

DFID SSR Project R7893

CORPORATE SOCIAL RESPONSIBILITY AND DISASTER REDUCTION: A PRELIMINARY INVESTIGATION

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1. BACKGROUND AND OBJECTIVES

Interest in the role of business in sustainable and equitable development has grown in recent years, with calls for partnerships between the public sector, private sector and civil society through commercial initiatives and corporate social responsibility (CSR). As this is a new area of engagement, experiences are only now beginning to be documented and shared. To date, disaster mitigation and preparedness have scarcely featured in the debate. There have been some calls for greater private sector involvement in disaster reduction but little attempt to explain what role it might play.

This project was a first step towards filling that gap by looking at the extent and nature of CSR in disaster reduction, exploring the process of private sector engagement and its results.¹ It concentrated on 'natural' disasters and measures to prepare for and mitigate against future disasters.

We proposed a global 'overview' study, complemented by six studies from five South Asian countries: Bangladesh, India (state and national levels), Nepal, Pakistan and Sri Lanka. This region was chosen because it is disaster-prone, it has a tradition of private sector philanthropy, and other actors in disaster mitigation there are interested in alternative approaches. The project also assessed the potential for further CSR involvement in disaster reduction, particularly in developing countries.

It should be emphasised that this was a *preliminary investigation*: a foundation for more practical initiatives and further research.

2. METHODS

The research was carried out by a UK-based project manager and local researchers in South Asia. It focused on four main aspects of CSR in disaster reduction:

¹ The project was managed by the Benfield Greig Hazard Research Centre, University College London and funded by the UK Department for International Development (DFID): SSR award no. R7893. DFID supports policies, programmes and projects to promote international development. It provided funds for this study as part of that objective but the opinions expressed here are those of the authors alone.

- ❑ **Vision:** motivation for private sector involvement; implications for the nature and extent of the support provided.
- ❑ **Decision-making:** factors affecting approaches taken, choice of partners and development of partnerships.
- ❑ **Implementation:** nature and extent of interventions; operational issues and how these were viewed and dealt with.
- ❑ **Impact:** outcomes and effectiveness of interventions; lessons learned and implications for future involvement.

The research methods comprised literature and database searches; postal, email and telephone discussions with over 200 informants in the private and disaster management sectors; and over 60 semi-structured face-to-face or telephone interviews with key informants.

The project's outputs were:

- ❑ 7 research reports (global overview; 6 studies from South Asia)²
- ❑ 20 project/company case studies (annexes to the research reports)
- ❑ conclusions and recommendations for further action.

The main methodological problem was lack of evidence. There is little published or 'grey' literature on the subject. Much of the material is superficial or promotional. Key informants' replies confirmed that there is very little CSR activity in this area; much of their information was anecdotal. Businesses tended to be unco-operative in supplying information. We believe this is because:

- ❑ Business culture is not open for reasons of commercial confidentiality and sensitivity.
- ❑ Businesses do not have time to reply to requests for assistance, especially where they perceive no immediate benefit to them.
- ❑ Failure to respond may be a tacit admission that there is little of substance to report.

Most material on disaster reduction initiatives came from the North, particularly North America, and these tended to be the best-documented projects. In developing countries, other than the Philippines and to a lesser extent the Caribbean, there was little to report. In South Asia, almost all the evidence of CSR in disasters related to disaster response.

3. FINDINGS

Owing to the limitations of the evidence, a comprehensive treatment of the four themes was not possible. Nevertheless, the research identified a number of significant relevant factors affecting the uptake, nature and extent of CSR in disaster reduction, as well as the potential for its further development. These are summarised below.

² Twigg J (2001), *Corporate Social Responsibility and Disaster Reduction: A Global Overview*; Ariyabandu MM, Hulangamuwa P (2002), *Corporate Social Responsibility and Natural Disaster Reduction in Sri Lanka*; Bhatt MR (2002), *Corporate Social Responsibility and Natural Disaster Reduction: Local Overview of Gujarat*; Karki DN (2002), *Corporate Social Responsibility and Disaster Reduction: Nepal Country Study*; Khan FS, Nomani U (2002), *Corporate Social Responsibility and Natural Disaster Reduction in Pakistan*; Matin N (2002), *Corporate Social Responsibility and Natural Disaster Reduction: Insights from Bangladesh*; Sharma A, Gupta M, Gupta K (2002), *Corporate Social Responsibility and Disaster Reduction: An Indian Overview*.

3.1 Vision

Business interests, altruism and philanthropy

- Businesses themselves are often poorly prepared for natural disasters.
- Where a business is commercially involved with disasters or hazards (e.g. insurance), it is much more likely to undertake disaster reduction CSR.
- The private sector is more likely to fund work where it sees some benefit – direct or indirect – to its business.
- A tradition of corporate philanthropy encourages CSR.
- CSR is an unfamiliar concept in many developing countries. It has not made much headway in South Asia.
- Individual companies with a corporate ethos that supports CSR are particularly likely to become involved.

Contexts and trends

- The activities of other actors and current thinking about risk and mitigation can be significant influences.
- Recent disasters can stimulate new thinking about approaches to risk reduction.
- In general, business does not feel itself responsible for natural disasters, which it sees as a problem for government.

3.2 Decision making

Leadership

- Expert and committed leadership is essential to developing collaborative CSR initiatives and inter-sectoral partnerships.
- Such leadership is not easily found and often comes from outside the private sector.
- Where businesses do take the initiative, this is usually in the form of unilateral actions, many closely linked to their own activities or interests.
- Business leadership and commitment are most likely to come from sectors linked commercially to issues of risk and safety.
- Within companies, leadership comes from the top: boards of directors, senior managers and owners.
- Often the champions and prime movers are a few individuals. Reliance on committed individuals is a weak foundation for long-lasting involvement.
- Evidence was inconclusive regarding the leadership roles of large companies compared to small ones, or international corporations compared to local firms.
- There was sufficient evidence of activity by small and medium-sized businesses to indicate that these could play more significant roles.

Collective initiatives

- Business leadership appears to be influential in encouraging other businesses to join projects.
- Business associations, chambers of commerce and dedicated organizations established by businesses have played an important role.
- International business-led initiatives for disaster reduction have achieved mixed results.
- Most international initiatives involving business have been driven by the international aid industry, especially UN institutions.

- ❑ The evidence suggests the importance of having a dedicated institutional ‘home’ to give focus and continuity to collaborative efforts.

Enabling environments and the role of government

- ❑ Inter-sectoral partnerships must be based on a clear division of responsibilities.
- ❑ The private sector rarely features in national governments’ disaster plans.
- ❑ Government commitment is vital to starting and maintaining public-private partnerships.
- ❑ The different cultures of the public and private sectors inhibit collaboration.
- ❑ Most businesses feel that disaster mitigation and preparedness is government’s responsibility.
- ❑ In countries where government-NGO relations are poor, business-led initiatives may have more freedom to operate.
- ❑ Decentralisation of government has created opportunities for inter-sectoral partnerships at local level.

Models of inter-sectoral collaboration

- ❑ Institutional arrangements for CSR in disaster reduction are diverse.
- ❑ There is no ideal organisational model: institutional forms should be customised to fit local conditions.
- ❑ Experiences in the USA have demonstrated the feasibility of complex inter-sectoral projects, but these depend on well-developed corporate, NGO and state sectors.
- ❑ An open, relaxed relationship is an essential element in successful partnerships between the private and other sectors.
- ❑ Partnerships are not bureaucratic encounters, but connections between people.
- ❑ Some of the most successful partnerships were preceded by a long period of negotiation.

Partnerships with NGOs

- ❑ Non-profit organisations need to gain credibility with companies.
- ❑ Businesses are often wary of working with NGOs, partly because they consider themselves more efficient and partly because NGOs are seen to be anti-business.
- ❑ NGOs tend to view companies as a source of donations rather than as potential partners.
- ❑ Funding needs should be placed within a wider strategic view of NGO-business relations.

Community participation

- ❑ Beneficiaries were rarely consulted by businesses about their needs. There was almost no sign that businesses saw any need to consult them.
- ❑ The emphasis of business involvement is on delivering products, not social processes.

Funding

- ❑ It is hard to obtain private-sector funding for broad-based, collaborative and long-term initiatives.
- ❑ Business funding tends to be one-off. Government and aid agency funding therefore remains crucial.
- ❑ Over-reliance on public sector and international aid funding may be a significant restraint on the growth of inter-sectoral partnerships.

3.3 Implementation

Information materials

- Production and distribution of public information on disasters, risk and mitigation measures is a common business approach. It is familiar and unambiguous, giving companies high visibility at low cost.

In-kind support

- In-kind support is attractive to companies, apparently because it is easy for them to mobilise such assistance.
- This form of involvement deserves greater recognition and encouragement; it suits small enterprises as well as large ones and is appropriate to many different contexts.

Sponsorship

- Insurance and reinsurance companies are active sponsors of research on hazards.
- Sponsorship is an unequal partnership because the sponsor controls the funds and therefore the agenda.
- Sponsored research can lack credibility where its findings are private or deemed not to be independent.
- Successful research sponsorships balance sponsors' needs and those of the wider – usually academic – community.
- Sponsorship deals are often fixed-term, limited to particular activities.

Committees and discussion groups

- Business participation in broader committees or discussion groups involves little commitment, can be quite high-profile and is an opportunity to make new contacts and influence others.
- It was not possible to assess the extent or nature of this form of CSR generally.
- Unless directed towards specific actions, committees are liable to degenerate into talking shops.

3.4 Impact

Monitoring and evaluation

- Evidence of impact was very limited in quality and quantity.
- Businesses have little interest in evaluation.
- Impact was often described from the viewpoint of the company, not that of the beneficiaries.
- Most of the initiatives identified are very recent.
- There is some evidence of impact among a handful of better-documented initiatives (in terms of enlisting support, building capacity, planning and carrying out activities, and expanding programmes). However, their effectiveness in reducing vulnerability to disasters can only be inferred at present.
- Failure to demonstrate impact is a substantial obstacle to scaling up initiatives.
- Better understanding of the achievements and merits of different approaches is essential to stimulate interest and give guidance.

Replicability and sustainability

- There were wide variations in scale, but most initiatives were local-level.
- Many of the initiatives identified by the research are recent and have yet to address the challenge of scaling up impact.
- Where projects have scaled up, replication has been in a similar environment, within the same country.
- There is little attempt to influence other organisations to adopt successful approaches.
- International lesson-sharing is almost non-existent, and all lesson-sharing is frustrated by the lack of substantive evidence.
- Most significant examples of CSR are from developed countries. It is unclear how far these can be adapted to the needs of developing countries.
- Funding regimes and business attitudes favour short-term or one-off interventions over strategic plans.
- Levels of corporate financial support are strongly affected by companies' business performance and profit levels.

Vulnerability: reduction or creation?

- The CSR initiatives identified by this research do not attempt to solve the underlying socio-economic forces that make people vulnerable.
- CSR may never address the root causes of vulnerability, because the private sector's overriding quest for profitability can itself be a major contributor to vulnerability.
- Even in developed countries, one can see examples of the private sector contributing to vulnerability or attempting to evade its role in reducing it.
- Where the private sector is commercially engaged in disaster-related work, its aims may not necessarily meet the needs of those most affected or at risk.

3.5 CSR and emergency relief

The focus of this research was on pre-disaster reduction but emergency relief could not be overlooked, since it is clearly the dominant area of CSR involvement in disasters, notably in the South Asian studies. Key findings in this area were:

- Companies are often very willing to respond to disasters through donations of money and in-kind support.
- Although companies can and do gain publicity from their support for relief efforts, altruism is the primary motive and is largely spontaneous.
- There are no indications that companies perceive emergency relief as an obligation.
- Corporate involvement in relief is mostly *ad hoc*, one-off and short-term.
- Most business involvement in relief is unilateral. However, federations of corporate sector members can play an effective role in disaster response.

3.6 Recommendations for future action

The following approaches and ideas may help to lay foundations for future CSR in disaster reduction.

Business continuity/recovery as a basis for local-level mitigation

Most business is concerned merely with protecting its own operations on its own sites but commercial interests provide an entry point to a broader approach incorporating

CSR. Businesses are affected by hazards striking the communities where they operate and the infrastructure on which they depend. It clearly makes sense for businesses to work with others to protect local lifeline services, infrastructure and community facilities. Initiatives to encourage such collective efforts have recently been piloted in the USA and deserve further testing in other countries.

Insurance-based partnerships

More strategic collaborations between government and insurers could play a very important role in reducing risk. There are established examples of this. The short-term potential of such initiatives should not be overestimated. Nevertheless, with insurers constantly seeking new markets and governments becoming more aware of the need for inter-sectoral partnerships, there is long-term potential.

NGO creation

There are few examples of the creation of NGOs specifically to promote and support disaster mitigation but those that exist are significant. Business-created NGOs have several advantages over direct business involvement in projects. They are intended to be permanent and can take a strategic approach; they allow the private sector to operate at arm's length; they are an opportunity for business to work collectively; and they have credibility both with business and with public and civil society organisations.

Pragmatic approach

There is a need for realism about what can be achieved. Discussion of this subject is still over-influenced by enthusiasm and public relations rhetoric. Negotiations and plans for individual initiatives need to put greater emphasis on what can reasonably be expected of the private sector: its capacities and limitations. Low-level disaster mitigation activity has value as a starting point for more extensive work. CSR can take different forms at different stages in the risk reduction process, and involve different organisations.

Relief as the foundation for mitigation

Companies are far more likely to support one-off relief initiatives than longer-term mitigation and preparedness. It might be possible to encourage businesses that support relief efforts to take up disaster preparedness, if this were presented as a logical development of existing work. This in turn could be a basis from which to argue for longer-term mitigation measures.

Transfer of northern models

The most substantial experiences of inter-sectoral partnerships and CSR in disaster reduction are from the USA and cannot easily be transferred to other countries where the capacities and resources available are very different. On the other hand, there are lessons to be learned from the processes used to secure different stakeholders' involvement in initiatives, and some of these processes may be transferable.

Umbrella groups

Chambers of commerce and similar associations have played an important role in promoting CSR generally and co-ordinating individual initiatives. Their capacity to do this, and their extensive outreach in the business sector, make them potentially central players in the future of CSR disaster reduction.

4. DISSEMINATION

The project's outputs were aimed at:

- Private sector organisations.
- Other actors in natural disaster reduction (policy makers and practitioners).

The approach taken was to:

- Raise awareness of the project's findings and outputs as widely as possible.
- Make those findings and outputs readily accessible.

Key dissemination activities were as follows:

- Publishing the project's outputs on the Benfield Greig Hazard Research Centre's website: <http://www.bghrc.com/DMU/DMUSetup/Projects/corp.htm>
- Placing notices of activities and outputs in the electronic newsletter *Disaster Research* (global distribution: 2,450 copies).
- Posting notices to email lists: Natural-Hazards-Disasters (over 300 members); Development Studies Association's Corporate Social Responsibility Group (70 members); Business-NGO Relations (over 200 members).
- Posting notices to information centres and databases: eldis corporate social responsibility site; Resource Centre for the Social Dimensions of Business Practice; Business for Social Responsibility.
- Publishing 3 articles in the Benfield Greig Hazard Research Centre newsletter *Alert* (global distribution: 1,500 copies); one article in EU-India CSR Network newsletter; one article in newsletter of NGO disaster management network in India (over 300 NGOs).
- Creating an email distribution list containing names of those who wanted to be kept informed (90 names).
- Sending copies of outputs to DFID (SSR and Private Sector Policy Department).

Through its interviews with key informants as part of the research, the project has also begun a dialogue with user groups. Findings will be fed back to these informants, and will be the basis for future discussions about joint initiatives. Informal feedback to date has been positive, indicating that the research is valuable and timely.

The dissemination has led to the following developments:

- Discussions with the Prince of Wales' International Business Leaders' Forum about collaboration on a proposed handbook on business and disaster response.
- An invitation from the (then) Minister for E-Commerce and Competitiveness, Douglas Alexander, to make a presentation to a meeting of the Whitehall inter-departmental group on corporate social responsibility (to be scheduled soon).
- Invitations from the Dialogue on Water and Climate to contribute to a paper on 'Water, climate and sustainability: the role for financial services' (submitted to *Science*) and a report on 'Risk Management in the Climate-Related Water Sector: the Role of Insurance and other Financial Services' (for the 3rd World Water Forum).
- The Institute for Business & Home Safety in the USA asked for details of the project to distribute to its insurance industry members.
- The UN International Strategy for Disaster Reduction (ISDR) requested information, which has been cited in its book *Living with Risk: a global review of disaster reduction initiatives* (2002).
- Information about the project was reproduced in the Asian Disaster Preparedness Center's newsletter *Asian Disaster Management News*.

- ❑ Assistance to a British Red Cross researcher writing a report on the potential for increasing insurance companies' involvement in mitigation and preparedness.³
- ❑ Ongoing discussions with a researcher at the University of Waterloo, Canada, about research collaboration.
- ❑ The Disaster Mitigation Institute (DMI – whose director was a member of the research team) has joined with the Ahmedabad Management Association to set up a disaster management centre promoting NGO-private sector collaboration.
- ❑ DMI has put the leading Gujarat-based corporations on the mailing list for its *Afat Nivaran* disaster mitigation newsletter.
- ❑ Sustainable Environment & Ecological Development Society (also a member of the research team) has held initial discussions about future business-NGO linkages in disaster reduction with DFID India, the Business and Community Foundation and the American India Foundation.

³ Adamsdale E (2002) *Transferring Risk: Potential partnerships between the insurance industry and the humanitarian sector*. London: British Red Cross.