



Corporate Responsibility in UK Construction SME

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Relevance of Corporate Responsibility in UK Construction

The construction industry is Europe's largest industrial employer, representing 7.2% of the continent's total employment and 9.9% GDP (FIEC, 2003). In the UK, the ability of the construction industry to innovate in order to improve its practice has been widely debated over the years. As more and more organisations in other sectors, globally, are addressing 21st century consumer challenges: encompassing fair-trade, ethically sourced and more recycled products; and are reporting on their corporate responsibility performance, isn't it about time the construction industry followed suit? This paper investigates what really needs to change for the construction to progressively and sustainably improve its position in terms of being 'responsible.'

Keywords: Corporate responsibility, construction, small and medium enterprise, SME, UK.

Track: Corporate Social Responsibility

1. Corporate Responsibility in Construction

Construction organisations are now taking a responsible attitude, going beyond the minimum legal requirements. Led by the Department for Business Innovation and Skills (BIS), the UK Government has taken the first step in spearheading sustainability in construction. The Strategy for Sustainable Construction 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 (Constructionline, 2011). 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 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 Responsibility (CR) or Corporate Social Responsibility (CSR).

In driving CR 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 mentioned above, the segregation and disjunction on the concepts of CSR produced a myriad of reporting guidelines or standards available to organisations to follow. The International Standards Organisation ISO26000:2010 is a new ISO standard acts as a guideline for organisation to implement corporate responsibility, regardless of

their size or location, on: concepts, terms and definitions related to social responsibility; the background, trends and characteristics of social responsibility; principles and practices relating to social responsibility; the core subjects and issues of social responsibility; integrating, implementing and promoting socially responsible behaviour throughout the organization and, through its policies and practices, within its sphere of influence; identifying and engaging with stakeholders; and communicating commitments, performance and other information related to social responsibility. The AccountAbility AA100:2008 standard provides an organisation with an internationally accepted, freely available set of principles to frame and structure the way in which Create Construction could understand, govern, administer, implement, evaluate and communicate their accountability. This is primarily intended to be used by organisations developing an accountable and strategic approach to sustainability. 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 1.

Table 1: Various CR/CSR standards.

Report	CR/CSR Definition
ISO [12]	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.
AccountAbility [13]	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.
IISD [16]	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.
GRI [20]	The GRI is a network based non-governmental organization that 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.

Good Corporation [39]	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.
Accounting for Sustainability [40]	The CRF is a reporting model that 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.
SAI [41]	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.

The CR/CSR acronym is being described as the ‘the hot business issue of the noughties’ (Mees and Bonham, 2004), and ‘the talk of the town in corporate circles these days’ (Porter *et al.*, 2007). However, the notion of CR/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 (Booth, 2009). 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 CR/CSR – in theory and in practice – comes from a range of studies that provide a view of past performance, current assessment, and future expectations (Porter *et al.*, 2006). The view that social responsibility is applicable to all organisations emerged as different types of organisations, not just those in the business world, recognised that they too had responsibilities for contributing to sustainable development. The perception and reality of an organisation's performance on social responsibility can influence 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, among other things (Lou *et al.*, 2011). Table 2 presents a detailed literature review of the worldwide standards and purpose of CR/CSR. From the incongruent definitions and scope between

corporate responsibility and corporate social responsibility, this paper defines CR as the overall umbrella term for social, economy and the community.

Table 2: Various definitions of CR/CSR

Report	CR/CSR Definition
ISO (2010)	The essential characteristic of social responsibility is the willingness of an organisation 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)	CR/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)	CR/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.
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.
IISD (2011)	CR/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.
BSR (2009)	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.
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The area of CR/CSR for construction encapsulates a very wide area. This research splits this into four main research areas – internal staff, community, environment and supply chain. Within this scope, the research is categorised into six separate factors – environmental management; climate change; social responsibility; human and labour rights; supply chain and procurement; and corporate governance.

This paper argues that the industry must change. Organisations in differing sectors are moving ahead in terms of being 'responsible' and are innovatively encapsulating the market trend towards fair-trade, ethically sourced and recycled products; many leading companies are reporting on their 'responsibility'. Surely the construction industry should follow suit? This paper reports on the initiation, development and practice of CR, and presents a case for possible adoption for construction SMEs. By combining key indicators of CR and achieving business success and competitive advantage, the pervasiveness of CR for construction SMEs is determined.

2. Case Study

A single case study is established to understand, immerse and learn the perspective of UK CI SMEs on the uptake of CR in their business. The selected organisation is a Knowledge Transfer Partnership [20] partner, whom has declared an interest in developing a CR strategy for the organisation. CC was established in 2006, providing specialist construction service to a UK wide client base; and taking 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 and a yearly turnover of £20 million. Through desk research – global, EU and UK regulatory framework directives, best practice guidance and success stories are collated, articulated and synergised. Potential CR key indicators, regulatory policies (current and future) and implementation frameworks are considered. 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 and Figure 2.

The organisation's CR strategy was developed in consultation internal and external stakeholders and is aligned to the ISO 26000 (ISO, 2010), AA1000 policies (AccountAbility, 2008) and GRI reporting standards (GRI, 2010); 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, it is empirical that the emphasis is on the environmental responsibility. The CR strategy is mapped with its fundamental business process to establish core links between organisational strategy and CR strategy - both supporting and integrating each other. A gap analysis is also taken to identify any disparities between the two. As a result

of incorporating the CR strategy into the business, various smaller initiatives began to emerge.

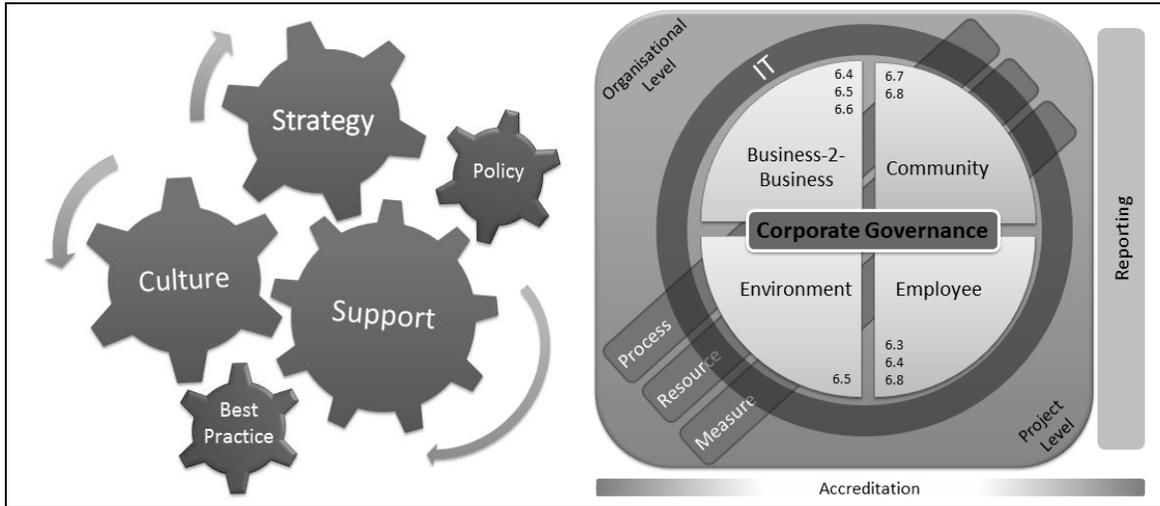


Figure 1: CR strategy in operation

Figure 2: CC CR strategy

2.1 Annual Corporate Responsibility Report

The organisation will now be reporting on its corporate responsibility policies, procedures and activities – this provides the framework for data, information and intelligence collection in the organisation. This will report on the organisation’s activities in accordance to their CR strategy (Figure 2), reflecting on the environment, business-2-business, community and employee. This report will also provide the platform for the organisation to report business activities, construction case studies, success stories, future initiatives and foresighting of the business; and contents of this report will be the benchmark for future reports to come. Most importantly, this report will be compliant with the ISO26000 and AccountAbility’s AA1000 standards and will conform to the Global Reporting Initiative version 3.1 (GRI 3.1) reporting framework, as discussed above. The organisation is performing above and beyond expectation by reporting their activities, although not required by law.

2.2 Environmental Materials Policy

The organisation aims to ensure that the continent materials used within the delivery of services and products to their Clients are responsibly sourced in accordance with the guidelines set out under BES 6001 (Framework Standard for the Responsible Sourcing of Construction Products). They act with integrity in all their business transactions. The organisation pledge to be open, transparent and fair in their communications and dealings with business partners, and fulfill payment terms and other conditions agreed.

2.3 Waste Management Policy

The organisation understands the importance of waste management and its effect on the environment. They are committed to minimising waste production by employing the waste hierarchy – waste prevention, minimisation, reuse, recycling, recovery and only then disposal at every stage of our operations. The organisation are committed to ensure

that all operations and activities are fully compliant with all current national, European and international waste management legislation. The organisation aims to minimise waste production throughout the organisation and to operate within full compliance of The Waste (England and Wales) Regulations 2011 and the Duty of Care programme.

2.4 Endangered Species Guidance Notes

The organisation complies – all wild birds, many plants and animals, insects, fish and others such as amphibians are protected under the Wildlife and Countryside Act 1981, Conservation of Habitats and Species Regulations 2010 (Habitats Regulations), Conservation of Natural Habitats and of Wild Flora and Fauna and the European Habitats Directive (EC Directive 92/43/EEC). The organisation will adhere with the UK Biodiversity Action Plan priority list containing 1150 species and 65 habitats.

2.5 Carbon Emission Calculation and Reporting

Carbon emission monitoring is now enforced on all construction sites and at HQ. The carbon capturing tool reflects the current data by the Greenhouse Gas Protocol Initiative, Department of Energy & Climate Change (DECC), Department for Environment, Food and Rural Affairs (DEFRA) and The Carbon Trust.

2.6 BREEAM

The BRE Environmental Assessment Method (BREEAM) sets the standard for best practice in sustainable building design, construction and operation and has become one of the most comprehensive and widely recognised measures of a building's environmental performance (BRE, 2011). The organisation's involvement in BREEAM is in its infancy – summary reports, common targets and pre-requisites were prepared for the decision makers in the organisation to provide a holistic overview; detailed technical reports were prepared for submission to the BREEAM assessors/administrators. The organisation is taking major strides to be a leader in the field.

2.7 Giving Back to the Community

The organisation has always has a strong connection with the community they are working with. The culture of 'giving back' to the local community is a way to demonstrate their commitment to make things better – by simply be more responsible in what they do. The organisation have teamed-up with local education collages to assist in training unemployed adults in construction and associated skills. This will open up more working opportunities within the organisation, suppliers or sub-contractors. The organisation is also working with higher learning institutions in offering site visits and the opportunity for prospective trade students to have a hands-on experience in the industry. Together with Universities, the organisation is now offering short-term project consultancy, research opportunities and industry experience for undergraduate and postgraduate students.

3. Summary

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 CR

principles that apply whatever the size of the business. This paper reported on the growing adoption of CR as a core business strategy; it began by reviewing the various definitions of CR and differing standards, before describing as a case study the necessary steps of how a CI SME is trying to embed CR within their business. Definitions of CR 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 CR policies; however, all are voluntary unless imposed by specific governments. Thus, no clear guidance is explicated to help organisations implement CR, particularly for SMEs. A case study was presented in this paper to evidence how a CI SME embarked on incorporating CR principles. Firstly, a strategic CR policy was developed which complimented the existing business process. The policy then spore various initiatives in the organisation, such as new environmental policies, new pre-qualification questionnaire, environment assessment mechanisms (BREEAM), considerate constructors, carbon emission calculations, site waste management and sustainable procurement practices. The way forward sees the organisation incorporating international standards in quality management and environmental management systems. It is clear from the case study that for successful CR implementation in construction organisations, there must be a synergy between research and best practices, and practical applications of CR into the organisation. Research is still on-going to provide further evidence that CR within the organisation will generate further business and strengthen Client relationships and improve the ethos of the organisation.

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