

How Did Markets React to the Rana Plaza Disaster?

» Authors

Brian W. Jacobs, Michigan State University, jacobsb@broad.msu.edu
Vinod R. Singhal, Georgia Institute of Technology, vinod.singhal@scheller.gatech.edu

» Research Question Addressed

How did stock markets react to the Rana Plaza disaster, which killed more than 1,200 garment workers and injured another 2,400 in Bangladesh in 2013?

» Primary Findings

The research found no evidence of significant stock market reaction to the disaster itself, or to the announcements of two separate industry responses—the Accord on Fire and Building Safety in Bangladesh (AFBSB) and the Alliance for Bangladesh Worker Safety (ABWS).

» Relevant Sectors

Retail
Apparel
Financial Services
NGO
Government

» Keywords

Responsible sourcing
Supply chain governance
Corporate reputation
Stock market reaction
Industrial accidents

» Firms/Industries Appearing in Research (partial list)

Abercrombie & Fitch
American Eagle Outfitters
Esprit
Gap
H&M
Kohl's
Macy's
Marks & Spencer
Puma
PVH
Sainsbury's
Tesco





» Highlights

The stock prices of 39 retailers with suppliers in Bangladesh dropped on the day of the disaster, but recovered the following day. After 11 days and 60 days, the stock prices of these firms appeared unaffected by the event or the industry responses.

Rescuers work at the collapsed Rana Plaza building in Dhaka in 2013.
Photograph: ZUMA/REX

» Topic Overview

Environmental or social supply chain disasters, like Rana Plaza, are generally considered business risks for firms that source goods from developing nations. The assumption is that the potential harm to a firm's reputation combined with the possible disruption of supply create capital market and consumer pressure on firms to source goods and materials from regions with better industrial safety records.

» Title of Research

The effect of the Rana Plaza disaster on shareholder wealth of retailers: Implications for sourcing strategies and supply chain governance

Published in the *Journal of Operations Management*, 2017

[Link to article >](#)

» Related Links

Why were western retailers blamed for the building collapse in Bangladesh? *Georgia Tech Scheller College of Business*

Rana Plaza, *The Guardian*

» Implications for Sustainable Business

Contrary to popular wisdom, the authors suggest capital market and consumer market forces alone are not enough to improve labor conditions in developing nations and prevent disasters like Rana Plaza. Thus, policymakers should not rely on market forces to reduce the likelihood of such tragedies, but will need to devise, prepare and implement prevention strategies. This will require active involvement of governments, NGOs and regulators to set and consistently enforce clear and comprehensive regulatory safety guidelines.

SUSTAINABLE BUSINESS INSIGHTS