

# How the Australian Government Assists the Building and Construction Industry to be Socially Responsible

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Sonja Petrovic-Lazarevic, Violet Lazarevic

Faculty of Business and Economics

Monash University, Melbourne, Australia

*At present every country in the world is trying to minimise the negative effects of the economic crisis. Australia seems to be suffering least. This may be because the Australian Government supports the building and construction industry (BCI), which plays a key role in economic growth. This paper highlights what activities the Australian Government has undertaken to maintain high performance of BCI by supporting sustainable development and corporate social responsibility (CSR). Supporting these may lead to greater benefits for organisations. These activities provide a framework for industry organisations and other governments to guide their CSR initiatives.*

## Introduction

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

Building and construction industry influences the economic growth of every country for three reasons. Firstly, this industry significantly contributes to a growth of gross domestic product (Hillebrandt, 1985). Secondly, it is interacted with other industries while creating its products and services in a way that when there is a need to accelerate an economic growth, governments usually undertake measures that directly improve a BCI competitive advantage and through the BCI indirectly efficiency and effectiveness of other industries. Thirdly, the BCI mainly employs unskilled and semi-skilled workers influencing a rate of employment (Petrovic-Lazarevic, 2002).

One of the sources of competitive advantage today is corporate social responsibility (Rex and Baumann, 2007). It allows the organizations to attract more cus-

tomers than the other organisations (Luo and Bhattacharya, 2006) by acting ethically and taking care of the environment (Podnar and Golob, 2007).

This paper highlights what activities the Australian Government has undertaken to maintain high performance of building and construction industry from the point of view of supporting the corporate social responsibility. In this respect, the paper is divided as follows: after the literature review, an analysis of actions undertaken by the Australian federal government support the corporate social responsibility is presented. The paper ends with concluding remarks and future research directions.

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

## 2. Literature review

### 2.1. Corporate social responsibility

Corporate Social Responsibility is becoming important to research because of its growing importance in influencing socially responsible behaviour (Blumenthal and Bergstrom, 2002). Organizations are increasingly implementing corporate social responsibility 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 corporate social responsibility more critical.

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). Corporate social responsibility and how well it is managed can be a way to achieve this distinction in the eyes of the 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 operated 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 that relationship with the environment and corporate social responsibility can be a means for achieving that (Kitchin, 2003). Corporate social responsibility 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.

Corporate social responsibility is often implemented because of the belief that it is in the firm's best interests (Waddock and Smith, 2000). Corporate social responsibility has been shown to lead to positive outcomes such as competitive advantage and better performance in the share market (Waddock and Smith, 2000). Increasingly corporate social responsibility is being seen as a significant strategic tool for competing in the global marketplace (Oyewole, 2001). Johri and Sahasakmontri (1998) argue that corporate social responsibility 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, corporate social responsibility impacts on strategic considerations and should be integrated with the strategic decisions of an organization.

Undertaking socially responsible actions can be a source of competitive advantage for firms, particularly if their competition is not engaging in corporate social responsibility or is not doing it well (Rex and Baumann, 2007). This allows the organization to dif-

ferentiate itself from competitors by engaging in corporate social responsibility (Morris, 1997; Russo and Fouts, 1997). Podnar and Golob (2007) found that acting ethically and engaging in corporate social responsibility can lead to competitive advantage because of the way customers respond to these initiatives. Customers assess companies that engage in corporate social responsibility in a more positive light and tend to choose these companies over others who do not engage in corporate social responsibility (Podnar and Golob, 2007). In addition, customers experience more satisfaction from their experiences with firms that employ corporate social responsibility initiatives (Luo and Bhattacharya, 2006).

Corporate social responsibility 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 which will benefit them both now and in the future. Therefore, practicing corporate social responsibility can indicate to the customers that the organization is committed to addressing issues that they are concerned with.

Bowen (1953) defines corporate social responsibility as a firm's duty to society to act in a way that was congruent with the goals and ideals of society at large. This can include any actions undertaken by the firm in order to lead to minimizing adverse effects on society or leading to socially favourable outcomes (Maignan, 2001). Corporate social responsibility 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 corporate social responsibility (Kitchin, 2003). Corporate social responsibility 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).

For Carrol (1991) corporate social responsibility relates to the responsibility 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.

1. According to Petrovic-Lazarevic (2008), corporate social responsibility 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 corporate social responsibility may be estimated by analysing the following activities:
2. Company's moral obligation to be *good citizen* and to do *the right thing*
3. Sustainability or meeting the needs of the present without compromising the ability of future generations to meet their own needs
4. Reputation to justify corporate social responsibility initiatives to improving company's image
5. External aspects that relate to relationship with suppliers and commitment to local community protection and engagement
6. Internal aspects that cover relationship with employees and unions
7. Accountability and transparency that include commitment to reporting on corporate social responsibility.

The corporate social responsibility literature has revolved for many years around whether or not the organizations has a duty to society in terms of their impact on it 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 corporate social responsibility and the societal-backlash towards companies like Enron and others (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, corporate social responsibility 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 difficult to study objectively (Aupperle *et al.*, 1985).

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

Since the building and construction industry differs from the other industries, in order to understand how the Government's support to this industry helps to overcome the negative effects of the global economic crisis, the characteristics of the industry are below explained in more details.

## 2.2. Building and construction industry

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

Building and construction industry has specific physical nature of the product, the structure of the industry and the organization of the building and construction process (Petrovic-Lazarevic, 2003).

The product of building and construction industry 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 its own objectives and pressures. Project manager is in charge of overall costs, time and quality of actions undertaken. Building and construction industry firms consist of large organizations with usually over 20 employees and small to medium enterprises (with less than 20 employees). Large organisations take form of corporation indicating that corporate governance is an applied management style (Petrovic-Lazarevic, 2004).

Because of the influence of the building and construction industry 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 done in Australia?

Following Petrovic-Lazarevic (2008) definition of corporate social responsibility, the Australian Government should influence the organisational sustainability and relationship between employers and unions; while the organisations themselves should take care of their reputation to justify corporate social responsibility initiatives to improving their image, relationship with suppliers and commitment to local

community protection and engagement, and accountability and transparency that include commitment to reporting on corporate social responsibility.

The influence on relationship between employers and unions pursues through the regulations. However, the governmental influence on the organisational sustainability is specifically applied. This is in particular related to the preservation of a healthy environment.

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). The Conference pointed to the relevance of governments participants of the Conference, 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 an 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 has 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 has been applied in Australia. The Certification to an ISO 9001 standard confirms that formalized business processes are being applied, thus are used as a marketing tool. However, the Standards do not cover the issues relevant to the sustainability or maintenance and preservation of a healthy environment.

Australia is made of two national territories and six states. For the purpose of this paper we have drew attention to what has been done for the building and construction industry mostly in Queensland. The reason to choose Queensland was that we have had an immediate access to the real source of actions undertaken, and have 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 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 ensured for environmentally relevant activities were 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 governments. Thus, builder's tender must be in accordance with the Integrated Planning Act. For a small business, it is a 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 about it 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 (ISO 14001 EMS) indicates the 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 measures, 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, building and construction industry 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 building and construction industry (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 done 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 was along with 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 dangerous both for humans and environment. For example, soil sulphate does not directly influence human but through environment it does.

## Conclusions

After the United Nations Conference held in Rio in 1999, the Australian government is paying a significant attention to provide framework for the Australian building and construction industry organisations to be socially responsible. Apart of introduction of Integrated Planning Act in 1999, declaration of Sydney Green Games in 2003, proclamation of year as 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 occupational, health and safety regulations. All of that points to the Australian Government determination to support corporate social responsibility of organisations in the building and construction industry.

It remains to the organisations to further invest in their relationship with the environment through corporate social responsibility as being 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 building and construction industry 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 concentrate to measure the influence of corporate social responsibility on business performance of building and construction industry corporations.

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