

## CORPORATE SOCIAL RESPONSIBILITY IN CONSTRUCTION – A CRITICAL LITERATURE REVIEW

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**ABSTRACT:** Corporate social responsibility (CSR) is of increasing interest to both industry practitioners and academics because of increasing public awareness of environmental, economic and social sustainability. The last decade witnessed a large number of studies on the development of CSR principles and the implementation of CSR in various industries such as the mining industry, oil industry and food industry. However, there is limited number of CSR studies focusing on the construction industry. Considering the critical role the construction industry plays in achieving economic, social and environmental sustainability, it is imperative to extend the current CSR research to the construction sector. This paper provides a critical review of literature related to corporate social responsibility in construction context. A special focus is placed on the current practice adopted by the industry to be socially responsible. A research agenda is set up to tackle this critical issue.

*Keywords:* Corporate social responsibility, construction industry, socially responsible

### 1. INTRODUCTION

Construction industry plays a critical role in achieving sustainability in natural and built environments, from economic, social and environmental perspectives. The building and construction industry is a major driver of activities in all major economies. Taking Australia as example, the construction industry made up 6.4% of Australia's gross domestic product in 2005-2006 [1]. The total building and construction industry activity in Australia was valued at \$95.8 billion dollars for the year 2005-06, which was an increase of 13% over the previous year. The construction industry provides employment, which underpins social sustainability. In 2006-07, the industry employed 917,600 workers which represented approximately 8.7% of all employed persons in Australia. This figure was 4.7% higher than the previous year. During this period, the majority of construction industry employment was in construction trade services (633,500 people or 69%), which includes those engaged in earthmoving, concreting, bricklaying, roofing, plumbing, electrical, carpentry, painting, glazing and landscaping [1]. Achievement of environmental sustainability will be strongly influenced by the construction industry as this sector consumes large quantities of energy derived from fossil fuels [2]. Pricewaterhouse Coopers estimates that the construction industry accounts for half of all resource usage and up to 40 percent of energy consumption [3]. The energy is consumed during the whole life cycle, including the construction phase, the operation phase and during the process used to manufacture building materials [4]. Other

related environmental issues include the reduction of CO<sub>2</sub> emissions, minimizing of construction and demolition waste, and prevention of indoor air pollution [5]. This study critically reviewed literature related to corporate social responsibility, particularly in construction context. A research agenda is proposed.

### 2. CORPORATE SOCIAL RESPONSIBILITY

The World Business Council of Sustainable Development defined CSR as: "continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large". According to a McKinsey study, the UN Global Compact, voluntary initiative plays an important role in driving the implementation of corporate social responsibility in business [6]. Their survey of 370 Global Compact participating organizations showed that there are positive effects associated with participation. The International Organization for Standardization developed ISO 26000:2010, a voluntary based International Standard for the implementation of social responsibility in organizations. Even though it is not being developed for certification purposes, ISO 26000 provides guidance for organizations on principles and practices of social responsibility [7]. Figure 1 shows the seven core areas covered by social responsibility in an organizational context as specified in ISO 26000.



**Figure 1** Core areas of social responsibility in organizations, adapted from [7]

The stance taken by some organisations wishing to demonstrate the adoption of CSR principles is to register with the Global Reporting Initiative (GRI). GRI defined the social impact as an organization’s impact on the social system within which it operates. This includes labour practices, human rights and other social issues [8]. Year 2009 saw 1417 companies have their reports listed and accredited by GRI. Large multi-national companies, e.g. AGL, IBM and Telstra have adopted CSR in their business operations. These companies publish their corporate social responsibility report online annually. For example, IBM’s corporate social responsibility report covers 5 major areas, i.e. employees, communities, environment, supply chain and governance [9]. IBM’s corporate social responsibility performance is reviewed in their report and strategies put forward for the improvements in the future. For instance, in terms of environmental sustainability, the report reveals that “5.1 billion kWh of electricity was saved as a result of IBM’s annual energy conservation projects between 1990 and 2009 (as a result) 3.4 million metric tons of CO2 emissions were avoided” [9, p. 24]. The report indicates that IBM’s corporate citizenship steering committee directs key governance activities while the corporate citizenship and corporate affair organization manages day-to-day activities related to CSR.

CSR has become an increasingly significant movement for corporations around the world [10]. There is a 74% planned increase in investment in CSR over the next three years in Australia and New Zealand [11]. With a capability to attain the sustainable growth of firms, CSR is no longer viewed as just a regulatory or discretionary cost, but an investment that brings financial returns [12].

There are a number of studies on CSR in Australia. For instance, Quazi & O’Brien developed and tested a cross-national model [13]. Anderson & Landau (2006) reviewed the terminology, the regulatory framework and the adoption of CSR by companies in Australia. In a submission to the Parliamentary Joint Committee on Corporations and Financial Services, the Smith Family identified the benefits of engaging with CSR as: improved financial performance, enhanced brand image and reputation, increased sales and customer loyalty, and

improved employee recruitment and retention [14]. The Australian Centre for Corporate Social Responsibility identified the major obstacles to CSR success as including a general lack of awareness of CSR within the organization, lack of management support, and limited financial and human resources [15]. A study of the top 300 ASX listed companies for the 2005 financial year by Brine et al. concluded that the adoption of corporate social responsibility led to an increase in sales and an increase in equity [16].

### 3. CSR IN CONSTRUCTION

Corporate social responsibility research has been conducted in various industries such as the mining industry, the oil industry, and the food industry. However, there are very few studies that have investigated CSR issues in the construction industry, especially in the Australian context.

In construction, corporate social responsibility is “the commitment to integrate socially responsible values and concerns of stakeholders into their operations in a manner that fulfils and exceeds current legal and commercial expectations” [17]. In the construction industry, companies have been aware of the need to consider the environmental impacts of construction activities and the importance of community relations. There is an increasing demand from various stakeholders, e.g. the government, clients and the public community for products and services to be ‘socially responsible’. In addition, more and more clients are beginning to expect and demand a CSR agenda from contractors, which in some cases will become a determining factor between securing a contract and missing out [18].

The majority of CSR studies in construction focus on the ethical behaviour within the built environment [19, 20]. Other studies look at CSR from a construction management perspective [21] but these studies are not based on empirical research. Murray and Dainty provide an overview of the CSR concept in relation to the construction industry [22]. However, the authors indicate that it is not their intention to present a ‘how to’ book on corporate social responsibility for the construction industry.

In recent years, the construction industry has been placed under scrutiny by the media’s focus on social responsibility [23]. Indeed a recent study by Lingard et al. finds the Australian construction industry to be socially irresponsible. A mechanism is required to enable the construction industry to improve its performance [24]. Yam et al. indicates that corporate social responsibility when implemented well provides a mechanism for businesses to be socially responsible and to stay competitive [25]. According to Constructing Excellence and CIOB, the adoption of corporate social responsibility (CSR) would provide the construction industry with numerous benefits (see Figure 2). Langston et al. added that corporate social responsibility can also enhance community development [26].



**Figure 2** Benefits of CSR in construction, adapted from [17, 18]

According to Rameezdeen, apart from workplace and community involvement, other CSR activities are carried out only due to legal requirements and the customs of the construction industry [21]. This is a very disturbing result as construction industry is one of the most labour intensive industries and has a very high impact on the environment. Beddewela & Panditaratne argue that contractors concentrate on social issues such as workplace and environmental safety chiefly when there are sufficient public policy, or legal and professional legislation and standards which require them to do so [27]. Vishal & Ranganayaki stress that the increasing level of requirements for transparency in business activities and the consequences of not complying are major drivers of adopting CSR in the construction industry [28].

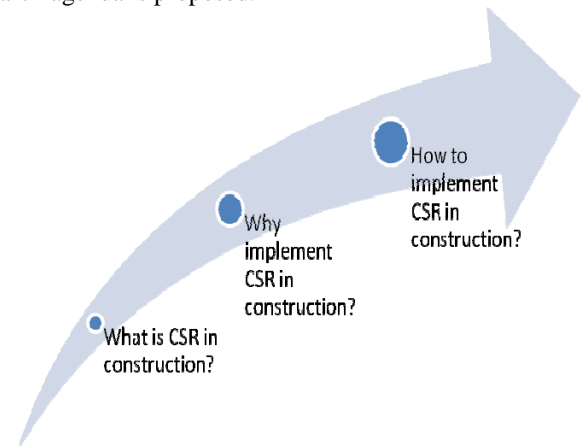
Petrovic-Lazarevic's study is one of very few empirical researches on CSR in the Australian construction industry that has been published in academic journals [29]. Petrovic-Lazarevic interviewed 85 senior managers of 17 large, global companies in Australia. These interviews focus on four major areas of CSR, i.e. (1) corporate governance structure; (2) occupational health and safety; (3) environmental management system; and (4) communication of CSR activities. Petrovic-Lazarevic (2008) concluded that healthy working environment is a key consideration of CSR in construction where relationship with stakeholders should be paid much attention to.

In addition, the existing knowledge of corporate social responsibility in the construction industry mainly comes from studies that have reviewed online CSR reports of large enterprises, e.g. [30, 31]. The large enterprises, e.g. Colliers International, Stockland and Bovis Lend Lease have taken action to address social and environmental issues in construction [32]. As the first property group in Australia to be listed on the Corporate Responsibility Index (CRI), Colliers International recognizes that CSR provides a framework for the company to accelerate its future efforts and share knowledge with other leading companies [33].

#### 4. RESEARCH AGENDA

A review of the literature indicates a significant gap in the current body of knowledge on corporate social

responsibility in the construction industry. The following research agenda is proposed.



**Figure 3** Proposed research agenda

##### 4.1. What is corporate social responsibility in construction?

This review indicates that other terminologies have been used in the literature together with the corporate social responsibility as proxies for the same concept. Terms such as corporate citizenship, business ethics, corporate governance and corporate sustainability tend to be used interchangeably. A clear definition of corporate social responsibility in the construction industry is required for the purpose of assessing why and how corporate social responsibility might be implemented. Unless there is greater clarity about what this term means it will be difficult to establish benchmarks that have an epistemological relationship to the concept being measured. Without a clear definition of CSR there cannot be confidence that the concept is really being addressed.

There are a number of models and theories related to corporate social responsibility that have been developed in other contexts. It is appropriate to adapt existing models to suit the CSR research in construction relative to a working definition of corporate social responsibility. Empirical research is needed to test the validity and applicability of models that might be transferable to a construction context.

A clear definition of corporate social responsibility might make it possible to investigate the common practices adopted by the construction industry for the implementation of CSR, and address the questions of

- What are common initiatives for CSR in the construction industry?
- How effective are these initiatives?

##### 4.2. Why implement CSR in construction?

There are few studies that validate the tangible and intangible benefits associated with the adoption of CSR in the construction industry. Construction related organizations might be more convinced to pursue CSR if benefits are clarified. In other words, what are genuine factors driving the adoption of CSR in the construction industry?

This research will also identify factors inhibiting the adoption of CSR in construction. A better understanding of perceptions of senior managers of construction related organizations will help to tackle barriers to the adoption of CSR in the construction industry.

#### 4.3. How to implement CSR in construction?

Clear guidelines will be required to facilitate the adoption of CSR across the construction industry. The following issues are worthwhile considering:

- Do CSR activities affect existing business model?
- How CSR activities fit into the broader agenda of corporate sustainability?
- Do different sizes of construction related companies take different approaches to CSR?
- Is passive approach, regularly review performance and compliance good enough for CSR in construction?
- What are most appropriate indicators to measure CSR performance in construction context?

### 5. PROPOSED METHODOLOGY

We propose to develop a roadmap for the implementation of CSR in construction related organizations based on case studies of CSR in construction and similar industries. Case study methods involve an examination of a single instance or event: a case. It is a systematic way of looking at events, collecting data, analysing information, and reporting the results. The purpose is to gain an understanding of why a phenomenon happened as it did, what can be learned from the case and what attributes might be examined in future research [34].

The case studies will seek to define a common understanding of CSR in construction so that the concept can be assessed and measured in industrial settings.

Case analyses of CSR in construction and similar industries in Australia and internationally will be also examined to address the benefits and costs of adopting CSR and to develop a roadmap for the implementation of CSR in construction.

As a result, a clear mechanism can be offered to assess cost-benefit trade-offs for the implementation of CSR to assist senior managers to make decisions. This might be of particular benefit to the construction industry considering the competitive nature of the market.

### 6. CONCLUSIONS

The corporate social responsibility of the construction industry has a critical relationship with achieving economic, social and environmental sustainability in the future, particularly as the pace of urbanisation, resource depletion and pollution increases. A review of the literature in this field suggests that the concept of corporate social responsibility is remains poorly defined in relation to the construction industry. Cost-benefit analyses of CSR are thin in the literature as are discussions of how CSR might be implemented in the

construction industry. A research agenda is proposed to address these deficits in the research base based on a case study approach. The outcome will be a new model to assess cost-benefits of introducing CSR and a roadmap for implementing CSR in construction.

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