

CORPORATE SOCIAL RESPONSIBILITY IN THE AUSTRALIAN BUILDING AND CONSTRUCTION INDUSTRY

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Abstract

At present every country in the world is trying to minimise the negative effects of the economic crisis. Australia seems to be suffering least. One of the reasons may be that the Australian Government supports the building and construction industry, which plays a key role in sustaining environmental protection against pollution and ecological disaster. This paper highlights what activities the Australian Government has undertaken to maintain high performance of the building and construction industry from the point of view of supporting corporate social responsibility. These activities provide a framework for industry organisations to guide their corporate social responsibility initiatives.

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INTRODUCTION

At present, every country in the world is trying to find ways to minimise the negative effects of a recent global economic crisis. Governments are undertaking actions to help the banking system and industries relevant to economic growth in order to begin the process of getting out of the economic predicament. Although developing countries are suffering the effects of the economic crisis more than developed countries, it seems that out of all the developed countries the Australian economy is suffering least. One of the reasons may be that the Australian Government supports the industries that mostly contribute to the overall economic growth of the country. This support can have different forms from introducing and imposing legal actions, to offering financial packages. The Australian Government supports the building and construction industry (BCI).

BCI influences the economic growth of every country for three reasons. Firstly, this industry significantly contributes to a growth of gross domestic product. Secondly, it interacts with other industries while creating its products and services in a way that when there is a need to accelerate economic growth, governments usually undertake measures that directly improve BCI competitive advantage and through the BCI indirectly efficiency and effectiveness of other industries. Thirdly, BCI mainly employs unskilled and semi-skilled workers influencing the rate of employment (Petrovic-Lazarevic, 2002).

Modern buildings and construction objects represent extraordinary achievement of the industrialised civilisation. They are cost-effective making life easier for many users, but their construction causes massive side effects such as deforestation, air and water pollution, and the risk of global warming. Buildings consume 17 per cent of the world's fresh water withdrawals, 25 per cent of its wood harvest and 40 per cent of its material and energy flows (Petrovic-Lazarevic, 2000). Modern buildings are supplied with heaters and air-conditioning while old fashioned buildings get heat from the sun or from burning biomass. Modern buildings use energy and water inefficiently, creating unhealthy indoor air. They are cost efficient but at great environmental cost.

BCI plays a key role in sustaining the environment protection against pollution and ecological disaster (Petrovic-Lazarevic, 2000). By erecting buildings and construction objects that are better for the environment, the industry in fact erects the objects that are better for people. By using high-quality products that do not affect environmental and health concerns, but also by keeping high occupational health and safety standards, the industry organisations can gain competitive advantage.

Gaining and sustaining competitive advantage in this respect involves communicating information about BCI organisation's actions undertaken to protect and preserve the environment (Podnar and Golob, 2007). This is an indication of organisational responsiveness to corporate social responsibility (CSR) (Rex and Baumann, 2007). Communicating CSR responsiveness is particularly important if the organisations' competitors are not engaging in CSR or are not earning profit (Rex and Baumann, 2007). Organizations that undertake CSR attract more customers than other organisations (Luo and Bhattacharya, 2006). Customers assess companies that engage in CSR in a more positive light and tend to choose these companies over others (Podnar and Golob, 2007). As such, they are in a better market position than organisations which do not pursue CSR. The amount of CSR activities undertaken by organisations is not only influenced by the organisation itself, but also by governmental actions that incentivise and support the responsiveness of entire industries to environmental and social concerns.

This paper highlights what activities the Australian Government has undertaken to maintain high performance of BCI from the point of view of supporting CSR. In this respect, the paper is divided as follows: after the literature review, an analysis of actions undertaken by the Australian federal

government supporting CSR is presented. The paper ends with concluding remarks and future research directions.

The research findings are useful to the academics, practitioners and governments.

LITERATURE REVIEW

Corporate Social Responsibility

CSR is becoming important to research because of its growing importance in influencing socially desirable behaviour (Blumenthal and Bergstrom, 2002). Organizations are increasingly implementing CSR strategies and activities in order to obtain more value for the organization and in an effort to become more sustainable (Nalewaik and Venters, 2008; Orlitzky *et al.*, 2003; Walsh *et al.*, 2003).

Crowther (2000) defines corporations as a nexus of contracts, which means that organisations to survive should have dealings and relationships with many groups of people – different stakeholders. Organizations cater to and work with these stakeholders and their increasing awareness of the negative effects some firms have on society has made CSR more critical. Organisational stakeholders are any parties who have an interest in the organisation and are impacted by its actions (Capaldi, 2005).

Globalisation is making competing for customers more challenging for organizations, therefore, they are constantly looking for ways to make their businesses stand out and differentiate themselves from competitors (Middlemiss, 2002; Morris, 1997; Russo and Fouts, 1997). CSR and how well it is managed can be a way to achieve this distinction in the eyes of customers. Increasingly customers are looking for cues from organizational reputation, organizational transparency and environmental assets to determine the value of the organization.

Traditionally the social environment that an organization operates in was largely discarded from research (Hart, 1995). Now it is accepted that the social environment can have significant effects on the selection of business strategy and should be considered (Langerak, 1998). Organizations rely on their environments to be able to do business so they should invest in their relationship with the environment by using CSR (Kitchin, 2003). CSR signals to the organizations' operating environment that the organization is committed to pursuing issues that their stakeholders care about. This is important because it indicates to stakeholders and society, which make up the social environment, that the organization wants to work with them and is beneficial to them.

CSR is often implemented because of the belief that it is in the firm's best interests (Waddock and Smith, 2000). CSR has been shown to lead to positive outcomes such as competitive advantage and better performance in the share market (Waddock and Smith, 2000). Increasingly, CSR is being seen as a significant strategic tool for competing in the global marketplace (Oyewole, 2001). Johri and Sahasakmontri (1998) argue that CSR involves implementing approaches at all stages of the value-chain that are aiming to decrease resource use, maximize efficiency and minimize negative impacts on the environment. Therefore, CSR impacts on value-chain considerations and should be integrated with the strategic decisions of an organization.

CSR activities implemented by an organization are seen as contributing to the future by ensuring that there is an environment within which to operate in the future (Middlemiss, 2002). This communicates to stakeholders the organizations' commitment to their business is enduring and that they are prepared to invest in creating long-term value for stakeholders. Therefore, practicing CSR can indicate to customers that the organization is committed to addressing issues that they are concerned with.

Bowen (1953) defines CSR as a firm's duty to society to act in a way that is congruent with the goals and ideals of society at large. This can include any actions undertaken by the firm to minimize adverse effects on society or lead to socially favourable outcomes (Maignan, 2001). CSR activities usually do not lead to profits in the short-term for the organization, and because potential long-term benefits are difficult to predict and measure, many organizations are sceptical about the benefits of CSR (Kitchin, 2003). CSR is about preventing harm from happening to organizational stakeholders as a result of the organizations' actions and trying to increase stakeholders' wellbeing (Mohr, Webb and Harris, 2001).

Carroll (1991) defines CSR as the accountability of corporations along four dimensions: economic, legal, ethical and discretionary. The economic dimension describes the organizations responsibility to be profitable, and generate returns for their stakeholders. The legal dimension illustrates organisational responsibility to abide by legal standards and regulations. The ethical dimension refers to developing codes of ethics, ethical norms, and values such as honesty particularly in relationships with customers and employees. The discretionary responsibility includes any voluntary or philanthropic deeds carried out by the organization to contribute to the good of society.

According to Petrovic-Lazarevic (2008), CSR for BCI is a set of principles established by an organisation to meet societal expectations of appropriate business behaviour and achieve best practice through social benefits and sustainable competitive advantage. Accordingly, an organisation's CSR may be estimated by analysing the following activities: company's moral obligation to be *good citizen* and to do *the right thing*; sustainability or meeting the needs of the present without compromising the ability of future generations to meet their own needs; reputation to justify CSR initiatives to improving company's image; external aspects that relate to relationship with suppliers and commitment to local community protection and engagement; internal aspects that cover relationship with employees and unions; accountability and transparency that include commitment to reporting on CSR.

CSR literature has revolved for many years around whether or not organizations have a duty to society to maximize positive impact, or whether their only duty is to make money for their shareholders (Capaldi, 2005). This debate seems to be less important in current times because of the pressure in the market to take up CSR and the societal-backlash towards companies like Enron and others for not adhering to societal expectations (Capaldi, 2005; Middlemiss, 2002). Societal tolerance for companies who do everything possible for profit, no matter how detrimental it might be for the collective good of society, is waning (Kitchin, 2003).

During the last several decades of research in this area, CSR has also undergone a lot of criticism as a concept (Quazi and O'Brien, 2000). It has been accused of being ill-defined (Preston and Post, 1975), lacking empirical support and theoretical integration (DeFillipi, 1982), and being difficult to study objectively (Aupperle *et al.*, 1985).

Despite of criticism, CSR has been widely accepted and applied by organisations. It has also been supported by the Government.

Since BCI differs from the other industries, in order to understand how the Government supports this industry to help overcome the negative effects of the global economic crisis, the characteristics of the industry are explained below in more detail.

Building and Construction Industry

BCI has a reputation as one of the oldest industries which can significantly contribute to the economic recovery of a country destroyed by political, economic and natural disaster (Petrovic-Lazarevic, 2005).

The product of BCI is mostly large and expensive and since it is located in a specific geographic area, not generally transportable. Buildings and other structures are usually made to meet the requirements of each customer.

Three separate groups of people: client, designer and contractor are involved in a building process based on projects. Each project consists of several organizations subcontractors that operate with their own objectives and pressures. The project manager is in charge of overall costs, time and quality of actions undertaken. BCI firms consist of large organizations with usually over 20 employees and small to medium enterprises (with less than 20 employees). Large organisations take the form of a corporation indicating that CSR is an important strategic consideration (Petrovic-Lazarevic, 2005).

Because of the influence of BCI to the Australian economy, the Australian Government is paying specific attention to support its wellbeing. This paper highlights what the Government has undertaken so far.

WHAT IS BEING DONE IN AUSTRALIA?

Following Petrovic-Lazarevic (2008) definition of CSR, the Australian Government should influence the organisational sustainability and the relationship between employers and unions; while the organisations themselves should take care of their reputation to justify CSR initiatives to improving their image, relationship with suppliers and commitment to local community protection and engagement, and accountability and transparency that includes commitment to reporting on CSR.

The relationship between employers and unions is influenced through governmental regulations. The other governmental responsibility is to preserve a healthy environment through supporting organisational sustainability in the BCI. The Australian government has undertaken specific actions in this respect which we will now explain.

The United Nations Conference on Environment and Development held in Rio de Janeiro in 1992 is understood as a key activity globally undertaken to support sustainability (International Environmental Law and Policy Series, 1993). Australia was one of the participating countries. The Conference pointed to the relevance of governments participants to establish a national strategy for sustainable development. It further required to integrate *environment and development at the policy, planning and management levels; provide an effective legal and regulatory framework; make effective use of economic instruments, and market and other instruments; and establish systems for integrated environmental and economic accounting* (International Environmental Law and Policy Series, 1993, Agenda 21:199).

Australia is one example of a few countries whose Government has taken activities to introduce more systematic consideration of the environment prior to the Rio Conference. In 1989 the Australian Government initiated a National Strategy for Ecologically Sustainable Development (Houghton, 1998). The aim of the Strategy was to *ensure that sustainable economic, social and environmental developments were achieved by satisfying the needs of the present, without compromising the ability of future generations to meet their needs* (Houghton, 1998:1).

The ISO 9001 New Quality Standards have also been applied in Australia. The Certification to an ISO 9001 standard confirms that formalized business processes are being applied, thus marketing compliance to this certificate gives organisations competitive advantage and shows commitment to applying high quality standards. However, the Standards do not cover the issues relevant to the sustainability or maintenance and preservation of a healthy environment.

Australia consists of two national territories and six states. For the purpose of this paper we have to draw attention to what has been done for BCI mostly in Queensland. The reason Queensland was chosen was because we had immediate access to the real source of actions undertaken, and

interviewed the person who seemed to be the most eligible to providing the right information not only for Queensland, but Australia as well.

Queensland has established the Integrated Planning Act (1999) to protect the environment. As a result, every development approval has to be in accordance with the Integrated Planning Act. Before the Integrated Planning Act, development approval was subject to different building related acts. For example, Standard Building Law existed for building work to be designed and constructed in accordance with the structural and other standards; the Environmental Protection Act for environmentally relevant activities was established to minimise *the risk of environmental harm occurring* (Integrated Planning Act, 1999: 81). With the Integrated Planning Act the common rules were introduced and demarcations between building control matter, planning matter or an environmental authority matter was made clear.

Now the development approval goes through the local government. Thus, builders' tender must be in accordance with the Integrated Planning Act. For a small business, it is common knowledge that developers transfer environment regulations to builders to fulfil. In big companies, however, environmental divisions usually exist to ensure activities are undertaken on current environmental topics and relevant information is provided.

When it comes to public work greater than \$250,000.00, building contractors from Queensland, Victoria and New South Wales must satisfy criteria for environmental performance. This is done through the PQC Certificate of Registration (Prequalification PQC, 2003). PQC Certificate of Registration (P=pretender; Q=qualification; C=criteria) includes various systems in place such as Environmental Management Standard and quality management related systems. The Environmental Management Standard indicates environmental responsibility. It covers financial, technical, safety and environment criteria that have to be satisfied and submitted with a tender. It also implies the application of sustainability practices in an effort to help future generations meet their needs (Petrovic-Lazarevic, 2009). Further, the environment criteria are related to health and safety.

Australian standards AS/NZS 4804:2001, occupational, health and safety management systems and AS/NZS/ISO 14001:2004 EMS, are closely related; both are government endorsed standards designed to guide organizations in establishing healthy working environments, and subsequently providing a framework for the application of metrics to measure, evaluate and improve performance. However, they are not equally applied all over Australia. Hence, state and federal regulations of occupational, health and safety measures differ. They need to be rectified in order to improve the industry's occupational, health and safety performance (Petrovic-Lazarevic et al, 2007). There is also a need to improve sub-contractors safety and have intensified on-going government, BCI and union communication and collaboration, at both state and federal levels (Cole, 2003). At present a significant difference in legislature between the states exists; there is no national cohesiveness concerning occupational, health and safety; and the trust between industry management and the builders' unions is low (Petrovic-Lazarevic, 2009).

Further, it has been researched and found that the tripartite communication (government, industry, union) needs to be implemented in the Australian BCI (Petrovic-Lazarevic, 2009). The federal government should take actions by setting unified national occupational, health and safety policy guidelines for the states. The industry should pursue occupational, health and safety measures with clear responsibility and accountability for both managers and workers, and implementation of on-going occupational, health and safety training and education. The role of the union would be to lead dialogue with government and industry in the development of detailed occupational, health and safety strategies.

In accordance with the Rio Conference 1992, the Sydney Olympic Games 2002 were proclaimed as *green games*. That is, building companies that were involved with building Olympic Games objects had to satisfy criteria relevant to Environmental Management. The Green Building Council Australia was established in 2002, for *encouraging the adoption of green building practices... by*

promoting green building programs, technologies, design practices and operations as well as the integration of green building initiatives into mainstream design, construction and operation of building (Green Building Council Australia,2002: 1).

Additional effort that the Australian Government has undertaken in order to raise national awareness of sustainability was the proclamation of 2004 as the Year of the Built Environment across Australia (Built Environment - Curriculum Context, 2004). It responds to the request of Rio Conference 1992 to establish a national strategy for sustainable development.

Finally, to maintain and improve the quality of life by protection of natural resources, fostering resource-efficiency (General Environment, 2008), and to avoid preventable illnesses which are directly caused by environmental factors (World Health Organization, 2009) such as exposures to physical, chemical and biological risk factors – The National Association of Testing Authorities (NATA, 2005) has been established. NATA is Australia's national laboratory accreditation authority *that recognizes and promotes facilities competent in specific types of testing, measurement, inspection and calibration* (NATA, 2005: 1). It operates through the Environmental Management Standard, quality management, occupational, health and safety measures. It prevents use of material that is dangerous both for humans and the environment.

Regarding the governmental responsibility for supporting organisational sustainability it seems that the Australian government has provided a good framework for BCI organisations to guide their CSR initiatives. In addition, BCI organisations have provided a good example for organisations by engaging in activities to support sustainability and address social concerns.

CONCLUSIONS

After the United Nations Conference held in Rio in 1999, the Australian government is paying significant attention to providing a framework for the Australian BCI organisations to be socially responsible. Apart from the introduction of the Integrated Planning Act in 1999, declaration of Sydney Green Games in 2002, proclamation of the year 2004 as a Year of the Built Environment across Australia, the PQC Certificate of Registration for public work, and NATA - it seems the Government still has some additional work to do in terms of consistent occupational, health and safety regulations. All of that points to the Australian Government determination to support CSR of organisations in BCI.

It remains for organisations to further invest in their relationship with the environment through CSR, as indicated by Kitchin (2003). By undertaking socially responsible actions corporations have higher chances to gain competitive advantage; thus supporting Rex and Baumann's (2007) statement.

With the Australian BCI corporations maintaining and further developing their business, it seems there is more chance to minimise negative effects of the global economic crisis.

Further research should measure the influence of CSR on business performance of BCI corporations.

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