

## Disaster Management and Corporate Responsibility: An Ethic of Care Approach

Corporations need to come forward and commit themselves to a prolonged course of action as part of their social responsibilities. Immediate monetary or non-monetary assistance is simply not enough. A deeper connection with the community and a long-term focus on alleviating the miseries of the disaster is necessary.



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### Ethics of Disaster Responses

According to the United Nations Office for Disaster Risk Reduction (UNISDR), a disaster is “a serious disruption of the functioning of a community or a society involving widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope using its own resources” (UNISDR, 2007). Nepal has drawn widespread international criticism for the slow progress in the rehabilitation and settlement of earthquake victims. Almost 80,000 families are still in temporary shelters, waiting for their homes to be rebuilt. Reports published by various international organisations and aid agencies show that less than 10% of the destroyed houses and historical monuments have been rebuilt in the

last two years. Despite the pledges by international communities of \$4.1 million, less than 12% of the money has been received and distributed for rehabilitating victims and rebuilding ruined infrastructures. Recent floods have displaced millions once again in Terai; people living in the region also need shelter and housing. Often referred to as the bread basket of the country (Adhikari, 2013), the floods have wiped out the crops in many Terai districts and pushed the country perilously close to severe long food shortages.

On a positive note however, such natural disasters have provided Nepalese enterprises opportunities for strengthening ties with communities. Indeed, the attempt by enterprises to lend a helping hand in the immediate aftermath of

the disasters e.g. offering basic supplies to the victims, should be applauded without any doubt. What is lacking however, is long-term, sustained care, for the victims and their families. The following statement taken from the 2014/2015 annual report of a leading bank serves as an example of this short term focus: ““Due to the massive earthquake on 25 April 2015 in the country.....[k]eeing in mind the unfortunate situation created by the earthquake, the Bank distributed clothes in partnership with various organisations.....provided meals in Sankhu municipality twice a day for nearly two weeks....””. Another leading bank has stated in its 2015/2016 annual reports: “...distributed relief materials to earthquake victims....” With few exceptions, corporations in Nepal have largely ignored the fact that the consequences of disasters are often felt for a protracted period, sometimes for generations, well beyond a single accounting period. An examination of the annual statements of Nepalese corporations suggests that very few enterprises show any kind of commitment toward the continued care and relief of the victims. The short-term approach that Nepalese corporations have adopted to discharging their corporate social responsibility in the aftermath of disasters has raised significant ethical concerns and questioned their moral accountability.

### **Ethical Dimensions to Disaster Management - Theoretical Considerations**

Disasters have long-term consequences and corporations cannot discharge their social responsibility by simply offering immediate relief to the victims and then showcasing these efforts on their statements. It has become fashionable for Nepalese corporate managers and officials to load their vehicles with items for providing immediate relief, head to the disaster-prone areas, organise the victims in a queue under the corporate banner and distribute the basic supplies. The events are then pictured in the newsletters and annual reports and hailed as valuable contributions that the corporation has made to mitigate the pain, suffering and deprivation of the victims. Indeed, disasters have offered corporations a marketing platform for advertising their strong resolve for alleviating social problems. Arguably, the positive publicity garnered contributes to building a benevolent, community friendly image, and serves as a quick useful distraction from the true motives of the corporation - maximisation of shareholder value.

Corporations do not operate in vacuum. They function as powerful social beings with access to vast amounts of resources, the ownership of which ultimately lies with

the nation and its citizens. While it can be argued that corporations cannot be held responsible for the vagaries of nature, the continuous utilisation of shared natural resources for profitable purposes, in our opinion, calls for a reciprocal, long term commitment to the care and relief of those affected by natural disasters, at least on moral economic grounds. Scholars such as Trotter et al. (1989) observe that a corporation involved in a crisis, as part of fulfilling its social obligations and ethics, should commit itself to the continued care and relief of the victims. This notion of providing continued care, post-crisis, resonates with an ethic of care approach for crisis management as observed by the seminal works of Simola (2003), Bauman (2011) and Linsley and Shrivies (2012). Relatedly, Sargiacomo et al. (2014, p.17), in their pioneering work on the role of accounting in the resettlement of earthquake victims also suggest that an ethic of care approach, as a critical accounting lens, is particularly well-suited for capturing suffering. However, before discussing what constitutes acting with an ethic of care, it is important to examine the various ethical approaches to disaster management.

Scholars of business ethics have delineated three ethical frameworks governing organisational responses to disaster management, namely virtue ethics (Seeger and Ulmer, 2001), ethics of justice (Simola, 2003) and an ethic of care (Sandin 2009, Bauman 2011, Linsley and Slack 2013). A virtue ethics approach explains how the characteristics and disposition of the CEO/manager influences the decision-making process in a crisis. Those managers/CEOs are considered virtuous who have the ability to act in a certain way rather than strictly adhering to the strict corporate codes. These managers/CEOs exhibit the virtues of ‘support and value’ and ‘sensitivity and responsiveness’ in the aftermath of crisis/disasters. For instance, Bauman (2011) writes about a CEO who continued to keep his employees on the payroll while rebuilding the business after a fire disaster. The intention was to help the employees and looking beyond the company’s goal of cost cutting and profit maximisation. The second approach, ethics of justice, is concerned with maintaining impartiality, fairness and reciprocity. This approach enables the CEOs/managers to apply objective standards and undertake impartial judgements without prioritising particular groups, ethnic communities, and social-political and cultural values in a post disaster situation. Rights of all affected are therefore given equal emphasis while responding to a disasters/crisis and facilitating the rescue and the rehabilitation of the victims.

As mentioned earlier, scholars like Sandin (2009), Bauman (2011) and Linsley and Slack (2013), argue that an ethic of care approach is better suited for organisational crisis management. Acting with an ethic of care concerns the strengthening of relationships among people by considering the feelings of each other and acknowledging the contextual ambiguities underlying such feelings and emotion. Emotion such as empathy and responsiveness are closely aligned with the ethics of care. Scholars have argued that acting with an ethic of care is best suited for dealing with the protracted consequences of disasters/ crisis and addressing the vulnerabilities of victims in a real world.

### **The Application of an Ethic of Care**

Traditionally, the concept of care can be related to certain professions, for instance nursing and social work, which are meant for providing care and caring. Care and business are envisaged contrary to each other in that the whole objective of establishing a business is to maximise shareholder value by increasing market share. However, since the late 1970s, scholars have been debating about the significance of adopting the notion of care in the field of business (Gilligan, 1977, 1982, 1995). The financial crisis in the first decade of a new century further contributed to reinvigorating these discussions. The notion started to gain acceptance among business researchers and in the wider community as a means for correcting bad corporate behaviour. Researchers have discussed different aspects of ethic of care, for instance how corporations can accrue advantages if they care, how to identify caring and non-caring corporations, how to differentiate 'caring for' with 'caring about' and the ways 'care-giving' and 'care-receiving' are facilitated. Accounting researchers have envisaged the notion of care as a tool, which can be used to reign in capitalist tendencies by coercing businesses to recognise their obligations to the members of society with whom they have a relationship and on whom they are ultimately dependent for their survival (Linsley and Slack, 2013).

According to Bauman (2011), corporations in the middle of disasters, can pursue an ethic of care approach by following three fundamental steps: acknowledging the harm caused by the crisis/disaster, apologising for the consequences, and acting with an appropriate resolution (Linsley and Slack, 2013; Simola, 2003). Bauman (2011) demonstrates the importance of acknowledging the harm by drawing upon an interesting case at the Toyota Motor Corporation. The failure of Toyota's managers to acknowledge the runaway accelerator problem created

huge public resentment, which resulted in transforming a small problem into a crisis. This forced the managers in Toyota to install a new system which enabled them to address customer's concerns in a timely manner. The next step in following the ethic of care is to apologise to those who have been affected. Corporations such as Apple and Facebook are at the forefront of extending such apologies, which have not only helped them maintain their reputation, but also achieve better outcomes. The last step in managing crisis concerns devising appropriate resolutions, which may range from compensation as in the case of Apple to advertisements in leading newspapers as evident in the case of Proctor & Gamble (Bauman, 2011). Offering an example of the UK bank, Northern Rock, Linsley and Slack (2013) have demonstrated how the failure of adopting the ethic of care has deteriorated the Bank's relationships and trust with its stakeholders in the financial crunch of 2007, thereby further exacerbating the liquidity crisis. While it can be argued that in case of natural disasters corporations cannot be held responsible for the misery inflicted by nature, we would like to argue that as social beings corporations need to show some kind of empathy and understanding of the tragic circumstances. Corporations need to come forward and commit themselves to a prolonged course of action as part of their social responsibilities. Immediate monetary or non-monetary assistance is simply not enough. A deeper connection with the community and a long-term focus on alleviating the miseries of the disaster is necessary. Such an approach can manifest itself in various guises e.g. setting up charitable hospitals, subsidise medical treatment, providing materials/labour/expertise for repairs and reconstruction, advising local administration about the need for a strong disaster management programme etc. Irrespective of the nature of contribution, our argument is for a concerted effort with the willingness to make a difference in the long run that will enable communities to get back on their feet. We believe that embracing an *ethic of care approach can serve as a conduit for corporations to overcome the moral short-sightedness emanating from an obsession with maximising returns for the shareholder, and think about the long-term regeneration of the community which it is a part of and which it needs to grow and flourish.*

### **Conclusion**

Along with the government, I/NGOs and international donors, Nepalese corporations are indirectly responsible for the slow progress in the resettlement and rehabilitation of earthquake/flood victims. The vast

majority of corporations have only engaged in short-term rescue efforts confined to the distribution of basic essentials in the immediate aftermath of disasters. These efforts are then showcased in annual statements as fulfilment of corporate social responsibilities, arguably for positive publicity and goodwill. The long-term consequences of disasters and the positive role that corporations can play in reconstruction and rejuvenation of communities, are largely ignored. The earthquake victims, for instance, have been completely forgotten by most Nepalese corporations in the last two years. This has certainly raises questions about the moral compass of Nepalese corporations. We argue that the time has come for Nepalese corporations to rethink their social responsibilities and the ethical dimension of their responses to disaster.

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NOTIFICATION

As per the decision of council in pursuance of the Regulation 27(2) of the Nepal Chartered Accountants Regulations, 2061, every principal engaging and training articulated trainee or trainees, shall pay every month to such trainee or trainees a minimum monthly stipend, at the rates specified below, with effect from 01<sup>st</sup> Shrawan, 2074

During the first year of training:	Rs 4,000
During the second year of training:	Rs 5,000
During the remaining period of training:	Rs 7,000