Making sense of CSR in construction: Do contractor and client perceptions align?

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MAKING SENSE OF CSR IN CONSTRUCTION: DO CONTRACTOR AND CLIENT PERCEPTIONS ALIGN?

The achievement of Corporate Social Responsibility (CSR) objectives is increasingly being viewed as of key importance in the procurement process of public sector construction projects. As such, main contractors and public sector clients are increasingly interested in and keen to espouse the benefits of CSR strategies and their measurement. However, it cannot be assumed that both sets of broad stakeholders share a common understanding of what CSR means, what it constitutes and how it can be used to serve vested interests. This research aims to provide a deeper understanding of the motivations for stakeholders across the public procurement divide to participate and engage in CSR related to the procurement and delivery of construction projects. In-depth semi-structured interviews with practitioners from main contractors and various public sector client organisations were conducted. These formed the basis of analysis in order to explore how each constituency made sense of CSR. The theoretical frame used to analyse the data drew from Weick’s (1995) sensemaking approach and revealed similarities and differences in the understanding of CSR between the constituencies on either side of the contractual divide. The importance of, and motivation for, CSR participation is shared by constituencies, but an agreed definition couldn't be reached, and what 'counts' as CSR in one geographical location for one client, may not count for another. These findings challenge simplistic assumptions about CSR and highlight significant limitations on what CSR can deliver via public sector procurement processes.

Keywords: Construction, CSR, Procurement, Sensemaking, Strategy.

INTRODUCTION

Arguably, the construction industry has experienced major changes over recent years, both in terms of the value of work available since the economic recession and the demand from clients to get ‘more for less’. It is said the drive to achieve ‘more for less’ can be attributed to public sector clients as they use the considerable size of their contracts as a powerful driver for their increasing concern with achieving CSR objectives (Varnas et al 2009) in addition to traditional procurement goals of time, cost and quality.

Research has shown that the size of the UK public sector to private organisations is substantial (Loader 2015). Arguably, if private organisations want to continue to successfully win public sector work they need to provide evidence that not only do they have CSR strategies in place, but that these CSR strategies align with those of the client (Snider et al 2013). However, the literature is awash with persistent conflicts and debates in defining what CSR actually is (Petrovic-Lazarevic 2008) with the
concept now becoming an umbrella term covering a variety of topics (Freeman and Hasnaoui 2011). It is unsurprising that CSR is likely to mean different things to different people (Lindgreen and Swaen 2010).

Notwithstanding problems in defining CSR, there remains a need for contractors and public sector clients to align CSR strategies with their client’s expectations. Research is required to enable an understanding of how such alignment can be encouraged and better developed to provide wider societal benefits in ways that yield successful business outcomes for contracting organisations. This paper contributes to this gap in knowledge by exploring the ways in which contractors and public sector clients make sense of the CSR construct. A sensemaking lens is adopted (cf. Weick 1995) to gain an insight into the multiple interpretations of CSR and how these differ across the public procurement divide.

CSR

For many years the debates in the field of CSR were focused, unsuccessfully, around reaching an agreed definition with a plethora of definitions provided from all manner of sources (Blowfield and Murray 2011). Whilst CSR has increased in importance an agreed definition hasn’t been reached (Valiente et al 2012), providing the basis for misunderstandings across academia and industry (Lindgreen and Swaen 2010).

Research by Griffith (2011) concluded that organisations use the term CSR so often it is now part of common business lexicon. This was confirmed in recent research by Madrakhimova (2013) who argues that the concept of CSR is now universally accepted as a requirement of organisations and expectation of clients. Despite its acceptance into the vernacular of the business lexicon, Freeman and Hasnaoui (2011) concluded that CSR has become an umbrella term embracing a wide array of definitions and components. These elements can include the economic, legal, ethical and voluntary features of an organisation’s behaviour (Carroll 1983), society (Petrovic-Lazarevic 2008), and the environment (Arjalies and Mundy 2013). Visser and Tolhurst (2010) also press the importance of geographical context as a factor when defining CSR in that applicable CSR activity is often defined by its location, in that it needs to occur in an area required by those judging the success of the activity.

Debates have persisted around the motivation for organisations to engage in CSR for a long time and largely include the question of whether they do so for financial benefit or are driven by altruism, with Oberseder et al (2013) arguing that some organisations embrace CSR whilst others use it for PR. However, regardless of the organisational motivation, research has found that there are myriad benefits that can be accrued via participation in CSR including increased reputation (Brammer et al 2007), increased appeal to potential employees (Backhaus, Stone and Heiner 2002), and most potently, increased competitive advantage (Arjalies and Mundy 2013). Therefore it can be concluded that CSR participation is advantageous for organisations. However, research by Snider et al (2013) illustrates a challenge for contractors to realise these benefits of CSR participation, as he reports contractors need to align their perceptions of CSR with that of the clients in order to successfully procure contracts. This potentially has a profound impact on the public procurement process, and suggests an alignment of CSR views is a prerequisite for contractor success.

However, in addition to the reported benefits of CSR participation, there have always been arguments against organisations engaging with CSR, with the focus of
organisations being solely upon profit generation and not social responsibility. This is illustrated by Inoue and Lee (2011) who highlight the belief that if CSR does not lead to financial benefit then it should not be worthy of investments of an organisation's time and money. Indeed, Green (2009) suggests that there is a legal requirement of public limited companies to maximise profit for its shareholders, which presents a real tension at the centre of the CSR concept, as a study by Patari et al (2014) finds no relationship between CSR and FP. However, counter arguments have also developed which directly and indirectly link an organisation's CSR participation with its financial performance (Saeidi et al 2014). If correct this serves to reposition traditional arguments against CSR participation further reinforcing the rationale for contractors that engaging in CSR is beneficial for work winning in the public sector (Uttam and Le Lan Roos 2015). This of course places an emphasis on CSR as an important element to be considered by both the public sector and the private sector contractors within the public sector procurement process.

CSR AND PUBLIC SECTOR PROCUREMENT

The public sector itself has been described as an ambiguous term, but this paper adopts as a definition proposed by Uyarra et al (2014) who define it as including the NHS, national and local government. According to the HM Treasury (2010) these three public body groups contribute to around 90% of public procurement spending, a figure that equates roughly to research carried out by Loader (2015) who argues that the size of UK public procurement is substantial with around 83% of public spend coming from the three sectors mentioned above. When measured by value of construction output the entire public sector accounts for around 26% of UK construction work, and during 2008 and 2009 increased at a time when private sector work reduced (Rhodes, 2014). Therefore we can see that the size and consistency of the public sector offers a degree of reliability and certainty to contractors.

Traditional procurement criteria of construction works have been on a competitive basis revolving around time, cost and quality (Wong et al 2000), with the lowest priced contractor usually awarded the works. However, over the last few decades public construction procurement has evolved in two main ways: firstly an increase in private sector collaboration (Jost et al 2005), and secondly, that procurement requirements of public clients has a more social and environmental focus (Wong et al 2000). According to Powell et al (2006) this approach to procurement has been criticised for focusing entirely upon environmental issues, and so was replaced by the term 'sustainable procurement' which includes considerations for the environment, society and community (Uttam and Le Lan Roos 2015), all of which are elements pertaining to CSR (Snider et al 2013). This confirms the increasing importance of CSR in public procurement, a fact that is also evidenced in the growing weighting CSR has in tender documents, which from not being a factor, is currently reported to be worth around 10% (Varnas et al 2009; Uttam and Le Lan Roos 2015). Such weighting can have a significant effect on which tenders are successful depending on the CSR participation of the contractor. Despite the ambiguous nature of CSR there is clearly no doubt that engaging with its objectives is a pre-requisite to winning public sector work in contemporary markets.
SENSEMAKING

Sensemaking is a cognitive process individuals experience when trying to understand new and complex information, and consists of seven key characteristics (Weick et al 2005). It is in many ways a separate body of literature to CSR, but has been adopted as a lens to understand the views and opinions of individuals and how meanings are created (Angus-Leppan et al 2010). The foundation of sensemaking is identity construction, or how an individual’s background and experience influences their ability to make sense of future encounters (Ericson 2001). A second characteristic is retrospective, whereby individuals reflect on the experience, which leads to a better understanding being gained (Angus-Leppan et al 2010). The characteristic of enactive of sensible environments is concerned with how the individual influences their environment, and then how in turn this environment influences how the individual makes sense of information (Seligman 2006). It is also noted that the ‘making of sense’ is a social process where sense of a situation is only fully made when meanings are discussed and agreed upon (Seligman 2006). Another characteristic of sensemaking is that it is an ongoing and continuous process as an individual will always make further sense of new and old situations experienced; cues are extracted from their environment by an individual to help make sense of information (Seligman 2006). The final characteristic of sensemaking is driven by plausibility rather than accuracy and highlights how, when ‘making sense’, individuals can settle for information that is plausible but not necessarily accurate (Weick et al 2005). According to Van der Heijden et al (2010) CSR is implemented through the setting of a strategy, with CSR becoming a form of strategic change which individuals make sense of, triggering the process of sensemaking (Bartunek et al (2006) By utilising sensemaking theory, and structuring interviews around the seven characteristics, it will allow for an in depth understanding of both contractor and public sector client’s perceptions of CSR to be gained.

METHODOLOGY

The search for a deeper understanding of individuals’ views on CSR requires an interpretivist methodology, which is concerned with ascertaining the individual's interpretation of CSR from their own frame of reference (Blaxter et al 2010). This research therefore explores individual human knowledge, and requires qualitative data to establish an understanding of, and provide clarity on, the context in which an individual's unique insights and interpretations are formed (Barbour 2008).

Public sector bodies were identified through an online search of different geographical areas of the UK. The public bodies were separated into three categories: defence and healthcare, local government, and housing. A purposive sampling method then ensued to select each body for interview participation. An initial review of the public bodies’ website for an appropriate contact or department was conducted, before contact was made to explain the purpose of the research, and a suitable candidate was sought to ensure all responses would be relevant (Bryman 2012). The websites of the top 20 main contractors by turnover were reviewed for information on their public sector presence. Those without an advertised public sector presence were removed and a random sampling method occurred to select from those remaining.

Due to the ambiguity and breadth of the different understandings as to what CSR constitutes, interviews were utilised as they allowed a detailed insight to be gained
from each of the participants (Creswell 2013) as to their understanding of CSR, and the motivations for their organisations participation in CSR activity. Semi-structured interviews allowed an in-depth perspective to be gained (Bryman 2012) as long responses could be elicited (Arjalies and Mundy 2013) using the participants own language preferences (Edwards et al 1997; Ericson 2001). Face to face interviews allowed for more complex questions to be asked (Kothari 2004) with studies also showing that they result in greater participant-interviewer relationships due to the presence of effective nonverbal communication (Drolet and Morris 2000). Debates exist over the effectiveness and prevalence of telephone interviews (Kothari 2004; Holbrook et al 2003), however, due to the reduced time, diary constraints, and the geographically spread participants, telephone interviews were utilised when it was impractical to arrange face to face interviews (Uyarra et al 2014). Fourteen interviews were conducted in total, seven with clients and seven with contractors. Both main contractor and public body interviews were conducted with senior members of staff, with interview questions based around the seven characteristics of sensemaking to purposefully elicit a meaningful dialogue from which the participants' understandings and motivations behind their organisations CSR involvement could be ascertained. From analysis of the interviews, responses were coded under common headings which derived from prevalent discussion points. These discussion points were themselves derived from the questions asked which were framed around the participants understanding of CSR, and which utilised the seven characteristics of sensemaking as a framework for eliciting this understanding and how it was created. This allowed a comparison to occur under the coded headings from the different interviewees whereby differences and consistencies of understanding could be established.

RESEARCH FINDINGS AND LIMITATIONS

The sensemaking lens allowed an in-depth and comparable understanding of individual CSR perceptions to be gained. Analysis and comparison of the interviews found several notable areas of interest. Firstly the interviews confirmed that CSR is indeed of increasing importance to both main contractors and public sector clients in the public procurement of construction works. Interestingly the spectrum of CSR engagement differed dramatically between all organisations interviewed; public clients ranged from minimal CSR requirements in procurement to CSR playing a key deciding factor when awarding work. Between main contractors this spectrum was not as widely distributed, as all contractors believed CSR to be of high importance in procurement. However, a common theme to all responses from both clients and contractors was that the majority believe they are behind the curve when it comes to CSR. They all saw competitors as ahead of them with their CSR demands, engagement and reporting, with this understanding illustrated within the 'social' and 'focused on and by extracted cues' elements of the sensemaking framework, as contractors reported their views derived from discussions internally with colleagues, and information they ascertained from industry media.

When discussing how their respective organisations made sense of CSR, the ‘social’ and ‘enactive of sensible environments’ elements of the sensemaking framework played an important role in the understandings individuals formed. Public sector clients commented that all staff members shared a common understanding of the need for CSR, and so were all behind its requirement and implementation. They reported this understanding was promoted and reinforced by the information available across
the organisation in internal communications which shared best practice and accomplishments in the form of success stories. Main Contractors did not discuss the same consistency of support from fellow staff, with inconsistent understandings and approaches to CSR shown. Some contractors reported more organisational support than others, and all commented on how this support had increased over recent years which they believed to be a trend across the construction industry, although all contractors mentioned differing levels of organisational resistance. They believed this resistance was in part due to the social environments staff worked in, and how ‘pockets’ of colleagues perceived CSR as a ‘waste of time’ and a ‘distraction from the job’. This finding contradicts the literature that a benefit of organisational CSR participation is increased appeal to employees. However, those interviewed did opine this was a reason for their own desire of continued employment with their respective organisation. CSR, it seems, only appeals to employees if they understand the broader advantages that CSR participation can bring.

Generally, there was a consensus across all contractors who were motivated to participate in CSR for two main reasons. Firstly, to improve and give back to society, and secondly, as CSR participation assisted work winning, both responses were always given but the former was constantly highlighted as the most important from the respondents. This closely aligned with public sector clients’ understanding for CSR participation, whose primary response was that it is to maximise the benefit of public sector spending for members of the community, reinforcing arguments in the literature. There was also a consensus amongst clients that CSR participation leads to a competitive advantage for contractors, as CSR plays an increasingly important role in tendering, and therefore leads to a competitive advantage, reiterating findings in the literature. The findings show an alignment in opinion of the motivations behind CSR participation for all contractors interviewed, and all clients. This alignment of understanding also extends across the public procurement divide.

However, there was not a shared definition of CSR between contractors and public sector clients, with a disparity in the understanding of what CSR actually is, and how it is made sense of. Both contractors and clients used a plethora of terms to define their understanding of CSR, how it was interpreted, and what it meant to them; reinforcing arguments in the literature that CSR is an umbrella term under which there is little agreement, but that all organisations know what CSR is in relation to their own operations. There was an overlap in some CSR understandings on elements such as environmental and social importance, but the main difference emerged as what 'counted' as applicable CSR participation. The ‘grounded in identity construction’, ‘enactive of sensible environments and ‘driven by plausibility’ elements of the sensemaking framework provided an insight into how understandings of CSR were formed. In all cases contractors saw their identity as national, and so understood their CSR to be on a national basis. Whereas all public clients were local to only the one area in which they operated, and therefore only valued CSR activity as applicable to procurement if it fell within their geographical remit. This view wasn’t shared by five out of the seven contractors interviewed who regularly included all their CSR participation in tenders; even if it bore no connection to the geographical region the client was based. Another potential reason for this difference in understanding geographically applicable CSR can be seen in the ‘retrospective’ and ‘ongoing’ elements of the sensemaking framework which showed that for the majority of contractors, their understanding and interpretation of CSR was not an ongoing process, but had in fact been created previously and retained within the organisation.
This differs across the public procurement divide from clients who commented that CSR was an evolving concept depending on the needs of their communities.

Due to the office locations of the main contractors and public bodies who agreed to participate in the study, the geographical spread of results was wide. However, a limitation of this research is that it cannot claim to represent an overall nationwide or regional view of main contractor and public body opinions on CSR participation due to the sample size of interviewees. Indeed, the sensemaking element ‘grounded in identity construction’ showed that all individuals interviewed from contractors saw themselves and their role as heavily CSR orientated, and so a certain degree of bias in the responses could have been experienced towards an increased CSR awareness which may not be representative of the entire main contracting organisation.

Table 1.0 highlights the key differences identified between clients and contractors understandings of how they view the construct of CSR.

<table>
<thead>
<tr>
<th></th>
<th>Construction Main Contractors</th>
<th>Public Sector Clients</th>
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<tbody>
<tr>
<td>Support from fellow organisational</td>
<td>Reported inconsistent and sporadic CSR support from some staff groups. Organisational resistance was highlighted as a result of not understanding the full advantages of CSR participation.</td>
<td>High levels of consistent support from across the organisation. A strong belief and consensus of opinion on CSR participation and motivation was reported.</td>
</tr>
<tr>
<td>definition of applicable CSR activity</td>
<td>All contractors were national and so believed CSR activity to be the same. The majority of contractors believed CSR activity regardless of location would be sufficient for inclusion in tender documentation.</td>
<td>Only CSR activity which fell within the clients’ geographical remit was considered applicable when comparing contractor tenders. CSR activity outside of this area was not viewed as favourable.</td>
</tr>
<tr>
<td>How an understanding of CSR was reached</td>
<td>From their initial formation, contractors' understandings of CSR remained the same. The understandings were retained within the organisation and were subject to little evolution.</td>
<td>Clients reported an ongoing understanding of CSR which was subjective and based upon the current needs of their local communities.</td>
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</tbody>
</table>

Table 1.0: Key differences in contractor / client CSR construct

**CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE**

This study explores the organisational benefits of CSR participation to contractors who bid for public sector work, and the different perceptions of CSR that exist across the procurement divide. The literature argues that confusion still exists over the
precise nature and definition of applicable CSR activity, but that it is an agreed and accepted organisation action, which has a positive relationship with competitive advantage. Interviews were conducted with both public bodies and construction main contractors. Sensemaking was found to be an effective lens through which to structure the interviews as it helped elicit insightful opinions and help gain an in-depth understanding of how individuals make sense of CSR, and how the information they receive informs their perceptions. Comparison and analysis of the interviews concluded that CSR was of increasing importance to clients and contractors, but an exact alignment of what the term covered did not exist. A key criteria which was not shared related to the difference in assumptions as to what constituted applicable CSR activity reinforcing arguments in the literature by Visser and Tolhurst (2010) and Snider et al (2013). The geographical locality of CSR activity was of high importance to all public sector clients with activities falling outside of their geographical remit not given as much positive weighting when comparing and awarding public sector works. However, this geographical limitation was not shared by most main contractors who regularly used examples of their CSR activity from outside of the public body's geographical remit in an attempt to secure procurement opportunities. This could have implications for communities which fall within areas where public bodies do not have the same buying power as others, and therefore cannot extract similar CSR outcomes from their supply chains. Future studies could build upon this research further by conducting similar research but focussing upon an example of public procurement in an attempt to add validity, or increase the sample size and number of organisational actors interviewed.

REFERENCES


