

Unethical Practices in the South African Construction Industry

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Abstract:

Development of infrastructure to meet the needs of South Africans is a major concern for the construction industry, however the failure of the industry to keep up with the expectation has drawn some criticism from the citizens. Lack of adherence to ethical practices that help ensure transparency and accountability within the industry is a major impediment towards being a consistent and an effective contributor to the growth of the South African economy. This study therefore examines unethical practices in South African Construction Industry and measures to address the menace for better project performance. Well-structured questionnaires were administered on registered and experienced construction professionals within the industry and Mean Item Score (MIS) was used to analyse the returned data. Non-adherence to ethical practices in the industry are as a result of greed, favouritism, political influence, monopoly of bigger companies over smaller and emerging companies and pressure to meet unrealistic company objective and deadlines. The unethical practices prevalent in the industry include bribery and fraud, falsification of experience, illegal award of tenders and collusive tendering. These unethical practices result to dissatisfied clients, poor workmanship, poor quality of infrastructural development and loss of public trust. Professionals, especially construction and project managers should shoulder the responsibility of stamping out unethical practices in the industry by developing viable measures to achieve the goal. More so, whistle-blower protection mechanisms need to be revised and improved to encourage effective monitoring and sanctioning of individuals involved in unethical practices in the industry.

Keywords:

Construction, Corruption, Ethics, Stakeholders

1 Introduction

Ethics are moral principles that direct or influence a person's behaviour, activities and conduct, it is concerned with differentiating between what is right and wrong. Ethics basically seeks to resolve the questions dealing with human morality, concepts such as good and bad, acceptable and unacceptable, self-interests and selfishness. In order for one to achieve an ethical outcome to a course of action it is important to understand the influencers of such concepts. Schoeman (2014) noted that these concepts are mostly determined by values, relevant laws, rules or regulations. Ethics is the ability to do right and in construction, it can be defined as trustworthiness and integrity at construction businesses are conducted (Mason, 2009).

The construction industry plays a vital role in the economy of any country, regardless of the level of development of such country. South Africa is no exception, the country's construction industry has been one of the main engine in the country's economy, contributing to about 6% of the nation's Gross Domestic Product (GDP) and creating several job opportunities. Ehsan,

et al., (2009) regarded ethics as a very important aspect in the engineering and general construction profession as they have a huge role in obtaining tremendous benefits from the construction projects, ethics also have huge influence on the function of the industry.

Ethical conduct is paramount in the running of a business because it provides personnel with conceptual guidelines on how to conduct themselves in their endeavour. However, holistic understanding and general application of ethical code of conduct remains an issue for concern in the construction industry while enhancing ethical standards among stakeholders is also a challenge. It is of paramount importance that ethical standards are adhered to in order to maintain a good image of the industry. Bowen *et al.* (2007) revealed that stakeholders in the construction industry have a tendency of possessing a reputation of unethical conduct. This study therefore examines causes and consequences of unethical practices prevalent in South African construction industry with a view to formulating recommendations to address the menace and enhance ethical standards in the industry.

2 Literature Review

2.1 Code of Conduct/Ethics

The major objective of code of conduct is to uphold a higher standard of conduct by concerned individuals beyond what is required by law. It is a catalyst for enhancing the company's reputation. Davis (1991) describes the code of professional ethics as acting as a central to advise individual engineers on how to conduct themselves, to judging their conduct and ultimately to understand engineering as a profession. In the context of this research codes of conduct refers to code of ethics which are distinct and formal document written to guide individual professionals within the organisation/profession on how to conduct themselves in carrying their professional duties and services, it is concerned with moral standards. Codes of conduct are available in professional bodies association and their regulatory bodies to govern the behaviour and practice of their members (Wolverton and Wolverton, 1999).

Nadeem, *et al.*, (2009) admitted that construction and engineering professionals have a great influence on the society, these professionals owe a special responsibility. However, claims have been made that the professionals in general have a tendency of believing that their obligations to their client far outweigh their responsibility to others, such as the society. This means because of the standard of knowledge that they possess and their importance to the public, they should have considerable standard of conduct to answer ethical questions. In addition, there are some expectations that the building and design professionals should be aware of, this includes the incalculable value of human life that demands nothing less than the highest moral consideration from them. In addition, Davis (1991) pointed out the purpose of code of professional ethics is to guide and protect individuals, including professionals from pressures which tempts to act unethical.

2.2 Ethics and the Construction Industry

The construction industry is a very complex sector which requires professionals to be professionally fit in order to execute projects according to the required scope and time. The professionalism does not only end with professionals possessing knowledgeable ability and skill to deliver project but it requires one to be psychological fit in order to conduct business according to guiding principles and regulations of the professions. In addition, construction professionals must be able to demonstrate competency and integrity by passing certain tests, adhering to existing code of conducts and keeping a good reputation with the public by offering

their services in an acceptable manner. Mason (2009) identifies the early stages of construction projects as the most crucial where several levels of values and ethical terms should be taken into consideration.

Dabson *et al.* (2007) pointed out that an act of one professional in a particular profession has an ability to tarnish the name of the entire profession. This proves that each and every individual who is part of a profession carries the reputation, not only of himself but of the profession as a whole. However, it was emphasised that ethics understood by an individual can be classified as being subjective, where right and wrong might differ from certain individual's view. This conflict in perception of ethic is a good indication that an establishment of a standard level of behaviour for all professionals is of paramount importance (Greenhalyn, 1997).

2.3 Unethical Practices in Construction Industry

Unethical behaviour in the construction industry has been developed by the fierce competition amongst and between professionals and contractors. This competitive behaviour among participants in construction development has an ability to trigger ethical misconduct in the relationships between professionals, their clients and supply chain (Bowen, *et al.*, 2007). The major notable unethical misconducts in construction industry according to Zarkada-Fraser and Skitmore (2001), Zou (2006), Othman (2012), and Nawaz and Ikram (2013), are administrative interference, the illegal award of contracts or subcontracts, the exposure of confidential information to certain tenderers and the extortion of kickbacks by client and government officials. While on the other hand contractors are found guilty of soliciting bribes to clients or tender committees in order for them to closeout tenders, collusive tendering and bid rigging, invoice fraud, the use of cheap material that do not conform with acceptable standards and collusion between contractors and other supervisory authorities.

The Chartered Institution of Building (CIOB 2006) noted that improvement of ethical behaviour would improve construction projects performance and satisfaction of stakeholders. Moreover, adherence to ethical standard and principles by individuals involved in construction process and activities would also improve the industry's performance through establishing mutual understanding of the rights of each party in the industry and recognising the responsibilities and obligations of each.

3 Research Methodology

Using survey design, structured questionnaire was adopted as the approach of collecting data from respondents. The target population are construction professionals that are registered with their respective professional bodies to engage and provide services based on their training and qualification. These are architects, quantity surveyors, construction managers, construction project managers and engineers that are directly involved with construction activities in the industry. The choice of the design and data collection instrument is due to their convenience, time saving and cost efficiency. It also allows for anonymity in that respondents decided to partake and can answer the questions at their convenient time. A cover letter was provided to provide basic information for respondents and the first section of the main of the questionnaire was used to solicit demographic information from the respondents. The other parts were divided into sections based on the objectives of the study and the purpose of each section and the kind of results expected were well explained. Prior to actual administration of the instrument, a pilot study was carried out to determine discrepancies and error and evaluate average duration of completing a questionnaire. The discrepancies, comments and suggestions were corrected and effected in the final instruments. Duration of completing the questionnaire

was found to be approximately 15 minutes. 50 instruments were finally administered out of which 45 were returned and certified fit for further analysis.

In order to achieve the objectives of the study, 5-point Likert scale was used to inquire information from respondents where 1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly agree. The Likert scale was transformed to Mean Item Score (MIS) and Standard Deviation (SD) for each of the identified variables relating to causes of ethical misconducts, effects and the mitigation measures. The MIS was used to rank each item while SD was used for cases where 2 factors have the same MIS value.

4 Findings and Discussion

4.1 General Characteristics of Respondents

Information regarding the respondents revealed that 8% are African, 27% are Whites, 9% are Coloured and 6% are Asians/Indians. Quantity surveyors represents 20% of the respondents, 18% are construction managers, 11% are architects, 11% are construction project manager while 40% are engineers. Of these, 26 are male while the remaining are female with an average of about 8 years working experience in the construction industry.

4.2 Common Ethical Misconduct and their Causes

The common ethical misconducts in the South African construction industry as revealed in table 1 are bribery, illegal award of tender and Collusive tendering. The least important ones are complexity of the industry and deny compensation of tendering cost.

Table 1. Common Unethical Practices in the Industry

Common ethical misconducts	MIS	SD	RANK
Bribery	4.578	13.115	1
Fraud	4.267	9.179	2
Falsification of experience	4.222	8.461	3
Nepotism	4.200	8.832	4
Illegal award of tender	4.133	10.563	5
collusive tendering	4.000	10.563	6
Negligence	3.978	10.563	7
Overstatement of qualification/training to secure jobs	3.933	6.652	8
Bid shopping	3.933	8.221	9
Conflict of interest	3.911	8.860	10
Cover pricing	3.822	6.397	11
Bid cutting	3.756	7.676	12
Bid rigging	3.756	7.890	13
Complexity of the industry	3.533	6.782	14
Deny compensation of tendering cost	3.511	7.106	15

Source: Researcher

In examining drivers for ethical misconducts in the industry in table 2, it could be observed that greed, favouritism and political influence, that is related to politics in the award for tender and doing general construction activities are the most important ones. Other factors are lack of transparency and lack of high executive control, the least important variables weak level of supervision, personal culture and poverty.

Table 2. Causes of Ethical Misconduct

Factors	MIS	SD	RANK
Greed	4.089	7.969	1
Favouritism	4.000	6.449	2

Political influence (e.g., Politics in the award for tender)	3.911	7.714	3
Monopoly of bigger firms to smaller emerging construction firms	3.889	6.442	4
Pressure to meet unrealistic business objectives and deadlines	3.822	7.182	5
Personal behaviour	3.822	8.093	6
Lack of transparency	3.800	9.899	7
Lack of high executive control	3.778	9.028	8
Lack of ethical awareness amongst industry players	3.733	8.456	9
False communication	3.689	5.339	10
Inadequate administrative structure	3.667	6.782	11
Stringent operational regulations in the Industry	3.644	7.842	12
Barriers to enter into the market	3.600	6.124	13
Weak levels of supervision	3.600	10.607	14
Personal culture	3.511	6.042	15
Poverty	3.200	4.637	16

Source: Researcher

4.3 Effects of Ethical Misconduct on the Construction Industry

Ethical standards were introduced to guide an individual and guide against practices that can undermine the activities of an individual. Where there are ethical misconducts, the notable results are dissatisfaction of clients, poor workmanship, deterioration in professionalism and poor quality of infrastructure development as indicated in table 3. It also leads to loss of public trust, low productivity/efficiency of project team, poor project coordination and high project maintenance cost. The least impacts are related to disputes and conflicts among project stakeholders, cost and time overrun of projects as well as collapse of buildings.

Table 3. Effects of Ethical Misconducts

Effects	MIS	SD	RANK
Dissatisfaction of clients	4.178	6.557	1
Poor workmanship	4.089	9.811	2
Deterioration in professionalism	4.067	7.937	3
Poor quality infrastructure development	4.044	11.533	4
Loss of public trust	3.978	7.676	5
Low productivity/efficiency of project team	3.978	8.180	6
Poor project coordination	3.956	5.737	7
High maintenance cost	3.933	6.702	8
Growth of the industry	3.889	6.595	9
Late compensation due to delays	3.889	7.314	10
Conflicts between client and construction team	3.867	8.093	11
Cost overruns	3.822	6.964	12
Schedule overruns	3.778	6.519	13
Collapse of buildings	3.333	2.739	14

Source: Researcher

4.4 Measures to Enhance Ethical Conducts

It has been established that unethical practices still abound in the construction industry and it has affected not only the performance of projects but image of the industry as a whole. In order to stem this measures, the major measure as indicated in table 4 is for concerned stakeholders to take action on any form of ethical violation and ensure effective communication and awareness on ethical standards and punishments for their violation. More so, current law and regulation concerned with ethical standards should be reviewed and adequately monitored. There should be benchmark for effective ways of improving adherence to ethics in the

construction industry and organisation should hire the right personnel using acceptable standard of knowledge, experience and qualification.

Table 4. Enhancing Adherence to Ethical Standard

Measures	MIS	SD	RANK
Take action on ethical violation	4.600	6.364	1
Effective communication	4.378	10.468	2
Legislative laws that spell out punishment for any unethical practice	4.267	9.674	3
Review, monitor and report ethics behaviour	4.267	13.528	4
Development of honest and ethical construction culture	4.244	9.106	5
Establishment of annual business ethics training for employees and employers	4.178	12.339	6
Punish offenders	4.133	8.544	7
Implementation of ethical guidelines and policy	4.133	9.925	8
Initiation of regular and random ethics checks	4.111	9.849	9
Constant supervision of ethics	4.044	8.139	10
Transparency and accountability in contract administration	4.022	7.810	11
Verbally promote ethical environment and relentlessly	3.911	7.274	12
Good whistle-blowing mechanism	3.889	7.969	13
Benchmark of effective ways of improving adherence to ethics in the CI	3.844	6.602	14
Hiring right personnel	3.844	7.455	15

Source: Researcher

4.5 Discussion of Findings

Bowen *et al.* (2012) and Uneke (2010) noted that most individual are found of unethical practices for personal gain, this is concerned with greed and sometimes favouritism which are the important causes of unethical practices in the construction industry as revealed in this study. Political influence and monopoly of bigger firms to smaller emerging companies are equally important factors. Stanbury (2006) noted that construction contractors are influenced by politicians to engage in unethical practice.

Due to unethical practices, Shakantu (2006) noted that quality of projects is reduced which affect users' safety and satisfaction. As revealed in the finding, dissatisfaction of clients is the most notable effect of unethical practice in the construction industry. Oyewobi, *et al.* (2011); Nawaz and Ikram (2013); and Inuwa, Usman and Dantong (2015) stated that unethical practices lead to poor quality and defective structure development which results in high maintenance cost. Legal action through legislative laws that spell out punishment for any unethical practise is a critical measure for the practice in the industry. Rothwell and Baldwin (2007) suggested that the construction industry requires a high level of supervision to regulate employee behaviour, enforce standards and report ethical misconducts. However, Bowen *et al.* (2007) recognises South Africa as one of the countries with an abundance of legislative laws but largely lacks the capacity to enforce. Whistle-blowing mechanism is found to be less effective measure, this is substantiated by Chiu (2003) as well as Lewis and Uys (2007) that the whistle –blowing mechanism is poorly protected hence its ineffectiveness over the years.

5 Conclusion and Recommendation

Despite various laws and code of ethics guiding stakeholders' practices in the construction industry, some ethical misconduct is still prevalent. Notable among them are bribery and fraud, falsification of experience, nepotism, illegal award of tender, collusive tendering and overstatement of qualification/training to secure jobs. These are largely caused by greed,

political influence, pressure to meet unrealistic business objectives and deadlines as well as lack of transparency. As a result of these practices, clients are becoming more dissatisfied due to poor workmanship, deterioration in professionalism, poor quality infrastructure development, low productivity/efficiency of project team, poor project coordination and high maintenance cost.

There are existing laws, regulations and guidelines guiding the practice of individuals and stakeholders in the construction industry. More so, ethical misconduct is directly traceable to construction professionals due to their direct influence on construction projects. In addressing unethical practice, it is necessary for professionals' bodies and their regulatory agencies to improve on their existing code of conducts and seek better means to enforce and sanction members found culpable of breaching them. Organisations should hire the right personnel, be concerned about their welfare and ensure proper and timely training. Annual business ethics training should also be established for employees and employers for proper awareness and adequate knowledge of the best way to conduct themselves in offering their services. More so, whistle-blower protection mechanisms need to be revised and improved to enhance its effectiveness.

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