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Establishing a Material Recovery Facility (MRF) for Recycling Solar PV Modules and Lithium-Ion Batteries in South Africa

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Business Forums or Construction Mafias in the construction industry in South Africa and the factors that contribute to their existences

Applied Research Project Proposal

submitted by

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3. Abstract

This study examines the rise of business forums in South Africa's construction industry, sometimes known as construction mafias. According to the report, the key factors contributing to their persistence include economic marginalisation, corruption, and insufficient law enforcement. Twenty industry stakeholders, including project managers, contractors, local government representatives, and law enforcement officers, took part in semi-structured interviews as part of a qualitative research strategy. The data was evaluated using thematic analysis, which revealed that business forums have deviated from their original goal of encouraging economic empowerment and have instead evolved into coercive groups that interfere with project execution.

According to the findings, eliminating forum-related interruptions necessitates closing regulatory loopholes, strengthening law enforcement capacities, and ensuring fair access to construction opportunities and to strengthen governance and stimulate long-term transformation in the industry. The study concludes with crucial recommendations for policymakers and industry participants to solve business forum disruptions in the construction industry. It emphasises the importance of tougher regulations, increased law enforcement, and transparent procurement processes in combating illicit activity. Furthermore, economic empowerment initiatives, such as support for new contractors and skill development, are critical to industry transformation. Collaboration between the public and private sector is also critical for mitigating risks, promoting fair competition, and ensuring long-term sustainability, resulting in a safe and inclusive building industry.

Keywords: South Africa, Law Enforcement, Corruption, Transformation, Business Forums, Construction Mafias

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Chapter 1

1. Introduction

1.1 Background

In the South African construction industry, the number of business forums campaigning for a share of public and private infrastructure projects has grown over the last decade. Despite their initial goals of empowering small contractors and supporting economic development, these forums' methods have shifted towards violence, extortion, and intimidation (Armstrong & Meyer, 2023). According to recent reports, business forum interruptions have caused significant delays in important projects including the N3 Highway Upgrade SANRAL project in 2018 and the Durban Interchange project (Maswanganyi & Van der Spuy, 2023). The effects go beyond financial losses; they affect investor confidence, employment security, and general economic stability.

These business forums have had a significant impact on the KwaZulu-Natal (KZN) construction industry where it seems this phenomena started; organised groups such as KwaMashu Youth in Action and the Delangokubona Business Forum have been at the forefront of this scourge of halting infrastructure projects. The disruptions included violent clashes that jeopardise workers' lives and the suspension of infrastructure projects worth millions of rands. Some construction projects were abandoned due to safety concerns, which resulted in financial losses and service delays. For example:

- **Durban Interchange Project (2018)**: Forum demands for a part of subcontracting opportunities forced this R1.4 billion project to be delayed by six months, increasing costs and depriving the city of a critical transport link.
- **Housing Development in Umlazi (2020):** When a low-cost housing project was halted, hundreds of people's house deliveries were delayed, resulting in equipment damage and worker threats.
- **N3 Highway Upgrade (2021):** Repeated delays in one of the country's largest infrastructure projects drove up project costs and harmed the economy.

These disruptions demonstrate the pervasive effect of business forums and their power to destabilise industry and, as a result, the country's economy. Initially founded to combat perceived economic marginalisation, these forums have grown into powerful groups that

frequently operate outside the means of the law. Their actions have not only destabilised the construction industry, but have also highlighted structural flaws in law enforcement, governance, and economic transformation policies.

Below are visuals of the type of destruction that has occurred on different site by alleged business forums wanting their demands to be met.

Figure 1.1: Damage to Plant in Western Cape Housing Project



Baseline Civil Contractors – Western Cape

Figure 1:2 Damage to site camp on N3 project



1.1.1 Factors contributing to Business Forums formation

1.1.1.1 Corruption within the construction industry

According to Sohail and Cavill (2008), the construction industry is especially vulnerable to unethical activity such as bribery and corruption, which can have catastrophic consequences. According to Zulu and Muleya (2019), they include high project costs, poor quality, project abandonment, and building collapses, all of which result in missed opportunities for communities. Corruption distorts fair competition and compromises transparency in construction projects. The prevalence of unethical behaviour in the industry is driven by multiple factors. Abdul-Rahman et al. (2014) highlight the industry's highly competitive nature, characterised by tight profit margins, which fosters unethical practices. In an effort to maximise profits, some firms engage in price-fixing and collusion, as seen in South Africa before the 2010 FIFA World Cup. Similarly, Aigbavboa et al. (2016) identify greed, favouritism, political influence, monopolistic behaviour by large firms, and pressure to meet unrealistic targets as key contributors to corruption.

The involvement of multiple stakeholders in construction projects further complicates ethical compliance. Government officials, supply chain managers, buyers, project managers, and engineers often have differing ethical standards, which can lead to ethical conflicts and compromised project integrity (Kang & Shahary, 2011). Zhang et al. (2016) identify flawed regulation, absence of professional ethics, negative reinforcement, and inequitable bidding practices as primary drivers of business-to-government corruption, particularly in China. In Zambia, Mukumbwa and Muya (2013) attribute corruption in the industry to political influence, bureaucratic procurement processes, and loopholes in tendering regulations. In South Africa, corruption remains a significant challenge (Tanzi, 1998; Bologna & Nord, 2010; Dorée, 2004; Sohail & Cavill, 2008; Le et al., 2014). Factors such as inadequate sanctions, poor record-keeping, lack of transparency in bidder preferences, and weak ethical oversight create an environment conducive to bid-rigging, price-fixing, and collusion (CIDB, 2011).
Project delays, cost overruns, and damaged infrastructure are among the consequences, particularly in critical sectors such as healthcare and education. The CIDB has offered measures such as creating an industry-wide code of conduct and enhancing regulatory enforcement (CIDB,2011) in order to reduce the levels of corruption within the industry as a whole.

The media has played a crucial role in exposing corruption in South Africa's construction industry, raising public awareness, and putting pressure on authorities to take action. For example, the Mail & Guardian (2014) reported on a scheme in which dishonest officials inflated the cost of a hospital construction project in Mpumalanga by more than R1 billion.

Furthermore, organised crime groups have penetrated the industry, leveraging regulatory weaknesses and insufficient oversight to gain contracts and rig tenders through extortion, bribery, and violence. Weisburd (2014) points out that the availability of floating assets, such as heavy machinery, contributes to money laundering. The construction industry is a prime target for criminal organisations seeking illicit gains through inflated costs, bid-rigging, and extortion; Kang and Shahary (2011) argue that the industry's fragmented structure and involvement of numerous stakeholders create opportunities for corruption and collusion.

1.1.1.2 Lack of transformation in the construction industry

The transformation of the South African construction industry into a more diverse, inclusive, and sustainable sector has presented difficulties (CIDB, 2015). The industry continues to face major obstacles to change, and progress has been sluggish despite efforts by the government and other stakeholders (Sohail & Cavill, 2008). The persistence of historical and structural disparities, such as restricted access to resources, capital, and opportunities for skill development for marginalised groups like women and those who were previously disadvantaged, is one of the primary barriers to change in the construction sector (Guest, Bunce, & Johnson, 2006). Additionally, the sector is highly dependent on conventional procurement practices that reward well-established companies, making it challenging for newcomers to compete and increase their market share (Creswell, 2013). The lack of diversity in the industry's leadership roles and personnel is another issue. Inequality is maintained and the industry's capacity for expansion and innovation is constrained by the under-representation of women and people of colour in leadership roles and construction employment (CIDB, 2015). Various parties, including the government, trade groups, private sector businesses, and civil society organisations, must work together to solve these issues and advance change in the construction sector (Sohail & Cavill, 2008). Priority areas include implementing sustainable practices and technology, encouraging diversity and inclusion in the workforce, developing more fair procurement models and funding models, training and skill development initiatives for under-represented groups (Guest, Bunce, & Johnson, 2006). A more prosperous and just

society can result from these initiatives, which can help guarantee that South Africa's construction sector is more diverse, inclusive, and sustainable (CIDB, 2015).

1.1.1.3 Inability to prosecute business forum disruptions by law enforcement agencies

The construction industry in South Africa is particularly vulnerable to exploitation by organised crime groups, also known as the "construction mafia," according to Jenni Irish-Qhobosheane's research. These groups engage in systemic extortion by taking advantage of legal loopholes, regulatory weaknesses, and corruption within regulatory bodies. A lacklustre state response has allowed these groups to grow, and in 2019, at least 183 infrastructure and construction projects valued at over R63 billion were disrupted nationwide. The involvement of political figures in these criminal networks further complicates enforcement efforts. Some business forums have been accused of acting as surrogates for certain politicians, creating a symbiotic relationship that undermines law enforcement initiatives. Weak enforcement of regulations, loopholes in legal frameworks, and corruption within regulatory bodies can facilitate illicit activities, Saviano (2013)

Addressing the challenges posed by the construction mafia requires a comprehensive strategy that includes strengthening legislation governing the construction industry, implementing appropriate policies for industry development, improving data and reporting systems, and ensuring the arrest and prosecution of those responsible for extortion on construction sites.
Without decisive action, the construction sector and the broader economy face significant risks, as failure to address this type of extortion is likely to spread such practices to other sectors.

1.2 Research Problem

The rise of business forums poses significant challenges to the construction industry. While transformation policies such as BBBEE were implemented to create inclusive opportunities, the persistence of business forums suggests that systemic gaps remain. Furthermore, weak law enforcement has failed to curb forum-related disruptions effectively. This research seeks to examine the factors contributing to business forum activities and propose solutions to mitigate their negative impact on the industry.

1.2.1 Problem Statement

While previous studies have investigated corruption and transformation challenges in the South African construction sector, few have explored the evolution of business forums as a systemic response to exclusion. This study fills the gap by qualitatively exploring stakeholder perspectives on how economic marginalisation, weak enforcement, and policy ambiguity contribute to forum persistence offering a multi-theoretical lens not often applied in this field.

1.3 Research Objectives

1. To investigate the socio-economic and regulatory factors enabling business forums.
2. To assess the role of corruption and law enforcement inefficiencies.
3. To evaluate whether business forums contribute to or hinder industry transformation.
4. To recommend strategies for addressing forum-related disruptions.

1.4 Research Questions

1. What are the key factors contributing to the rise of business forums?
2. How do corruption and weak law enforcement influence their operations?
3. Are business forums facilitating or obstructing transformation in the industry?
4. What measures can be implemented to regulate or neutralise their impact?

1.5 Research Methodology

This study adopts a **qualitative research approach** to explore the impact of business forums on the South African construction industry. The research is structured as follows:

- **Literature Review**: A comprehensive review of existing studies on business forums, corruption, and regulatory challenges in the construction sector will provide a foundation for the study and assist in identifying key themes.
- **Research Design**: A qualitative research design will be employed to gain an in-depth understanding of the challenges and dynamics associated with business forums. The study will rely on semi-structured interviews to capture expert insights from various stakeholders in the construction industry.
- **Sampling Strategy**: To choose participants with first-hand knowledge of construction project management, procurement, business forums, and law enforcement, a purposive sampling technique will be employed. Because they are easily accessible and pertinent to the study, the respondents will be from Durban and the neighbouring areas.

- **Data Collection**: Semi-structured interviews will be used to collect primary data, giving participants the opportunity to express their opinions in an unstructured manner. Findings will be supplemented by secondary data sources, such as government papers, trade journals, and scholarly studies.

- **Data Analysis**: To find recurrent themes and patterns in the qualitative data, thematic analysis will be used. This strategy will support the development of insightful findings and evidence-based suggestions for reducing the disturbances brought on by business forums in the construction sector.

In order to gain a better knowledge of the elements driving business forums and their consequences for industry change, the research attempts to present a thorough and contextual examination of the phenomena.

1.6 Justification of the Study:

Numerous stakeholders in the construction sector, including governmental organisations, private businesses, and other pertinent parties, will greatly benefit from the investigation of these research questions. By tackling the contemporary issue of business forum interruptions, this study seeks to offer insightful analysis and practical suggestions for handling and reducing the disturbances. The study will examine the fundamental causes of the disruptive actions of business forums and delve into the intricacies of the construction sector. It will provide insight into these groups' organisational structures, strategies, and motives as well as their effects on the industry at large. By gaining a comprehensive understanding of these dynamics, the research will provide valuable insights to stakeholders on how to navigate this challenging landscape.

Additionally, the study will make suggestions for reducing the disturbances brought on by business forums in the construction sector. These suggestions could be modifications to laws, rules, or industry-wide programs that support accountability, openness, and fair competition. By putting these suggestions into practice, interested parties can endeavour to establish an environment that encourages healthy competition, backs real change, and promotes long-term expansion in the construction industry. This research will benefit many stakeholders in the

construction sector by thoroughly examining the aspects that contribute to the issue and developing appropriate mitigation solutions.

1.7 Limitations of the study

The following are some of the limitations that are expected to be encountered during the course of the investigations into South African construction mafias:

- Lack of information: Reliable information about South African construction mafias is scarce. This is because the construction mafia is a group that operates illegally and is concealed and clandestine. Because most of them are unwilling to reveal their tactics, it might be challenging to obtain accurate information about their behaviour. Even though everyone in the industry is aware of these groups' extortion, violent threats, and intimidation tactics, media interviews with them have proven untrustworthy since they continuously deny any wrongdoing.
  There are several limitations to research in the subject of construction mafias in South Africa. Some of these limitations include:

- Fear of retaliation: Many people are afraid to speak out against the construction mafia because of their harsh and intimidating behaviour. Government officials, citizens, and industry insiders are all included in this group. Because they are afraid of reprisals, information about the construction mafia may be limited.

- Political influence: There are concerns that political meddling may make it more difficult to carry out effective study on the construction mafia. There can be political pressure on researchers or a lack of political will to investigate the issue because of the construction mafia's purported ties to politicians and political parties.

- Ethical and legal concerns: There may be ethical and legal concerns while looking into the South African construction mafia. For example, as a researcher, I might have to address issues related to informed consent, confidentiality, and the protection of human subjects.

Overall, these restrictions make it difficult to conduct in-depth research on South African construction mafias and business forums; however, with careful preparation and understanding

of these constraints, more information about these criminal organisations and their effects on the country's construction industry can be obtained.

1.8 Structure of the paper

Chapter one (Introduction): A clear problem statement that describes the issues being addressed, an introductory part that gives background information on the subject, and a stated objective for the study are all common elements of Chapter 1 (Introduction). In order to help direct the research process, this chapter may also contain particular study questions, objectives, and delineations.

Chapter two (Literature Review): includes a comprehensive analysis of the body of research that focusses on the elements that have contributed to the development of business forums in South Africa and their effects on the building sector. The history of extortion by mafia organisations around the world, the level of corruption in the construction industry, the difficulties in transforming the sector, and the limitations of law enforcement in addressing criminal activity related to business forums are just a few of the factors that are analysed in this chapter.

Chapter three (Research Methodology): typically concentrates on the precise procedures that were followed to collect empirical data as well as the technique that was employed to carry out the study. Any ethical issues that were taken into account when gathering the data may also be covered in this chapter.

Chapter four (Data collection and interpretation): In this chapter, the collected data will be analysed and presented using a **qualitative thematic analysis approach**. The data will be systematically categorised into key themes that align with the research objectives, providing a structured interpretation of the findings.

Chapter five (Detailed data analysis): the analysed data will serve as the foundation for drawing conclusions and formulating recommendations based on the findings of the study. The conclusions will determine whether the research objectives outlined in the background study have been met and will assess the extent to which the study contributes to a deeper understanding of business forums in the South African construction industry.

Chapter six (Summary of detailed findings and recommendations): It serves as the study's conclusion and recommendations section. Its main goals are to identify the study's limits, describe its contributions to the body of literature, summarise its main findings, and offer suggestions for future researchers as well as industry stakeholder

1.9 **Delimitations and Assumptions**

This study is delimited to the KwaZulu-Natal province, as it is widely recognised as the origin and epicentre of business forum activity. It focuses on stakeholder perceptions specifically from project managers, contractors, engineers, developers, government officials, and law enforcement agents without including direct perspectives from business forum members due to safety and access constraints. The study assumes that:

- Participants provided accurate and honest insights based on their professional experiences.
- Construction forums in KZN exhibit characteristics like those operating in other provinces.
- Qualitative interviews offer valid data to explore stakeholder experiences with forum-related disruptions.

Chapter 2:

Literature Review

2.1 Extortion in the Construction Industry

Extortion is defined as the act of coercing another party into providing a benefit, either tangible or intangible, through unlawful means (Armstrong & Meyer, 2022). This issue is particularly prevalent in Latin America, the former Soviet bloc, and East Asia (Van Dijk, 2007). Notably, Italy faces significant challenges with Mafia groups in regions such as Sicily, Calabria, Campania, and Apulia, where organized crime has caused up to a 16% reduction in regional GDP due to extortion activities (Pinotti, 2015; Balletta & Lavezzi, 2019).

The construction sector in South Africa, which has historically been a major engine of economic expansion and advancement, has been struggling with the incursion of criminal elements. These illegal organisations, also referred to as construction mafias, first appeared in KwaZulu-Natal almost ten years ago. Since then, their impact has spread to every province, causing the economy to suffer severe losses (Webb, 2023). Often referred to as "business forums," the construction mafias use local ties and strategies including murder, extortion, and disruption to further their goals. These decentralised syndicates target construction sites, which might range from small to major projects (Webb, 2023). This development has created a problem, which affects economic stability in the construction industry, which is no longer limited to particular areas but rather is a nationwide crisis.

Construction mafias have strong ties to organised crime and gangsterism, making it difficult for law enforcement to counteract their operations (Webb, 2023). According to research, corruption and criminal networks thrive under inadequate governance frameworks, rendering the construction industry particularly vulnerable (Global Initiative Against Transnational Organised Crime, 2022). These groups used the Preferential Procurement Policy Framework Act (PPPFA) to legitimise coercion. Though the Act's goal is to encourage economic transformation, construction mafias exploit the 30% subcontracting rule to extract direct financial gains (National Treasury, 2018). This strategy inhibits meaningful transformation by emphasising financial extortion over the engagement of historically marginalised people.

For example, the **Mtentu Bridge Project** in the Eastern Cape that was abandoned after armed business forum members blocked access to the site for 84 days. Aveng, the construction business engaged, claimed that their German partners had never seen such aggressive extortion techniques, even in war-torn areas (Flanagan, 2019).

Table 2.1: Comparative Analysis of Extortion in Global Construction Sectors

Region	Type of Organized Crime	Economic Impact
Italy	Mafia extortion (Sicily, Calabria, Campania)	16% reduction in regional GDP (Pinotti, 2015)
China	Bribery and procurement manipulation	$128.4 billion lost annually (China Business Weekly, 2014)
South Africa	Construction mafia disruptions	Stalled infrastructure projects, rising security costs (Armstrong & Meyer, 2022)

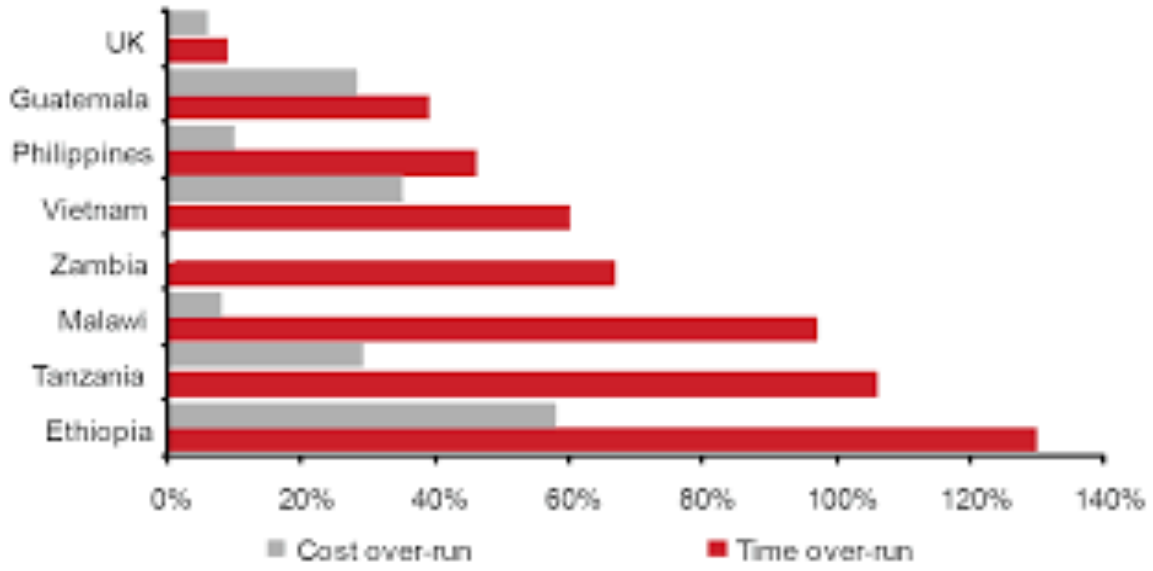
Table 2.1 draws a global comparison of the economic impact of organised crime in the construction sector across three countries—Italy, China, and South Africa. The table illustrates how different types of criminal infiltration—such as mafia extortion in Italy, procurement corruption in China, and construction mafia activity in South Africa—result in measurable economic losses. For example, in Italy, mafia presence has been linked to a 16% reduction in regional GDP (Pinotti, 2015), while in China, procurement-related corruption contributes to an estimated annual loss of $128.4 billion (China Business Weekly, 2014). In South Africa, while no formal GDP loss has yet been quantified, the qualitative evidence from Armstrong & Meyer (2022) highlights significant project delays, increased security costs, and a chilling effect on investment confidence. This table contextualises the South African experience within a global pattern, reinforcing the argument that unchecked criminal activity in infrastructure sectors has substantial socio-economic consequences.

2.2 Corruption in the Construction Industry

The construction industry is globally regarded as one of the most corrupt sectors, particularly in procurement (Transparency International, 2005; Krishnan, 2010). Corruption costs the global economy over $2.6 trillion annually, accounting for 5% of the global GDP, with bribery

alone contributing over $1 trillion (Chan & Owusu, 2017).Accurately quantifying the financial losses caused by corruption is challenging, but estimates suggest they range between 10% and 30%. According to the **Construction Sector Transparency (CoST) Briefing Note 5**, a comparable amount may also be lost due to mismanagement and inefficiency. If no effective measures are implemented to address these issues, global losses could reach nearly $6 trillion annually by 2030 due to corruption, inefficiency, and poor management (CoST, 2023).

Figure 2.1: Average Cost Overruns in Public Construction Projects (CoST, 2018)



Losses of this magnitude are unacceptable in any industry, but they are especially critical in infrastructure investment. This is because infrastructure serves as the foundation for economic growth and human development, playing a crucial role in addressing the world's most pressing challenges. These include eradicating poverty, ensuring food security, revitalising the global economy, and mitigating the impacts of climate change. Simply put, without significant improvements in the efficiency of infrastructure investments, the likelihood of successfully tackling these global challenges diminishes.

Bowen et al. (2012) identified that corruption in South Africa is widespread, with contractors, subcontractors, and public officials engaging in tender irregularities, bribes, and kickbacks. However, while corruption is prevalent in many regions, it does not necessarily lead to business forum disruptions everywhere. This suggests that corruption is a contributing factor but not the sole cause of these disruptions.

Table 2.2: Key Corruption Factors Affecting Construction in South Africa

Corruption Factor	Description	Impact on Industry
Tender Rigging	Manipulating bids for personal gain	Increases project costs and delays
Bribery & Kickbacks	Illegal payments for contract awards	Reduces transparency and efficiency
Political Interference	Government officials influencing contracts	Promotes nepotism and unfair competition
Procurement Manipulation	Unethical selection of suppliers	Reduces fair market access

Table 2.2 summarises four major corruption factors that have emerged in the literature as persistent threats to integrity and efficiency in the construction sector. Each of these factors: tender rigging, bribery and kickbacks, political interference, and procurement manipulation undermine transparency and competitiveness. These mechanisms distort fair market access and incentivise unethical behaviour across the supply chain. For example, tender rigging inflates project costs by favouring preselected bidders, while political interference often leads to unqualified firms being appointed based on connections rather than merit. These findings are supported by global research from Transparency International and the CIOB (2013), which indicate that weak regulatory oversight enables these forms of corruption to flourish. The table illustrates how corruption not only weakens governance but also fuels conditions in which informal structures, such as business forums, gain influence by exploiting institutional loopholes and frustrations with the system.

Niell Stansbury of the Global Infrastructure Anti-Corruption Centre identified 13 key features that make construction highly susceptible to corruption. Among these, the uniqueness of each project, bureaucratic hurdles, and the scale of infrastructure investments make it easier to

conceal bribes and inflate costs. A study by the UK Office of Fair Trading (2008) further revealed widespread collusion among bidders for government contracts, highlighting procurement inefficiencies that inadvertently encourage corruption. Moreover, the global construction market is projected to reach $17.5 trillion per annum by 2030, and unless significant measures are taken, close to $6 trillion could be lost annually through corruption, mismanagement, and inefficiency (CoST, 2018) which is a staggering 34% of the total market spend.

2.3 Lack of Transformation in the Construction Industry

Despite government efforts, transformation in South Africa's construction sector has been slow (Vorster & Hauptfleisch, 2015). The industry remains largely white male-dominated, limiting opportunities for historically disadvantaged groups.

The CIDB Annual Report (2015) highlighted racial and gender disparities:

- 95% of small contractors (Grades 2-4) were black-owned.
- 70% of medium-to-large contractors (Grades 7-8) were black-owned.
- 25-30% of the largest contractors (Grade 9) were black-owned.
- Women-owned businesses were significantly underrepresented, especially in Grade 9 contractors (7%).

However, transformation has declined sharply in recent years, with a notable drop in black ownership between 2021 and 2022.

Figure 2.2 : Decline in Black Ownership (2021-2022, CIDB Report)

Black ownership 2021Q1

Grade	Number	Black (%)
Black ownership 51%+		
9	100	46%
7 and 8	1 454	72%
5 and 6	3 117	80%
2 to 4	10 400	85%
Total	**15 071**	**82%**
Black ownership 90%+		
9	87	40%
7 and 8	1 339	66%
5 and 6	2 957	75%
2 to 4	10 146	83%
Total	**14 529**	**79%**

Black ownership 2022Q1

Grade	Number	Black (%)
Black ownership 51%+		
9	56	23%
7 and 8	1 074	46%
5 and 6	2 489	54%
2 to 4	8 283	59%
Total	**11 902**	**56%**
Black ownership 90%+		
9	46	19%
7 and 8	995	43%
5 and 6	2 388	52%
2 to 4	8 185	58%
Total	**11 614**	**55%**

Table 2.2: Transformation in South Africa's Construction Sector (CIDB, 2021/22)

CIDB Grade	% Black Ownership (2021Q1)	% Black Ownership (2022Q1)	Decline (%)
Grades 2-4	95%	89%	-6%
Grades 7-8	70%	58%	-12%
Grade 9	30%	25%	-5%

2.4 Inability of Law Enforcement to Tackle Business Forum Disruptions

In a report by Armstrong & Meyer (2022), on illicit business forums in South Africa survey it was found that the majority of responders (86.3%) dealt with complaints about businesses being closed or construction sites being stopped. Law enforcement officials who were interviewed concurred that the syndicates employ extremely violent techniques, including displaying weapons and rifles. Numerous people who were lawfully employed have been killed, including employees digging fibre trenches when the construction mafia ploughed a vehicle over them. The participants in the survey provided various responses when asked about the nature of the disagreement related to business forums. According to the findings, 30.8% of respondents believed it was a labour dispute, while 49.2% considered it a serious complaint. 16.2% of respondents saw it as a less serious complaint that could be resolved through dialogue. Additionally, 13.8% believed that the community had the right to be involved in construction projects in their area, and 11.5% felt that businesses were not doing enough for communities. Furthermore, 50% of respondents perceived the acts as intimidating, and 48.5% believed they involved extortion.

From these responses, one can infer that there is still a lack of full appreciation for the severity of the offense. This inference is supported by the fact that 30.8% of participants interpreted the situation as a labour conflict. It's important to note that labour conflicts are typically handled by labour-related organisations such as the CCMA and the Labour Courts, rather than the police. This suggests that 47% of law enforcement officers may not view these acts of violence and extortion as serious enough to warrant police intervention. It is clear that some law enforcement professionals may think that police action is not required when you combine the 30.8% who saw it as a labour dispute with the 16.2% who thought that conversation should settle the matter.

Table 2.3: Law Enforcement Perceptions on Business Forum Activities

Perception	% of Respondents
Labour Dispute	30.8%
Serious Complaint	49.2%
Community Involvement Issue	13.8%
Intimidation & Extortion	48.5%

In the recent years the South African Police Service (SAPS) and the National Prosecuting Authority (NPA) have stepped up efforts to combat the issue. 722 people have been arrested since 2019, with 96 cases concluded and 52 convictions secured (Webb, 2023). However, law enforcement remains reactive rather than proactive, with cases being closed owing to a lack of additional information. According to the Webb (2023) report, police intelligence operations are strategically positioned to gather information, identify hotspots, and designate problematic provinces. Despite these measures, collaboration among criminal networks and law enforcement officers continues to impede progress (Global Initiative Against Transnational Organised Crime, 2022).

2.5 Theoretical Framework

The emergence of business forums can be understood through the lens of three theoretical frameworks, each offering valuable insights into their development and significance.

Table 2.4: Theoretical Frameworks to Business Forum Emergence

Theory	Explanation	Relevance to Study
Innovation Theory	Businesses must adapt to changing market conditions	Forums emerge as a response to exclusion from procurement processes
Institutional Theory	Social norms influence organisational behavior (DiMaggio & Powell, 1983)	Business forums form to assert legitimacy and challenge exclusion
Resource Dependency Theory	Organisations seek control over critical resources (Pfeffer & Salancik, 1978)	Business forums use coercion to secure access to construction contracts

The above theories were selected for their relevance in explaining how business forums emerge in response to exclusion, seek legitimacy through informal structures, and use coercion to access critical resources in the construction industry.

Innovation Theory suggests that marginalised actors may develop new strategies to gain access to previously closed systems. Business forums, originally formed to demand inclusion in procurement, illustrate adaptive responses to economic exclusion.

Institutional Theory (DiMaggio & Powell, 1983) explains how organisations mimic institutional behaviours to gain legitimacy. Business forums imitate formalised associations, using language of transformation to justify coercive tactics. Their actions align with isomorphic pressures in contexts lacking enforcement and opportunity.

Resource Dependency Theory (Pfeffer & Salancik, 1978) posits that actors will use whatever means necessary to access scarce and vital resources. Forums coerce access to tenders and subcontracting roles when traditional channels are unavailable.

These theories collectively provide a strong foundation for understanding how business forums have emerged and why they persist within South Africa's construction industry. Innovation Theory explains their formation as a response to systemic exclusion, while Institutional Theory shows how they mimic legitimate stakeholder roles to gain influence. Resource Dependency Theory highlights their aggressive strategies to access critical project opportunities and economic benefits.

To strengthen this analysis, the research draws on transdisciplinary insights. From criminology, concepts like *protection rackets* and *organised crime* help explain the use of threats and violence to extract economic value from contractors. Public policy and governance literature sheds light on how weak regulatory systems, state capture, and political interference allow these groups to operate with limited accountability. Meanwhile, sociological frameworks around *economic marginalisation* explain the social conditions such as high unemployment and inequality that push individuals to participate in or support these disruptive groups. Taken together, these perspectives offer a holistic view that goes beyond business theory, enabling a deeper understanding of the structural, economic, and political factors that sustain business forums.

Conclusion

This chapter investigated the primary causes driving business forum activities in South Africa's construction sector, such as extortion, corruption, a lack of transformation, and ineffective law enforcement. According to studies, poor governance in institutions creates an environment in which business forums can abuse legal loopholes and engage in systematic extortion. Corruption in procurement processes exacerbates these difficulties, resulting in higher project costs and delays (Armstrong & Meyer, 2023).

According to the Global Initiative Against Transnational Organised Crime (GI-TOC), between 2016 and 2019, over 183 infrastructure projects worth more than R63 billion were halted due to construction mafia activities, highlighting the economic consequences of unchecked forum influence. The systemic failures of law enforcement to handle these disruptions have been well documented, with reports indicating that less than 10% of extortion-related cases are successfully prosecuted (National Treasury, 2018). Addressing these difficulties demands a multifaceted strategy. As Saviano (2013) points out, combating organised crime in economic sectors necessitates increased institutional control, greater anti-corruption strategies, and harsher regulatory frameworks. Future policy proposals should prioritise decreasing procurement manipulation, increasing openness, and strengthening legal enforcement procedures to limit the risks posed by business forums.

Chapter 3: Research Methodology

3.1 Introduction

This chapter outlines the research methodology employed in the study. It provides a rationale for the research approach, describes the data collection and sampling methods, and discusses the techniques used for data analysis. Ethical considerations and validity measures are also highlighted to ensure the credibility of the findings.

3.2 Research Design and Approach

3.2.1 Research Approach

A **qualitative research approach** was employed. Unlike quantitative methods that rely on numerical data, qualitative research seeks to understand human behaviour, motivations, and social dynamics through rich textual or verbal descriptions. In this study, qualitative methods allowed for deep exploration of stakeholders' experiences with business forums something not easily quantifiable.

The study adopts a qualitative research design, as it seeks to explore the experiences, perceptions, and challenges of stakeholders in the South African construction industry concerning the disruptions caused by business forums. Qualitative research is best suited for studies aiming to understand human experiences and social phenomena (Creswell & Poth, 2018). Given the exploratory nature of the study, qualitative methods provide a rich, detailed understanding of participants' perspectives, which would not be possible through quantitative means alone.

3.2.2 Research Design

The study employs a **phenomenological approach** to capture first-hand experiences of industry professionals (Van Manen, 2016). Phenomenology focuses on exploring how individuals experience a particular phenomenon, in this case the influence of business forums in the construction industry. This design is suitable because it seeks to capture the subjective meanings and lived realities of those affected by construction site disruptions, corruption, and informal power structures.

This approach allows for an in-depth exploration of how business forums impact various stakeholders, including contractors, developers, government officials, and engineers. This

study adopts the **interpretivist paradigm**, which posits that knowledge is socially constructed and best understood through participants' lived experiences. Interpretivism allows exploration of stakeholder interpretations and contextual realities concerning forum disruptions. This paradigm supports the use of a qualitative, phenomenological design, enabling deep inquiry into a complex social phenomenon rooted in power, exclusion, and coercion.

3.3 Sampling Strategy

3.3.1 Target Population

The target population consists of professionals in the South African construction industry who have direct experience with business forums. This includes contractors, project managers, developers, engineers, and government officials who have encountered disruptions, threats, or extortion related to these forums. The research also targeted law enforcement agencies employees such as SAPS and NPA (National Prosecuting Authority) officials.

3.3.2 Sampling Method

A purposive sampling technique was used, ensuring that only relevant individuals with direct experience were included. According to Guest, Bunce, and Johnson (2006), purposive sampling is appropriate for qualitative studies where expert opinions and lived experiences are central to the research.

The sample consists of 20 respondents, chosen based on the principle of data saturation, which is commonly reached when new data no longer provides additional insights (Fusch & Ness, 2015). Previous qualitative studies have used saturation points between 15-20 interviews as a benchmark (Mason, 2010).

The breakdown of respondents is as follows:

- 6 Contractors (Directly impacted by business forum disruptions)
- 4 Developers & Clients (Faced financial and operational risks)
- 3 Government Officials (Responsible for law enforcement and policy)
- 3 Project Managers (Faced project delays due to business forum interventions)
- 4 Engineers & Consultants (Dealt with site disruptions and safety issues)

3.4 Data Collection

3.4.1 Semi-Structured Interviews

Data was collected through semi-structured interviews, allowing flexibility in exploring respondents' unique experiences while ensuring consistency in key themes (Kallio et al., 2016). Open-ended questions were used to gather detailed insights on:

- The extent of business forum disruptions in construction.
- The methods used by forums to infiltrate projects.
- The economic, operational, and safety impacts of these disruptions.
- The role of government and enforcement agencies in managing the crisis.
- Potential solutions for mitigating the issue.

3.4.2 Interview Process

- Interviews were conducted face-to-face or via online platforms (Zoom, Microsoft Teams) due to logistical constraints.
- Each interview lasted between 45–60 minutes, allowing in-depth discussion.
- Interviews were recorded (with consent) and transcribed for analysis.

3.4.3 Ethical Considerations

To maintain research integrity and protect participants, the following ethical measures were applied:

- Informed Consent: All participants were informed about the study's purpose, and written consent was obtained.
- Confidentiality & Anonymity: Respondents were assigned codes (e.g., R1, R2) instead of names to protect their identities.
- Voluntary Participation: Participants were assured of their right to withdraw at any time without consequences.

The study adhered to research ethics guidelines as outlined in the Belmont Report (1979) and complied with the institutions ethics approval.

3.5 Data Analysis

3.5.1 Thematic Analysis

Data was analysed using thematic analysis, a widely recognised method for identifying patterns and themes in qualitative research (Braun & Clarke, 2006). Thematic analysis involved the following steps:

1. Familiarisation – Reading and re-reading transcripts to identify recurring themes.
2. Coding – Assigning codes to meaningful phrases related to business forum activities.
3. Categorisation – Grouping similar codes under broader themes.
4. Interpretation – Analysing patterns and drawing conclusions based on existing literature

3.5.2 Data Triangulation

To enhance credibility and reliability, data triangulation was employed, ensuring consistency across:

- Different sources (contractors, developers, government officials).
- Multiple data collection methods (interviews, literature review, industry reports, articles).
- Cross-verification with government reports and legal documents.

This approach reduces bias and increases the trustworthiness of findings (Lincoln & Guba, 1985). In addition to semi-structured interviews, the study incorporated secondary data such as industry reports, regulatory policies, and news articles on forum-related disruptions. This triangulated approach strengthened the credibility of the findings by cross-verifying interview data against documented evidence.

3.6 Validity and Reliability

Ensuring validity and reliability is crucial in qualitative research. The study implemented:

- Credibility: Member checking was used, where transcripts were shared with respondents for accuracy verification.
- Transferability: A detailed description of the research context allows future studies to apply findings to similar settings.
- Dependability: An audit trail of interview transcripts, coding processes, and notes was maintained.
- Confirmability: Researcher bias was minimised by cross-referencing industry reports and policy documents.

3.7 Limitations of the Study

While the study offers valuable insights, certain limitations must be acknowledged:

- Limited sample size: The study focused on 20 respondents, which, while sufficient for saturation, may not capture all regional variations as almost all the participants were from KZN (simply due to the fact that this has been identified as the hotspot for business forum activities throughout the country)
- Potential bias: Some participants may have withheld information due to safety concerns, when requesting interviews at first the participants were on board but closer to time of the interviews there was a lot of resistance in participation from those who had initially agreed)
- Lack of quantitative data: The study relies solely on qualitative analysis; future research could integrate statistical approaches to enhance findings.

3.8 Summary

The qualitative research design of the study was described in this chapter, with a focus on its applicability for examining intricate social phenomena in the construction sector (Creswell & Poth, 2018). To ensure the gathering of rich, contextually grounded data, individuals with relevant industry experience were chosen using a purposive sample technique (Patton, 2015). To enable in-depth conversations and balance participant viewpoints with researcher direction, semi-structured interviews were used (Bryman, 2016).

A thematic analysis approach (Braun & Clarke, 2006) was used to analyse the data, which made it easier to find recurring patterns and insights. To improve validity and reliability, triangulation was applied by comparing interview data with industry reports and earlier research (Denzin & Lincoln, 2018). Strict ethical guidelines were followed throughout the investigation in order to guarantee participant anonymity, informed consent, and researcher reflexivity (Tracy, 2010).

In order to preserve transparency, study limitations were also highlighted, including possible biases in participant selection and restrictions pertaining to self-reported data. The results and analysis are presented in the next chapter, which also maps new themes to previously published works to help readers obtain a better knowledge of business forums in the South African construction sector.

Chapter 4: Analysis and Findings

4.1 Overview of Respondents and Sampling Strategy

This study interviewed 20 respondents who represent key stakeholders in the South African construction industry. In qualitative research, data saturation is generally reached when recurring themes emerge across multiple interviews (Guest, Bunce, & Johnson, 2006). The selection of participants was purposeful to ensure a comprehensive representation of industry perspectives.

The respondents included project managers, engineers, small contractors, municipal officials, procurement officers, and law enforcement representatives. Their insights provided a holistic view of the role of business forums in the industry, particularly in relation to economic inclusion, corruption, and law enforcement challenges.

Four project managers who were in charge of managing relations with business forums about work distribution and conflicts and supervising large-scale construction projects were among those interviewed. The disruption of construction sites and the impact these forums have on technical project execution were discussed by three engineers. Five emerging contractors were also included in the study; these contractors encounter major obstacles in obtaining contracts as a result of both forum-imposed demands and exclusionary behaviours. Three procurement officers elaborated on adherence to transformation principles, while three municipal officials shared their perspectives on government procurement policies and law enforcement collaboration. Last but not least, two law enforcement officials talked about institutional constraints, policing initiatives, and justice system corruption.
The diversity of this sample ensures that the study captures the complexity of business forums' impact on the construction industry from multiple viewpoints.

4.2 Keys themes to topic

The primary contributors of the growth of business forums in the construction industry were found to be unemployment and economic isolation. According to a number of responses, those who have trouble finding work frequently turn to these forums in order to acquire financial prospects. In particular, small contractors voiced their dissatisfaction with an industry that still favours well-established, well-connected businesses, leaving little opportunities for them to penetrating the market. Armstrong and Meyer's (2022) investigation

on economic marginalisation as a driving force behind disruptive business practices is consistent with this.

Furthermore, a number of respondents cited policy misunderstandings and regulatory gaps as factors that facilitate forum activity. Due to a misconception of the Preferential Procurement Regulation (2017), it is believed that all projects, including private developments, must adhere to the requirement that 30% of public contracts be given to designated groups. According to procurement officers, when these expectations are not fulfilled, the uncertainty surrounding this rule encourages entitlement and the ensuing disruptions.

Municipal officials emphasised the power of political networks, admitting that certain forums are supported by politically connected people. This influence frequently causes law enforcement to be reluctant to respond, which makes it more difficult to handle disruptions in an efficient manner.

4.2.1 Corruption in the Construction Industry

The construction industry is still plagued by corruption, which can take many different forms, ranging from bribery and extortion to bid rigging and tender manipulation. Procurement officers and project managers underlined that the practice of repeatedly granting tenders to the same companies creates significant concerns regarding the procurement process's transparency. The research by Sohail and Cavill (2008), which emphasises how corruption skews fair competition in the sector, is supported by this finding.

According to a number of engineers, kickbacks and unethical behaviour are widespread, with forum leaders requesting bribes in order to allow construction sites to continue operations. Sometimes businesses have to pay "security fees" to make sure their initiatives don't get interrupted. Law enforcement officers acknowledged that forums frequently engage in protection rackets, demanding payment to prevent their own members from interfering with projects a practice reminiscent of organised crime syndicates.

4.2.2 Transformation in the Industry

The issue of transformation in the construction industry elicited divergent views from respondents. While some municipal officials and procurement officers believe that progress has been made in improving inclusivity, many small contractors and engineers argued that

genuine transformation remains limited. The sentiment among many participants was that large-scale projects continue to be awarded to established firms, with smaller, black-owned contractors relegated to subcontracting roles on low-value projects. One particular issue raised by procurement officers was the manipulation of BBBEE compliance. Some large firms appoint black shareholders in name only, without giving them meaningful financial benefits or decision-making power. This practice, commonly referred to as fronting, undermines the intended objectives of transformation policies.

4.2.3 Role of Business Forums in Transformation

Initially, business forums were established to advocate for greater inclusion within the construction industry. However, the findings suggest that many of these groups have since deviated from their original purpose. The general consensus was that forums' disruptive strategies and extortion harm genuine attempts at change, even if some respondents admitted that they had been successful in bringing attention to concerns of economic exclusion. Many forums prioritise achieving quick financial gains for their members over advocating for systemic change, frequently at the expense of industry stability. Short-term financial benefits frequently trump long-term transformation in forum operations, according to a number of business development officials. The legitimacy of business forums as change agents is weakened by this discrepancy between advocacy and enforcement.

4.2.4 Law Enforcement’s Capacity to Handle Forum Disruptions

The study also focused on the role of law enforcement in dealing with forum disruptions. The absence of specialised training and cooperation amongst law enforcement agencies when handling issues pertaining to construction was a persistent issue. According to the respondents, a large number of officers lack a thorough understanding of the legal nuances of procurement regulations, which hinders their capacity to successfully enforce compliance.

In addition, law enforcement officers acknowledged that a culture of impunity is fostered by varying legal repercussions for disruptions related to forums. Ineffective prosecution tactics frequently lead to few consequences, even in cases where arrests are made. Due to a lack of evidence or a failure to follow up in court, people detained for site invasions or intimidation are frequently released within days, according to municipal officials.

Table 4.1: Summary of Findings from Respondent Interviews

Respondent Category	Key Concerns Identified	Common Themes	Suggested Solutions
Contractors (6 respondents)	- Business forums disrupt projects with violence and extortion. - Increased costs due to security measures. - Delay in project timelines due to forced work stoppages.	- Security threats. - Project delays and financial losses. - Poor enforcement of laws against forums.	- Strengthen security protocols. - Government intervention and stricter law enforcement. - Increased transparency in awarding contracts.
Developers & Clients (4 respondents)	- Intimidation and coercion by forums. - Difficulty in obtaining law enforcement assistance. - Projects abandoned due to financial risks.	- Lack of legal recourse. - Risk of capital loss. - Impact on investor confidence.	- Establish legal mechanisms to combat extortion. - Industry-wide collaboration to push for stricter policies. - Strengthening of contractor associations.
Government Officials (3 respondents)	- Lack of clear policies on business forums. - Corruption within municipalities enabling forums. - Struggles with enforcing existing regulations.	- Regulatory gaps. - Corruption and bribery. - Limited governmental resources.	- Policy reform to regulate forum activities. - Zero-tolerance approach to bribery. - Improve law enforcement efficiency.
Project Managers (3 respondents)	- Unpredictable work stoppages causing financial strain. - Pressure to include forum members in projects.	- Operational risks. - Disruptions affecting project completion. - Increased project costs.	- Stronger project security management. - Collaboration with legal teams to navigate extortion risks. - Governmental oversight on forum activities.

	- Increased insurance and contingency costs.		
Engineers & Consultants (4 respondents)	- Work disruptions impacting technical execution. - Challenges in maintaining quality due to rushed work post-disruptions. - Difficulty in finding skilled labor due to intimidation.	- Compromised construction standards. - Skills shortages due to forum threats. - Increased pressure on timelines.	- Improved skills training programs. - Stronger professional body interventions. - Government support in ensuring safety on site.

Table 4.1, presented under section 4.2.4, provides a structured summary of the responses from each stakeholder category. It synthesises key concerns, recurring themes, and respondent-driven solutions. The table allows for comparative insight across groups—such as how contractors and developers differ in perceived risks, or how law enforcement and municipal officials reflect institutional constraints. This table is instrumental in consolidating findings thematically and serves as a bridge to the analytical discussion in Chapter 5.

The above summarised table of the findings of the respondents point to the following

What are the key factors contributing to the rise of business forums?

Unemployment and Economic Exclusion: Small contractors reported exclusion from major projects, often left with minimal subcontracting work.

Policy Misinterpretation: Misunderstandings around the 30% Preferential Procurement Regulation have created false expectations, especially in private sector projects.

"The big companies get everything, and we are left outside. The only way to get in is to force your way in." (Respondent 5, Contractor)

How do corruption and weak law enforcement influence forum operations?

Widespread Procurement Corruption: Tenders are manipulated and influenced by political connections or bribery, fostering a culture of entitlement.

Law Enforcement Inaction: Police often categorise forum disruptions as labour disputes, failing to classify them as economic crimes.

"Police often say it's not their job. They think it's just an employment fight." (Respondent 8, Developer)

Are business forums facilitating or obstructing transformation?

Undermining True Transformation: Forums now prioritise immediate financial gain, often at the expense of industry stability.

Fronting and Tokenism: Genuine transformation is hindered by firms manipulating BBBEE compliance without empowering marginalised stakeholders.

"It's no longer about helping small contractors. It's about getting a piece at any cost." (Respondent 11, Consultant)

What measures can regulate or neutralise forum impact?

Policy Reform: Define construction-related extortion clearly in legislation.

Targeted SME Support: Government and private sector should expand training and funding for emerging contractors.

Strengthen Law Enforcement: Establish dedicated anti-extortion units within SAPS, with construction-specific training.

4.3 Summary

This chapter has looked at the key findings from interviews with significant figures in the construction industry. The paper identifies economic hardship, corruption, and regulatory ambiguity as the primary factors sustaining the survival of business forums. Additionally, forums' legitimacy is compromised by the fact that, despite their initial objective of addressing industry transformation, their current strategies usually entail coercion and extortion. The next chapter will analyse these results in the context of other studies and offer useful recommendations for mitigating the disruptions caused by business forums.

The following are the main themes from the findings:

- Pervasive extortion and intimidation: Business forums are using force and violence to compel participation in initiatives.

- Inadequate enforcement and regulatory gaps: In order to adequately handle forum disturbances, respondents point to shortcomings in government regulation and law enforcement.
- Financial and economic repercussions: Construction projects are becoming riskier due to rising security, insurance, and legal requirements.
- Effect on industry sustainability: The long-term sustainability of South Africa's construction sector is being negatively impacted by a lack of skilled workers and a decline in investor confidence.

Chapter 5:

5.1 Interpretation of Findings in Relation to Literature

This chapter analyses the key findings by aligning them with the theoretical frameworks and recent literature. The four main themes—economic exclusion, corruption, law enforcement failures, and impacts on industry sustainability—are interpreted using the lenses of Innovation Theory, Institutional Theory, and Resource Dependency Theory. These are further enriched by perspectives from criminology, public policy, and economic sociology.

The discussion confirms that business forums are a response to systemic marginalisation, where emerging contractors are excluded from mainstream tenders and resort to coercion. This aligns with Resource Dependency Theory. Their mimicry of legitimate stakeholders (Institutional Theory) and adoption of violence (Protection Racket Theory) confirms that the state's weak regulatory and enforcement capacity is central to this issue. Implications include the urgent need for policy reform, better law enforcement, and inclusive procurement systems. Without these, the construction sector will continue to face instability, high investor risk, and reputational damage**.**

5.1.1 Economic Exclusion and Marginalisation

A recurring issue highlighted by respondents is the lack of meaningful participation for historically disadvantaged groups in South Africa's construction industry. Several respondents stated that economic exclusion is a major driver behind the rise of business forums, who argue that they are claiming a share of an industry that remains largely dominated by established firms.

"The truth is, many black-owned contractors are being sidelined. The big firms get the projects, and we are only left with subcontracting scraps. Business forums exist because government policies are failing to include us."
(Respondent 7, Contractor)

This claim aligns with findings from the Construction Industry Development Board (CIDB) Annual Report (2021/22), which revealed that black ownership in higher CIDB contractor grades (Grades 7-9) has significantly declined over the past decade. Studies by Bowen et al.

(2012) and Van Wyk (2003) also indicate that barriers to entry, lack of access to capital, and limited training opportunities for emerging contractors contribute to economic exclusion.

Literature Evidence

Theoretical frameworks, such as Resource Dependency Theory (Pfeffer & Salancik, 1978), suggest that **groups lacking access to economic opportunities** often resort to alternative mechanisms including coercion to gain entry. Business forums, in this case, may be attempting to redistribute resources they believe are unfairly monopolised

Key Findings

- *Lack of transformation*: Established firms dominate the large government tenders and they are the only ones who also dominate the private sector within the industry leaving emerging contractors at a disadvantage.
- *Misinterpretation of procurement laws*: Business forums often cite the Preferential Procurement Policy Framework Act (PPPFA) as justifying their demands, despite this law not mandating forced inclusion.
- *Potential alternative solutions*: Strengthening support for small contractors through funding mechanisms, training, and mentorship programs.

5.1.2 Corruption and Collusion in Procurement

A further significant problem brought up by respondents was corruption in procurement procedures. Contractors and project managers were among the many parties who asserted that political connections or bribery, rather than merit, are frequently used to award tenders.

"We meet all the requirements and submit appropriate bids, but then we see projects going to unqualified companies. "It's not about capability, it's about connections." (Respondent 12, Project Manager)

This is consistent with research by Zou (2006) and Chan & Owusu (2017), who found that corruption in procurement is a significant issue worldwide, with an estimated 10-30% of public infrastructure budgets lost to bribery and fraud. In South Africa, reports by Transparency International (2022) indicate that construction is one of the most corrupt sectors, where political interference often dictates contract allocation.

Literature Evidence

The Institutional Theory (DiMaggio & Powell, 1983) suggests that corruption becomes normalised within industries where regulatory enforcement is weak. A 2013 Chartered Institute of Building (CIOB) survey found that 35% of construction professionals believe bribery is commonly used to secure contracts.

Key Findings

- Political influence in procurement: A large number of firms benefit from connections rather than competitive bidding.
- Lack of transparency: Government contracts are often awarded without clear public disclosure.
- Weak anti-corruption enforcement: Regulatory bodies like the CIDB and the Public Protector's office have limited effectiveness in tackling procurement fraud.

5.1.3 Law Enforcement Failures and Impunity

The lack of police action against business forums and construction-related extortion was frequently cited as a major issue. Many respondents expressed frustration over law enforcement's reluctance or inability to intervene effectively.

"The police don't take business forums seriously. When we report threats or site invasions, they tell us it's a labour dispute, not a crime." (Respondent 3, Developer)

A 2022 Armstrong & Meyer report found that over 86% of construction-related complaints involve site invasions and violent intimidation, yet law enforcement often dismisses these as labour disputes. The Qhobosheyane Research Report (2023) highlights that police view these incidents as political rather than criminal, further enabling business forums to act with impunity.

Literature Evidence

According to the Broken Windows Theory (Wilson & Kelling, 1982), outward manifestations of disorder, including vandalism or little transgressions, foster an atmosphere that can lead to more serious crimes. Unresolved minor infractions, including illicit subcontracting in

construction or unauthorised site invasions, foster a larger culture of lawlessness and encourage more criminal activity (Kelling & Coles, 1996). This idea has been widely used in urban studies and criminology to show how unchecked deviant behaviour can increase in a variety of industries, including the construction sector.

According to Mukumbwa and Muya's (2013) research on corruption in Zambia's construction industry, organised crime networks are strengthened by lax enforcement, which fosters an atmosphere in which bribery, fraud, and collusion are accepted as the standard. Their findings are in line with research by Wells (2014), who made the case that corrupt practices are made worse by inefficient governance of construction projects, particularly in developing nations, which results in delays, financial losses, and reduced safety standards. Furthermore, Transparency International (2021) emphasises that when regulatory oversight is inadequate, sectors with high degrees of informality—like construction—are especially susceptible to systemic corruption.

These findings have important ramifications, a permissive culture that promotes the further entrenchment of fraudulent operations arises in environments where site invasions and unlawful subcontracting are accepted. According to research by Locatelli et al. (2017), proactive monitoring and strict compliance procedures can dissuade more serious transgressions by addressing small ones. Therefore, enhancing law enforcement in the construction sector involves more than just taking punitive measures; it also entails developing a regulatory culture that places a high value on moral behaviour and professional responsibility.

Key Findings

- Failure to classify extortion as a criminal act: Authorities treat business forums as labour movements rather than organized crime.
- Low conviction rates: Even when arrests are made, few cases result in prosecution.
- Need for specialized enforcement: Dedicated anti-extortion units may be required to tackle construction-related criminality.

5.1.4 Impact on Industry Sustainability and Investment

The combined effects of economic exclusion, corruption, and law enforcement failures are leading to declining investor confidence in South Africa's construction sector. Many respondents believe that ongoing disruptions are discouraging foreign and local investment.

"Who will want to invest in a country where construction sites are hijacked? We've already seen major projects halted because of this nonsense."
(Respondent 17, Engineer)

According to the World Bank (2023), uncertainty caused by instability in important industries, such as construction, deters foreign direct investment (FDI). According to the UNCTAD World Investment Report (2023), geopolitical concerns and economic uncertainty were major factors in the 12% drop in global FDI in 2022. Evidence indicates that investment in infrastructure projects is especially sensitive to governance issues and economic instability, even though construction-specific data vary (UNCTAD, 2023). Persistent disruptions in South Africa, like site invasions and unclear regulations, make investors more hesitant and restrict the flow of capital into the industry.

According to the Construction Industry Development Board's (CIDB) Annual Report (2022/2023), there is a serious risk to employment and economic growth from the construction industry's continued volatility, which includes budget cuts and project delays. According to studies by Osei (2013), local companies suffer when construction projects are frequently delayed or involve legal ambiguities, which results in a large loss of jobs and lower sectoral GDP contributions. Furthermore, Transparency International (2021) highlights that sectors like construction that have lax regulatory monitoring are more susceptible to corruption and inefficiencies, which discourages long-term investment even more.

Addressing these issues is essential because South Africa's construction industry is a major contributor to the country's economic activity (StatsSA, 2022). According to Locatelli et al. (2017), robust governance frameworks, rigorous enforcement of rules, and investor-friendly policies are necessary for risk mitigation in the industry. In addition to being a top economic priority, stabilising the construction sector is strategically essential to promoting sustainable development, safeguarding jobs, and boosting investor confidence.

Literature Evidence

The Cost of Corruption in Construction study by the CoST Programme (2023) estimates that up to $6 trillion is lost annually worldwide due to inefficiencies and mismanagement in the industry. If business forums continue disrupting projects, South Africa risks losing billions in potential investments

Key Findings

- Decline in local and foreign investment: Investors are reluctant to commit to projects amid instability.
- Rising project costs: Increased security and insurance expenses are making construction unprofitable.
- Threat to job creation: If the trend continues, thousands of workers could be displaced.

5.2 Implications for Theory and Practice

The results show that the problems facing South Africa's construction industry are intricately linked. Business forums are growing as a result of economic marginalisation and a lack of change, but the issue is made worse by corruption and ineffective law enforcement. The industry is at a turning point, and if reforms are not implemented, there may be long-term infrastructure and economic collapse. A number of crucial steps need to be made in order to address the urgent issues facing South Africa's construction sector.

Establishing specialised anti-extortion task teams tasked with addressing disruptions connected to business forums is one way to strengthen regulatory enforcement, which is important. At the time of completing this report, it appears that the KwaZulu-Natal South African Police Service (KZN SAPS) has established a specialised task force dedicated to addressing this phenomenon. Preliminary indications suggest that this initiative is yielding positive outcomes, as numerous arrests have been made, and legal proceedings against individuals involved in business forum-related activities are currently underway. Notably, at the outset of this research, individuals affiliated with business forums were generally willing to participate in interviews. However, due to recent law enforcement interventions, many who had initially agreed to be interviewed are now reluctant to engage, fearing association with these groups. This development further reinforces the argument that inadequate law

enforcement has played a significant role in enabling the proliferation and persistence of such organisations.

At the same time, increasing procurement openness by making tender procedures publicly available will aid in the decrease of corruption and guarantee fair competition. Furthermore, encouraging industry change by increasing funding and offering focused assistance to up-and-coming contractors will result in more equitable economic prospects and lessen the rationale for unlawful interruptions. Last but not least, promoting private sector participation by working with industry stakeholders can reduce risks, enhance security protocols, and boost long-term investment confidence. Large-scale infrastructure projects become increasingly impractical and unsustainable if these issues are not addressed right away, putting the construction industry at danger of additional instability.

Chapter 6:
Conclusion and Recommendations

6.1 Summary of Key Findings

The objective of business forums in the South African construction sector was examined in this study, with special attention paid to their role in extortion, project disruption, and wider consequences for infrastructure development. According to the study, business forums have used lax regulatory enforcement to bolster their claims to a share in construction projects. Project delays, higher security-related expenses, and a drop in confidence among investors have all come from this. The report also emphasised how difficult it is for law enforcement to adequately handle these interruptions, which exacerbates industry volatility.

The results are consistent with earlier research by the Construction Industry Development Board (CIDB) and Armstrong & Meyer (2022), which revealed pervasive corruption and inefficiency in the industry. However, by including first-hand reports from professionals in the field, this study contributes to the conversation by offering qualitative insights into the workings of business forums and the direct effects they have on developers, contractors, and project managers.

Recommendations

6.1.1 Strengthening Law Enforcement and Prosecution

- ***Criminalisation of Construction Extortion*:** Parliament should amend existing laws to classify construction extortion as economic sabotage, warranting harsher penalties for perpetrators
- ***Dedicated Task Force**:* A specialised anti-extortion unit should be established within the Directorate for Priority Crime Investigations (DPCI, Hawks) to focus on construction-related crimes.
- ***Witness Protection Programs**:* Contractors and developers should be offered legal protection when reporting extortion attempts.

6.1.2 Reforming Procurement Policies

- ***Enhancing Transparency:*** Digital tracking of subcontracting allocations should be introduced to prevent fraudulent claims under the 30% rule.
- ***Strengthening Oversight Mechanisms:*** Municipalities should require direct vetting of subcontractors to prevent coercion by forums.

6.1.3 Promoting Genuine Economic Transformation

- ***Skills Development & SME Support:*** Government and private sector partnerships should offer accredited training for emerging contractors to increase their competitiveness without resorting to coercion.
- ***Economic Inclusion Policies:*** Create targeted programs that ensure equitable access to contracts for legitimate small businesses without interference from criminal groups.

6.2 Contribution to Existing Literature

Although previous research has looked at corruption in the construction sector, including Bowen et al. (2012) and Transparency International (2005), it hasn't particularly explored the function of business forums in South Africa. This study closes that gap by showing how business forums behave as unofficial gatekeepers, using coercion to restrict access to initiatives. The study expands upon institutional theory (DiMaggio & Powell, 1983) by demonstrating how lax laws and regulations foster an atmosphere conducive to the growth of these forums. Furthermore, it contributes to resource dependency theory (Pfeffer & Salancik, 1978) by explaining how construction businesses are pushed into compliance due to their reliance on continuous project execution.

By presenting empirical evidence that business forums have developed in part as a response to historical injustices, this study also contributes to the conversation on transformation in the construction industry. Although there are transformation regulations that exist, their ineffective implementation has resulted in the use of violent and disruptive methods to enforce inclusion rather than organised and legal involvement.

6.3 Limitations of the Study

Despite the fact that this study offers insightful information, it is critical to recognise its limits. Although the study was mostly carried out in KwaZulu-Natal, a greater sample size from several provinces might improve the results' generalisability, even though the findings might represent more general national tendencies. The delicate nature of the subject also restricted access to some stakeholders, which might have limited the range of viewpoints that could be included. For a more comprehensive understanding of the problem, future studies should try to include viewpoints from business forums, legislators, and law enforcement organisations.

6.5 Suggestions for Future Research

Future research should examine comparative case studies in other areas where comparable problems exist, especially in light of the growing impact of business forums in South Africa's construction sector. Similar disruptions have occurred in nations like Kenya and Nigeria, and a cross-national review may yield more comprehensive policy recommendations. The long-term economic effects of business forum activities, such as their influence on employment, infrastructure development, and investor confidence, also require more investigation. Finally, looking into other dispute resolution procedures that might include business forums into official industry institutions without using coercion could provide workable policy answers.

6.6 Final Thoughts

Although the construction sector continues to be a vital pillar of South Africa's economic growth, business forums' disruptions are posing an increasing risk to it. The results of this study show that, despite these forums' claims to support change and inclusivity in the sector, their existing practices—which are frequently marked by violence, extortion, and illegal project disruptions—actually undermine the stability necessary for long-term success. According to this analysis, the emergence and tenacity of these groups have been greatly aided by inefficient law enforcement, widespread corruption, and the sluggish pace of industry transition.

In addition to highlighting the negative effects of business forums, our research has offered evidence-based suggestions to lessen their influence through a thorough examination of stakeholder viewpoints. The study has shown that solving this issue calls for a comprehensive and multifaceted strategy that strikes a balance between industry-wide cooperation, regulatory enforcement, policy reform, and significant economic empowerment programs for up-and-coming contractors.

Additionally, by placing the difficulties facing the South African construction sector within the larger global conversation on organised crime, corruption, and economic marginalisation, this study adds to the body of knowledge already in existence. This study adds a new perspective to the understanding of business forums as a systemic, rather than isolated, issue within the construction industry by highlighting important regulatory loopholes and suggesting reforms supported by literature and empirical evidence.

Large-scale infrastructure projects may not be feasible and unsustainable if the sector does not act quickly to prevent further destabilisation, which might result in more project delays, financial losses, and a drop in investor confidence. Therefore, it is imperative that policymakers, business executives, and law enforcement organisations collaborate to establish a just, open, and safe construction environment—one that promotes real change without jeopardising project viability, economic stability, or the rule of law.

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