



**CORPORATE
SOCIAL
RESPONSIBILITY
AND
CONSTRUCTION**

Summary

1 What is Corporate Social Responsibility?

Approaching your business aims responsibly, with an awareness of your surrounding social and environmental needs, in order to fulfil stakeholder demands, achieve a profit and remain competitive. There are several areas that construction companies should be addressing in order to become more socially responsible. Many of the issues that are being grouped under the heading of CSR are already part of the daily work of construction professionals, but are not being recognised specifically as social obligations. These include Ethics, Human Rights, Community, Environment and Employee Relations.

2 The Business Case for CSR: What are the benefits?

The potential benefits of CSR for construction companies include enhanced reputation, competitive edge, better risk management and a more committed and efficient work force; all of which could have a considerable effect on profits. Practising greater responsibility could also have a positive impact on wider society and the environment.

3 Implementing CSR: How is it done?

All businesses can benefit from engaging in 'stakeholder dialogue', which means defining and talking to the groups and individuals that affect, and are in turn affected by, your operations.

Other ways of approaching CSR depend on the size of the construction company but include building on existing business aims and policies that demonstrate social responsibility by producing plans and value statements to show the ways in which you and your staff aim to progress.

4 Measuring and Reporting on CSR: How and Why?

It is important to measure progress towards becoming more socially responsible, in order that mistakes and achievements can be identified and learned from. For some large construction companies this may take the form of a CSR report, for others it might involve identifying where and how you have tried to be more socially responsible and how the company has benefited.

Advice is available from the Government, the DTI and the Global Reporting Initiative (GRI).

5 Useful Websites on CSR:

See our list of useful websites for more information on how to implement, measure and report CSR for maximum benefit.

1. What is Corporate Social Responsibility?

Within the Construction industry, companies have long been aware of the need to consider the environmental impacts of a building. Community relations have also been an integral part of construction since buildings usually have a large impact on society, on a local, national and even international scale.

However, the recent demand from shareholders, the government, consumer groups and the public for products and services to be 'socially responsible' extends and develops these issues to an extent that can no longer be assumed to be covered by standard construction procedures. Furthermore, many clients are beginning to expect and demand a CSR agenda from contractors and it is likely that in some cases this will become a determining factor between securing a contract and missing out.

But practising Corporate Social Responsibility (CSR) does not mean compromising business standards or values. It means taking a fresh approach to your objectives, in order to reduce the social and environmental impacts of business and meet the needs of your stakeholders, whilst maintaining a successful financial bottom line.

The Wider Picture: Government Definitions of CSR

The Government's CSR website (www.csr.gov.uk) defines CSR as:

"the voluntary actions that business can take, over and above compliance with legal requirements, to address both its own competitive interests and the interests of wider society."

The International Strategic Framework for CSR was launched at the Chatham House CSE Conference in March 2005. This framework sets out the overall objectives, priorities and main lines of the UK Government's approach towards the international dimension of CSR.

It also defines the Government's vision for CSR, which is:

"to see UK businesses taking account of their economic, social and environmental impacts, and acting to address the key sustainable development challenges based on their core competences wherever they operate – locally, regionally and internationally."

The Government perspective then is clear: CSR is good for society and good for business.

2. The Business Case for CSR: What are the benefits?

The Department of Trade and Industry (DTI) has said that implementing a CSR policy,

"...can bring real business benefits by reducing risk, by enhancing brand value, by opening doors and creating good will, and by improving staff efficiency and morale. It can also attract stable and ethical investment and add competitive edge."

In the construction industry, the reputation of businesses and the quality of their work is constantly under scrutiny from environmental pressure groups, the media and the public, as well as from potential clients and investors. Having a competitive edge is crucial to the survival of any construction firm and the concept of CSR provides an opportunity for individuals and companies to demonstrate industry leadership.

It is therefore crucial for construction professionals to realise that CSR does not provide a new set of business objectives to be met. Rather, identifying CSR objectives for your business will provide you with a fresh approach to fulfil your existing targets and will illustrate to your stakeholders that corporate social responsibility has always been and will continue to be an integral part of your operations.

A more socially responsible perspective can also improve on staff shortages, an area that is raised and targeted by the 2002 publication Accelerating Change. In this high-profile document, the Strategic Forum for Construction has outlined the need for the industry to improve the recruitment and retention of a 'quality workforce'.

Demonstrating your social responsibility could place you higher up on a graduate's list of potential employers, as confirmed by research such as the 1997 study of 2,100 students conducted by Net Impact, which found that more than half said they would accept a lower salary to work for a socially responsible company.

This interest in issues of an environmental and ethical nature means that the construction industry must emphasise its role in these areas in order to produce the enthusiastic, committed and loyal workforce that it requires for the future. The social responsibilities of a business must begin at its core; that is by adapting to values that its employees can relate to.

Finally, the possibility that CSR can lead to financial benefits should not be overlooked by the construction industry. Running your company in a socially responsible way should be seen as an investment.

As a result of making social responsibility a fundamental driving force of business, construction professionals may notice better productivity and quicker completion on site due (for example) to changes in employee morale, better community relations (fewer complaints) and better dialogue with supply chain.

A position in the FTSE4good index and offers of Socially Responsible Investment (SRI) could be financial incentives for larger construction companies, whilst increased local reputation could bring more work for smaller building firms. Therefore, beginning to run your company in a socially responsible way should be viewed as a sound business provision for the future, as CIRIA news has said:

"...those companies who start the CSR journey today will be much better placed within the construction market of tomorrow" (July 2002).

3. Implementing CSR: How is it done?

Obviously the scale on which changes should be implemented to a business varies dramatically according to size. SMEs and self-employed individuals have different priorities and capabilities to larger contractors and it is important to recognise that measures must be chosen accordingly.

However, in many cases similar strategies can be employed as long as expectations and scope are limited where appropriate. One way in which all businesses of all sizes, and from all industries, should start the 'journey' towards CSR is by using stakeholder dialogue.

Stakeholder Dialogue

This is an effective way to begin practicing CSR and one that is relatively easy to undertake. The benefits derived from identifying and conversing with all the groups and individuals that are connected to your business are significant as it is these people that can distinguish the weak points, strong points, failures and successes of its social, environmental and economic aspects.

Dialogue should be encouraged at all stages of construction – during design, whilst building and after completion – for the process to be most productive.

The process can be adapted according to the scale of the business but is just as useful to a self-employed individual or a small building firm of a few people as it is to a large construction company.

Depending on the size and activities of a construction company, its stakeholders could include:

Business Partners:

- Employees
- Suppliers
- Distributors
- Service Providers
- Unions

Authorisers:

- Government (legislation and guidance)
- Regulatory Agencies (e.g. HSE)
- Shareholders / Investors
- Professional Bodies (e.g. CIOB)
- Board of Directors (in large companies)

External Influencers:

- Consumers / Clients (current/end users of the building)
- Public (communities affected by construction)
- Media (e.g. journalists)
- Special Interest or Pressure Groups (e.g. environmental/social welfare groups)¹

Stakeholder dialogue is important to construction professionals for many reasons. Formally, inclusiveness and discussion is encouraged by the Urban White Paper, the Human Rights Act, European legislation and European Environmental Impact Assessment Directives. But there are also many business advantages to the establishment of a more open and inclusive culture in the construction industry through internal and external relations.

Benefits of stakeholder dialogue to construction companies:

- Talking to communities, pressure groups and the local press could prevent complaints and bad press by generating reciprocal understanding, and create valuable good relations, which ultimately can contribute to meeting deadlines more quickly.
- Sharing knowledge with other members of your supply chain and keeping all employees well-informed could significantly improve the quality and efficiency of a project. Supplies will be available in the right place at the right time and employees could become more enthusiastic, punctual and better team players. Encouraging employees to come to you with their perspective on issues such as site facilities and health and safety will prevent small complaints from escalating and could even save lives.

¹ Adapted from The Business Case for Corporate Citizenship, Arthur D Little (available at www.csrwire.com)

- Meetings offer plenty of opportunity for different groups such as shareholders, representatives from regulatory agencies and members of the local community to discuss and respond to the proposals, policies and actions of your construction business. This could smooth out differences and solve disputes more easily and amicably. Providing a third party mediator makes the process smoother, more productive and more mutually satisfying to all parties involved. Solutions to unexpected problems can be reached quickly and fairly and encouraging dialogue breeds a healthy attitude of transparency.

Other ways to implement CSR

There are many other aspects to adopting social and environmental responsibility as a way of business. The real value of corporate social responsibility is that the concept can enable a business to approach existing objectives with a fresh perspective and encourage others to view the business from a new, often more favourable angle.

How to do it: ways for larger construction companies to implement CSR:

- Compile a CSR policy - this might involve winning board support for such a policy and doing some research. Use mission, vision and value statements to describe realistic targets that you wish to reach and outcomes you wish to achieve by being more socially responsible. Define why the suggested actions will be beneficial to the company / to society / to the environment and how they will meet the company's existing objectives. Use the policy effectively by ensuring that all employees are aware of it and the importance that it holds as a new direction for the company to move forward and compete in.
- Create a plan of action - many companies are already being very socially responsible, but simply have not labelled their actions as CSR before so it is important to take stock of the measures that are already underway. Key stakeholder issues should be identified and future action should be discussed and prioritised.
- Implement stakeholder dialogue – hold meetings, keep stakeholders informed and earn their trust – this is the key to holding social capital and benefiting from CSR (see above for details). Companies that maintain and manage buildings after they are built should continue the dialogue throughout these processes.
- Appoint a CSR manager – this could be incorporated into the job description of an existing staff member. However, remember to keep responsibility shared – it is the concern and responsibility of all employees to put the new ethos into practice.
- Create a CSR committee – this could make, review and implement procedures and assess progress.
- Educate employees in CSR – hold a series of training days or produce a simple newsletter to educate all employees in the importance of CSR and how it relates to them. Small issues such as site canteens, anti-social hours and on-site recycling schemes could be covered next to larger issues such as ways in which the company is working to reduce the environmental aspects of building and be more sustainable. Where possible, staff should be given the chance to comment on and contribute to the CSR process. Consider arranging for employees to have the chance to offer their skills for the equivalent of one day's pay (or any agreed period) to a worthy local, national or international cause (all Government Departments offer this opportunity to staff, see www.homeoffice.gov.uk).
- Be thorough – study all areas of the service you provide and all members of the supply chain you are part of in order to demonstrate consistency. Do all materials come from environmentally and socially sound sources? Are all suppliers aware of CSR? If not, share your knowledge and experience.
- Produce a CSR report, or incorporate CSR into your current reporting system – the long-term

success of CSR will depend in part on the way that you choose to report your achievements, developments and even your failures. Mistakes and successes are only constructive if you learn from them. Show the targets you were aiming for and demonstrate how you tried to reach them. This is just as important as reporting whether you did reach them or not. Be constructive; show how the company has benefited and progressed from having a CSR policy and how it is meeting stakeholder expectations. Consider internal reporting too. Keep employees informed of progress, success and failure but be positive – tell them how and why the company has improved as a good place of employment through its CSR policy.

- Address CSR in future job descriptions and company proposals – put a short statement into present and future job descriptions where appropriate to suggest areas in which individuals can contribute to company CSR policy. Consider the CSR impacts of future company policies / proposals.
- Follow legislative changes in CSR – at present there are no legal requirements for a company to be socially responsible or to report on CSR. However, it is an issue that is on the government agenda and it is important to follow any advances in the law that could occur. Visit the Government's CSR website, www.csr.gov.uk.

How to do it: small and medium-sized building firms:

- In the Government's Corporate Social Responsibility Report 2002, smaller organisations are encouraged to pursue CSR. The Report states:

"It is a Government priority to assist the involvement in CSR of small and medium-sized Enterprises (SMEs)...CSR is likely to become an increasingly important business for many SMEs in the future. This is partly because of the increasing take-up of ethical codes of practice by their large customers, which is creating a pressure for demonstrably responsible behaviour back down the supply chain."

- The Government has addressed this with a handbook produced by the Small Business Service (SBS), entitled Encouraging Responsible Business (2002). Furthermore, a social responsibility module has been added to the SME Benchmark Index.
- The Small Business Consortium was established in March 2002 to provide a collaborative approach to CSR by the main SME stakeholder organisations. It provides resources for SMEs to develop their responsible business practices.

General measures and starting points in CSR for small and medium businesses include:

- Initiate stakeholder dialogue – everyone can do this, even very small businesses and self-employed individuals. Talk to your suppliers about where and how materials are sourced, talk to your employees (if you have any) about what CSR means to your business and encourage them to participate in any new ideas. They might help to find ways for the business to address social responsibilities that you had not thought of.
- Try to have a long-term outlook – in future there may be legislation on CSR and individuals may look for employers that are more socially and environmentally aware. Beginning to think about your social responsibilities now could make you a more competitive business in the future, when clients may only want to employ builders that have a good record in CSR.
- Identify parts of your existing business aims and policies that show social responsibility and build on these. Consider writing some short simple statements of values, aims and targets that you could aim to fulfil in whatever timescales seem appropriate and realistic. These could be used for personal development or shared with employees and suppliers to spread the knowledge and experience you build up through the supply chain. Be outcome focused – concentrate on holding aims that match and fulfil the outcomes that are central to your existing business plans.

- Ensure that any operatives and site staff you have contact with understand the importance of sustainability and being socially responsible during construction. Talk to employees about the significance that community relations can have on meeting deadlines and minimising complaints, as you are only as good as your least polite and community-conscious employee.
- Engage with the local community and be more transparent. Consider visiting the local school or producing a simple newsletter for door-to-door distribution. Ask for feedback and listen to comments you receive.
- Consider ways in which you can implement the CSR policies of larger companies on a smaller scale in your own business. Try to address the issues of ethics, environment, community, charity work and employee satisfaction on a smaller, more appropriate scale. Most importantly, be realistic and do not aim for targets that will be impossible to reach.
- Some medium-sized companies may consider writing a small report on environmental and social issues that they have addressed. This could include why and how CSR has been addressed and future aims. The emphasis for smaller companies should be on 'reporting' as opposed to 'a report'. Consider ways to inform stakeholders on why CSR is important, how it can benefit business, how it can be built into the service you provide and which areas you wish to focus on. Suggestions for informing investors, partners, local councils, local government and local press include an e-mail in the form of a newsletter or a series of bullet points (encourage replies), or a short, informal meeting in a village hall or similar venue with a quick presentation and an opportunity for discussion. Simply chatting to members of the public, suppliers, etc. about what you are doing is a form of reporting.
- Consider your reputation with local government, consumers and media. Could publicising your plans to develop the social responsibility of your business and site procedures enhance it?

Further advice and information may be found at the websites listed in the 'Further Information' section.

4. Measuring and Reporting on CSR: How and Why?

It is important to learn from mistakes and achievements in order to move forward and get the most benefits from becoming more socially aware and responsible. It is valuable to identify the areas in which the most work has been done and then decide how to do more work on other issues. If you have improved relationships with investors or members of your supply chain for example, then begin to focus more attention on community relations or being more sustainable.

It is important for larger companies to report on CSR progress and there are a few established guidelines such as those mentioned in this advice from the Commission of the European Communities:

"'Triple Bottom Line' reporting of economic, social and environmental indicators is emerging as good practice. At this early stage of experimentation, flexibility may ensure that reporting is appropriate to each individual business. However, a greater consensus on the type of information to be disclosed, the reporting format, the indicators used and the reliability of the evaluation and audit procedure would allow for a more meaningful benchmarking and communication of companies' performance within particular sectors and for businesses of similar size. The guidelines developed by the GRI are a good example of a set of guidelines for reporting which could be the base of such consensus."

The Global reporting Initiative (GRI) does indeed set a good example, providing a starting point with its guidelines for business reports. The government have also published some guidelines on 'reporting and communicating CSR actions' within the Corporate Social Responsibility Report 2002:

"Effective CSR requires effective and transparent communications...There has been a substantial increase in public concern about the social and environmental responsibility of organisations, but awareness of responsible practices is low, and people want to know more."

More information on measuring and reporting on the social and environmental bottom lines may be found at the following sources:

The Global Reporting Initiative (GRI) - details of guidelines and companies who report using them can be found at www.globalreporting.org.

5. Useful Websites for Further Information on CSR

Business for Social Responsibility (good on designing a CSR policy): www.bsr.org
 Business in the Community (excellent advice on reporting on CSR): www.bitc.org.uk
 Considerate Constructors Scheme: www.ccscheme.org.uk
 Construction Industry Research and Information Association: www.ciria.org.uk
 CSR Academy: www.csracademy.org.uk
 CSR Europe: www.csreurope.org
 CSR Forum: www.csrforum.com
 CSR News: www.csrnews.com
 CSR Newsletter: www.mallenbaker.net/csr
 CSR press report and news service: www.csrwire.com
 Ethical Corporation Magazine: www.ethicalcorp.com
 FTSE4Good Index: www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp
 Global Reporting Initiative: www.globalreporting.org
 Government website for CSR: www.csr.gov.uk
 Institute of Business Ethics: www.ibe.org.uk
 Institute of Social and Ethical Accountability: www.accountability.org.uk
 Payroll Giving (allows employees to donate to charity in a tax-effective way):
www.inlandrevenue.gov.uk/payrollgiving
 Social Investment Task Force (for new initiatives set up by the Government):
www.enterprisingcommunities.org.uk
 Small Business Consortium: www.smallbusinessjourney.com
 The Global Compact: www.unglobalcompact.org/Portal
 The London Benchmarking Group: www.lbg-online.net