank of Netherlands and the Government of Zambia.

(vii) Indo-Zambia Bank - A joint venture between the Zambian and Indian Governments.

(viii) African Banking Corporation Zambia Limited - Owned by Zimbabweans.

(ix) Intermarket Banking Corporation Zambia Limited - Owned by Zimbabweans.

(x) Finance Bank Zambia Limited - A local bank.

(xi) First Alliance Bank Zambia Limited - A local bank.

(xii) Investrust Bank Limited - A local bank.

(ix) Bank of China Limited - Owned by the Chinese.

(x) Access Bank - A subsidiary of Multinational Nigerian Bank.

1.3 Historical Background of the economy of Zambia

The importance of banks to a country's economy cannot be over emphasized. They are at the hub of the economic activities. They provide essential financial services to the economy. Among other things, they accept deposits from clients with surplus funds and provide loans to borrowers (Chisunka, 2000). Therefore, some historical background of the Zambian economy and how it relates to the financial banking sector is imperative.

Since independence in 1964, Zambia has been dependent on the copper industry. High copper prices and production levels in the 1960s placed the country among the wealthiest nation in the region. The annual average rate gross domestic product (GDP) growth between 1964 and 1968 was 2.4%. The manufacturing and agricultural sectors grew at an impressive rate of 9.8% respectively (Kani, 1996:20). Yet despite the impressive economic growth rates, there remained significant differences in the quality of financial services available to people working in the formal and informal sectors and between those living in urban and rural areas.

Kani (1996) further explains that in an effort to address these imbalances, the government implemented the 1968 Matero Reforms which resulted in government control of a significant portion of the economy. By mid 1970 Zambia had become a classic case of a public sector led economy with excessive control, state monopolies and a pro-urban ant-agricultural bias. The introduction of price controls and the nationalization of the domestic industry had a telling effect on the economic efficiency of Zambia's industries.

The economy was also affected by external shocks such as severe deterioration in terms of trade, maize harvest failures due to drought and rising military activities related to its support for independence struggle in neighboring countries (Maimbo, 2000).

Jones (1994) identified eight structural problems affecting the Zambian economy at the time namely:

(i) An extremely high level of debt in relation to export and GDP.

(ii) A real effective exchange rate whose level had remained almost constant at the pre-1975 level implying no incentive to promote non-traditional experts.

(iii) An agricultural sector whose development had been neglected and was characterized by extreme dualism between large scale capital intensive commercial farming and subsistence farming.

(iv) Continued dependence on the mining sector to generate revenue.

(v) A relatively large manufacturing sector of doubtful economic viability.

(vi) A highly urbanized and rapidly growing population.

(vii) An extremely skewed income distribution, with the richest 5% receiving the third of total income and the poorest 60% only a fifth.

(viii) A political system, which to a considerable degree, entrenched the interests of those who had most to lose from the reforms.

1.4 An Overview of Business Continuity Plans

The Business Continuity Plans (BCPs) are a component of the Business Continuity Management (BCM) process.

The Business Continuity Institute (BCI), a United Kingdom based organization, which develops and promotes internationally accepted business continuity principles, practices and standards define BCM as a holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized might cause and which provides a frame-work for building organizational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.

An integral part of BCM is a BCP. The Standard Australia International (2004) recognizes the importance of BCP and disaster recovery as essential aspects of sound risk management, corporate governance and quality management. The BCI further defines a Business Continuity Plan (BCP) as a documented collection of procedures and information that is developed compiled and maintained in readiness for use in an incident to enable an organization to continue to deliver its critical products and services.

The BCP pulls together the response of the whole organization to a disruptive incident. The component of the plan will vary from organization to organization and will have a different level of detail based on the culture of the organization and the technical complexity of the solutions. However, the key elements of the plan such as purpose ownership, testing etc are similar.

In South Africa the King Report of 2002 on corporate governance recognizes the importance of risk management in general and business continuity plans in particular. The report stated that:

The board of directors is responsible for ensuring that a systematic documental assessment of the process and outcomes surrounding key risks is undertaken at least annually for the purpose of making its public statement on risk management. It should at appropriately considered intervals, receive and review reports on the risk management process in the organization. The risks assessed should address the organizations exposure to at least the following.

(ix) Physical and operational risks

(x) Human resource risks

(xi) Technology risks

(xii) Business continuity and disaster recovery

(xiii) Credit and market risk

(xiv) Compliance

The Basel Committee on Bank Supervision prepared high level principles for business continuity which were targeted at financial industry participants and financial authorities such as Central Banks world over.

The Committee observed that there are several initiatives at the International level, on the business continuity front. These have been concentrated mainly on co-ordinating cross-border communications crisis. To date however, there has not been a concerted effort to draw together the lessons learned from major events such as the September 11 in the United States of America and translate then into a set of business continuity principles that are relevant across national boundaries and financial sectors such as banks (Bank of International Settlement, 2005).

1.5 The Missing Link

The field of Business Continuity Management is relatively new. Not so much has been written, particularly in relation to the financial sector. Available literature indicates that while a great deal of work has been accomplished in the Information Technology Business Continuity Management, very little has been done in assessing Business Continuity Plans in other sectors such as banks.

For example in 2002 IBM conducted a survey among 202 companies of various sizes and found that for mission critical application software there was a weekly average of 253 minutes of planned downtime and approximately 41 minutes of unplanned downtime. The survey valued the cost of mission critical application downtime at approximately $836,000 per week for planned downtime and approximately $600,000 per week for unplanned downtime (IBM, 2004). The survey concluded that to keep operations running every hour of the day and every day of the week companies need comprehensive Business Continuity Plans which support high availability continuous operations and disaster recovery.

The September 11 2001 events showed a horrifying picture of how vulnerable many organizations including banks, were (FFIEC, 2003). In Zambia the Chingola 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 recovery from major disruptions was inadequate and the whole recovery process was very difficult.

While it was acknowledged that the Bank of Zambia conducts planned and impromptu inspections of all commercial banks in Zambia to review their risk management structures, principles and practices, there was scanty information on the effectiveness of their BCPs. It was therefore necessary for this study to find out the effectiveness of BCP for all commercial banks in Zambia. It is also important to ascertain whether the plans are incorporated in corporate strategies.

1.6 Statement of the Problem

In Zambia, it was assumed that individual commercial banks have BCPs. However, it was not known whether the plans were effective or not. It was also not known if they were incorporated in corporate strategies and conformed to internationally accepted standards.

1.7 Main Objective of the Study

The missing link discussed above raises the need to carry out a thorough investigation. The study therefore, proposed to investigate the effectiveness of BCPs for commercial banks in Zambia. Further it proposed to ascertain whether plans are incorporated in corporate strategies and they conform to international standards. The primary or main objective of the study was derived from the title that is “An investigation into the effectiveness of BCPs for Commercial Banks in Zambia”.

1.7.1 Sub-objectives of the study

Arising from the primary objective, the following secondary or sub objectives were identified.

- To establish whether each commercial bank has a BCP in place.
- To establish whether the plans are incorporated in corporate strategies.
- To establish how often plans are tested, reviewed and updated.
- To establish how often plans are audited.
- To establish whether plans conform to internationally accepted standards and practices.
- To make appropriate recommendations on how to increase effectiveness of BCPs.

1.8 Research Questions

- Does each commercial bank have a BCP?
- How often does each commercial bank test, review and update contents of BCPs?
- Are BCP incorporated in corporate strategies?
- Are plans subjected to audit, if so how often?
- To which standard are plans benchmarked?

1.9 Research Design and Methodology

1.9.1 Overview

The purpose of this section is to describe the methodological and research approaches which were used in the study. The section also discusses the sampling procedures, the population and methods of data collection.

1.9.2 Research design

The study would be evaluated using both qualitative and quantitative methods to analyze and address objectives stated in section 1.7. Babbie and Mouton (2003) explain that qualitative methods refer to a broad methodological approach to the study of social actions. They are used to refer to a collection of methods and techniques which share a certain set of principles or logic. Qualitative methods of data collection include observation, semi-structured interviews and the use of personal documents to construct life stories. Quantitative methods on the other hand emphasize the quantification of constructs. The quantitative researcher, according to Babbie and Mouton, believes that the best way of measuring the properties of phenomena is through assigning numbers to the perceived qualities of things. The evaluative approach would help in determining the effectiveness of any activities (Morton, 2003:158). This approach was used to generate questions designed to address the objectives. Further, the method was used to analyze data collected from the design to extract patterns and make comparisons (Bell: 1999).

1.9.3 Sampling procedures

Sampling is a process of selecting a set of elements from a population in such a way that the description of those elements accurately portrays the parameters of the total population from which the elements are selected (Babbie and Mouton 2003).

The study targeted fourteen (14) banks which is the total number of commercial banks in Zambia. The main reason of focusing on fourteen (14) commercial banks in Zambia was that the population was relatively small and manageable. It was envisaged that focusing on the total population would be relevant and inclusive of both local and international banks. Therefore the required data for the study would provided adequately. In particular there was need to combine big and small banks.

1.9.4 Data collection procedures

Primary and secondary data collection techniques were used. These are discussed below:

(i) Questionnaires

Questionnaires were administered to heads of departments in charge of relevant departments such as Information Technology, Security and Risk Management. In instances where heads of departments were unavailable, questionnaires were distributed to managers responsible for BCPs. Questionnaires facilitated the collection of both quantitative (open ended questions) and quantitative data (close questions).

(ii) Guided Oral Interviews

Guided oral interviews were used to collect data from respondents. What influenced the selection of this technique was the nature of data to be collected, which required the researcher to have face-to-face interactions probing of answers.

(iii) Desk Research

Secondary data was collected through desk research. It involved literature review of reports, books, journals, etc. Of particular interest were the commercial banks' Strategic Plans and BCPs. The secondary data supplemented and verified primary data. It also helped the researcher to arrive at logical conclusions.

1.9.5 Data analysis

The data was analyzed in two stages. First, all the quantitative data was statistically analyzed then qualitative data was manually organized and analyzed.

1.10 Significance of the Study

The role that commercial banks play in the economy of Zambia cannot be over emphasized. Therefore any disruptions no the smooth running of the financial sector may have telling effects. Disasters of various types happen to communities, organizations (including banks) and countries on virtually a daily basis throughout the world. They take various forms ranging from natural disasters such as floods to man made ones such as terrorism and industrial accidents. Some financial institutions when questioned about their lack of preparedness, they thought that they could cope, they were too big to fail and that they were not a terrorist target. Others believed that their insurance will pay for everything and others thought that they simply did not have the time to prepare. The list of businesses that have failed following disasters, suggests that these responses were based on false assumptions.

Zambia is predominately a cash based economy and any serious disruptions of banks may have negative multiplier effects on the people and their businesses. Therefore appropriate planning and preparedness before a disaster happens are essential to minimizing the risks and the resulting damage. It was anticipated that the findings of the study would help policy makers in the banking sector to make informed decisions on how to ensure that commercial banks manage any disruptive events successfully.

To the University of the Free State and the world at large, the findings would add new knowledge to the body of literature on Disaster Risk Management in general and Business Continuity Management in particular.

1.11 Operational definition of terms

Commercial bank: Any bank other than the Central Bank.

Source: Bank of Zambia.

Business Continuity Management: Holistic management process that identifies potential threats to an organization and the impact to business operations those threats, if realized, might cause, and which provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of its stakeholders, reputation, brand and value -creation activities.

Source: BCI, 2001

Business Continuity Plan: Documented collection of procedures and information that is developed, compiled and maintained in readiness for use in an incident to enable an organization to continue to deliver its critical products and services.

Source: BCI, 2001

Corporate Strategy: The pattern of objectives, purposes, policies and plans for achieving these objectives, stated in such a way that defines what business the organization is in or should be in and the kind of organization it is or should be:

Source: Scott, 2006

Resilience: Ability of an organization to resist being affected by a disaster.

Source: BCI, 2001

Risk Assessment: Overall process of risk identification, analysis and evaluation.

Source: BCI, 2001

Risk Management: Structured application of Management Culture, policy, procedures and practices to the tasks of analyzing evaluating and controlling risks.

Source: BCI, 2001

Stakeholders: Those with an interest in an organization's achievements e.g. customers, partners, employees, suppliers, shareholders, owners, government and regulators.

Source: Woodman, 2007

CHAPTER 2

2.0 Theoretical Framework and Literature Review

2.1 Theoretical Framework

To understand the definition of Business Continuity Plans and their importance in the banking sector, one has to have an appreciation of the dynamics and factors that led to the development and promotion of the concept. Every organization is faced with a variety of threats and vulnerabilities and these continue to evolve. Business disruptions can include natural disasters such as floods, earthquakes and tsunamis. The threat of man-made disasters such as terrorism has taken on a sense of urgency as well. Drenman and MC Connell (2007:103) argue that risks can never be reduced to absolute zero, therefore, plans need to be developed, resourced and tested in order to ensure continuity of service provision when a major disruptive event occurs. They further contend from experience that organizations which are ill prepared for unexpected events, suffer greater losses and take longer to recover, if at all, compared to those which addressed their business continually needs in advance. As for insurance, while it may satisfy part of the financial loss that may be experienced, it can do little for other aspects of damage or loss, such as reputation and stakeholder trust.

2.2 The Purpose of banks

There is fairly adequate literature from many studies on the role played by banks in an increasing complex financial world. According to Heffernan (2005) the provision of deposit and loan products normally distinguishes banks from other types of financial firms. Deposit products pay out money on demand or after some notice. Deposits are liabilities for banks which must be managed if the bank is to maximize profit. Likewise, they manage assets created by lending. Therefore the core activity of banks is to act as intermediaries between depositors and borrowers.

The second core activity of banks is to offer liquidity to their customers. Heffernan (2005) explains that depositors, borrowers and leaders have different liquidity preferences. Customers expect to be able to withdraw deposits from accounts any time. In this regard, firms in the commercial world want to borrow funds and repay them in line with the expected returns of an investment plan which may take a lot of time to realize after the investment. On the other hand by lending funds, savers are agreeing to give up present consumption in favour of consumption at some date in the future.

In an earlier study George (1997) agreed with Heffernan on the core activities of banks. He stated that the key distinguishing characteristics that make banks special from the organizations are that:

(i) They take unsecured deposits from the public and offer transaction accounts.

(ii) The attraction of the deposits and payment services depend on depositors having trust in the banks that funds will be available on demand.

(iii) They are the transmission belt for monetary policy. They provide a suitable avenue through which central bank influences monetary policy.

In a study conducted on banking rescues and insolvency in Zambia Chisunka (2000) stresses the role of commercial banks. He explains that the importance of banks to a country's economy could not be over emphasized. They are at the hub of economic activities. They provide essential financial services to the economy. Chisunka also agrees with the intermediary role that banks play in the economy. He indicates that they accept deposits from people with surplus funds and make loans to borrowers. They are at the heart of the payment systems. This aspect, in particular, transcends national borders and forms the basis for domestic and international trade.

2.3 Business Continuity Plans

For the purpose of this study BCPs will be explained from the BCM point of view. Historically, according to Drenman and MC Connel (2007) much of BCM has its roots in the protection of computer systems and facilities, with the idea of data backup and recovery sites in the event of an information technology failure, gradually extending to other aspects of the business. Many organizations that did not have any plans for business continuity were prompted to address this issue when the “Millennium big” otherwise known as “Y2K” became a major concern in the late 1990s. Having gone through that process, many organizations came to know that non IT failures also needed to be addressed and that the principles of BCM which had been utilized for Y2K could easily be adapted for other types of risks.

A further driver for business continuity has come through the corporate governance agenda and the need for chief executives and senior management to demonstrate that they have fully addressed the risks facing their organizations. For example, the King Report (2002) on corporate governance for South Africa recognizes the responsibility of board of directors in ensuring that business continuity and disaster recovery issues are assessed and addressed in a systematic, timely and consistent manner. The Report states that the board is responsible for the total process of Risk Management as well as forming its own opinion on the effectiveness of the process. In this regard, BCM is based on the principle that it is the key responsibility of an organization's directors to ensure the continuation of its business at all times.

The Business Continuity Institute (BCI), a United Kingdom based organization which promotes and develops internationally accepted BCM principles and standards defines BCM as a holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause and which provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation brand and value creation activities.

The Standards Australia/New Zealand handbook (2004) on BCM indicates that BCM provides availability of processes and resources in order to ensure the continued achievement of critical objective.

To be effective BCM must be an accepted management process driven from the top of the organization. It has to be set out in a vision statement that is fully endorsed and actively promoted by the executives.

Given the foregoing, BCM should be operationalized in order to respond to disruptions efficiently and effectively. This is achieved through one vital component of BCM i.e. BCP.

The Federal Financial Institution Examination Council (FFIEC) Handbook (2003) defines a BCP as a written plan of activities, strategies and procedures to maintain resume and recover critical business functions and processes.

The FFIEC explains that the plan should include procedures to execute priorities for critical and non-critical functions and processes. A well written plan should describe in some detail the types of events that would lead up to the declaration of a disruption and the process for invoking the plan. It should also describe the responsibilities and procedures to be followed by each continuity team and contact list of critical personnel.

The Australia National Audit Office in 2000 produced a guide to BCM in which it stated that BCP are a primary output from the BCM. The guide outlined the following matters that the plan should bring together:

(i) Service area contingency plans

(ii) Disaster recovery plan

(iii) Business resumption plan

Many organizations including the Australia National Audit Office contend that BCPs look different for different businesses. However, the BCI proposes that a good BCP should contain the following features:

(i) Clearly states who needs to do what and who takes what responsibilities.

(ii) Should include deputies to cover key roles.

(iii) Should include clear and direct instructions for the crucial first hour after an incident.

(iv) Should be simple without being simplistic.

(v) Use checklists that users can easily follow.

(vi) Should include how often, when and how the plan is to be tested, reviewed and updated.

The BCI further guides that the plan should be tested and updated. Sometimes weaknesses in a plan are discovered when a plan is put into action. Rehearsals help to confirm that the plan will be effective and robust in times of disruptions. The overall objectives of testing plans are to ensure that plans remain accurate, relevant and operable under adverse conditions.

Testing methods vary from minimum preparation resources to the most complex. The FFIEC identifies the following testing methods:

(i) Orientation/walk through

This is the most basic type of test. Its primary objectives are to ensure that critical personnel from all areas are familiar with the BCP. It is characterized by:

- Discussions about the plan in a conference room or small group setting
- Importance of individual and team training
- Clarification and highlighting of critical plan elements

(i) Tabletop/Mini drill

This is somewhat more involving than an orientation/walk through because the participants choose a specific event scenario and apply it to the BCP. It includes:

- Practice and validation of specific functional response capability.
- Focus on demonstration of knowledge and skills as well as team interaction and decision-making capacity.

- Role playing with simulated response at alternative locations/facilities to act out critical steps, recognize difficulties and resolve problems in a non – threatening environment.

- Mobilization of all or some of the crisis management/response team to practice proper coordination and

- Varying degrees of actual, as opposed to simulated, notification and resource mobilization to reinforce the content and logic of the plan.

(iii) Functional Testing

Functional testing is the type that involves the actual mobilization of personnel at other sites in an attempt to establish communications and coordination as set forth in the BCP. It includes:

- Demonstration of emergency management capabilities of several groups which involves practising a series of interactive functions, such as direction, control, assessment, operation and planning.

- Actual or simulated response to alternative locations or facilities using actual communications capabilities

- Mobilization of personnel and resources at varied geographical sites

- Varying degrees of actual as opposed to simulated notification and resource mobilization

(iv) Full – scale Testing

This is the most comprehensive type of test. In full scale test, the institution implements all or portions of its BCP. It involves:

- Validation of knowledge and skills as well as management response and decision-making capability.

- On the scene execution of coordination and decision – making roles.

- Actual as opposed to simulated, notifications, mobilization of resources and communication of decisions.

- Activities conducted at actual response locations or facilities.

- Enterprise-wide participation and interaction of internal and external management response teams with full involvement of external organizations.

- Actual processing of data utilizing back-up media and

- Exercises generally extending over a longer period of time to allow issues to fully evolve as they would in a crisis and allow realistic role play of all the involved groups.

It is a requirement that testing is coordinated centrally and the results analyzed and compared against stated objectives. Further the test results should be reported to the Board.

In addition, the Council guides that the Audit department or other qualified independent party should review the adequacy of the business continuity process to ensure the Board's expectations are met. This review should include assessing the adequacy of business process identification, threat scenario development, business impact analysis, risk assessments, the written plan, testing scenarios and schedules.

2.4 The Global Picture

Although BCM is a relatively new discipline the global picture, in as far as appreciating the concept, is looking bright. Institutions of international reputation, legislations, policies and standards on BCM have come up in the last couple of years.

In the United Kingdom the Civil Contingencies Act of 2004 was enacted following the fuel crisis and severe flooding in autumn and Winter of 2000. The Act has modernized the local civil protection activities and special legislative measures to deal with incidents on a large scale.

Section 2 (1) gives an_obligation to people and organizations to assess, plan and advise on risks of an emergency occurring. The section states that:

"a person or body in the UK shall:"

(i) *From time to time assess the risk of an emergency occurring.*

(ii) *From time to time assess the risk of an emergency making it necessary or expedient for the person or body to perform any of its functions.*

(iii) Maintain plans for the purpose of ensuring so far as is reasonably practicable, that if an emergency occurs the person or body is able to continue to perform his or its functions.

(iv) Maintain plans for the purpose of ensuring that if an emergency occurs or is likely to occur the person or body is able to perform his or its functions so far as necessary or desirable for the purpose of:

- *Preventing the emergency*
- *Reducing, controlling or mitigating its effect*
- *Taking other action in connection with it.*

The BCI published its first Good Practice Guidelines on BCM in 2002. The document was widely circulated and it played a significant part in the development of the British Standards Institutions (BSI) publicly available specification for BCM. Shortly after enacting the Civil Contingencies Act the guidelines were extensively revealed and re-written to take into account new thinking in BCM internationally. Therefore the Good Practice Guidelines of 2005 were developed for the benefit of BCM professionals around the world.

In 2004 there was some joint effort by Standard Australia International and Standard New Zealand that culminated into the preparation of the Handbook on BCM. The handbook was developed as an essential tool to assist in the achievement of viable BCM programs. The main objective of the handbook was to outline a broad framework and core processes that should be included in a comprehensive business continuity process.

A survey conducted by the Chartered Management Institute in conjunction with the Civil Contingencies Secretariat in the UK in January 2007 revealed that seventy three 73% percent of managers interviewed reported that BCM is regarded as important or very important by senior management in their organization.

In the USA prior to September 11, 2001 business continuity and disaster recovery plans were primarily developed by and geared to financial services firms. The horrifying picture of the events of 9/11 showed how vulnerable firms were and how dependent they were on each other. In 2004, the financial services industry under the auspices of the US Department of Treasury developed a model for starting regional coalitions on improving business continuity in the financial services sector
(Department of Treasury, 2004).

The background to that initiative was that any disaster is likely to have localized or regional implications. Henceforth it makes sense for financial institutions located in close geographic proximity to collaborate and co-operate on issues related to business continuity. It is important to point out that in other parts of the world serious studies in BCM were going on. In India for instance, the S.P Jain Institute of Management and Research developed a Business Continuity Model called “A reality check for Banks in India”. The model was as a result of research conducted in 2006 on Banks in Mumbai, India (Sunil Rai, 2006)

The model addressed issues related to BCM and applied it to banks in India. It covers five components relating to:

(i) The organizational soft issues
(ii) Processes
(iii) People
(iv) Technology and
(v) Facilities management

It further defined a variety of metrics to measure the resilience and vulnerability of a Bank in the event of business disruptions.

2.5 The Zambian situation

Zambia is one of the developing countries in Africa although the image projected. The picture shown about is somewhat different from Zambia. Whereas some countries have legislations, policies and guidelines same of these documents do not exist in the country. For example, the Disaster Management Act has been in draft form for over four years now. Even the

National Disaster Management Policy and the Disaster Management Operational Manual that were implemented in 2005 are silent on BCM.

However, in October 2006, the government through the Central Bank embraced high level principles on business continuity. The principles were developed by a joint forum of:

(i) Basel Committee on Bank Supervision
(ii) International Organization of Securities Commissions
(iii) International Association of Insurance Superiors

The high level principles were intended to support international setting organizations and national financial authorities in their efforts to improve the resilience of financial systems to major operational disruptions. They provide a consistent context and a common base level of resilience across national boundaries. Given the global nature of the financial sector, the principles encourage enhancements to the cross border communication channels that would be used during any disruptions (Bank for International Settlement, 2005).

In line with the need for sound and robust supervision of commercial banks the Central Bank has adopted these principles as part of the supervision process. In fact Courts (2003) argues that implementing these principles and other aspects of the Basel Committee is likely to occupy the world's banking regulators for many years to come.

The Bank of Zambia (Central Bank) regulates fourteen commercial banks. These are:

(i) Barclays Bank Zambia PLC (International Bank)

(ii) Zambia National Commercial Bank PLC (Local/Inter)

(iii) Standard chartered Bank PLC (International)

(iv) Stanbic Bank Zambia Limited (International)

(v) Investrust Banking corporation Zambia limited) (International)

(vi) Indo-Zambia Bank Limited (Joint venture between the Indian and Zambian governments)

(vii) Intermarket Banking corporation Zambia Limited (International)

(viii) Finance Bank Zambia Limited (Local)

(ix) First Alliance Bank Zambia Limited

(x) Banking of China Zambia Limited

(xi) Cavmont Capital Bank limited

(xii) Citibank Zambia limited (International)

(xiii) African Banking Corporation Zambia limited

(xiv) Access Bank Zambia Limited

It is worth noting here that literature on BCM in Zambia is very scanty particularly that which involves organizations others than the financial sector.

2.6 The relationship between Disaster Management and Business Continuity Management

To clearly appreciate and understand the relationship between Disaster Management and BCM, it is vital to define the two concepts.

The South Africa Disaster Management Act of 2002 as a good example of international good practice defines Disaster Management as a continuous and integrated multi-sectoral, multi-disciplinary process of planning and implementation of measures aimed at:

- Preventing or reducing the risk of disasters
- Mitigating the severity or consequences of disasters
- Emergency preparedness
- A rapid and effective response to disasters and
- Post – disaster recovery and rehabilitation

Disaster Management, according to the Zambia National Disaster Management Policy of 2005 and in line with internationally accepted definitions, is the observation and analysis of disasters to improve measures relating to

- Prevention
- Mitigation
- Emergency response
- Recovery

From these definitions it is fair to conclude that the principle concept underlying Disaster Management is that it is very much an on-going national requirement which is important to governments and people alike. Therefore, to be effective, Disaster Management should be implemented as a comprehensive and continuous activity, not as a periodic reaction to individual disaster circumstances.

As earlier explained in section 2.3 BCM is focused on ensuring that critical services or products are continually delivered to clients. Instead of focusing on resuming a business after critical operations have ceased or recovering after a disaster, BCPs endeavor to ensure that critical operations continue to be available.

Kirkpatrick (2005) states that BCM is that part of Risk Management that establishes cost-effective treatments should disruptions occur. Business continuity planning generally covers all aspects of business i.e. people, processes, technology, facilities and infrastructure. It has been argued that Disaster Management and BCM are two sides of the same coin. The same principles apply to both disciplines. Disaster Management is normally associated with programmes in the public sector domain, dealing with the management of disasters that affect the general public and the total population of a country.

BCM on the other hand is associated with the private sector and individual organizations. The programmes under BCM for firms are aimed at ensuring that the business will continue with its operations before during and after disastrous circumstances. Whereas disaster management addresses disasters at a macro level, BCM is focused on disasters at a micro level.

CHAPTER 3

3.0 Results and Analysis of Results

3.1 Overview

This chapter presents the findings of the study and has been outlined under headings drawn from the research questions. The chapter also gives an analysis of the results.

There are fourteen (14) Commercial banks in Zambia. Of these, one was recently licensed by the Bank of Zambia and it has just been in operation for less than a year. Although this bank has just been licensed, it was included in the study in order to have a clear picture of the problem under investigation. Fourteen (14) banks comprise eight (8) international banks, five (5) local banks and one (1) joint venture bank.

3.2 The presence of BCP in commercial banks

The first research question aimed at establishing whether each commercial bank had a BCP or not. The findings established that all the banks in the study had BCPs apart from one local bank. However, two (02) banks indicated that their BCPs were not well understood by employees. When the responses from the twelve (12) banks who indicated that their plans were understood by employees were put to test, through personal interviews, most employees did not know what BCPs were all about. Further findings from all banks showed that there was a misunderstanding among Disaster Recovery Plans, BCPs and Risk Management. From the oral interviews conducted, it was established that officers responsible for BCP from two (2) local banks and one (01) international bank did not understand BCP.

The finding is consistent with the Basel Committee on Banking Supervision High level principles for business continuity which were set out in 2005. Principle one (01) guides Board members and senior management to put in place effective and comprehensive BCPs. The responsibility for the organization's business continuity lies with the Board of directors and Senior Management. The bank which did not have a BCP explained that it was in the processing of finalizing its plan. Although the picture looked positive most employees from the banks, particularly local ones did not understand BCP. Qualitative information revealed that banks have not done enough to educate employees on Risk Management in general and BCP in particular. This is because BCP was not viewed as part of core business for the banks.

It is important to ensure that all employees are appropriately sensitized and trained in BCP. The bank with no BCP clearly viewed BCP as yet another 'cost' for the organization. The bank did not feel compelled to expedite the process. The Bank of Zambia was either not too harsh or did not make constant follow-ups on recommendations from previous inspections. There was also no national legislation to compel the Bank to develop and implement the plan. Whereas international banks had an obligation to adhere to their group standards, the local bank had none.

BCPs, particularly in local banks were focused on the recovery of technology rather than all business operations. It was assumed that disasters may be limited to a single facility or a branch. This is contrary to the FFIEC recommendations that the plan should be flexible to respond to changing internal and external conditions and new threat scenarios. Rather than being developed around specific events e.g. fires and floods, plans should be written to adequately address all events.

3.3 Testing and reviewing of BCPs

The second research question aimed at finding out how often the BCPs are tested and reviewed or updated.

It is shown in figure 1 that six (06) banks test their plans annually while four (04) banks test their plans every six (06) months. Three (03) banks test their plans every three (03) months while one (01) bank did not specify the frequency of testing. This bank was not even sure when the plan was last tested. The rest of the banks gave an indication of when their plans were last tested.

Testing and reviewing of Business Continuity Plans

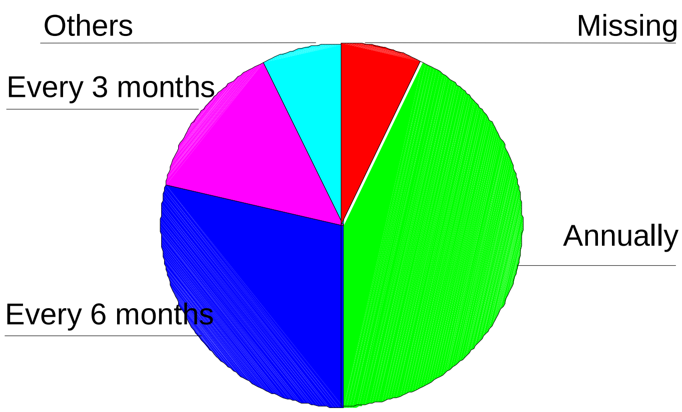


Figure 3.1

More information was qualitatively given by officers responsible for BCPs and their supervisors who explained that the concept of BCP was relatively new to their operations and a lot needed to be done. For example, three (03) officers from local banks and one from an international bank complained of lack of adequate resources and senior management support to fully implement BCM programmes.

On the type of testing that BCPs are subjected to, the study established, as shown in figure 3.2, that six (06) banks conduct full scale testing, four (04) banks conduct functional testing and three (03) banks conduct mini drills while one (01) bank did not do any test at all. Two (02) banks opted not to indicate whether they have a Disaster Recovery Site, the study established that twelve (12) banks had Disaster Recovery sites.

Type of testing

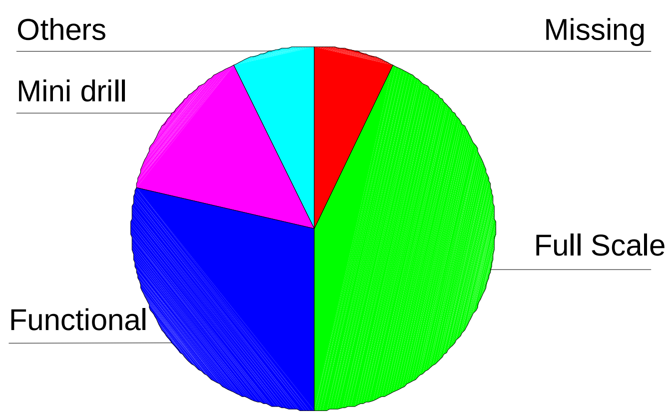


Figure 3.2

Testing the BCP is an essential element of preparedness. The Information Systems Auditing and Control Association (ISACA) emphasizes that tests are meant to accomplish among others the following:

- Verify the completeness and precision of the BCP.
- Evaluate the performance of the personnel involved in the exercise.

- Appraise the training and awareness of employees who are not members of a BCP.

- Evaluate the co-ordination among the business continuity team and external vendors and suppliers.

- Measure the ability and capacity of the bank to perform prescribed processing.

- Measure the overall effectiveness of operational and information systems processing activities related to maintaining the business entity.

The findings from testing of BCPs indicate that only six banks subjected their plans to full scale testing in the last two years. This represents 42.8% of all commercial banks in Zambia. 48.9% have either conducted functional testing or mini drills. The remaining 8.3% has not done any tests. Qualitative data collected from the officers responsible for BCPs indicated that full testing have not been conducted largely on account of cost and tight schedules.

During every phase of testing detailed documentation of observations, problems and resolutions should be maintained. The documentation serves as important historical information that can facilitate actual recovery during a real disaster or disruption. However, the study revealed that only three (03) international banks documented results of their tests. The banks, nevertheless, documented the dates of the last tests.

These findings are not consistent with Principle six (06) of the High level principles for business continuity which guides financial industry participants and financial authorities to test their BCPs and evaluate their effectiveness. Periodical testing of the ability to recover is a sure way of evaluating the effectiveness of BCPs. In addition to ensuring that business continuity plans are constantly evaluated and updated, testing is essential in fostering awareness and understanding among key personnel and all employees. The banks who had conducted full scale testing of their plans said that the rehearsals had revealed shortcomings in their BCPs. Therefore they had taken appropriate action to address the shortcomings. If BCPs are not tested and revealed there is a danger that the plans may not work where there is some disruptions in operations.

The other important aspect of testing is the BCPs for third party providers, suppliers and business partners. Relying on these partners may expose banks to different threats that may prevent resumption of operations in a timely manner. These threats include security, confidentiality of information, regulatory compliance and the availability of systems and resources. In addition increased levels of reputation risks can result. Banks should review and understand service providers' BCPs and ensure that critical services can be restored within acceptable time frames based on the needs of each bank. However, the study established that no bank, including the Central Bank, had reviewed and understood their service providers' BCPs. The banks could not provide test results and review audits to determine the adequacy of service providers' plans and the effectiveness of the testing process.

3.4 Incorporation of BCPs in Corporate Strategies

The third question was aimed at finding out whether BCPs are incorporated in the banks' corporate strategies. The findings established that all the fourteen (14) banks (100%) had incorporated BCPs in their corporate strategies. However, periods of incorporation differed from bank to bank. Whereas international banks developed their plans some years ago in line with their group strategies local banks had done so in the last one to four years.

3.5 Auditing of BCPs

The forth research question was on the auditing of BCPs. All the banks indicated that their plans were audited apart from one Local bank which did not have a plan in place. It is important to mention that the responses were not put to further tests due to the confidential nature of Audit Reports. Auditing and reviewing the adequacy of BCPs to ensure that the Board's expectations are met is a standard requirement of the BCI. The review should be done by the Audit department or other qualified independent party. The review should include assessing the adequacy of business problem identification, threat scenario development, business impact analysis, risk assessments, the written plan, testing scenarios, testing schedules, communication of test results and recommendations to the Board.

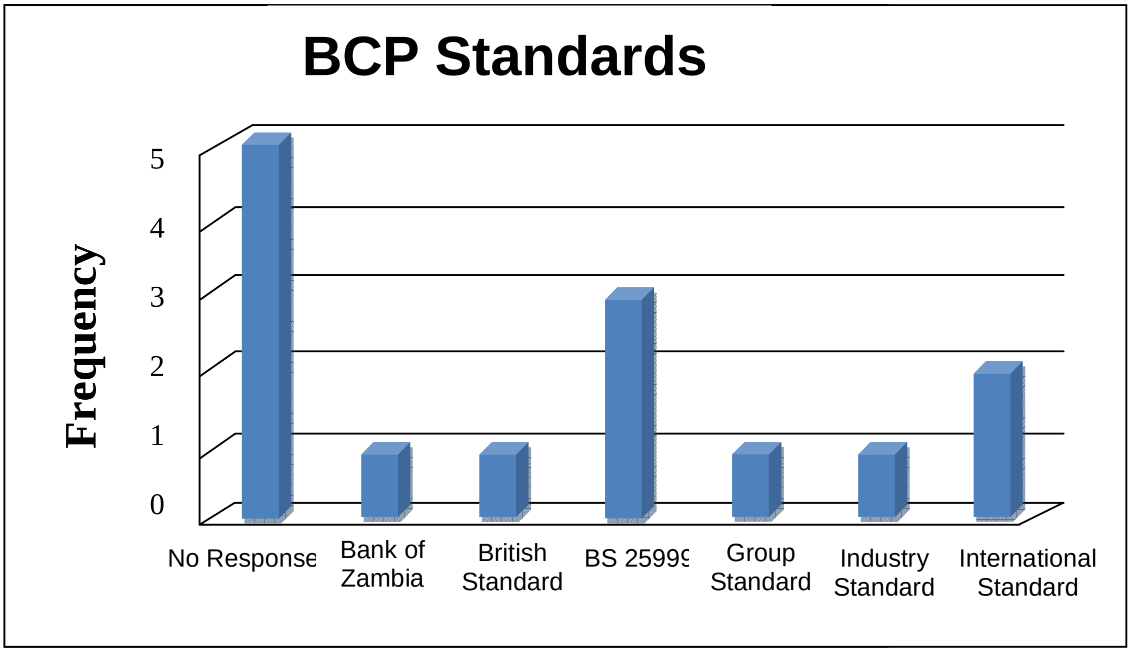
Although the banks indicated that their plans were audited it was difficult to prove this because banks were not willing to show their Audit Reports. The study could not ascertain whether auditors directly observed the tests of the BCPs and the tests of the effectiveness of the plans.

3.6 BCPs standards

The fifth and last question of the study aimed at establishing the standards to which BCPs in banks were benchmarked.

Out of the fourteen (14) banks only two (02) international banks were precise in their responses. Their BCPs are benchmarked to the British Standard 25999. Seven (07) banks gave different answers which were not precise. Five (05) banks did not respond at all. Officers responsible for BCP when spoken to expressed ignorance of the BCP standards. The findings are shown in table 2 below.

Table 2: Standards to which BCPs are benchmarked



The lack of preciseness and responses was a clear indication that most of the officers charged with the responsibility of BCPs are not adequately trained in BCM. It is one thing to have an effective plan in place and another thing to have adequately trained personnel to manage the plan. In some instances the respondents, in oral interviews, were soliciting for answers from the researcher. Employees particularly those in the BCM area are a critical resource to ensure continuity. The knowledge, commitment and motivation of employees at all levels is vital in order to perform their designated functions correctly, efficiently and effectively.

3.7 The Bank of Zambia

3.7.1 Introduction

The Bank of Zambia has a regulatory role over commercial banks. It is responsible for licensing and ensuring compliance with policies, procedures and guidelines in line with the Banking and Financial Services Act 1994 and other statutes. Prior to the formation of the Risk Management Department in 2004, issues of BCM were resident in the ICT department. The focus was more on disaster recovery from an Information Technology perspective. The study focused on two departments i.e. Risk Management and Bank Supervision. The former is responsible for BCM in the Bank while the later is responsible for licensing and supervising commercial banks.

3.7.2 Findings from Risk Management Department

The Risk Management Department has assumed the overall responsibility of BCM in the Bank and the BCM manager was appointed. An assessment of the BCM programme for the Bank with the Department reviewed that the institution had made a lot of strides in the area of Risk Management. The establishment of the Risk Management Department and the appointment of the BCM managers are examples of such achievements. However, it was established that the Bank still has much to do in this area. The study established that:

- The Bank did not have a BCP.

- Of the four components of BCM i.e. Disaster Recovery capability, BCP, Departmental Business Resumption Plans and the Crisis Management Plan only the Disaster Recovery Plan was well developed. The plan is technically co-ordinated by the ICT department in conjunction with the key departments such as Risk Management, Security, Financial Markets and Procurement and Maintenance Departments.

- Generally the risk management culture in the Bank is lacking.

- The resources (financial and human) for BCM programmes were inadequate.

- The liaison among key departments such as Bank supervision, Financial Markets and Risk Management was inadequate.

3.7.3 Findings from Bank Supervision Department

The Bank carries out inspections of commercial banks and ensures adherence to regulations through Bank Supervision Department. The study established from the Department that:

- The Bank reviewed BCPs of commercial banks each time it conducted on-site inspections. The reviews were part of the onsite operation risk examination.

- The BCPs were reviewed using the Risk Based Supervision (RBS) procedures derived from international best practices and standards. Such standards include those from the Business Continuity Institute in the United Kingdom and the Federal Financial Institutions Examinations Council.

- The BCPs were reviewed on an eighteen (18) month cycle or a shorter period depending on the risk profile and supervising strategy of each commercial bank.

- Banks with international presence and some large local banks had well defined BCPs in line with their parent company's demands, though some had not been subjected to full scale tests. Smaller banks (especially local ones) had not fully invested in BCP mainly due to cost implications.

- The Bank had set Risk Management Guidelines and minimum requirements for commercial banks. BCPs were covered under operational risk and it was the responsibility of the Board of directors and its management to ensure that risks inherent in the banks' operations were prudently managed.

The study further established from the department that there was only one inspector who carried out the review of BCPs for commercial banks. Although he reviewed the whole BCM, he was more focused on the ICT component because of his strong background in that area. He had not been trained in BCM. Further the study found that there was no serious interaction among the relevant departments in the Bank such as ICT, Risk Management and Bank Supervision.

The guided oral interviews with some officers of the Bank of Zambia and quantitative data brought interesting issues. The Central Bank did not have a BCP in place. Although the Risk Management Department had moved quite significantly towards developing a BCP, the findings are not consistent with principle one (01) of the High level principles on business continuity. The principle guides both financial industry participants and financial authorities, such as the Bank of Zambia to have effective and comprehensive approaches to BCM. Further the officers responsible for BCP both in the Risk Management and Bank Supervision departments were not adequately trained to effectively manage the BCM programmes both for the Central Bank and the commercial banks.

There was also lack of constant co-ordination among key departments such as Risk Management, Bank Supervision, ICT and Security Departments. This weak capacity in the Central Bank perhaps explains why over 40% of commercial banks did not have effective BCPs. There is always a direct relationship between the regulator and the regulated i.e. the Central Bank and the Commercial Banks. It was also established that there was a weak Risk Management Culture both in Senior Management and employees.

3.8 Business Continuity Plan at National Level

The Disaster Management and Mitigation Unit (DMMU) is a government wing in the office of the Vice President. It is mandated to plan, co-ordinate and discharge all matters related to disasters in Zambia. The Government of Zambia through the unit, developed and launched a National Disaster Management Policy, the Disaster Management Policy and the Disaster Management Operational Manual in 2005.

Although these well meaning documents were put in place they have not addressed issues related to BCM in the country in general and the financial sector in particular. The study established that there was no legislation on Disaster Management that could compel organizations to develop their own procedures and policies on BCM. However, there was a draft legislation under consideration. The study established that the document had been in draft form for over five (05) years.

CHAPTER 4

4.0 Conclusion and Recommendations

This chapter concludes the findings of the study. The chapter has also made the necessary recommendations based on the findings of the study. The overall purpose that this study has addressed relates to whether BCPs in commercial banks are effective or not.

4.1 Conclusion

The research has established the following:

- Out of fourteen (14) commercial banks licenced by the Bank of Zambia, thirteen (13) have BCPs in place. The only bank without a BCP is a local bank. The plans are not well understood by employees of the banks.

- BCPs for Eight (08) Commercial Banks (57%) in Zambia are ineffective.

- BCP personnel from twelve (12) Commercial Banks (86%) do not have a clear understanding of different BCM standards. They are also not adequately trained.

- The majority of employees both from the Bank of Zambia and Commercial Banks have a scanty understanding of BCPs.

- The Bank of Zambia does not have a BCP.

- BCP personnel in the Bank of Zambia are not adequately trained.

- The risk management culture in the Bank of Zambia is poor.

4.2 Recommendations

The study has established three major things. One of them is that BCPs in 57% of Commercial Banks are ineffective. The other one is that BCP personnel in the Bank of Zambia and Commercial Banks are inadequately trained. The last one is that the Bank of Zambia and one Commercial Bank do not have BCPs.

Based on the conclusion of the study, the following recommendations are made:-

- There is need for all commercial banks to adopt a more holistic approach to BCM and its relevance to the strategic and operational aspect of their organizations. For BCPS to be effective, there should be a rigorous process of identification, analysis and evaluation of threats facing the organization. It must take an integrated organization-wide approach. This approach will ensure adequate allocation of resources to the BCM programmes.

- There should be periodic functional tests and annual full scale tests for BCPs if their effectiveness and integrity have to be guaranteed.

Just like Sikwibele (2003) stated, the mere enchantment of a policy or strategy is not enough to ensure its success. The success of any strategy lies on how stakeholders are sensitized. For example, if junior employees are not sufficiently informed on their expected roles, they will continue to look at BCPs as another management rhetoric.

- It is therefore recommended that banks should increase their efforts in sensitizing all stakeholders both internal and external.

There is need for the Bank of Zambia and Commercial Banks to increase budgetary allocations to BCM programmes in order to ensure realization of set objectives and Human Resource Development (capacity building).

There is need to provide training on BCM for personnel to ensure all parties are aware of their responsibilities. Key employees should be involved in the BCP development process, as well as periodic training exercises. The training should incorporate enterprise-wide training as specific training for individual business units.

- There is an urgent need for the Bank of Zambia and one Commercial Bank to put in place BCPs.

- There is need for the DMMU to include BCM in the draft Disaster Management Act.

- When preparing contracts with third party service providers, banks should include a component on BCP that meets their business continuity planning needs. Their plans should also address how to exchange information with the service providers during disruptions.

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APPENDIX 1: Letter to commercial banks

University of the Free State,
Disaster Management Centre for Africa,
P O Box 339,
Bloemfontein,
Republic of South Africa.

The Managing Director
Barclays Bank PLC
P O Box
LUSAKA
ZAMBIA.

Dear Sir

RE: <u>AUTHORITY TO CONDUCT RESEARCH IN BARCLAYS BANK</u>

Your authority is being sought to carry out research entitled "An Investigation into the effectiveness of Business Continuity Plans for Commercial Banks in Zambia". This is in partial fulfillment of the requirements of the Masters degree in Disaster Risk Management which I am pursuing at the above University.

The University has recognized the importance of such a research as it would enhance the understanding of Disasters by Commercial Banks and help them to adequately prepare for different events that may affect their operations.

Your timely response will be appreciated.

Yours sincerely

Musonda Simwayi
<u>RESEARCHER</u>

Appendix 2: Letter to Bank of Zambia

University of the Free State,
Disaster Management Centre for Africa,
P O Box 339,
Bloemfontein,
Republic of South Africa.

10th October 2008.

The Director Human Resource
Bank of Zambia
P Box 30080
LUSAKA

Dear Sir

RE: <u>AUTHORITY TO CONDUCT RESEARCH IN BARCLAYS BANK</u>

Your authority is being sought to carry out research entitled "An Investigation into the effectiveness of Business Continuity Plans for Commercial Banks in Zambia ". This is in partial fulfillment of the requirements of the Masters degree in Disaster Risk Management which I am pursuing at the above University.

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Your timely response will be appreciated.

Yours sincerely

Musonda Simwayi
<u>RESEARCHER</u>

Appendix 3: Questionnaire for commercial bank officials

University of the Free State,
Disaster Management Centre for Africa,
P O Box 339,
Bloemfontein,
Republic of South Africa.

Research Title: An Investigation into the effectiveness of Business continuity plans for commercial Banks in Zambia.

Researcher: Musonda Simwayi

I am completing a Masters in Disaster Risk Management Degree at the University of the Free State and my research is focused on Commercial Banks in Zambia. The aim of the study is to investigate the effectiveness of Business Continuity plans for commercial Banks in Zambia. In order to achieve the aims of the research it would be greatly appreciated if you could assist me in completing the attached questionnaire.

Kindly complete the questionnaire on or before 15th June 2008. The information provided in the questionnaire will be treated with complete confidentiality and for academic purposes only.

Your assistance will be greatly appreciated.

Yours sincerely

Musonda Simwayi
RESEARCHER

SECTION A. BIOGRAPHICAL DATA

Kindly supply the following information regarding your organization by indicating with an “x” in an appropriate box or writing the answer

A1. What is the name of your Bank? ………………..…………….……………..

A2. What position do you currently hold? ………….……..……………………….

A3. In which category does your Bank fall? …….……..…………………………...

A Zambia (Local) Bank	
A joint venture (e.g. between two (2) Governments)	
An International Bank	
Others please specify	

A4. Approximately how many employees does your Bank have?

A5. How many branches does your Bank have in Zambia?

SECTION B. BUSINESS CONTINUITY PLANS

B1. What is your understanding of Business continuity plan?

…………………………………………………………………………………………

…………………………………………………………………………………………

B2. What, in your view, should be contained in the Business Continuity Plan?

…………………………………………………………………………………………

…………………………………………………………………………………......................

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…………………………………………………………………………………......................

B3. Does your Bank have a Business continuity plan in place?

YES		NO	

B3. If your answer in B2 above is yes do you think the plan is understood by all employees of **your Bank?**

YES		NO	

Give reasons for your answer ……………………………..…………………………….

…………………………………………………………………………………………….

If your answer in B2 above is no, please proceed to section D.

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……………………………………………………………………………………………

B4. If your answer in B2 is yes, who is responsible for the preparation and review of the plan?

Department responsible …………………………………………..…………………

Person responsible ……………………………………..…………………………….…

B5. Is your Business Continuity Plan incorporated in the overall strategic plan of your Bank?

YES	
NO	

SECTION C. REVIEW OF BUSINESS CONTINUITY PLANS

C1. How often is your Business Continuity Plan tested and reviewed?

Annually	
Every 6 months	
Every 3 months	
Every month	
Others please specify	

C2. What type of test do you subject your Business Continuity Plan to?

Full scale testing	
Functional testing	
Mini drill testing	

Others please specify	

C3. When was the last time that your Business Continuity Plan was tested and reviewed?

………………………………………………………………………………………………

C4. Is your Business Continuity Plan subjected to the audit process?

YES	
NO	

C5. If yes in C4 above, please indicate how often the plan is audited?

Annually	
Every 6 months	
Every 3 months	
Every month	
Others please specify	

C6. To which standard is your Business Continuity Plan benchmarked?

………………………………………………………………………………………

……………………………………………………………………………………………

C7. Does your Bank have an off site Disaster Recovery Site?

YES	
NO	

C8. In your opinion do you support the establishment of a National Disaster Recovery Site?

YES	
NO	

C9. Do you think the plan is adequate and effective enough to ensure that critical operations of the bank are resumed as quickly as possible in an event of a disaster?

YES	
NO	

SECTION D. ABSENCE OF BUSINESS CONTINUITY PLANS

D1. Do you think it is important for your bank to have a Business Continuity Plan in place?

YES	
NO	

D2. In your opinion why has the bank not developed the Plan?

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

D3. In the absence of the Business Continuity Plan what other measures has the bank put in place to mitigate effects of disruptive events?

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APPENDIX 4: GUIDED ORAL INTERVIEW SCHEDULE FOR BANK OF ZAMBIA INSPECTORS

1. In supervising commercial banks, does the Bank of Zambia include the review of Business Continuity Plans as part of the inspection process?

2. If your answer is yes, in question one above, which standard(s) does the Bank use to review Business Continuity Plans for commercial banks?

3. How often are the Plans reviewed by the Bank?

4. Do all commercial banks have Business Continuity Plans in place? Please elaborate your answer.

5. How does the Bank ensure that the plans are effective?

6. What measures does the Bank take on those commercial banks that have no Plans?

7. Is there any statutory requirement for commercial banks to have Business Continuity Plans?