Conceptual understanding of corporate social responsibility in the UK construction and property sectors

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Abstract

Increasingly companies seek to portray themselves as socially responsible, however some studies have shown that while many recognise corporate social responsibility (CSR), few adopt management practices that reflect it. Furthermore, although CSR is entrenched within some businesses, there is debate about its meaning and variation in interpretation from CSR as public relations, to CSR as an ethical and moral obligation to society. Several studies have examined disclosure practices and revealed variations in approaches to CSR, as well as differences in the type and amount of CSR disclosure. These studies also showed that different drivers exist for CSR across different business sectors. However, no study has been conducted into the perceptions and understanding of CSR within property and construction and this original research examines the types of approaches taken with regard to CSR in the UK construction and property sectors.

There is evidence that some construction and property companies are beginning to adopt CSR and to publish statements relating to their policy on their websites and in annual reports. Construction is classified as a high environmental impact industry and property development a medium impact industry, therefore it is imperative that these sectors make informed decisions with respect to CSR.

The initial findings are that very few property and construction companies feature in the FTSE4Good Index, which lists companies having environmental policies and practices. The paper concludes there are difficulties in designing reliable and valid data collection materials and coding systems for this type of research. The methodology adopted is designed to produce intensive rather than extensive data and will provide a rich interpretation of the current conceptual understanding of CSR in the UK construction and property sectors. The findings of this research will reveal how the construction and property sector currently understands and interprets the concept of CSR. The benefit to the construction and property sectors will be a much greater understanding of CSR that will inform business decision making.

Keywords: construction, property, content analysis, corporate social responsibility, multidimensional scalogram analysis, voluntary social disclosure.
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Introduction
In the UK an increasing number of organisations are beginning to recognise the importance of corporate social responsibility (CSR). CSR is synonymous with concern for the social, economic and environmental impact that organisations have on the wider community (Draper, 2000). The Department of Trade and Industry (DTI, 2002) has estimated that 80% of FTSE-100 companies provide information about their social and environmental performance and 61% of SMEs are involved a ‘great deal’ or a ‘fair amount’ in the local community. To date however, no empirical studies have examined the adoption of CSR in the construction and property industry, despite the fact that it is considered to be a 'high impact' sector of the economy (FTSE, 2003).

The research described in this paper seeks to address this gap in the existing body of knowledge by examining current approaches towards CSR amongst construction and property companies in the UK. This paper begins by discussing the concept of CSR and its development over time. It focuses particularly on the confusion surrounding the meaning of CSR and the different types of CSR described in the literature. The second part of this paper describes the method underpinning this research and provides details of the initial scoping study. This paper concludes by outlining the programme of ongoing research.

Literature review
The roots of CSR can be traced back to the philanthropic activities of Victorian industrialists, such as Joseph Rowntree, Titus Salt and George Peabody (Frankental, 2001) and later, in the 1920s, American industrialists such as Andrew Carnegie and Henry Ford (Clark, 2000). CSR re-emerged in the late 1970s and early 1980s as organisations became increasingly concerned about their public image (Clark, 2000). Since then the CSR agenda has mainly been driven by large companies, many of which now voluntarily issue CSR disclosures in their annual reports and on their web sites (Mitchell Williams and Pei, 1999; Lewis and Unerman, 1999).

Although the notion of CSR has become entrenched in the business community in recent years, there is still considerable debate about what CSR actually means. Some see it as acting ethically (Esrock and Leichty, 1998) others as a pragmatic public relations (Frankental, 2001). The former viewpoint is based on the belief that organisations have a moral obligation ‘to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of society’ (Bowen, 1953, p.6). The latter on the idea that CSR is an attempt at gaining competitive economic advantage by creating a favourable impression on employees, clients and consumers (Burke and Logsdon, 1996).

In between these two extremes lies the notion of CSR as the obligations of a company to its stakeholders that is ‘the people and groups who can affect or who are affected by corporate policies and practices’ (Lantos, 2001; p.600). This appears to be the stance taken by most companies at present. A survey by PricewaterhouseCoopers (PWC, 2003) revealed that the majority of companies believed that being socially responsible involved:

- Providing a healthy and safe working environment for employees;
- Creating value for shareholders;
- Supporting community projects; and,
- Good environmental performance.

However, the survey also revealed that when it comes to CSR ‘one size definitely does not fit all’ (PWC, 2003; p.15). There were significant differences across sectors and from country to country. For instance, whereas in many African countries CSR was seen as the link between corporate profitability and social improvements, in Europe and North America CSR was viewed as environmental responsibility, ethical economics and charitable giving (PWC, 2003). The survey supported the findings of previous research by which also highlighted differences...
in perceptions of CSR between countries (Maignan and Ferrell, 2003) and across industrial sectors (Woodward et al., 2001).

Most of the information disclosed in voluntary social disclosures relates to employees, the environment and the community (Milne and Chan, 1999). There have been a number of studies that have examined companies’ CSR disclosure practices (Adams et al., 1998; Esrock and Leichty, 1998; Mitchell Williams and Pei, 1999; Lewis and Unerman, 1999; Milne and Chan, 1998; Friedman and Miles, 2001). These studies have revealed that:

- There are variations in the way that different companies approach CSR. For example, some companies have teams or individuals dedicated to ensuring that the company fulfils its CSR obligations, whereas other companies merely seek to use CSR as a form of public relations; and,
- There are differences in the amount and type of information disclosed in voluntary social disclosures. For instance, some companies provide detailed information of past performance in areas such as the environment, health and safety and community relations, whereas other simply present their CSR strategy.

This suggests that the drivers behind CSR vary across sectors and between companies, that perceptions of CSR also differ and that a true indicator of the real value that companies attach to CSR is where, if at all, they locate this function within their organisational structure (Frankental, 2001).

For most companies the primary driver behind CSR is increased profitability (PWC, 2003). Several studies have examined the relationship between CSR and companies financial performance (Burke and Logsdon, 1996; Balabanis et al., 1998; Goldreyer and Diltz, 1999; Zairi and Peters, 2002). Studies in this area have primarily used one of three methods to measure CSR, these being expert evaluations, content analysis of voluntary social disclosures and other corporate documents, and analysis of performance in controlling pollution (Balabanis et al., 1998). The research has shown that:

- Companies’ financial performance can go some way to explaining variations in approaches to CSR and disclosure practices. For example, philanthropic activities were seen to be affected by profits and sales; and,
- A combination of high CSR performance and high levels of disclosure was found to have had a positive impact on companies overall profitability.

The underlying argument then is that CSR can pay off, although it depends on how individual companies approach the issue and also on a variety of other factors (Zairi and Peters, 2002). For example, companies exist in many different guises and degrees of complexity (Brinkman, 1999), ranging from those that are profit orientated in the private sector to those in the public sector that are non profit orientated. The activities in which companies are engaged can also vary considerably and it is therefore unsurprising that there are differences in conceptual understanding of CSR.

Previous studies have developed a number of definitions for the term CSR (Caroll, 1979, 2000, 2001. Lantos, 2001) These definitions appear to have evolved from a focus on economic, legal, ethical and philanthropic responsibilities (Carroll, 2001) to Lantos’s three type classification of ethical, altruistic and strategic CSR (2002). According to Lantos (2002) ethical CSR is the morally mandatory fulfilment of a corporation’s economic responsibilities, legal responsibilities and ethical responsibilities, even if the business might not appear to benefit from this.

Altruistic CSR equates to Carrolls (2000) philanthropic CSR and involves contribution to the good of society, even if it compromises profits. Examples of altruistic CSR might be the funding of schools, donations to drug and alcohol programmes. The justification is that contemporary corporations, through their wealth, have the power to affect parties beyond participants in its transactions. For Lantos (2002) altruistic CSR is not a legitimate activity for corporations because it involuntarily involves stockholders (through lower share prices), consumers (through higher prices) and workers (through lower pay). Reasons against
company involvement in CSR are that businesses are not competent to effectively involve themselves in public welfare issues, and that through taxation, corporations already contribute to society (Lantos, 2002).

Frankental (2002) and others (Burke and Logsdon, 1996. Lantos, 2002) concur that strategic CSR is a legitimate activity for corporations. Strategic CSR is defined as caring corporate community services that accomplish strategic business goals. Corporations contribute not only because it is morally right but also because it is in their best financial interests to do so, hence fulfilling their duties to stakeholders (Friedman, 1996). Within strategic CSR the voluntary aspect leads to increased employee morale and higher productivity, attracts customers to a caring corporation, or contributes to the local community making it easier to attract good employees. Overall strategic CSR presents a win-win situation benefiting the community and the firm.

However in order for strategic CSR to operate effectively, corporations have to be able to measure and benchmark their activities (Frankental, 2001). Part of this research will examine how and whether construction and property companies measure CSR. Without measurement, Frankental argues (2001) CSR is reduced to public relations (PR) and little else. Strategic CSR has to embrace the stakeholders, to be rewarded by financial markets, to be defined in relation to goals of ecological and social sustainability, to be benchmarked (PWC, 2000), to be audited and open to public scrutiny. Finally it has to be embedded vertically and horizontally within the corporation.

For Burke and Logsdon (1996) strategic CSR has to be embedded in the corporate planning function. Five criterion; centrality, specificity, proactivity, voluntarism, and visibility are requisites for strategic CSR (Burke and Logsdon, 1996). These criterion may be used for measurement within this research to enable the researchers to determine the type of CSR adopted by the companies. Burke and Logsdon (1996) identify examples of CSR behaviour relating to the five criterion. From the table below it is apparent that some activities fulfill centrality and specificity but not voluntarism and so on.

<table>
<thead>
<tr>
<th>Strategic dimensions</th>
<th>strategic outcomes</th>
<th>centrality</th>
<th>specificity</th>
<th>proactivity</th>
<th>voluntarism</th>
<th>visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropic</td>
<td>Customer loyalty</td>
<td>PC donations to schools by PC mfrs</td>
<td>Accustom new users to product vs competition</td>
<td>New benefits</td>
<td>Community support</td>
<td></td>
</tr>
<tr>
<td>Contributions (£, product, time)</td>
<td>Future purchasers</td>
<td>Employee benefits</td>
<td>Health, day care, flexitime</td>
<td>Higher employee loyalty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental management</td>
<td>Product or markets on new rules</td>
<td>New products ‘green’ / process innovation</td>
<td>Patent or innovation edge in product development</td>
<td>Learning curve advantages</td>
<td>Positive relations with regulators</td>
<td></td>
</tr>
<tr>
<td>Political activity</td>
<td>New product or geographic market opportunities</td>
<td>Favourable change in economic or social regulations</td>
<td>New business opportunities to capitalise on new rules</td>
<td>Pre-positioning for change in rules</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product / service related characteristics</td>
<td>New product on new markets</td>
<td>Product reformulation, improved ‘green’ design</td>
<td>Patent innovation, first to market loyalty</td>
<td>Environmental scanning to create edge in design or product ideas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1 – Examples of strategic benefits from socially responsible behaviour.
Adapted from Burke and Logsdon, 1996

It is noted that a companies’ approach to CSR is further complicated and affected by its legal position. Companies are legal entities with certain rights and privileges, but also certain liabilities. Another factor that may affect a companies approach to CSR is its position and
level of power within its sector. For example, some companies have a turnover that exceeds the gross national product of some small countries, and their power and influence can be immense (Brinkman, 1999). Indeed, ‘big business’ is different and these corporations may have a different perception of CSR as a result (Drucker, 1983).

Given the variation in conceptual understanding and the different types of CSR that corporations can adopt a number of questions arose relating to construction and property, such as, how do UK construction and property companies incorporate CSR? Which type of CSR do these companies practice, and is there variation within and across the construction and property sectors? The overall aim of this research is to examine current approaches towards CSR in the UK construction and property industry.

Research methodology

At this stage the researchers were interested in voluntary disclosures made by corporations either on their web sites or in their annual reports. It was important to evaluate materials available in the public domain and freely expressed by the corporation which were not limited in any way. Interviews would not be appropriate or necessary for this type of research. The data will be subjected to content analysis and quantitative analysis using two techniques. This will allow the approaches to CSR adopted by different companies to be conceptually mapped.

The content analysis will be undertaken using Atlas/ti software. Atlas/ti is a powerful workbench for the qualitative analysis of large bodies of textual, graphical and audio data. For this project textual data, in the form of CSR policy frameworks which are published on company websites and annual company reports will be entered in the software for analysis. The technique has been used successfully by social scientists (Allen, 2001). Specifically Atlas/ti enables researchers to explore soft data and uncover complex phenomena in a flexible yet systematic way (Muhr, 1997). The software also enables researchers to establish the existence of relationships within text, and significantly the strength of those relationships. The complexities and blurred edges of different types of CSR are documented above and this tool is considered a useful and powerful means of exploring this concept. The software is able to search the text at speed and to highlight links between different sections.

Currently the researchers are developing the criteria, or coding system, for the software to analyse. This task is neither simple nor straightforward given the complexity of CSR. It is imperative to get the coding system as accurate as possible, as it will determine the reliability and validity of the data produced by the software. Rather than rely on previous studies to frame the coding system, the researchers are currently investigating the development of a coding system based on those adopted in the annual reports of two sample companies from each sector, property and construction.

The first stage is to read the annual report to identify the typical statements / quotations / terminology that are adopted within context. Without context the coding can become an indexing system. The term used for this type of coding within the Atlas/ti software is ‘in-vivo’ and stems from a grounded theory technique which draws the researchers attention to the terms used by the respondents/interviewees, in this case the annual reports and policy frameworks. These terms will be referenced back to the literature to establish whether the terms fall within the different categories of CSR to allow differentiation to be made at this level. The content analysis will also reveal what is included in the CSR i.e. charitable donations, voluntary activities and so on.

For large amounts of text Atlas/ti can be linked to SPSS to allow statistical analyses to be undertaken. Within this scoping study project it is anticipated that a selective sample of around 4 annual reports from each sector will be used and SPSS analysis will not be appropriate. The sampling strategy is noted below.

The second technique adopted for this research used the Multidimensional Scalogram Analysis technique (MSA) used by Cook and Golton to examine conceptual understanding of green building within the construction industry (1994). Significantly the sorting task procedure
and MSA make underlying assumptions about a linear structure of the data (Canter, Brown et al, 1985).

The theoretical basis of the sorting task procedure is simple in nature. In order to understand the world, people (corporations) categorise items in the world and an understanding of the categories allows for a flexible exploration of conceptual systems. In this case, CSR. This method was considered particularly relevant for this study because it acknowledged that there could be differences in what people (corporations) were writing about CSR and what is actually understood and perceived by these people (corporations). For example, a corporation may believe it is engaging in CSR but according to Frankental’s (2002) definition, may be engaging in PR only. Similarly corporations may or may distinguish between the altruistic, strategic and ethical CSR identified in the literature. The sorting task allows interpretation of explicit statements and implied meaning in text. When corporations define their concept of CSR or set out their criteria for CSR they are categorising CSR.

The sorting task procedure requires that certain items or statements are divided into groups or categories. All the items in one group have something in common and are different from the items in another group (Canter, Brown et al, 1985). The grouping of the items is called a sort. The items to be sorted in this case are recognisable and attributable characteristics of the four types of CSR, altruistic, ethical, strategic and CSR as PR, identified above.

From the literature review 20 statements will be identified. The statements will be selected to give a range of views on different types of CSR. Statements that could be shared by more than one type of CSR will not used as each statement could be placed in only group during the sort. The next stage identified what each corporation either said or implied about the statement. On the basis of the voluntary disclosure or annual report of each corporation, each of the 20 statements will be placed in one of five groups, being altruistic, ethical, strategic and CSR as PR, or ‘don’t know’. For each corporation a table will be produced which reflects their views of CSR. An example of a table is shown below;

<table>
<thead>
<tr>
<th>Group</th>
<th>CSR Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>Altruistic CSR</td>
</tr>
<tr>
<td>Group 2</td>
<td>Ethical CSR</td>
</tr>
<tr>
<td>Group 3</td>
<td>Strategic CSR</td>
</tr>
<tr>
<td>Group 4</td>
<td>CSR as PR</td>
</tr>
<tr>
<td>Group 5</td>
<td>Don’t know</td>
</tr>
</tbody>
</table>

This form of sorting will enable the researchers to establish whether corporations within property and construction perceive CSR differently, coherently and also how property and construction compare in their conceptual understanding of CSR. The information from all the corporations’ sorts has to be tabulated in a data matrix in order to carry out statistical analysis. The rows represent the 20 statements and the rows represent the corporations.

The data matrix will be analysed using the MSA programme (Lingoes, 1973). The MSA analyses the data and plots the statements as points in geometric space. The points / statements are located such that for each corporations sort, each of the five groups is represented by a separate region in the plot, so that all the statements in that group are in the same region (Zvulum, 1978). In effect, this means that the closer the points, the more likely they are to have been placed in the same group by each of the corporations. As such the MSA allows a search for recognisable patterns which indicate how the concept is understood. Two main plot will show how all the statements ‘fit’ and each corporation will have an individual plot. There will be one main plot for property and one for construction.

The essence of MSA is the creation of regions on the main plot (Tziner, 1987). Each region should contain only points that are within the same group. The pattern of the regions show the way in which the corporation conceptualises CSR. Similarities in patterns between corporations will indicate that they are viewing CSR in a similar way. Differences in the pattern indicate that corporations view CSR in different ways. It is anticipated that a selective sample of four companies from the property and construction will be used for the MSA.
Sample selection

Shepherd and Watson (1982) suggest that this type of research lends itself to intensive rather than extensive data collection, and that is a prerequisite for authenticity. The FTSE4Good Index was used to identify property and construction organisations that currently make voluntary disclosures about their CSR policy and activities. The Index measures the performance of companies that meet globally recognised CSR standards. Companies are only included in the index if they are constituents of the FTSE-All Share Index (UK), FTSE Developed Europe Index, FTSE US Index or FTSE Developed Index (Global). They must also be working towards environmental sustainability, developing positive relationships with stakeholders, and upholding and supporting universal human rights. Companies involved with the production of tobacco, weapons systems or nuclear power are excluded from the index.

Each industry sector is applied a weighting according to the environmental impact of its operations (Table 3). Construction is considered a high impact sector, property development a medium impact sector and property investment a low impact sector. The higher the weighting the more demanding the environmental criteria they must meet. Analysis of the FTSE4Good Index revealed entries for 837 companies from 22 different countries. The largest proportion of companies in the Index were from the UK (37%), with the USA and Japan accounting for 25% and 9% of entries, respectively. Of the 837 international companies, 20 (2%) were involved with the construction and building sector and 31 (4%) were involved in the real estate sector.

Table 3: Environmental impact of different industry sectors (FTSE4 Index Series, 2003)

<table>
<thead>
<tr>
<th>High impact sectors</th>
<th>Medium impact sectors</th>
<th>Low impact sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>DIY and building supplies</td>
<td>Information technology</td>
</tr>
<tr>
<td>Air transport</td>
<td>Electronics</td>
<td>Media</td>
</tr>
<tr>
<td>Airports</td>
<td>Energy &amp; fuel distribution</td>
<td>Consumer finance</td>
</tr>
<tr>
<td>Building materials</td>
<td>Engineering &amp; machinery</td>
<td>Property investors</td>
</tr>
<tr>
<td>Chemicals &amp; pharmaceuticals</td>
<td>Other financials</td>
<td>Research &amp; development</td>
</tr>
<tr>
<td>Construction</td>
<td>Hotels, catering &amp; FM</td>
<td>Other leisure</td>
</tr>
<tr>
<td>Major systems engineering</td>
<td>Other manufacturers</td>
<td>Support services</td>
</tr>
<tr>
<td>Fast food chains</td>
<td>Ports</td>
<td>Telecoms</td>
</tr>
<tr>
<td>Food, beverages &amp; tobacco</td>
<td>Printing &amp; publishing</td>
<td>Wholesale distribution</td>
</tr>
<tr>
<td>Forestry &amp; paper</td>
<td>Property developers</td>
<td></td>
</tr>
<tr>
<td>Mining &amp; minerals</td>
<td>Other retailers</td>
<td></td>
</tr>
<tr>
<td>Oil &amp; gas</td>
<td>Vehicle hire</td>
<td></td>
</tr>
<tr>
<td>Power generation</td>
<td>Public transport</td>
<td></td>
</tr>
<tr>
<td>Road distribution &amp; shipping</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supermarkets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle manufacture</td>
<td></td>
<td></td>
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<tr>
<td>Waste</td>
<td></td>
<td></td>
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<tr>
<td>Water</td>
<td></td>
<td></td>
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<tr>
<td>Pest control</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Of course the FTSE4Good classification ignores the links between the three sectors. For example, the decisions made in the property investment sector will have an influence of the type and extent of development built by the construction sector.
The construction and building sector is broken into a number of sub-sectors, including builders’ merchants (2), building or construction materials (5), house builders (6) and other construction companies (7). UK companies make up 65% of companies in the construction and building sector. The real estate sector is broken into three sub-sectors: real estate holding and development, property agencies and real estate investment trusts. Thirty companies, including 27 from UK, were real estate holding and development companies. 2 companies both UK were Property Agencies.

Corporations were also selected on the basis of their size and turnover. It was decided to select a total of eight corporations from the property and the construction sectors. A range of corporations were selected to reflect national, transnational and multi-nationals operating in the UK. Multinational companies operate in more than 2 national economies, transnational companies operate in two economies and national companies operate solely within one national economy. Where national companies are used the national economy is the UK. Table 4 shows the companies selected for the research.

Table 4 Companies selected for the research

<table>
<thead>
<tr>
<th>Property</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>FPDSavills</td>
<td>Morgan Sindall</td>
</tr>
<tr>
<td>Jones Lang Lasalle</td>
<td>Willmott Dixon</td>
</tr>
<tr>
<td>Fuller Peiser</td>
<td>Skanska</td>
</tr>
<tr>
<td>Lambert Smith Hampton</td>
<td>Mansell</td>
</tr>
</tbody>
</table>

Given the low overall numbers of construction and property companies listed on the FTSE4Good Index and the availability of the Atlas/ti software, it may be relatively simple to carry out a census of the construction and property companies listed on the Index at a later stage. However, our current intention is to limit the study to 4 companies from each sector and analyse data using both techniques which we enable us to compare and contrast the data provided by both techniques, as well as comparing CSR across both sectors.

Conclusion

This paper has illustrated the confusion that exists with the interpretation and understanding of CSR within business generally. CSR is complex and can be interpreted differently and can be adopted for different reasons by organisations. The researchers posit that similar confusion may exist in the construction and property sectors but that to date, no empirical research has been conducted in these sectors. Property developers and construction companies are medium and high impact organisations according to the environmental impact criteria based on the FTSE4Good Index. Various criteria have been identified in the literature review to determine the different types of CSR which may be adopted by companies either knowingly or unknowingly.

The research methodology which is being developed for this research is discussed with a review of the two techniques. The outputs of both will be compared at a later date to determine the differences of the techniques and the data produced. The MSA will enable the researchers to map the conceptual understanding of CSR among the sample group of companies, whereas the Atlas/ti software will enable the researchers to undertake a content analysis on the entire annual report and CSR policy frameworks as published by the sample companies. Finally the sampling strategy has been identified and the companies which will form part of the study are noted above. The coding is underway and initial findings will be available by February 2004 and can be incorporated into the paper at this time.

References


Lingoes, (1973)


