

# RECAPITULATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) FOR CONSTRUCTION SMES IN THE UK

Lou, E.C.W.<sup>1,2</sup>, Lee, A. and Mathison, G.

<sup>1</sup> Create Construction Ltd, Neptune Court, Hallam Way, Blackpool FY4 5LZ, UK.

<sup>2</sup> University of Salford, School of Built Environment, Greater Manchester M5 4WT, UK.

In line with the UK Government's innovation objectives under The Strategy for Sustainable Construction, construction small and medium enterprises (SMEs) are looking to develop and implement a quality management system to address the corporate social responsibility (CSR) aspects of the business. This paper investigates the initiation, development and practice of CSR in construction organisations, and presents a case for possible adoption for construction SMEs. Current policies and directives from the European and UK are also taken into consideration. By combining key indicators of CSR and achieving business success and competitive advantage, the pervasiveness of CSR for construction SMEs is determined. The validity of this initial research is further endorsed through industry collaboration research.

Keywords: corporate social responsibility, CSR, small and medium enterprise, SME.

## INTRODUCTION

The UK construction industry (CI) has a significant role to play in the UK economy. It is estimated that the CI output is worth over £100bn a year, accounts for 8% of national gross domestic product (GDP) and employs around 3 million workers, with construction expenditure in the private sector amounts to two-thirds of all procured contracts (BIS, 2011a). With its weight on its shoulders, the public sector of the CI will carry the burden of leadership and behaviour change – and to have a positive impact on development, business and society. Through the Department for Business Innovation and Skills (BIS), the Government have taken the first step in spearheading sustainability in construction. The Strategy for Sustainable Construction (BERR, 2008) is a joint industry and Government initiative intended to promote leadership and behavioural change, as well as delivering benefits to both the CI and the wider economy. It aims to realise the shared vision of sustainable construction by providing clarity to business on the Government's position by bringing together diverse regulations and initiatives relating to sustainability; setting and committing to higher standards to help achieve sustainability in specific areas; and making specific commitments by industry and Government to take the sustainable construction agenda forward (BIS, 2011a). The strategy acknowledges the need for changes to achieve sustainability for the industry. The business case for the sustainable construction agenda encapsulates construction organisations and their wider supply chain by

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<sup>1</sup> eric.lou@createconstruction.co.uk; e.c.w.lou@salford.ac.uk

increasing profitability through a more efficient use of resources, procuring sustainable products or ways of working and the opportunity to improve organisational image and profile in the industry by addressing issues relating to Corporate and Social Responsibility (CSR).

The term social responsibility came into widespread use in the early 1970s, although various aspects of social responsibility were the subject of action by organisations and governments as far back as the late 19th century, and in some instances even earlier. Attention to social responsibility has in the past focused primarily on business. The term “corporate social responsibility” (CSR) is more familiar to most people than “social responsibility”. The view that social responsibility is applicable to all organisations emerged as different types of organisations, not just those in the business world, recognized that they too had responsibilities for contributing to sustainable development. The perception and reality of an organisation's performance on social responsibility can influence, among other things (Porter and Kramer, 2006):

- its competitive advantage;
- its reputation;
- its ability to attract and retain workers or members, customers, clients or users;
- the maintenance of employees' morale, commitment and productivity;
- the view of investors, owners, donors, sponsors and the financial community;
- the relationship with companies, governments, the media, suppliers, peers, customers and the community in which it operates.

The CSR acronym is being described as the ‘the hot business issue of the noughties’ (Blyth, 2005) and ‘the talk of the town in corporate circles these days’ (Mees and Bonham, 2004). However, the notion of CSR means different things to different people, in different contexts, and for different purposes. As a result, a large gap exists between ideas and concepts, on the one hand, and practical applications and implications, on the other (Porter *et al.*, 2007). Gaps also exist between new expectations and capabilities in place. Investors, as well as policy makers, would be well served by the availability of tools to reduce ambiguity about decision and choices in this general domain. Much of what we know about CSR – in theory and in practice – comes from a range of studies that provide a view of past performance, current assessment, and future expectations (Booth, 2009).

In the past decade, there is no single accurate definition for CSR as different groups describe it differently including ‘corporate sustainability, corporate citizenship, corporate social investment, the triple bottom line, socially responsible investment, business sustainability and corporate governance’. The earliest emergence of CSR dates back to the 1950s from the USA (Carroll, 1999) – early definitions concentrated relates to business responsibility to power. Through time, both good and bad, there has been significant development in the attempt to formalise the idea. Friedman (1970) describes CSR as ‘to conduct the business in accordance with [owners’ or shareholders] desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in local custom’. The UK government online resource for businesses Business Link describes CSR as about ‘understanding your business' impact on the wider world and considering how you can use this impact in a positive way’ (Business Link, 2011), while the European Commission (2006) defines CSR as ‘a concept whereby companies integrate social and environmental concerns in their business

operations and in their interaction with their stakeholders on a voluntary basis'. The Dow Jones Sustainability Index illustrates CSR as 'Corporate Sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments (Dow Jones, 2011). It was only in 2010, the International Standards Organisation (ISO) published the ISO26000 guidance on social responsibility, defining CSR as the willingness of an organisation to incorporate social and environmental considerations in its decision making and be accountable for the impacts of its decisions and activities on society and the environment (ISO, 2010). However, ISO 26000 is only a voluntary guidance, not mandatory, and therefore is not for use as a certification standard. Table 1 presents a detailed literature review of the worldwide standards and purpose of CSR.

Table 1 : Various definitions of CSR

Report	CSR Definition
International Standards Organisation (ISO, 2010)	The essential characteristic of social responsibility is the willingness of an organization to incorporate social and environmental considerations in its decision making and to be accountable for the impacts of its decisions and activities on society and the environment. This implies both transparent and ethical behaviour that contributes to sustainable development, is in compliance with applicable law and is consistent with international norms of behaviour.
AccountAbility (2008)	It combines the terms social and ethical to refer to the systems and individual behaviour within an organisation and to the direct and indirect impact of an organisation's activities on stakeholders. Social and ethical issues (relating to systems, behaviour and impacts) are defined by an organisation's values and aims, through the influence of the interests and expectations of its stakeholders, and by societal norms and expectations.
Business Link UK (2011)	CSR is about understanding your business' impact on the wider world and considering how you can use this impact in a positive way. It means taking a responsible attitude, going beyond the minimum legal requirements and following straightforward principles that apply whatever the size of your business.
European Commission (2005)	CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs.
World Business Council for Sustainable Development (WBCSD, 2002)	The integration of social and environmental values within a company's core business operations and to the engagement with stakeholders to improve the well-being of society.
International Institute for Sustainable Development (IISD, 2011)	CSR promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors. The concept is underpinned by the idea that corporations can no longer act as isolated economic entities operating in detachment from broader society.
Business for Social Responsibility (BSR, 2010)	Business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world.
CIRIA (2004)	A commitment by organisations to integrate socially responsible principles and concerns of stakeholders in their operations, in a manner that fulfils and exceeds current legal and commercial expectations

CSR in Europe emphasises on the doing business in a more socially responsible manner, complemented by investment in communities for solid business case reasons (Casanova, 2009). The idea that companies can contribute to societal well-being

beyond their legal obligations has a long tradition in many parts of the region. In general, the development of CSR in Europe has been driven both by proactive strategies adopted by pioneering businesses, European institutions and national governments, as well as by external pressures from other stakeholders such as civil society and the investor community. CSR in the United States has been defined much more in terms of a philanthropic model – organisations make profits, unhindered except by to pay taxes (McGlone, 2011). Organisations donate a portion of the profits to charitable causes, and this is seen as the defiling act for the company to receive any benefit from the giving.

## CSR STANDARDS

In driving CSR forward, it is critical for organisations to be able to evaluate where they were yesterday, their position today, and what they want to achieve in the future – something to be measured for and against. A common standard of CSR is essential to ensure collective agreement in terms of quality, safety, costs, reliability, efficiency and inter-changeability. As mention above, the segregation and disjunction on the concepts of CSR produced a myriad of reporting guidelines or standards available to organisations to follow. AccountAbility AA1000 is an accountability standard focused on securing the quality of social and ethical accounting, auditing and reporting. It is a foundation standard, and as such can be used as a common currency to underpin the quality of specialised accountability standards, existing and emergent, and as a stand-alone system and process for managing and communicating social and ethical accountability and performance (AccountAbility, 2008). The ISO 26000 provides a globally relevant guidance for private and public sector organisations of all types based on international consensus among expert representatives of the main stakeholder groups, and so encourages the implementation of best practice in social responsibility worldwide (ISO, 2010). The ISO 26000 looks into organisational governance, human rights, labour practice, the environment, fair operating practice, consumer issues and community involvement and development. Another well recognised standard is the Social Accountability (SA8000) by Social Accountability International (SAI). The aim of SA8000 is to provide a standard based on international human rights norms and national labour laws that will protect and empower all personnel within a company’s scope of control and influence, who produce products or provide services for that company, including personnel employed by the company itself, as well as by its suppliers/ subcontractors, sub-suppliers, and home workers. More standards and their purpose are as listed in Table 2.

*Table 2: Various CSR standards and purpose of corporate social*

Standard	Purpose
Social Accountability (SA8000), Social Accountability International (SAI, 2008)	An auditable standard for a third-party verification system, setting out the voluntary requirements to be met by employers in the workplace, including workers’ rights, workplace conditions, and management systems. The normative elements of this standard are based on national law, international human rights norms and the conventions of the ILO.
ISO 26000, International Standards Organisation (ISO, 2010)	This standard is intended for use by organisations of all types, in both public and private sectors, in developed and developing countries, as well as in economies in transition. It will assist them in their efforts to operate in the socially responsible manner that society increasingly demands. This is a voluntary guidance, not requirements, and therefore is not for use as a certification standard.
AA1000, AccountAbility (2008)	The purpose of the AA1000 is to provide organisations with an internationally accepted, freely available set of principles to frame and structure the way in which they understand, govern, administer, implement, evaluate and

	communicate their accountability – based on 3 principles – The Foundation Principle of Inclusivity; The Principle of Materiality; and The Principle of Responsiveness.
GRI G3.1, Global Reporting Initiative (GRI, 2010)	The GRI aims to drive sustainability and Environmental, Social and Governance (ESG) reporting. The framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance.
GoodCorporation Standard (2010)	The GoodCorporation Standard is based on a core set of principles that define a framework for responsible management in any type of organisation. Under each principle, the Standard sets out management practices that can be assessed to determine how well the organisation works in reality. GoodCorporation uses an independent assessment process that looks at four levels of evidence for each individual practice and assesses them against a five-point scale.
United Nations Global Compact (UNGC, 2011)	UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.
Connected Reporting Framework (CRF), Accounting for Sustainability (2009)	The CRF is a reporting model which presents key sustainability information alongside more conventional financial information to give a more rounded and balanced picture of the organisation's overall performance. It explains how all areas of organisational performance can be presented in a connected way, reflecting the organisation's strategy and the way it is managed.
International Institute for Sustainable Development (IISD, 2011)	Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future.

On the whole, CSR standards could be consolidated into five main leads (Central Government; Local Government; Professional Body; Organisation-led; and the Research Community) and 2 main areas (accreditable or reference). CSR could be led by the Central Government, such as in Denmark, where the Danish parliament made it compulsory for the 1100 largest Danish organisations, investors and state-owned companies to include information on CSR in their annual financial reports, effective January 2009 (DCCA, 2009a and 2009b); while organisations such as The Body Shop and The Co-operative Group evolve around their CSR and ethical values, where services are built from organisational integrity and best practice (CBI, 2005; Dennis, 1998). Professional Bodies such as the ISO, AccountAbility and GRI are leading in the development of a universal standard for international CSR.

The construction sector in the UK are developing ways to address the CSR agenda; the Considerate Constructors Scheme is one such initiative, established in 1997, it operates a voluntary site and company codes of considerate practice register. As such, a plethora of construction small and medium sized enterprises (SME) are starting to embark on embedding CSR principles within their business operations. The various differences in CSR definitions and standards has raised the question of 'what is the most accurate definition for CSR?' and 'which standard should be followed?'

## **CONSTRUCTION INDUSTRY AND SMALL AND MEDIUM ENTERPRISES (SME)**

SMEs are socially and economically important to society as they typically represent 99% of all enterprises in Europe and America (Burke, 2007). Within the European Union, an SME is considered by its number of employees and annual turnover; by definition, SMEs could have a maximum of 250 employees, annual turnover of up to €50 million and an annual balance sheet to a total of €43 million. This size is relevant

to the particular sector in which the SME operates (European Commission, 2005). According to Robbins *et al.* (2000) SMEs are important to the economic vitality of cities, states and the countries due to their significant number and employees. However, they tend to display vulnerability in facing up to various conditions prevailing in a country's economy resulting in business failure. The ability of SMEs to turnaround their companies is constrained due to their limited access to financial resources and capital (Kirchhoff, 1994). It is therefore pertinent to investigate unique SME behaviour in adopting and embracing organisational CSR.

Historically, it has been recognised that the SME sector poses various challenges for implementing policies, transfer of good practice and various Government agendas – strategic horizons and organisational capabilities of SMEs did not allow sufficient 'organisational slack' to conduct activities outside their main business activities (Sexton and Barrett, 2003). This may lead to the lack up uptake and the possible dis-interest in CSR.

The SMEs in the UK CI accounts for approximately 40% of GDP and is a major contributor to local economies (BIS, 2011b). The fragmented and diverse nature of the industry illustrates the inconsistent level of CSR among organisations in the CI. Current practice indicates that the implementation of CSR undertaken on an ad-hoc basis and there is no formalisation of CSR into mainstream business activities. Within the UK CI, organisations are not legally bound to any CSR framework for monitoring and reporting activities.

### **Case Study**

A single case study is established understand, immerse and learn on the possible uptake of CSR by a UK CI SME. The selected organisation (CC) is a Knowledge Transfer Partnership (KTP, 2011) partner, whom has declared an interest in developing a CSR strategy for the organisation. CC was established in 2006, providing specialist construction service to a UK wide client base; and takes great pride in the flexibility of its service options covering design and build, construction and interiors; primarily in the education, leisure and retail sectors, with a typical contract of up to £6 million. CC has knowledge and expertise in the delivery of specialist construction projects. At the moment, there is a single policy written for the organisation but lack action and directions. The organisation's Directors are very keen to establish CSR protocols and processes inline with the organisation's business practices. However, in order to gain the full business benefits from adopting proactive CSR practices, CC need to seamlessly embed policies and measures into operational processes. To do this, stakeholder identification analysis is undertaken to identify the relevant stakeholders through AccountAbility AA1000 principles (AccountAbility, 2008). Frequent engagement and meetings were held with the new stakeholder group members for an introduction of CSR; gain feedback and for buy-in for this concept. Through desk research, global, EU and UK regulatory framework directives, best practice guidance and success stories are collated, articulated and synergised. Potential CSR key indicators, regulatory policies (current and future) and implementation frameworks were presented for consideration for CC. The strategy could only be realised when all three elements (culture, support and strategy), and accelerated by external best practice and internal policies; and all operationalised through IT, as illustrated in Figure 1.

CC's CSR strategy was developed in consultation with the CC Senior Management Team from engagement from stakeholders and desk research. The strategy is aligned

to the ISO26000 and AA1000 policies, and GRI G3 reporting standard; encapsulates five major factors - Corporate Governance, Community, Employee, Business-to-Business and the Environment - and empowered using IT, as shown in Figure 2. As a construction organisation, the emphasis is on the environmental responsibility. The strategy will apply to the organisation as a whole and in individual construction projects. The strategy incorporates organisational performance metrics and details of a continuous improvement cycle of review and action to ensure that the strategy is up-to-date and relevant to the business. The strategy is mapped with CC's core business process to establish core links between organisational strategy and CSR strategy - both supporting and integrating each other. A gap analysis is also taken to identify any disparities between the two. Accreditation from AccountAbility will be possible as this is designed around AA1000 policies.



Figure 1 : CSR Strategy in operation



Figure 2 : CC CSR Strategy

The case study findings show that CC have their own distinctive characteristics and needs which are significantly different from those of large construction firms – small construction firms are not merely large construction firms scaled down. The CSR strategy for construction organisation needs to understand and actively manage these differences; policies which are appropriate for large construction firms are not necessarily appropriate for small construction firms; and vice versa. Limitations of CC include limited staff, money and time, all of which are under greater pressure compared to large construction firms. The strategy will need to be 'lean' and promote initiatives which CC needs to leverage their existing resources, rather than initiatives which need additional resources. In addition, CC will ideally need an 'enabling' interaction environment to innovate within a longer term and more secure context. The strategy will need to show the shared benefits to clients and large construction firms of creating and supporting this type of environment for small construction firms.

## CONCLUSIONS

In this present gloomy economic climate, construction organisations are seeking for new competitive advantage to stay ahead of the game. Organisations are now taking a responsible attitude, going beyond the minimum legal requirements, following CSR principles that apply whatever the size of the business. This paper reported on the growing adoption of CSR as a core business strategy; it began by reviewing the various definitions of CSR and differing standards, before describing as a case study the necessary steps of how a CI SME is trying to embed CSR within their business. Definitions of CSR vary considerably and encompass differing aspects, the majority of which cover social and environmental aspects. Further, there are a growing number of international regulatory bodies that have set up CSR policies, however, all are

voluntary unless imposed by specific governments. Thus, no clear guidance is explicated to help organisations implement CSR, particularly for SMEs.

A case study was presented in this paper to evidence how a CI SME embarked on incorporating CSR principles. Firstly, a strategic CSR policy was developed which complimented the existing business process. Second, industry best practice and policies was thoroughly researched. Finally, supporting IT is being developed so that CSR will not become another added 'chore' for the business, but instead, is fully integrated and self-reporting. It is clear from the case study that for successful implementation of CSR in construction organisations, there must be a synergy between research and best practices, and a practical application of CSR into the business.

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