

# THE CURRENT STATE OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES OF FIRMS OPERATING IN CONSTRUCTION INDUSTRY

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The overall aim of this study is to appraise the current practice of Corporate Social Responsibility (CSR) on firms operating in the South African construction market. Primary and secondary sources of data were utilized. The primary data were collected via of questionnaire survey issued to 12 different firms operating within the South African construction sector and secondary data obtained from related and reliable scholarly literature such as journal articles, conference papers, reports, books etc. Out of 60 questionnaires issued, 50 were acquired back, and all surveys received were valid. Descriptive statistical analysis was used for the collected primary data. The study reveals that common CSR variables that are practiced by South African construction firms using certified product/material verified by the independent third party. These include supporting government initiatives on public welfare; Occupational health, business ethics and code of conduct; welfare and safety; Purchasing green material and the most important CSR variables are contractual obligations are met, and product and service providers are paid in a timely manner; Using certified product/material verified by the independent third party; Ensuring fair treatment of workers at work irrespective of race, gender, and disability; and consult employees about crucial business activities. The implementation of CSR activities offers a great solution for many problems that are being faced by the South African construction firms as well as the South African society.

*Keywords:* Companies, South Africa, Workforce, Fair treatment of worker.

## 1 INTRODUCTION

The South African construction industry plays a significant role in the country's economic and social development. The sector is responsible for construction projects that provide the society with places for education, housing, business, entertainment, culture, leisure, including infrastructure such as drainage, ports, roads, water, and power supply, sewerage, railways and telecommunications (Khan 2008). However, the construction industry is still battling with a bad reputation for exploitation. Previous studies revealed the industry's substantial negative effect on the community and the environment they are operating due to its activities that cause pollutions such as noise, air and water pollutions (Mashwama 2019). Construction firms have high recognition and pressure on environmental and social issues due to construction industry fatal

activities. Thus, it is very crucial for firms of all sizes in the construction industry to be environmentally and socially responsible for their operations to build both firm reputation and their services. Khojastehpour and Johns (2014) proved that CSR activities might benefit a firm in making its name and also recommended that clients expect firms to be engaged in CSR activities, which may be rewarded for their effort.

It is understood that firm reputation is a systematically subjective and collective perception, attitude, recognition, and evaluation of a firm over time among all stakeholders' groups. That established on a specific organizational aspect of quality, communication, past behavior, symbolism, and potential to achieve future expectations and competition (Šontaitė-Petkevičienė 2015). Consequently, CSR plays a vital role in the success of the construction firm. The construction industry is known for being exploiting natural resources (Duman *et al.*, 2016). Thus, to keep a good name for a firm in the industry, a firm must tackle several CSR problems like employment status or nature, ethical business process, environmental issues, and relationship with communities (Barthorpe 2010). Numerous investors are looking for responsible firms to invest in; the ethical value of a business can bring wealthy businesspersons that desire to be part of the firm's success and gain profit. The CSR rule enables companies from less developed markets to get access to some more significant markets (Ksiezak 2016). Despite presenting a wide range of firm's benefits, CSR is supposed to contribute to the well-being of society. Delivering to the whole of society should be the essential driver for businesses to begin and continue CSR involvement (Perry and Towers 2013). Thus, this research tries to investigate the implementation level of CSR amongst the South African construction companies.

## **2 CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Owner business requirements can define Corporate Social Responsibility (CSR). According to Gupta *et al.* (2017), CSR is defined as an obligation of a firm to follow, while Khan (2008) defines CSR as a voluntary based practice by a firm towards its stakeholders and the society; acting in a socially, economically and environmentally sustainable manner. Today, firms are expanding their scale of doing business and going beyond national boundaries. Since resources are acquired from society, they are no longer expected to play their ancient role of generating profit only. Still, also, they needed to perform their responsibility towards its stakeholders by integrating social, ethical, and environmental concerns in their business operations (Gupta *et al.* 2017). To-date, CSR has been recognized in the corporate world and has become part of the business. Many construction firms integrated CSR activities into their business activities and expanded their communication through different ways on their CSR activities to their stakeholders (Šontaitė-Petkevičienė 2015). The term CSR is used to relate how firms go beyond the economic criteria and implement societal responsibility (Khojastehpour and Johns 2014).

## **3 BENEFITS OF PRACTICING CSR IN A CONSTRUCTION FIRM**

The construction industry has played a significant role in the economic development of many countries over the past few decades (Xue and Zhang 2017). However, there are several environmental and social consequences of construction-driven economic development (Chang *et al.* 2017). On the other hand, the performance of CSR has been unsatisfactory in most industries and very disappointing in the construction industry (Jiang and Wong 2016). The following have been identified as the benefits of practicing CSR on a construction firm: bringing reputation to the business and the industry, lowering risks associated with firm's image, increasing competitive advantage, building an exceptional relationship with the society. Others include reducing costs as the result of better relations with stakeholders and higher morale amongst employees, making a

profit, no worries about a license to operate, and employee motivations. The rest include attracting investors, client's loyalty, tax reduction, attract talented personnel, increase employee loyalty, and improves a firm's performance (Sharman 2016, Ksiezak 2016, Lim and Loosemor 2017).

As mentioned earlier, being socially responsible provides a firm with series of advantages such as improving public image, increasing loyalty by the employee, increase turnover, attractive to the brilliant workforce, thus sustained the competitive advantages and enhanced performance of the company (Lim and Loosemor 2017). From the analyses carried out by Lim and Loosemor (2017), it was established that CSR assessments are based on the company's customs and judged through business occasions instead of from the beneficiaries' perspectives. The CSR has been suggested to be an alternative declaration for attaining long-term competitive advantage (Larsen *et al.* 2012).

#### 4 RESEARCH METHODOLOGY

This research deployed a quantitative method to find out about the current state of CSR practices on firms operating in the South African construction industry. The questionnaire survey is used in the collection of primary data. The secondary data was reviewed literature from books, journals, reports, conferences, and research articles. The study was carried out in Johannesburg, Gauteng province of the Republic of South Africa. The participating firms are construction companies operating within the Republic of South Africa and are registered with the Construction Industry Development Board (CIDB). The survey achieved up to 83% response rate with a total number of 50 returned (completed) surveys. The study deployed a quantitative method of analysis using descriptive statistics (mean, mode, range, standard deviations, percentage, and numbers). Respondents were required to answer questions based on the Likert scale method of five (5). The normal options are as follows: 1 = not at all; 2 = very little; 3 = somewhat; 4 = moderately; 5 = to a large extent and 1 = not important; 2 = less important; 3 = neutral; 4 = important; 5 = very important. The mean item score (MIS) and standard deviation (SD) was adopted to rank the variables from highest to lowest.

#### 5 FINDINGS AND DISCUSSIONS

Table 1 presents the extent factors of CSR practices in the South Africa construction firms. The result reveals that all the given factors are essential with MIS of at least 3.54 except the last ranked factor (Age). Considering any factor or variable under investigation with Mean  $\geq 3.50$  as important or significant (Badu *et al.*, 2012); the 39 out of the 40 CSR initiatives were ranked important with MIS between 4.56 and 3.54 in the exception of one (Age) which has MIS of 3.34 (see Figure 1). Moreover, the 1<sup>st</sup> to 19<sup>th</sup> ranked CSR initiatives demonstrated significant importance and influence with an average MIS of 4.23. These significant CSR initiatives include supporting government initiatives on public welfare, using certified product/material verified by the independent third party, occupational health, welfare and safety, purchasing green material, business ethics and code of conduct, rejecting product and service of firms with poor CSR records, looking after the well-being of the workforce, donation funds to charity organizations and community supports, ensuring fair treatment of workers at work irrespective of race, gender, and disability, gender equality and diversity, contractual obligations are met and product and service providers are paid in a timely manner, minimizing waste and encouraging the reuse and recycling, respecting people's privacy, fair treatment of product and services providers, minimizing disposal of hazardous waste, minimize pollution in business activities, rejecting

businesses and customers with a bad CSR record, discrimination and unfair treatment, and racism/cultural diversity and equity.

Table 1. CSR initiatives.

Descriptive Statistics	MIS	Std. Dev	Rank
Using certified product/material verified by the independent third party	4.56	0.501	1
Supporting government initiatives on public welfare	4.50	0.647	2
Occupational health, welfare and safety	4.46	0.579	3
Business ethics and code of conduct	4.46	0.613	4
Purchasing green material	4.40	0.670	5
Rejecting product and service of firms with poor CSR records	4.34	0.593	6
Looking after the well-being of the workforce	4.34	0.593	7
Donating funds to charity organizations and community supports□	4.28	0.784	8
Ensuring fair treatment of workers at work irrespective of race, gender, and disability	4.24	0.822	9
Gender equality and diversity	4.22	0.764	10
Contractual obligations are met and product and service providers are paid in a timely manner	4.20	0.881	11
Minimizing waste and encouraging the reuse and recycling	4.18	0.850	12
Respecting people's privacy	4.12	0.982	13
Fair treatment of product and services providers	4.10	0.839	14
Minimizing disposal of hazardous waste□	4.06	0.793	15
Minimize pollution in business activities	4.02	0.742	16
Rejecting businesses and customers with a bad CSR record	4.02	0.937	17
Discrimination and unfair treatment	3.98	0.958	18
Racism/cultural diversity and equity	3.96	0.903	19
Supporting communities and charity organizations	3.92	0.778	20
Corruption	3.88	1.023	21
Employees' right to volunteering in the community supports	3.86	0.783	22
Harassment and bullying	3.84	0.976	23
Environmental management/impacts	3.84	0.766	24
Offering promotion opportunities to advance employees careers	3.82	0.962	25
Using green technology that uses fewer resources	3.80	1.107	26
Sponsoring sport clubs and events	3.78	0.932	27
Community interaction	3.76	0.938	28
Social responsibility/impacts	3.76	0.870	29
Carrying employees along on key corporate activities	3.74	0.944	30
Requesting product and service providers to set and meet acceptable social and environmental performance targets	3.72	0.730	31
Screening customers for their CSR records	3.72	0.701	32
Evaluation of environmental impacts on business activities	3.70	0.953	33
Disabled	3.68	1.096	34
Donating assets to community causes (e.g. old office furniture or equipment)	3.68	0.999	35
Political contribution	3.60	1.125	36
Collaborative working with product and service providers to resolve issues	3.60	0.926	37
Lending facilities and assets to communities (e.g. using in-house facilities by community)	3.56	0.787	38
Respecting the right to free assembly and collective bargaining including recognition of trade union activities and representation	3.54	0.762	39
Aged	3.34	1.136	40

## 6 CONCLUSION

This study attempts to investigate the level of CSR implementation by the construction firms in South Africa. The study uses a quantitative method, and the collected data were analyzed using

descriptive statistics. The use of certified product/material verified by the independent third party, looking after the well-being of the workforce and, donating cash in support of community or charity organization and minimizing waste and encouraging the reuse and recycling were identified to be the most CSR activities done by the South African construction firms. It is important that time and resources should be invested in training and educating the various stakeholders about the CSR and its benefits to both the company and society. Furthermore, the construction industry plays a crucial role in the economic development of South Africa despite the impacts that it has on the environment and on the general well-being of human beings as its ranked number one industry with a lot of accidents. Therefore, it is recommended that the construction company that practices CSR activities have to be rewarded with lower taxes and get financial assistance from the government of South Africa. CSR reporting of companies need to be ruled with periodic accounting within the construction industry. There is a need to sell public recognition regarding CSR and its core benefits. Such can be sustained through campaigns, workshops, and so on. Clients ought to inspire that an organization's product is socially responsible.

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