

Perspective of Corporate Social Responsibility in the Korea and Malaysia Construction Industry

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Abstract

The construction industry has always been criticized as one of the industries that capable of adversely affects the society if not managed well. Despite its contribution to the development of the society, the construction industry (CI) often becomes the target of environmentalists and governments pertaining to the environment and other social issues. One of the challenges of 21st century facing by construction industry is to minimize its unfavorable impacts to the society while maximizing its roles in the development of the society in a sustainable way. The strategically effective way of handling such challenge can be done through the implementation of Corporate Social Responsibility (CSR) approach. This paper aim to study the CSR perceptions and its implementation trend set by major construction-related companies in both Korea and Malaysia. Reference was made to companies' annual reports, sustainability reports, companies' homepage and CSR related website. The definitions and CSR initiatives applied by different companies were outlined and compared. The results presented in this study pictured the difference of CSR perceptions carried by major construction-related companies which serve as the standard, trend setter and implementer in the construction industry of both host countries. These results will show us how CSR is defined directly by the practitioners in the construction industry as compared to the various definitions stated by other parties and institutional bodies.

Keywords

Corporate Social Responsibility (CSR), economic, environmental, social, stakeholder, voluntariness

1. Introduction

As we just completed the first decade of the 21st century and advancing into the second, the construction industry like it was in the past decades, will keep on consuming substantial resources and contribute both good and bad impacts to its surrounding society. The effective management of construction projects by efficiently utilizing the scarce resources with minimum adverse impacts is an urgent agenda in today's sustainable development. The construction industry has always been criticized as one of the industries that capable of adversely affects the society if not managed well. Despite its contribution to the development of the society, the construction industry (CI) often becomes the target of environmentalists and governments in dealing with the environment and other social issues. The reputable CSR index provider, FTSE4Good Policy Committee has also identified the construction industry as one of the high impact sectors. Construction & material sectors were recognized as Phase 1 sector in countering bribery. One of the challenges of 21st century faced by construction industry is to minimize its unfavorable

impacts to the society while maximizing its roles in the development of the society in a sustainable way. Gjolberg (2009) has identified 9 initiatives and ratings that are competence in reflecting the CSR measurement. The variables are Dow Jones Sustainability Index, FTSE4Good, Global 100, UN Global Compact, World Business Council for Sustainable Development (WBCSD), The Global Reporting Initiative (GRI), KPMG International Survey of CSR Reporting, SustainAbility's list of the 100 best sustainability reports, and ISO 14001. The strategically effective way of handling such challenge can be done through the implementation of Corporate Social Responsibility (CSR) approach. Porter and Kramer (2006) mentioned that corporate involvement in society is a strategic approach while mitigating existing or anticipated adverse effects arising from a firm's value chain activities are part of the responsive CSR approach. In their paper, Porter and Kramer also gave an example of strategic CSR approach applied by a Mexican construction company (Urbi) that has prospered from housing project targeting disadvantaged buyers using flexible mortgage payments made through payroll deductions. Not only CSR has become more relevant than ever in the context of economic crisis, it can also help to build and rebuild trust in business by addressing societal challenges and lead the way out of the crisis (European Commission).

There is growing interest among company's stakeholders in the integration of social and environmental concerns on a voluntary basis. "More organizations are jumping on the Corporate Social Responsibility (CSR) bandwagon because it makes business sense", the role of CSR as an important emerging-corporate strategy is indisputable seeing that nearly 80% of Fortune 250 companies worldwide have produced CSR reports in 2008, as compared to 50% in 2005 (BSR, 2010). CSR performance was reported to make business sense, when Singapore developer City Developments invest 2 to 5 percent of the construction cost of a development on green design and features (Channelnewsasia, 2009). Although the CSR is gaining much attention in the board rooms and clearly emerged as new focus in the company's strategy conduct, the notion of this newly emerged strategy appeared in an abundance of definitions. The CSR definition is rather unclear or poorly defined both in corporate and the academic world (Alexander, 2008). The CSR commission has never been specified distinctly for many companies in construction industry (ENR, 2007). Useful guidance for the implementation of CSR in construction industry can be found in the Code of Considerate Practice of the Considerate Constructors Scheme, 2005 covering eight elements naming considerate, safe, environmentally aware, respectful, good neighbor, responsible, clean, and accountable (Barthorpe, 2010).

There are numerous definitions of CSR from academia to business and the policymakers. Previous researchers had attempted to determine the definition of CSR through various methodological approach from literature review (Carroll, 1999) to interview, theoretical reasoning and onto frequency counts from Google, the largest and most popular internet search engine (Alexander, 2008). Carroll (1999) has done a wonderful job by tracing the definitions of CSR down the timeline memories from 1950s to 1990s. Alexander (2008) had identified five dimensions of CSR and developed a coding scheme to obtain an overview of which definitions referred to which dimensions, ranging from environmental, social, economic, stakeholder, and voluntariness dimensions. The Chartered Institute of Building (CIOB) has summarized that many CSR issues such as ethics, human rights, community, environment and employee relations are already part of construction industry's daily topics, but are not being recognized as social obligations. Bondy et. al (2008) had argue that CSR can be a tool of management concepts which have spread globally and lead to convergence of management practice.

There appeared to be numerous sources pertaining to the definition of CSR available for our reference. All these definitions provided by numerous agencies and academia have a common intuitive as to the benefits of mankind and needs further consolidate to a more globally acceptable determination. Enterprises were encouraged to contribute to the achievement of the UN Millennium Development Goals through good practices in various context including employment, education, gender equality, health and environmental sustainability (UNDG, 2010). The Ministry of Energy, Green Technology and Water of Malaysia, along with their National Green Technology Policy, has identified the building industry as one of the core sectors for the implication of their policy in order to accelerate the national economy and promote sustainable development. The trend is there and CSR will soon become the accepted standard

and practice for a company to sustain the competition in this ever changing business world; and our very own construction industry is no way be exempted in this context.

The second part of this paper explained the methodological procedures in carrying out the research of CSR definitions and comparing the same determination with those understood and practiced by the practitioners in the construction industry. The third part of this paper shows the results obtained from numerous sources and the derivations were systematically outlined in a table for easy comparison. Part four contained a discussion pertaining to the results obtained and the relevance between CSR and its practitioners in the construction industry. The last part of this paper presented the conclusion and suggestion for further research in the future.

2. Methodological Research Procedures

In this study, we aim to investigate and compare the global and general perception of CSR with the construction industry-specific initiatives in both target countries (Korea and Malaysia). We refer to the coding scheme suggested by Alexander (2008) to identify the dimensions associated with the CSR related statement made by various parties. We also made reference to the FTSE4Good index for its inclusion criteria to reflect globally accepted CSR standards & codes, and the mechanisms employed to access the most up-to-date data. Launched in 2001, the FTSE4Good Index Series is a series of benchmark and tradable indices for responsible investors. Although there are currently no Korean or Malaysian companies registered under the FTSE4Good index, the index will guide us to the benchmark of the performance of CSR for corporate. The FTSE4Good inclusion criteria includes i) environmental management, ii) climate change mitigation and adaptation, iii) countering bribery, iv) upholding human and labour rights, and v) supply chain labour standard. A total of 22 major construction companies each from Korea (11 no.) and Malaysia (11 no.) were selected as the research targets. We select Korea and Malaysia as the host countries in this study because both of these countries represent advanced developing country and middle developing country respectively. There will be much room for improvement in the CSR implementation in these countries as compared to developed countries which might not present a big comparison given our classified dimensions. It will be easier for us to select Korea and Malaysia as some of the companies' information is written in native languages and the author can make use of his language literacy in this context. In this study, we obtained the relevant data through examination of annual reports, research of target company's websites, and other publicly available materials. The findings were outlined in table form and readers can easily refer to the information for more understanding of corporate responsibility thinking and trend in the industry.

3. Results

Table 1 shows the coding of dimensions suggested by Alexander (2008). Extra expressions have been added into the column of 'examples of phrases' in the original table in order to code the dimensions from a greater extent. Table 2 shows the definitions of CSR defined by various institutions. Most of the institutions listed in the table included all 5 dimensions in their CSR definition except the International Labour Organization (ILO) which see the society as a whole and did not further touch on the environmental dimension. Table 3 outlines the social responsibility related statements publicly declared by different parties ranging from different organizations to Korean and Malaysian construction companies. Majority of the parties perceive all 5 dimensions of CSR with only a few exceptional parties further distinct the general social dimensions into more defined aspects such as human rights and countering bribery correspond to the core areas identified by the UN Global Compact.

Table 1: The coding of dimensions (modified after Alexander, 2008)

Dimensions	Related topic for code reference	Example of phrases
Economic	Business operation, economic or financial.	“economic development”, “profitability”, “business operations” “achieve profit and remain competitive” ²
Environmental	Natural environment	“cleaner environment”, “environment stewardship”, “environmental concerns in business operations”, “climate change” ¹ , “energy consumption and management” ¹ , “water use” ¹ , “waste management” ¹ , “sustainable” ¹ , “reducing environmental impact” ¹ , “environmental needs” ²
Social	Society	“better society”, “social concerns”, “impact on communities”, “local community links” ¹ , “ethics, human rights, community” ² , “integrate social concerns” ² , “countering bribery” ² , “social justice” ³
Stakeholder	Stakeholders or stakeholder groups	“interaction with their stakeholders, employees, suppliers, customers and communities”, “treating the stakeholders”, “diversity” ¹ , “training and development” ¹ , “communication” ¹ , “health and safety” ¹ , “fulfill stakeholder demands” ² , “employee relations” ² , “benefit workplace” ² , “supply chain labor standards” ² , “humanistic training” ³ , “employees’ values promotion campaign” ³
Voluntariness	Actions not prescribed by law	“based on ethical values”, “beyond legal obligations”, voluntary”, “ethics and governance” ¹ , “charitable donations” ¹ , “awareness” ² , “interest” ² , “initiatives” ² , “responsible” ² , “public reporting” ²

¹ Jones et. al. (2009); ² Authors; ³ Rodrigo and Arenas (2008)

Table 2: Definitions of CSR defined by Various Institutions

Source	Definition	Dimensions
Business in the Community (BITC)	Our approach to responsible business (corporate social responsibility) provides a framework to support and challenge members to improve their performance and benefit society through our four areas of expertise – community, environment, workplace and marketplace. Our language switched to ‘corporate social responsibility’ (CSR), but this was often used to describe community involvement only. We then began to refer to ‘corporate responsibility’ (CR), which was understood to include environmental impacts too.	All 5 dimensions
The Chartered Institute of Building (CIOB)	Approaching your business aims responsibly, with an awareness of your surrounding social and environmental needs, in order to fulfill stakeholder demands, achieve a profit and remain competitive.	All 5 dimensions
Commission of the European Communities	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.	All 5 dimensions
CSRwire	CSR aligns business operations with social values, integrates the interests of stakeholders into the company’s business policies and actions. CSR also focus on the social, environmental, and financial success of a company- the triple bottom line, with the goal being to positively impact society while achieving business success.	All 5 dimensions

International Labour Organization (ILO)	Corporate Social Responsibility is a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative that is considered to exceed compliance with the law.	No environmental dimension
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Table 3: Social Responsibility Related Statements Publicly Declared by Different Parties

Source	Statements	Dimensions
A) Organization		
FTSE4Good Index Series	Global recognized corporate responsibility that are working towards environmental sustainability, developing positive relationships with stakeholders and up-holding and supporting universal human rights.	All 5 dimensions
United Nations Global Compact	The Global Compact strives to be the world's most inclusive voluntary initiative to promote responsible corporate citizenship, ensuring that business, in partnership with other societal actors, plays its essential part in achieving the United Nations' vision of a more sustainable and equitable global economy.	All 5 dimensions
Constr. Industry Dev. Board (CIDB), Msia.	Emphasizing on 6 major principles for contractor's code of ethics especially in countering bribery.	No economic dimension
B) Korean Companies		
Daelim Eng. & Constr.	We are committed to contributing to enhancing customer happiness and social prosperity. Daelim was selected as the best construction company by the Dow Jones Sustainability Index Korea, 2009.	All 5 dimensions
Daewoo Eng. & Constr.	Daewoo E&C develops and operates social contributions programs, provides volunteer services to social welfare, and environmental protection.	No human rights and countering –bribery commitments
Doosan Corp.	Committed to improve the health, safety, and quality of living for our employees, customers, shareholders, and all the communities. We programs in the following areas: social welfare, the arts, science, education, environmental preservation, and athletics.	No human rights and countering –bribery commitments.
GS Eng. & Constr.	We shall achieve customer satisfaction through superior quality, safety assurance, and environmental protection activities.	No human rights and countering –bribery commitments.
Hanil Eng. & Constr.	We are working through the integration of technology, the environment and the needs of our customers.	No social commitments.
Hyundai Eng. & Constr.	We will implement all aspects of sustainability management and have thus been pursuing a sustainability management practice that fulfills our responsibilities to our stakeholders, the environment and society.	All 5 dimensions
Kolon Eng. & Constr.	Kolon E&C is committed to taking the lead in preserving the environment. Safe working environment.	No human rights and countering –bribery commitments.
Keangnam Enterprises Ltd.	It's our mission to protect the global environment. Our management spirit believes in contribution to the society.	No human rights and countering –bribery commitments.
Samsung Engineering	We comply with laws and ethical standards, maintain clean organization culture, respect customers, shareholders & employees, care for environment, health & safety.	All 5 dimensions

SK Eng. & Constr.	SK E&C is committed to fulfilling its responsibilities as a leader of safety, health and environmentally friendly management as well as social welfare.	No human rights and countering –bribery commitments.
Ssangyong Eng. & Constr.	We practice transparent management, provide employees’ welfare, and increase the environmental performance.	No human rights commitments.
<u>C) Malaysian companies</u>		
Ahmad Zaki Resources Berhad	Obtained ISO 14001 and silver award from the National Occupational Safety and Health Council, 2007. We take seriously our obligation to all our stakeholders.	No human rights and countering-bribery commitments.
Gamuda Berhad	Caring for our communities, protecting the environment, , and taking care of the welfare of our employees and business partners while delivering our commitments to our customers. Balanced economic growth, environmental protection and social progress can be achieved with the right efforts.	No human rights and countering –bribery commitments.
IJM Corp. Berhad	IJM employ best practice in key roles as: a harbor for capital and enterprise in the market place, a nurturer of the environment, a development of communities and a provider of opportunities at the working place.	No human rights and countering –bribery commitments.
Ireka Corp. Berhad	Committed to aligning business goals and undertakings with CSR to further enhance value for all stakeholders be it shareholders, investors, customers, employees or the community at large.	No human rights and countering –bribery commitments.
MMC Corp. Berhad	Our commitment to CSR is based on the thrusts of education and community development, the environment and workplace development.	No human rights and countering –bribery commitments.
Mudajaya Group Berhad	The company has been giving scholarships to many deserving undergraduates since 1994.	No environmental and stakeholder dimensions.
Muhibbah Eng. Berhad	We recognized the importance of environment, safety & health for the benefit of future generations.	No social commitment
Sunway Construction	It is the policy of SunCon Group of companies to meet and satisfy the quality, environmental, safety and health requirements of its client.	Does not sound voluntary.
UEM Group Berhad	We are committed to support healthy communities, environmental management, and comply with occupational safety & health standards.	No human rights and countering –bribery commitments.
WCT Berhad	We strongly believe in harmonizing our CSR efforts with our businesses and are ever mindful of our social obligations towards the marketplace, environment, communities and employees.	No human rights and countering –bribery commitments.
YTL Corp	We have responsibilities to our colleagues, customers and suppliers, the environment and the communities where we live and work. Intellectual integrity is encouraged and corruption is not tolerated.	All 5 dimensions

4. Discussion

So far, the construction industry is rather slack in CSR development and market expectations. For example, as on October 2009, construction related company were found total absence in the FTSE4Good Australia 30 index. There were also some construction companies that were deleted from the index.

According to FTSE4Good Index Series, 2004-2005 Report, there were over 900 companies in the index. The company list is keep on growing and 9 companies from construction & building materials sector had joined the index series between September 2004 and March 2005, while 2 companies from the same sector were deleted due failure in complying to environmental and human rights criteria. This has depicted the harsh requirement and challenges faced by construction industry in the future which expecting upward trend and growing awareness in responsible business. The FTSE4Good has grouped the index criteria indicators into 3 to 4 areas under policy, management, reporting/ disclosure and performance. Although the companies' efforts in implementing CSR are hard to be measured without deep survey into their daily operation and internal processes, it is at least worth acknowledging the companies' deliberate plan and intentions committed to invest in social responsible business hence encouraging the whole industry to built the trend and change the business environment for mutual benefit.

The results show that major construction companies in both Korea and Malaysia have their own perceptions towards CSR definitions especially in the dimension of social. From Table 3, we obsessed that only 3 out of 11 Korean companies declared all 5 dimensions of CSR including human rights and countering-bribery commitments. On the contrary, only 1 out of 11 Malaysian companies that declared the same. Majority of the companies rather missed out or did not publicly affirm their commitments in supporting human rights and countering-bribery. However, since the data were obtained only through public source, there might be other good deeds of CSR incorporated in the company's daily works and structures which have not been announced publicly. Human rights and bribery countermeasures might have already form as part of the companies' stucture and employment contract which are not necessary be asserted publicly. Although the declaration of strong CSR commitments by companies might indicate a superior dedication in putting the commitment into actions, there is possibilities that the undertaking might turn out to be a bunch of pure false slogans.

5. Conclusion

This paper aim to study the CSR perceptions and its implementation trend set by major construction-related companies in both Korea and Malaysia. Reference was made to companies' annual reports, sustainability reports, companies' homepage and CSR related website. The definitions and CSR initiatives applied by different companies were outlined and compared. The results shows that CSR perceptions carried by major construction-related companies in Korea and Malaysia are generally lack of distinction in separating social dimension into more precise area such as community, social welfare, human rights, and countering bribery. The declarations of strong CSR commitments by companies will only represent their dedication in putting the commitment into actions but not necessarily guarantee satisfied achievement in the to-be operations. Future research can be done to further refined the findings by approaching the practitioners and perform deep study into their organization and actual actions in implementing CSR initiatives.

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