

**The Effect of the Rana Plaza Disaster on Shareholder Wealth of Retailers:
Implications for Sourcing Strategies and Supply Chain Governance**

by

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Abstract:

Supply chain and reputational risks are often assumed to motivate firms to source production in developed, high-cost countries rather than developing, low-cost countries. To examine this assumption, we provide evidence from the collapse of the Rana Plaza building on April 24, 2013, which with its 1,133 fatalities and 2,438 injuries is seen as one of the worst industrial accidents in history. This paper analyzes the stock market reaction to the Rana Plaza disaster in the Bangladeshi ready-made garment industry. Sufficiently negative stock market reaction might motivate firms to shift their sourcing strategy. Our analysis is based on a sample of 39 publicly-traded global apparel retailers with significant garment sourcing in Bangladesh. Although stock market reaction to retailers on the day of the Rana Plaza disaster is negative, its magnitude and significance dissipates when considering the following day's stock market reaction. There is no evidence of significant stock market reaction over 11 trading days (approximately two weeks in calendar time) after the Rana Plaza disaster. Subsequent to the disaster, retailers developed two different agreements to improve factory and worker safety in Bangladesh – the Accord on Fire and Building Safety in Bangladesh (AFBSB), and the Alliance for Bangladesh Worker Safety (ABWS). We find no evidence of significant stock market reaction to the announcements of the AFBSB and the ABWS. From a retailer perspective, since negative economic impacts from the Rana Plaza disaster were insignificant, they have little economic incentive to move sourcing out of Bangladesh or other low-cost countries. We discuss the implications of our results for retailers, non-governmental organizations (NGOs), garment factory owners in Bangladesh, the Bangladeshi government, as well as academic researchers.

Bio:

Professor Vinod Singhal is the Charles W. Brady Chair Professor of Operations Management at the Scheller College of Business at Georgia Institute of Technology, Atlanta, USA. He has a Bachelors in Mechanical Engineering from BITS, Pilani, India; MBA from IIM Ahmedabad, India; and Ph.D. from University of Rochester; Rochester, USA. Prior to joining Georgia Tech., he worked for three years as a Senior Research Scientist at General Motors Research Labs.

Vinod's research has focused on the impact of operating decisions on accounting and stock market based performance measures. His research has been supported through grants from the US Department of Labor, National Science Foundation, the American Society of Quality, and the Sloan Foundation. He has published extensively in academic journals and has made more than 120 presentations at different universities. His research has been recognized in the practitioner community through his many articles in industry-practitioner journals and frequent invited presentations as keynote speaker at practitioner conferences. His work has been cited well over 200 times in practitioner publications such as *Business Week*, *The Economist*, *Fortune*, *Smart Money*, *CFO Europe*, *Financial Times*, *Investor's Business Daily*, and *Daily Telegraph*.

Vinod is a Departmental Editor of *Production and Operations Management*, and Associate Editor of *Journal of Operations Management*, *Management Science*, and *Manufacturing and Service Operations Management*. He is on the Academic Advisory Board of the European School of Management and Technology, Germany. He has served on the Board of Examiners of the Georgia Oglethorpe Award, Bell South's President Quality Award, and the Baldrige Board of Examiners.

Vinod's teaching interests include operations strategy and supply chain management. He has taught at the undergraduate, MBA, executive, and PhD programs and has won teaching awards at the MBA level. His contributions to curriculum development are diverse and deep including those made while serving as Associate Dean of MBA Programs and area coordinator of Operations Management. He has contributed to teaching at an international level, as well, by offering research workshops in countries including Australia, China, France, Hong Kong, New Zealand, Singapore, Sweden, and United Kingdom.

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All are welcome!