



## Understanding Corruption in the South African Construction Industry

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### Abstract

Corruption persists in the construction industry, impeding service delivery. This study aimed to understand corruption among practitioners within the South African (SA) construction industry. The study included practitioners in the construction industry (private and public sector) operating across seven associations in Johannesburg, SA. Participants were recruited using a snowball sampling method. Participants completed an open-ended, semi-structured interview (12 questions), conducted face-to-face and took 45 to 60 minutes. There were a total of 11 participants. Respondents felt collusion exists due to poor ethics and that poor ethics among built environment stakeholders result in unethical behaviour. There was consensus that corruption affects the economic growth of SA and that small, micro, and medium enterprises are vulnerable when the economy performs poorly. Participants agreed that corruption could result in delayed or no completion of projects, affect quality standards and that incompetent contractors result in poor performance. Participants felt that corrupt practices result in government departments paying contractors late. On the other hand, whistleblowing rarely occurs due to its risky nature. There was agreement that unethical practices affect securing contracts during procurement and that the manipulation of procurement processes results from a lack of transparency. Corruption is a challenge in the SA construction industry and needs to be eliminated.

**Keywords:** construction research; corruption; South Africa; construction industry

### 1. Introduction

The construction industry has made substantial contributions to South Africa (SA). The industry is known to contribute to developing infrastructure, providing service delivery, and ensuring the well-being of the general population. However, acts of corruption overshadow the sector's substantial impact (Lambsdorff, 2008). Compared to other sectors, the construction industry is one of the most corrupt sectors (Goldie-Scot, 2008; de Jong, Henry & Stansbury, 2009), with corruption persisting despite efforts to eliminate it. Corruption is so pervasive in the SA construction industry that even firms and government officials engage in it (Bowen et al., 2007). Corruption has been reported as unethical practices, collusion, and bribery (Bowen et al., 2007; Ibem & Laryea, 2017).

Corruption threatens the country's improvements because it utilizes government resources to cater to the needs of individuals instead of the general population (Heidenheimer & Johnston, 2011; Iyanda, 2012; Ángel, 2016). In service delivery, there have been reports of over-

claiming for undelivered services (Bowen et al., 2007). Mandatory service delivery is driven by corruption, resulting in the inaccessibility of basic services. Although it is an unintended consequence, corruption can threaten infrastructure (Le et al., 2014). This occurs when contract recipients are selected in an undue process instead of based on skills (van Klinken & Aspinall, 2011), which might result in using sub-standard material and inexperienced workers. Given that corruption in the construction sector endangers lives, it needs to be eradicated. Therefore, this study aims to understand corruption among practitioners within the SA construction industry.

### 2. Literature Review

#### 2.1 Economic Growth

Research suggests corruption has a direct negative impact on the growth of the economy (Links & Haimbodi, 2011; Swaleheen, 2011). Lower levels of corruption lead to economic growth (Bai et al., 2013). Countries that perform well economically often have limited corruption

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(Ali & Kamaruzzaman, 2010; Alon, Li & Wu, 2016). Corruption may significantly contribute to many developing countries' low economic growth rates (Olken, 2007). This negative relationship between corruption and economic growth leads to social and ethical problems, manifesting themselves in society through increasing levels of poverty (Lewis, 2011). Therefore, corruption can harm a country's economic growth (de Vaal & Ebben, 2011; Nguyen & Van Dijk, 2012). Specifically, corruption reduces public expenditure output, misrepresents the allocation of resources, and lessens the number of investors and the amount invested (Grabova, 2014). Although the construction sector is reported to be among the most corrupt sectors worldwide, the construction sector contributes positively to the economy. Therefore, eradication of corruption can assist in improving economic growth.

### **2.2 Performance and Quality**

Unethical selection of the contract of the recipient can lead to a reduction of the quality of material used and quality (van Klinken & Aspinall, 2011) since the contract is not awarded based on expertise. False awarding of contracts ultimately affects the quality of buildings. For instance, in Nigeria, there have been numerous reports of building collapses (Olusola et al., 2011; Agwu, 2014; Ogunde et al., 2017), which killed people and destroyed existing properties (Olusola et al., 2011; Agwu, 2014). In Angola, medical staff and patients were requested to vacate the general hospital in Luanda when huge cracks appeared all over the two-story building and walls were crumbling (de Morais, 2010). These collapses or structural failures were mainly due to using sub-standard material due to corruption (Agwu, 2014; Ogunde et al., 2017). It is important to note that falsely awarded contractors may end up executing projects at a sub-standard level (van Klinken & Aspinall, 2011; Abdul-Rahman et al., 2014). Therefore, building collapses or failures are a severe indirect consequence of corruption (Lewis, 2011; Olusola et al., 2011; Agwu, 2014; Nguyen & Chileshe, 2015). Concerningly, using sub-standard materials violates building regulations, and the violation is possible due to lack of supervision (Kuta, 2021).

### **2.3 Delayed Payments**

Late payments or nonpayments are common in construction (Fugar & Agyakwah-Baah, 2010; Baloyi & Bekker, 2011; Abdul-Rahman et al., 2014; Ngomi, 2017). For instance, in Malaysia, late payments were a common challenge in the construction industry. As a solution, the 2012 Construction Industry Payment and Adjudication Act (CIPAA) was established (Abdul-Rahman et al., 2014). However, the issue of late payments or nonpayments still occurs despite the 2012 CIPAA (Abdul-Rahman et al., 2014). In Zambia, delayed payments by property owners are a significant driver of corruption and lack of commitment by contractors (Ngomi, 2017). Moreover, contractors in Ghana face the harsh reality of not being paid on time by their employers and not being compensated for late payments to cap the loss (Laryea, 2010). In some cases, the slow payment

culture is embraced by government officials because bribes (monetary or gifts) are then given to government officials as an incentive to speed up the process (Bowen et al., 2007; Méon & Weill, 2010; Mizoguchi & Van Quyen, 2014). However, as much as corruption can result in faster service delivery, corruption causes sustainable service delivery to suffer due to government officials withholding payments until they receive bribes (Bowen et al., 2007).

### **2.4 Procurement Processes**

Procurement is a process that involves goods, services, and works acquired by public or private institutions from external sources (Boahene & Nani, 2015). The issue with corruption in construction is that it manipulates procurement systems (Ateljevic & Budak, 2010; Ameyaw et al., 2012; Nguyen & Chileshe, 2015; Gottschalk & Smith, 2016; Knack et al., 2019) and affects resource allocation all over the world (Palguta & Pertold, 2014). Despite numerous efforts to alleviate corruption, it continues to rise in public procurement (Tabish & Jha, 2012). For example, government officials manipulate public procurement systems, and this manipulation is one of the critical factors that cause failure in construction projects (Nguyen & Chileshe, 2015). Public procurement is affected by corruption regardless of policies, procedures and funds (Gottschalk & Smith, 2016). In Ghana, manipulation of the procurement process is still prevalent despite the existence of the Ghanaian Public Procurement Law 2003 (Act 663) (Ameyaw et al., 2012). Corrupt procurement practices occur as a result of poor management practices in organizations (Basheka & Bisangabasaija, 2010; Boahene & Nani, 2015), involvement of government (Gottschalk & Smith, 2016), weaknesses in institutional structures (Boahene & Nani, 2015), lack of transparency (Boahene & Nani, 2015), and poor communication, monitoring and evaluation (Basheka & Bisangabasaija, 2010).

### **2.5 Small, Micro, and Medium Enterprises**

The risk of corruption is higher for small, micro, and medium enterprises (SMMEs) (Sohail & Cavill, 2008). Research suggests that the likelihood of SMMEs being victims of corruption increases as the economy performs poorly (Sun, Liyin & Lin, 2013). According to research, SMMEs and established firms could collaborate to sustain SMMEs and protect them from corruption (Loosemore & Lim, 2015).

### **2.6 Whistleblowing**

Whistleblowing is one of the methods that has been used to detect corruption activities (Gottschalk & Smith, 2016). Effective whistleblowing can alleviate economic losses from undetected misconduct (Oladinrin et al., 2017). Whistleblowing can be hindered by cultural barriers, fear of retaliation, inaccurate estimations of the severity of misbehaviours, and negative management attitudes (Oladinrin et al., 2017). Unfortunately, whistleblowers experience challenges; they often do not get the legal protection they need (Apaza & Chang, 2011). To ensure whistleblowers continue to help detect corruption, they

need to be protected (Gottschalk & Smith, 2016). In some countries, a legal anti-corruption network protects and encourages whistleblowers from exposing corruption (Lingbing, 2012; Gunduz & Önder, 2013). Although whistle-blowing protection laws are gradually being introduced, the rights have often been largely symbolic and counterproductive (Chassang & Miquel, 2012).

### 3. Methodology

The study used a qualitative inductive research approach employing an open-ended semi-structured interview protocol in data collection.

#### 3.1 Study sample and Sample size

The population of interest included all professionals operating within the private and public built environment sectors in Johannesburg, SA. Individuals were eligible for

study participation if they belonged to a built environment professional association, specifically: Engineering Council of SA; SA Council for Project and Construction Management Professions; SA Council for Quantity Surveying Profession; Council for Landscape Architectural Profession; SA Council for Property Valuers Profession; SA for Planners; and SA Council for the Architectural Profession.

The study sample comprised 11 participants who were professionals currently operating in the built environment sector of the South African construction industry (including their clients) identified using a convenience sampling approach. The sample size was reached when the study reached saturation point. Six of the 11 participants were engineers, two were project/program managers, and a contractor, an estimator, and a quantity surveyor (see Table 1).

**Table 1: Profile of the Participants**

<b>Informant</b>	<b>Role of participant</b>	<b>Qualifications</b>	<b>Years of Experience</b>
R1	Cost Engineer	BTech: Quantity Surveying	11
R2	Contractor	Hons: Construction Management	15
R3	Programme Manager	BTech: Quantity Surveying	9
R4	Senior Ore Process Engineer	BSc: Chemical Engineering	9
R5	Senior Process Engineer	BSc: Mechanical Engineering	15
R6	Chemical Engineer	BTech: Chemical Engineering	17
R7	Estimator	Dip: Building Science	9
R8	Quantity Surveyor	Hons: Construction Studies	3
R9	Electrical Engineer	BTech: Electrical Engineering	10
R10	Civil Engineer	BTech: Extraction Metallurgy	9
R11	Construction Project Manager	BTech: Architectural Management	16

#### 3.2 Data collection

Invitations to participate in the study were sent to the population of interest. A snowball sampling technique was used to recruit participants (Noy, 2008). Respondents were asked to select or recommend other employees. Key themes from the literature review on corruption in the construction industry guided the development of the interview protocol. The protocol assessed 12 key areas: project costs and collusion; collusion and poor ethics; whistleblowing and corruption; corruption and economic growth; corruption and project outcomes; corruption and government; incompetent contractors and overall performance; incompetent contractors and corruption; corruption and sustainability of SMMEs; unethical practices and procurement; poor ethics and unethical behaviour; and procurement processes and lack of transparency. Personal interviews that took approximately 45 to 60 minutes were conducted.

#### 3.3 Ethical consideration

An introduction letter was given to participants before the interview. The confidentiality of interviews was preserved, and informed consent was obtained before study participation. The participants were assured of their confidentiality and privacy. Participants were informed that they had the right to withdraw from the study at any time without consequences. Permission was obtained from the participants to record the interview for transcription purposes.

#### 3.4 Analysis

The interviews were audio-recorded and then transcribed verbatim. The Atlasti software was used for analysis. The study aims, and structure of the open-ended study questions guided the analysis. The interviews were coded for emergent themes. Participatory action research (PAR) and ethnographic research approaches were used.

## 4. Results

### 4.1 Project costs and collusion

Participants were asked whether unequal project costs were characteristics of collusion. Based on the responses, seven of the respondents – R1, R2, R3, R4, R7, R9 and R10 indicated that unequal project costs are not characteristic of collusion. Participants R1 and R11 gave the following alternate explanations:

According to R1 *“I think there is a lot that one could actually consider; for instance, lack of understanding of the project, the project content and also another to have a lot of small contractors or chance-takers that are actually coming into the industry. So, because they do not understand the project, they do not understand what they need to build. So, they will sort of like come and then cause all these unequal project costs because their price is not really based on what they know.”*

R11 noted that *“If I know that one is charging so much for a service and I have been making enough money, but I have been charging much less than him, chances are that without talking to him or planning with him, I will most probably adjust my prices to be very close to that of the other person, which might then be seen as collusion.”*

Four respondents – R4, R6, R8 and R11 agreed that unequal project costs are characteristic of collusion.

According to R7 *“Yes, that is collusion. Yes, I agree, it is a norm in the industry that companies would price for the same job, compete for the same job, and their pricing might not necessarily be too far off each other. But consciously, these guys would turn on each other and discuss and agree what sort of rates to actually better their margins...It is collusion.”*

While R6 stated that *“If the prices have been inflated, more often than not, you will find that it is as a result of colluding. There’d be champions or what you call the captains of the companies, who have come together to discuss these things.”*

### 4.2 Collusion and poor ethics

Regarding collusion and poor ethics, participants were asked, whether collusion exists because of poor ethics. Ten participants agreed that collusion is driven by greed and poor ethics. According to R8 *“I would say so, and greed. Poor ethics and greed, unless poor ethics. Greed falls under poor ethics.”* Also, R7 stated that *“My answer is very simple; yes. Poor ethics is a result of collusion. Simple as that.”* While R1 noted that *“Yes and no because ‘poor’, we are saying people are not able or do not have the capacity or the capability to do right. But in most cases, companies that enter into collusion are people that know proper ethics, they know how to do right and have got good moral principles. So, it’s not to say they are poor. They just don’t want to adhere to good ethics....”* Participant R1 argues that people involved in corruption mostly have good morals and are ethical but do not want to adhere to ethics.

Although most of the participants agreed that collusion results from poor ethics, they also acknowledged that certain circumstances influence people to turn to corruption or collusion as a solution. According to R10, *“...you might find that somebody is facing foreclosure, so I am a project manager and I’ve got serious financial problems, at home my house is about to be repossessed. And...a contractor...says, ‘if you can award this contract to me, I will give you R1 million.’ You will find that the R1 million is exactly the amount that is required to pay off the bond. That is where the question of ethics comes in.”*

### 4.3 Whistleblowing and corruption

All respondents expressed a similar view when asked, whether whistleblowing occur whenever bribery or corruption occurs. The respondents view that whistleblowing is not taking place. Central to these reasons is the fear of repercussions. R4 noted that *“...Unfortunately, the risk to a whistleblower is higher than the reward that they gain from the activity. So, there is nothing that encourages it except their conscience. And if my conscience would lead me to either losing my job or be seen as they would call it in the craft impimpi, I might as well keep quiet because the risk is just too high.”* While R6 stated that *“the answer is no...it would be nice to have whistleblowing whenever it takes place, but people fear repercussions.”*

One participant – R8 expressed that whistleblowing only sometimes occurs when there is corruption because people would rather be part of it and benefit from it than whistle-blow.

The views of R8, *“No, it doesn’t always happen because sometimes, somebody is aware of that corrupt act, and they want to be part of it, as opposed to exposing the people that are doing it. It becomes somewhat of a culture...in the construction industry because everybody wants to benefit...”* and R1 *“... in the construction industry I have not seen that there has ever been whistleblowing and I’m not sure whether it’s because it’s not easy to pinpoint where that corruption takes place in that industry, or if it’s just because there is a lot of these big players that are already in the market that it is not easy for the people to see what they do because they already know how to play the game”* resonate with the general perspective.

A respondent – R1 further explained that corruption is generally driven by advanced and sophisticated networks capable of destroying evidence to prevent whistleblowing:

*“... in the construction industry I have not seen that there has ever been whistle-blowing and I’m not sure whether it’s because it’s not easy to pinpoint where that corruption takes place in that industry, or if it’s just because there is a lot of these big players that are already in the market that it is not easy for the people to see what they do because they already know how to play the game.”*

R1

While R7 was of the view that “... *So whistleblowing does occur, yes, but I think if you want to really combat this problem, we should protect those whistleblowers and then whistleblowing will occur more often.*”

Also, participants – R7 and R11 highlighted that the system requires improvement by protecting whistleblowers against adverse consequences.

#### **4.4 Corruption and Economic Growth**

There was consensus among the 11 participants when asked, whether corruption affects the economic growth of South Africa. However, there were variations in the explanations of how corruption impacts corruption. While R7 stated that “*Yes, corruption does affect the economic growth of SA. Any public work that is out there and that is in the open tender, there is corruption, clearly there will be overpricing...And that is a cost onto the taxpayers, and that money could have been used somewhere else for economic growth...*,” R4 noted that “...*it would because I am assuming that corruption makes projects to cost more what they are worth, so instead of the money being used effectively for more, it is being used for less...*”

Also, R9 was of the view that “...*It can, because if you look at collusion as a form of corruption, prices can be unfairly inflated. Which can then limit the number of projects that can happen and knowing that every time you roll out projects, there are more economic activities,*” while R1 stated that “*Yes, it does, because corruption is only for certain people or certain individuals, so it does not help to spread, you know, economy. It’s only a group of people that benefit, not the whole of SA...*”, R6 highlighted that “*The answer is yes. For example, if I look at it from an angle of an investors, investors would not ordinarily want to plough their money, where corruption thrives. Right? So, and that obviously leads to the economy being robbed of the growth opportunity that they could've had, had corruption not been there...*” and R8 noted that “*Yes, it does. And my perspective is that the more the country would then have a reputation and brand of being corrupt, the less foreign investment that we would get within the country...*”

#### **4.5 Corruption and Project Outcomes**

Participants agreed that corruption leads to late completion, non-completion, non-achievement of quality standards, and building collapses. For example, R6 stated that “*Yes, we’ve seen it in the public sphere; for example, where tenders are given to people or companies that don't necessarily have the skills or capacity to do the jobs and I can make an example with Reconstruction and Development Programme (RDP) houses, I don't know how many times we’ve had cases, where houses do crack and even collapse, and even roads,*” while R4 stated that “*Corruption leads to the appointment of incompetent individuals, which in my mind will lead to quality standards being compromised...*”

However, R1 argued that other contributing factors are leading to these poor project outcomes noting that

“*Corruption does play a role, but we cannot solely place it on corruption. Because you get contractors that are awarded contracts, you know, fairly. However, they are not able to perform. You get contracts that are being awarded to people who cannot do the work. However, because of corruption, they are given the contracts, resulting in some of these things.*”

#### **4.6 Corruption and Government**

Regarding corruption and government, the study sought to know whether corrupt practices result in government departments paying contractors late and built environment professionals’ fees being unequal. For the first part of the question, the participants viewed corruption as central to late payments. R11 stated that “*Yeah, these are in fact the ripple effects of corruption. Because now if you are a contractor and you do not know the system, you will find yourself, once you have submitted your progress payment certificate, if it is a department whereby your certificate has to go through seven people. Because you do not know the system that you have to pay each and every one of them, they will just sit there with your certificate. Months will pass or six months will pass.*”

According to R2, “*You see now on this one, I am going to give a yes and a no, because yes, corrupt practices do result in government paying contractors late...if you want your papers pushed forward, then you need to pay for them to be pushed forward,*” while R7 noted that “...*maybe, inefficiencies and just laziness, and if you want to call them corruption, where one certificate is put from the bottom of the file to the top of the pile, for a fee, that is corrupt, but then I end up not being paid on time.*”

Furthermore, while R10 was of the view that “*Certain project managers will require a bribe from contractors for you to push an invoice. Then if the contractor does not comply, then you find that the invoices stay with the project manager for 3 - 6 months as a punitive measure for not agreeing with a possible bribe,*” R1 viewed that “*departments only want to use certain professionals, and therefore, they then escalate their costs, not because it's the industry rates, but because they know that they are the ones that are being procured for those services, in that specific department.*”

Respondent – R1 highlighted several reasons for late payment. In some cases, negligence or the client’s not providing enough information to proceed also compounds the late payment: “*there are other reasons, not necessarily corruption...They [government] do pay late because of negligence of employees, because of poor procurement processes that are not being followed properly,*” (R1). Corroborating this, R9 stated that “...*another one is that, remember that when you are executing a project, there are all kinds of things, documentation...that needs to be properly done. So, what I pick up is that in most instances, you would find that contractors are paid late either because they have not included the client's VAT number on the invoice or they've just done something wrong with the invoice.*”

The second part of the question concerns unequal professional fees. Participant – R9 believes that unequal professional fees are not necessarily related to corruption and gave the following alternative explanation:

*“...with professionals, you go out for tender and sometimes because they want to get in there, you will find that they offer you a discount. So, you find that consulting firms are generally the cheaper ones because they don't have a lot to take care of. You find that the guys are just one...engineers working from home, he does not have too many overheads, so he can afford to give a discount. Another guy, who is running a big consulting firm with a lot of salaries to pay, then the guy will say 'the best I can do is maybe gazette rates'...” (R9)*

However, some participants – R6 and R8 believed there was an association between unequal professional fees and corruption.

*“...Yes, corruption practices do cause the professional fees to be unequal. Because if I were to think, myself as a contractor, knowing that I'm going to be paid late, I need the job, I've told you I want the job, and I will price for the late delays, the late payment. I will put it in the price. That's resulting in my price versus the other guy's being very different, and we're of the same profession.” (R6)*

Other respondents – R3 and R4 believed that manipulating professional fees is not easy because the fees are regulated by law.

*“Does that mean that South African government can actually go against the law? Because professional fees are gazetted. So, it means you must pay the professional according to what has been legislated.” (R3)*

#### **4.7 Incompetent contractors and overall performance**

Respondents mostly agreed with the question, “Do incompetent contractors result in contractual problems and overall poor performance?” The respondents noted:

*“Yes, the answer is definitely yes because incompetent contractors, they lead to a lot of contractual problems and overall poor performance. I mean, simply put, if you put a guy on site that is incompetent, the one thing you are sure to get is a big headache on the side of the consultant. Because he literally has to teach this guy, pull this guy's hand to try and ensure that the project becomes successful. You are going to have time over-runs.” (R2)*

*“Yes, absolutely, yes. The word incompetence summarises this whole problem. That there's no way you're going to perform, if you don't know how to perform, and that results in all negative aspects to the project.” (R7)*

Participants – R1, R2, R5, R10 and R11 had other explanations for poor performance, which were not related to incompetence. According to R1, *“Some perform poorly because mainly they take on many projects and they cannot, and they think that when that pays me, then I'll be injecting into this project. You see, so that also happens, especially with...Imagine contractors, they're so hungry for work, that they take a lot of projects.”*

Participant – R10 highlighted that the lack of regulation within construction can also result in contractual problems and poor performance: *“...because my experience is that it is that the construction industry is not regulated like other professional environments. This is purely just a business, it is not regulated as a profession and therefore you find people who know nothing about construction raising companies quickly and getting jobs.” (R10)*

Another respondent – R6 explained that incompetent contractors prematurely spend the funds when paid upfront, resulting in a lack of performance when there are no funds to execute the project activities: *“...The answer is definitely yes. Because incompetent contractors...sometimes it does happen that they get the money upfront, and before they even start doing the work, they spend it. They spend it on this long dream car I've always wanted. Yet, I haven't even touched a single spec of work...therefore, there will be no performance of the job and then contractual problems are raised straight from there.” (R6)*

Another participant pointed out that the issue is not necessarily incompetence but rather the contractual terms:

*“in some instances, you get contractors that abandon a project, because now, cash flow is not coming in as they had forecast, because of the contractual terms that are being stipulated in contracts by departments.” (R1)*

#### **4.8 Incompetent contractors and corruption**

For the eighth question, the study sought to find out from participants whether incompetent contractors cause corruption. There were diverse views among the participants as highlighted below.

*“No, corruption is not necessarily by incompetent contractors. I think it's more so the competent contractors that are prone to corrupt practices... But then on the other hand, incompetent contractors...when they've underperformed in one project, then it's difficult for them to get work in other projects. So, then they would get into a corrupt agreements with whoever is awarding the contracts” (R1)*

*“Man, I want to say no. I'm saying no because it's not the incompetent contractors, it's the appointment of incompetent contractors that causes corruption. The process starts there...” (R7)*

*“The answer is definitely yes...I would say, it's also two-way. Incompetent contractors would cause corruption...where I, as an incompetent contractor, will approach you as government department and say 'I will pay you A, B and C', but it also happens in reverse, where those who dish out the work and the ones who instigate corruption by either employing their relatives or friends, or friends of friends, who don't know the job or who, in other words, are incompetent, and therefore corruption results.” (R6)*

Respondent – R8 explained that sometimes incompetence could be due to people taking shortcuts: *“they may,*

*because they want to take shortcuts...they may want to pay for inspectors as opposed to following the proper procedures that are meant to be followed.” (R8)*

Additionally, R11 expressed the view that political connections enable contractors, even incompetent ones, to engage in corruption stated as follows: *“not necessarily so; that again depends on whether that particular contractor has connections. Because nowadays, people are using political connections to acquire contracts or government contracts...Yes, you find contractors that are incompetent that are there, and they know deep down that they got there illicitly.”*

#### **4.9 Corruption and sustainability of small and medium enterprises**

There was consensus amongst the respondents when the study sought to know whether corruption affects the sustainability of small and medium enterprises, noting as follows:

*“I think it does...when you are a big business or large, where they are able to undercut or underquote. Because they can carry the deficit and then they end up getting business based on price, while the poor small person cannot carry the loss because they do not have financial backing and the capital. So they end up not even getting those small projects that are due to them and all the projects now go to the big business because they can run at a minimum loss for the time and carry the cost and continue. So it does affect them.” (R4)*

*“Yes, I agree. This speaks to me personally because my company, I had a small enterprise, has gone down because of this. In many ways, it has indebted me because I had to go and make loans to pay suppliers, to pay labour, to pay people who were threatening me. So, it affects us in a very negative way. So yes, it kills the sustainability of any business and it kills the growth of the economy, economic growth, of SA.” (R7)*

#### **4.10 Unethical practices and procurement**

The study sought to know whether unethical practices during procurement prevent contractors from securing projects due to preferred contractors. The participants agreed that unethical practices affect contract security and some of their views are noted as follows:

*“I think it is a possibility. It could happen because you would find in some cases, there is a specification that is modelled or packaged to suit a particular contractor, so that when you do your evaluation...your preferred contractor comes out top. There is a way, where you can engage in unethical practices and ensure that a project is directed to certain contractors purely based on how you package your specifications...” (R10)*

*“Yes. Absolutely...From appointing incompetent contractors, there are underhand dealings where guys who do not deserve the job are getting the job. They are getting paid upfront. Their entire budget is approved, and there is no building or no delivery on what they need to*

*deliver. So yes, these unethical practices do happen during the procurement.” (R7)*

*“Yes is the answer. I know of a guy, for example, in one of the companies I worked for, who was found to be manipulating the procurement practice and the selection of the preferred contractor, and it was established that he was getting kickbacks for that. It was found out that he had been entrapped...” (R6)*

*“...we get to a tender stage, and then they will have a recommendation to say we would rather use so and so because we know his work, he is a performer, he is quality, and he is 100% and everything. And yet, so and so has not won the tender, has not been the first guy that can be chosen... (R1)*

#### **4.11 Poor ethics and unethical behaviour**

The study also wanted to know whether poor ethics among built environment stakeholders result in unethical behaviour. All participants believe that poor ethics in the built environment influence unethical behaviour, but only one remains unsure (R2). Some of the views buttressing this assertion:

*“Yes, because if you’ve got poor ethics, then your behaviour translates to your ethics and your morals. So, yes, it does, because once you start off not adhering to ethics...then that changes your behaviour... The thing is, within the built environment, it’s easy to be lured to do things that you would not normally do.” (R1)*

*“Yes. It becomes, It’s poor ethics. If the stakeholders do not have ethics, they don’t know how to actually go about business in the right way, then it promotes unethical behaviour, then it becomes a culture, because it’s coming from the top, filtering down, and it becomes a culture. So, most activities that they will do will be centred on that.” (R8)*

A participant partially agreed with the statement, emphasizing that the environment influences people to act contrary to their beliefs: *“the answer is yes and no...Where you find some people, who are referred to as ‘people of integrity’, when they can help it, they will resist acting in an unethical manner, just because of the environment they are in...To answer the yes part, yes where people are put under undue pressure to deliver something that will seem to be unethical, yes, because they want to save their jobs, they may end up doing those unethical things because of the pressure that is put on them.” (R6)*

Another participant believes that if there were forums to motivate ethical behaviour, there would not be so much corruption in the industry: *“Yeah, I think what needs to happen in... a conference, the emphasis should be on ethics...I think it is important for conferences and for voluntary associations to prioritize the issue of ethics, and again, to develop case studies. When gatherings are taking place, the issue of ethics is given the platform that it deserves.” (R11)*

#### 4.12 Procurement processes and lack of transparency

The study also sought to know whether the manipulation of procurement processes is a result of the lack of transparency. The participants seem to agree with each other on this question as expressed in the following views:

*“Yes, the answer is yes, the lack of transparency. In the local government now, they're talking about open tenders and how that process of having open tenders has eradicated a lot of this manipulation of this procurement process. So clearly, if it's not transparent or open, there is obviously room and resulting in manipulation.”* (R7)

*“Yes, I agree...However, I myself, I don't have experience in procurement processes, but you hear things...it definitely does, unfortunately, it happens, so my answer is just yes.”* (R5)

*“Yeah I think it happens. Because people would tend to do unethical things because they know, or they think, they won't be caught. So, these things are done mostly not in the open. But then, if that cloud of secrecy can be lifted and people know that all eyes are on me, then they will shy away from manipulating processes, which are in place to guide exactly against corrupt practices.”* (R6)

The thematic analysis reveals the complex interplay of corruption, collusion and ethics in the South African construction industry, highlighting systemic issues that hinder transparent practices and undermine economic growth and ethical conduct. Each theme not only illustrates perceptions held by participants but also suggests areas where intervention may be needed to improve the transparency of transactions in the construction industry.

### 5. Discussion of Findings

In this study, the researchers examined the practitioners' understanding of corruption within the South African construction industry. The researchers found that participants mostly disagreed when asked if unequal project costs are characteristic of collusion. Those who disagreed explained that a lack of understanding and knowledge surrounding project management and comparing prices to other contractors could lead to prices being inflated. While those who agree state that price inflation is typically a consequence of collusion. A report on corruption found that contractors inflate project prices to recover the funds spent on bribes, resulting in exaggerated costs (OECD, 2016).

The researchers found that most respondents agreed that collusion exists because of poor ethics. Similarly, a study conducted among construction professionals in SA found that respondents ranked poor ethics as the second-most common factor causing collusion (Oke *et al.*, 2017). There was consensus among the participants that whistleblowing does not take place whenever corruption occurs. Participants further explained that whistleblowing does not occur mainly due to fear of the repercussions. Existing literature supports that whistleblowing is a risk

resulting in harassment and death (Chassang, 2012), which explains why whistleblowing is thought not to take place. Moreover, respondents agreed that corruption affects the economic growth of SA. Previous literature supports that corruption impacts economic growth by impeding investment (Chêne & MarTransparency International, 2014). Investors might be less likely to invest in a corrupt and unstable economy. Additionally, the literature supports that corruption negatively affects the economy because it reduces service delivery and misrepresents the allocation of resources (Shera *et al.*, 2014).

Participants felt corruption leads to late completion, non-completion, non-achievement of quality standards, and building collapses. Similarly, a previous study found that corruption was associated with building collapses and using sub-standard materials (Agwu, 2014). Earlier research supports that corruption is often the root cause of project non-completion and poor workmanship due to the hiring of contractors who are unqualified or inexperienced (Oyewobi *et al.*, 2011). Regarding corruption and government, respondents agreed that corrupt practices result in government departments paying contractors late and in a built environment, professionals' fees being unequal. Research shows that government officials embrace the slow payment culture because they tend to expect a bribe as an incentive to speed up the process (Méon & Weill, 2010).

Moreover, respondents mostly agreed that incompetent contractors result in contractual problems and overall poor performance. Research elaborates that the issue with poor performance is that, at times, it costs more than expected because work must be redone (De Morais, 2010; Ngomi, 2017). A study examining the influences of performance on construction projects found that project sites are often poorly managed when contractors are incompetent and lack experience (Ngomi, 2017). In addition, a prior study found consensus among participants that incompetent contractors tend to produce shoddy work (Soni & Smallwood, 2023).

Participants had differing views regarding incompetent contractors being the cause of corruption. Those who disagreed with the statement argued that competent contractors are also likely to engage in corrupt practices and that the appointment of incompetent contractors causes corruption. On the other hand, those who agreed argued that incompetent contractors are willing to pay fees/bribes to get the job. Earlier research supports the finding that incompetent contractors tend to be appointed through corrupt practices, even by government officials (van Klinken & Aspinall, 2011). Although the literature reveals that incompetent contractors engage in corruption (van Klinken & Aspinall, 2011), it does not support the view that incompetent contractors cause corruption.

Regarding corruption and the sustainability of SMMEs, there was consensus among respondents. Previous research states that SMMEs are likely to be vulnerable when the economy performs poorly (Sun, Liyin & Lin, 2013). The economy is known to have an inverse



relationship to corruption; when corruption increases, the economy is likely to decrease (Bai & Jayachandran, 2013). Thus, there is a risk of SMMEs in construction being affected by corruption (Sohail & Cavill, 2008). Additionally, there was consensus among participants that unethical practices affect securing contracts during procurement, arguing that these processes can be manipulated. Research shows that during the tender process, unethical practices occur, and government officials interfere with procurement processes (Mizoguchi & Van Quyen, 2014). Therefore, such unethical practices can affect the securing of projects.

Moreover, all respondents believe poor ethics among stakeholders in the built environment result in unethical behaviour. Participants argued that once an individual has poor ethics, it can translate into behaviour, meaning poor ethics make it easier to be lured into an unethical act. Although previous studies have shown unethical practices exist in the built environment (Boahene & Nani, 2015; Sichombo *et al.*, 2009), studies have not shown that unethical behaviour stems from poor ethics. Furthermore, participants agree that the manipulation of procurement processes results from a lack of transparency. Similarly, a study using data from firms found fewer kickbacks when the procurement information was made public (Knack *et al.*, 2019). Further, literature suggests procurement processes tend to be affected by corruption even when policies are implemented to create a transparent process (Gottschalk & Smith, 2016).

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## 6. Conclusion

The study explored construction practitioners' understanding of corruption in the industry. Findings highlight that collusion is associated with poor ethics and that unethical behaviour is intertwined. Research findings illustrate that corruption in the construction industry adversely affects the country's economic growth, the presence of SMMEs, quality standards of projects, payments of contracts, and procurement processes, as well as preventing whistleblowing. Corruption is still prominent in the South African construction industry, even in government departments. Given the adverse relationship between corruption and economic growth, corruption must be eliminated to support economic growth in SA. Eradicating corruption in construction will also improve service delivery and the quality standards of structural infrastructure. Approaches to eradicate corruption in construction need to be strengthened.

The researchers acknowledge the study sample size as a limitation; however, literature has shown that qualitative studies can reach saturation even with relatively small sample sizes (Guest, Bunce & Johnson, 2006; Hennink & Kaiser, 2022). The researchers acknowledge that the research was conducted in SA, so the findings might not apply to populations outside South Africa. However, the researchers used a comprehensive selection criterion by including practitioners in the public and private sectors involved in the seven associations in Johannesburg, SA. Further studies are needed to explore research that could shed light on corruption in construction.

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