

CORPORATE RESPONSIBILITY - A MORAL COMPASS OF THE CONSTRUCTION INDUSTRY

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Abstract: The era of the economic recession created new epoch - the era of responsibility. It was never so important to demonstrate company's leading position, communicate its values and visions, restore the trust and reasonably manage resources, because responsible behavior usually leads to trust, loyalty and goodwill between customers, business partners and other involved parties. Corporate social responsibility helps to create values and is a moral compass in business environment. It is not enough to pragmatically look at profit indicators, but also it is important to consider impacts of company's social and environmental activities.

Keywords: corporate social responsibility, economic recession, profit indicators

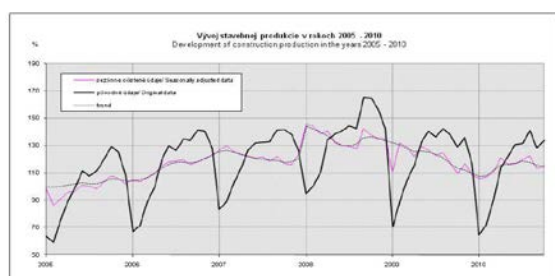
1 Development of the slovak construction sector

The Slovak construction sector has entered a new era. After a long period of growth, the latest years (2009, 2010, 2011) were showed a decline in the volume of construction. The main reason for such a change was the world economic crisis, which was also affecting Slovakia, with the long-term impact on Slovak construction.

As the latest results show (performed in May 2011), the expectation of industry decline has heavily increased. For 2011, 50% of respondents expect the industry to decline this year. On average these enterprises (total sample) forecast the construction sector decline at 1.8%, but if we take a more detailed look, the reality could be much worse: over 20% of respondents expect a decline of more than 4%.

With regard to sales developments for 2011, companies expect their sales to follow the overall construction sector's direction and for average sales to 0.9% growth in 2011 (the current forecast). Improvements are connected with changes in the overall sector (and economy), which are expected for the period 2012 – 2013, when average sales growth should improve to 15%. The main driver for the sales slowdown is a decrease in demand.

Figure 1: Development of the Slovak construction production in the years 2005-2010



Source: The Building Contractors Union of Slovakia, 05/2011

1.1 The obstacles to growth for Slovak construction companies

Most of the construction companies interviewed (89% in 2009, 90% in 2008) confirmed that they are experiencing obstacles in their business growth. If we take a closer look at the portfolio of constraints indicated, we can see that the key factor limiting companies' business growth is insufficient demand, which has swiftly grown from 26% of the respondents in 2008 to 43% of the companies in 2009 and 100% in 2011. The next factor was stiff competition, at

49% (49% in 2008, 33% in 2007). The most significant change is in the area of labor resources, which is viewed as a limiting factor by far fewer companies in the year 2011(3%) than the year 2008 (72%). This is explained by the increased number of workers in the labor market as a result of the reduction in demand and number of projects.[1]

Other obstacles include:

- Insufficient demand
- Weather conditions
- Insufficient labor resources (skilled)
- Insufficient financial resources
- Bureaucracy (dealing with public authorities)
- Competition
- Escalating cost of materials
- Escalating labor costs
- Other

2 Corporate social responsibility

The European Commission's definition of Corporate Social Responsibility (CSR) : "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Corporate Social Responsibility is part of the Europe 2020 strategy for smart, sustainable and inclusive growth. It can help to shape the kind of competitiveness model that Europe wants. Corporate Social Responsibility can make a significant contribution towards sustainability and competitiveness, both in Europe and globally.

The adoption of CSR practices in Slovakia to date has been mostly spearheaded by private companies, often multinationals that are expanding their operations consistent with their own best strategic interests. Many companies that have been sensitive to their employees', customers' and communities' desires and perceptions have found a compelling business case for accommodating these desires and perceptions, beyond strictly legal and regulatory requirements.

In most cases, governments have generally seen that CSR can serve society's interests, and have been satisfied that lead companies are aligning themselves with business practices under the pressure of the "market". Governments appear to have been satisfied with an implicit policy of remaining aware and sometimes endorsing private-led initiatives while monitoring and enforcing compliance with regulations, without an explicit policy to broaden or promote CSR. This has been a relatively passive or disengaged policy stance, and has served countries with vibrant formal business sectors relatively well to date.

The challenge facing governments in Slovakia is to acknowledge, to the maximum degree possible, the perceptions and values of the business sector and voluntary nature of CSR and build on these, while recognizing that the countries' obligations to meet European environmental and social standards, and often dependency on exports as the "economic driver" requires actions that may be contrary to these perceptions. To encourage such actions may involve educating and negotiating for a stronger role for the governmental initiatives, enforcing national policies to conform to EU standards, and assisting firms in meeting them.

CSR and the economic crisis

CSR is more relevant than ever in the context economic crisis. It can help to build (and rebuild) trust in business, which is vital for the health of Europe's social market economy.

It can also point the way to new forms of value of creation based on addressing societal challenges, which may represent a way out of the crisis.[2]

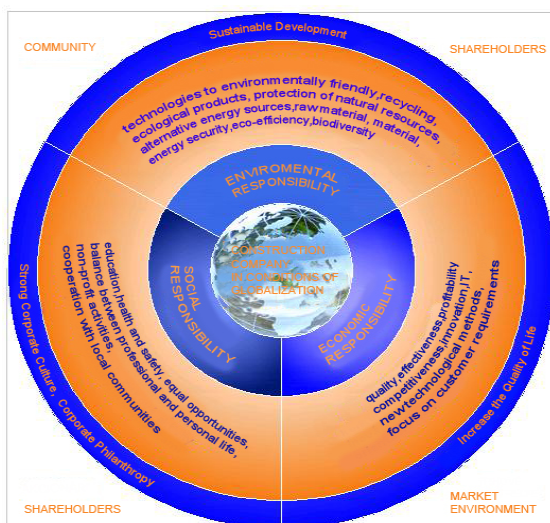
2.1 Corporate Social Responsibility implements in construction companies

It is important to implement the corporate social responsibility in the organization as the CSR is a prolong commitment by business to ethical behavior, sustainable contribution towards economic development, while, improving the quality of the workforce and local community and society at large. Further definition of CSR is a commitment to improve community well being through discretion business practice and contribution of corporate resources. For elaboration, the concept of CSR is essential to examine on how companies manage the business processes to produce an overall positive impact on society.

The management toward CSR can be developed by considering the quality of operation in terms of people and processes, identifying the nature of business and any potential positive impact on society in the various areas. Besides, CSR is where business firms operate in society that offers them opportunities to make profits, simultaneously; in return they have the obligation to serve societal needs which is social responsibility. Hence, CSR is a framework for measuring an organization's performance against economic, social and environmental parameters towards an essence in building sustainable businesses, which need healthy economies, markets and communities.

The construction industry makes a vital economic contribution in terms of employment, so with CSR, unnecessary risks can be avoided by incorporating safe design and sick building syndrome. In the end, the construction industry reputation and image will able to stand out when there are social core values are take into account and not only for profit based.

Figure 2: Proposal of conception of the construction company management



Source: own proposal

The importance of environmental sustainability will increase in the future, based on demands from customers, climate changes and legislative measures. Solutions are thus often based on combinations of construction and building design and new materials. This includes, for example, the use of passive heating and implementation of new technologies/materials, such as photovoltaic solar cells to generate electricity for heating and energy requirements in buildings. Operators in the construction sector need to upgrade continuously their knowledge of new designs, building methods and materials. In order to stay ahead of competitors, construction companies are obliged to innovate their own products and processes to support sustainable development.

Sustainability awareness is rising among public and private users of buildings and constructions. The sustainability trend spans the whole life cycle of a building. In the construction process, various aspects should be taken into consideration:

- re-using existing built assets;
- designing for minimum waste;
- minimizing energy use throughout the life cycle;
- avoiding pollution;
- adding to bio-diversity;
- conserving water resources;
- respecting people and communities.[3]

Conclusion

Most of the factors which influence and drive change in the construction sector will affect it in the years to come. Most of the driving forces mentioned in this report are external factors, which are changing the framework conditions, against which the actors, for example, companies, employees, and sector organizations, will have to act.[4]

By analyzing economic and environmental policies together, by looking at ways to spur ecoinnovation and by addressing other key issues related to a transition to a greener economy such as jobs and skills, investment, taxation, trade and development, the OECD can show the way to make a cleaner low-carbon economy compatible with growth.[5]

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