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Key activity areas of corporate social responsibility (CSR) in the construction industry: a study of China

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ABSTRACT

China's ambitious urbanization continues to provide a strong impetus for the construction industry to proliferate in the foreseeable future. While construction firms are supposed to contribute extra efforts to improve social welfare, they are also attempting to minimize their negative impacts on the environment. This has compounded the difficulty of fulfilling corporate social responsibility (CSR), and it is vitally important that CSR activities can be formulated accordingly. In this study, generic CSR activities were identified first through extensive literature review. Content analysis on CSR reports of construction firms and interviews with professionals were then conducted to make the generic CSR activities suit the Chinese construction industry. A questionnaire survey was finally adopted to collect professionals' opinions on the importance of CSR activities. It is found that the key factors or activity areas of CSR are environmental protection, construction quality and safety, community, employees, clients, and CSR management. The research findings suggest that contractors' CSR fulfillment should be embedded in the construction process as well as the uniqueness of construction practices in China.

1. Introduction

The construction industry has been confronted with overwhelming challenge both environmental and social over the past decades. As estimated by Hawken et al. (1999), 80% of the land lost to agriculture, 60% of timber products, and 90% of hardwoods are directly related to construction progress; 50% of coral reefs destruction and 25% of rain forest destruction are indirectly associated with buildings and construction. Through a literature survey, Dixon (2010) restated that global pollution attributable to buildings includes air pollution (23%), climate change gases (50%), drinking water pollution (40%), landfill waste (50%), and ozone depletion (50%). Whilst overcoming part of these resource and pollutant challenges with technological advancement and social progress is promising, contractors are encouraged to fulfill corporate social responsibility (CSR) as a complementary measure (Shen et al. 2010; Hill and Bowen, 1997).

Contractors may respond to societal expectation with reference to international standards. For instance, *ISO 26000: Guidance on Social Responsibility,* which was developed collectively by experts from more than 75 countries and international organizations, offers guidelines for corporations to behave in an ethical and transparent way. The European Commission (2010) sponsored a project entitled “Building Responsible Competitiveness”, which gave rise to the development of four main CSR areas that contractors are supposed to follow, namely health and safety, eco-compatibility, supply, and equal opportunities. The Global Reporting Initiative (GRI), a non-profit organization founded in 1997, developed a generic framework for organizations to report their sustainability practice. In addition to the Sustainability Reporting Guidelines, GRI has commentary and indicators for different sectors. Available supplements include the construction and real estate sector supplement, which can help business reflect the organization's significant economic, environmental and social impacts (GRI, 2014). Moreover, there are a few guidelines available to contractors, such as Social Accountability 8000, Global Compact Initiative and ECS 2000 Standard.

Despite the availability of CSR standards and guidelines, a pressing problem with CSR fulfillment in the construction sector is to make right decision and to do right things. Over the past decades, many top international construction companies have published CSR reports on a regular basis (Lu et al. 2015). For example, a construction company in Wisconsin USA, Michels Corporation circulated a “2010 Corporate Social Responsibility Report”. This

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company allocated 5 percent of its annual operating budget to CSR activities associated with indigenous relations, health and safety, charitable giving and environmental concerns, trust building, transparency promotion, and other welfare that affects both employees and the public (Michels Corporation, 2010). Additionally, Hochtief (2015) and Vinci (2015), two of top 225 international contractors listed by Engineering News-Records, publicize CSR reports on a regular basis to outline sustainable construction practices. It seems that whereas having such a CSR program is becoming popular in practices, contractors have not yet agreed widely with each other on CSR fulfillment.

CSR has such a broad, hierarchical and multidisciplinary nature that corporations often struggle with its authentic meanings (Maignan, 2001). The crux of this problem can go to the abstractness of the word 'social' and its links to daily production activities. For this reason, the process of determining CSR activities could be time-consuming. In the discipline of construction management and economics, CSR has attracted closer attention as evidenced by the increasing publications of research works over recent years (Shen et al. 2010; Tam et al. 2007b; Croker, 2013). Through investigating seventeen large construction corporations in Australia, Petrovic-Lazarevic (2008) found that CSR in construction (CSR-C) contains the moral obligation of attaining good levels of citizenship, sustainability, reputation, relationships with employees and unions, relationships with suppliers and community representatives, and commitment to CSR reporting. The work by Jones et al. (2006) revealed six CSR areas in which contractor firms have much interest in the UK, namely environment, health and safety, human resources, supply chain management, customers and communities, and governance and ethics. Moreover, CSR-C has been examined under the headings of organizational performance (Peloza, 2006), measurement approaches (Turker, 2009), development of indicators (Zhao et al. 2012), reporting systems (Hou and Reber, 2011), and stakeholder management (Ye and Xiong, 2011). The abundance of previous studies has promoted the understanding of CSR and its links to construction business in developed countries. However, corporate social activities suitable to construction business in developing countries have not been explored explicitly.

In considering that CSR-C activities in developed countries could not be absolutely effective in other countries if any revision is not deserved, this study aims to investigate this by first conducting an extensive literature review on CSR activities. The results were refined by doing content analysis on CSR reports of eight Chinese major construction enterprises and subsequent interviews with five senior professionals in the country. A survey was conducted using snowball-based sampling to collect practitioners' opinions to identify key activity areas of CSR-C. Findings of the study are useful to those contractors who are running construction business or want to excel in corporate social performance in China. On the one hand, China's construction industry has become much more influential than before in the international arena. According to the Global Construction 2020 report (Global Construction Perspectives and Oxford Economics, 2011), China was the world's largest construction market in 2010, and the industrial size will have a double expansion to a value of US$ 2.5 trillion by 2020. On the other hand, construction business competition in China has been intensifying to an unprecedentedly high level (Zhao et al. 2011). To stay competitive for a contractor means not only to have more competence in reacting to clients' concern over construction project targets (e.g., schedule, cost and quality), but also to be able to align with social expectations or requirements in maintaining a good socially responsible image.

2. Background

Prior to the 1980s, many business systems in China were based on a non-competition mode. The state owned all firms, regardless of size, and they were deemed to be governmental branches sharing the obligation of supplying products/services to the society. Nevertheless, this old system suffered from low efficiency in industrial resources allocation (Shen and Song, 1998), and it was replaced gradually by a socialist market-oriented one during the period 1979–2000. The upgraded economic system is representative of the market competition mechanism wherein firms compete against each other for market shares and profits. Under this new system, however, firms might vanish if they fail to achieve a certain level of competitiveness effectively, and firms usually prioritize lower production costs over addressing the negative impacts they impose on society (Zhong et al. 2009).

In parallel with China's reformation, during which many international practices were introduced successfully, CSR has been gaining much recognition nationwide. According to the White Book of Chinese CSR Reports (The Chinese Academy of Social Sciences, 2012), 1006 corporations established a CSR reporting system in 2012, while only 32 companies did so in 2006. The Fortune magazine released a list of Top 100 Chinese corporations that are dedicated to corporate social, environmental and governance performance (Fortune CHINA, 2011). Despite this, the notion of CSR still seems to be an infant in the mind of Chinese people (Chinese Academy of Social Sciences, 2009). Yu and Bell (2007) found that Chinese small and medium-sized enterprises have some perplexing attitudes towards social responsibility, a high level of awareness but little engagement. Furthermore, Shen et al. (2010) found a number of performance indicators (i.e., economic, social and environmental) that project owners often use to gauge project feasibility. They claimed that project owners should attach more importance to those social and environmental aspects.

The dramatic changes of China in the past decades have confronted the country with an important decision on how to generate high economic growth at no extra cost to the environment and societal harmony. Irresponsible corporate activities that can be gauged at the business level can lead to outstanding industry wide problems. The fact is that China generated 29% of the world's municipal solid waste, of which construction activities contributed nearly 40% (Wang et al. 2008), while in developed countries (e.g., the US), the situation seems to be much better (Yuan, 2011). Chinese governments at various levels have to deal with those environmental and societal threats from the construction industry in order to improve the industry's sustainability performance. For instance, The Ministry of Commerce of China commissioned the Chinese International Contractors Association China International Contractors Association (2012) to compile A *Guide on Social Responsibility for Chinese International Contractors*. Another typical example is the framework of sustainable construction for Shanghai World Expo 2010, of which policies were formulated to prevent the environmental degradation caused by the construction process. Nevertheless, there is much still to be done by Chinese construction firms.

3. CSR-C activities

3.1. CSR defined

The essence of CSR has been debated heatedly over the past decades (Joyner and Payne, 2002; Murphy and Schlegelmilch, 2013). The diversity of debates spans widely from a broader view