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An Entrepreneurial Entity's Experience with Opportunity Realisation

by

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Master's in Business Management



University of Johannesburg

Johannesburg

South Africa

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15 January 2013



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Acknowledgements

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Abstract

Over the past ten years the insurance industry has been subject to extreme losses due to dual exposure in both underwriting and investments. Financial survival was the number one priority for many insurance firms in the aftermath of the September 11 terrorist attack in America in 2001, the natural catastrophe losses across the USA, and most recently the global financial crisis. Multinational European and North American insurance firms have been forced to focus on core business activities, and this has necessitated improvement of holistic risk and capital management of global and regional operations. Against this evolving microeconomic and managerial backdrop, multinational insurance firms withdrew from the South African insurance market in an attempt to improve financial performance by recapitalising funds to their core operations in Europe and America, and to mitigate their international risk exposure in developing countries.

This study explores the phenomenon of how an entrepreneurial entity experienced opportunity realisation within the South African insurance industry when multinational insurance firms withdrew from the South African market. This research employed qualitative case study methodology to illustrate the phenomenon under investigation. Participants of this study included a purposefully selected group consisting of 12 candidates who have been directly involved in the opportunity realisation of the entrepreneurial entity. Grounded Theory analysis allowed for insightful descriptions of opportunity realisation within the South African insurance industry.

The empirical evidence suggest opportunity realisation to be impacted by five dominant forces, namely, the South African insurance market, an entrepreneurial entity, opportunity identification, strategic development, and organisational design. Collectively, these five forces constitute the Inductive Opportunity Realisation (IOR) theory.

This study focuses on entrepreneurial behaviour to realise opportunities within the South African insurance industry. The IOR theory also highlights the important role of constructive and deconstructive entrepreneurial behaviour in realising opportunities.

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List of Abbreviations and Key Terminology

(IOR) Theory:	Inductive Opportunity Realisation Theory
CEO	Chief Operating Officer
IBNR:	Incurred but not Reserve
SAFSB:	South African Financial Services Board
UMA:	Underwriting Management Administrator
Underwriting:	Sign and accept liability
USA:	United States of America



CHAPTER 1

ORIENTATION AND INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

This study seeks to explore the phenomenon of opportunity realisation by an entrepreneurial entity within the South African insurance industry. The purpose of this case study is to explore with a sample of entrepreneurs and entrepreneurial related participants their experience and perceptions of how the entrepreneurial entity realised opportunities within the South African insurance industry. It was anticipated that the knowledge generated from this inquiry would affect new insights and so inform entrepreneurial behavioural practices. This research employed qualitative case study methodology to illustrate the phenomenon under investigation, by reviewing the XXXXX Group of Companies. Participants of this study included a purposefully selected group consisting out of 12 candidates who have been directly involved in the opportunity realisation of the XXXXX Group of Companies.

This chapter begins with an overview of the background and context that frames the study. Following this is the problem statement, the statement of purpose, and accompanying research question. Also included in this chapter is discussion around the research approach and researcher's perspectives. The chapter concludes with a discussion of the proposed importance and value of this research study, and the outline of this chapter.

1.2 BACKGROUND AND CONTEXT

Over the past ten years the insurance industry has been subject to extreme losses due to dual exposure in both underwriting and investments exposure (Hong, Min-Ming, Chuanhou & Mulong, 2012:25). The insurance industry suffered a loss of 40 billion US dollars due to the terrorist attack on the World Trade Centre on September 11, 2001 (Chen, Doerpinghaus, Lin & Yu, 2008:39; Booth, 2010:18). The industry had to bear a loss of 280 billion US dollars due to natural disasters, hurricanes Katrina, Rita and William, and most recently the global financial crises with failing bank systems and shortage in credit (Booth, 2010:18).

Financial survival was the number one priority for many insurance firms in the aftermath of the September 11 terrorist attack in 2001, the natural catastrophe losses across the USA, and most recently the global financial crisis (Ellenburger & Trussell, 2012:3). Multinational European and North American insurance firms have been forced to focus on core business activities, this necessitated improvement of holistic risk and capital management of global and regional operations (Marovic, Njegomir & Maksimovic, 2010:127). Against this evolving microeconomic and managerial backdrop, multinational insurance firms withdrew from the South African insurance market in an attempt to improve financial performance by recapitalising funds to their core operations in Europe and America, and to mitigate their international risk exposure in developing countries.

The South African insurance community has been presented with significant risk and opportunities over the past decade with the withdrawal of multinational insurance firms from this market which opened the way for increased entrepreneurial behaviour. The XXXXX Group of Companies was one such a company that was able to exploit this market opportunity. Hence, the XXXXX Group of Companies became the first re - insurance firm in South Africa to be privately owned by a group of entrepreneurs.

Entrepreneurs are repeatedly confronted with situations of uncertainty and risk, and use their cognitive decision-making process based on experience, education and knowledge to make reliable decisions with limited information in short time frames to exploit opportunities (Park, 2005:743). Opportunity is a central concept within the field of entrepreneurial activity (Shane & Venkataraman, 2000; Short, Ketchen, Shook & Ireland, 2010:40). The interaction between the entrepreneur and opportunities plays a key role in the identification and exploration of opportunities through the integration of entrepreneurial (e.g. opportunity seeking) behaviour and strategic (e.g. advantage seeking) behaviour by taking actions designed to create wealth through the materialism of opportunities (Cha & Bae, 2010:32; Groenewald, 2010:114).

Therefore, this study seeks to shed light on how the entrepreneurial entity experienced opportunity realisation within the South African insurance industry, when multinational insurance firms withdrew from the South African market.

1.3 PROBLEM STATEMENT

The formation of the XXXXX Group of Companies and the identification of its opportunities were unique in the South African insurance market. Research indicated that opportunity realisation is a fundamental aspect of entrepreneurship. Despite an observed increase in entrepreneurial activity in the South African insurance market due to changing market conditions following the withdrawal of multinational firms, there is little information that describes this phenomenon globally, and within the South African insurance context.

1.4 STATEMENT OF PURPOSE AND RESEARCH QUESTION

The purpose of this case study is to explore with a sample of 12 entrepreneurs and entrepreneurial related participants their experience and perceptions of how the entrepreneurial entity realised opportunities within the South African insurance industry due to changing market conditions following the withdrawal of multinational firms. It was anticipated that the knowledge generated from this inquiry would affect new insights and so inform entrepreneurial behavioural practices.

Resultants from the problem and purpose statement, this study poses the following research question:

How does an entrepreneurial entity experience opportunity realisation within the South African insurance industry?

The **primary objective** of this study can be stated as follows:

- i. *To understand and describe the key success factors during opportunity realisation for an entrepreneurial entity within the South African insurance industry*

The **secondary objectives** of this study can be stated as follows:

- i. *To understand and describe the formation behaviour of an entrepreneurial entity*
- ii. *To understand and describe the future key success factors of opportunity realisation for an entrepreneurial entity within the South African insurance industry*

1.5 RESEARCH APPROACH

This exploratory study focuses on the opportunity realisation by inductively reviewing the lived experience of 12 entrepreneurs and related entrepreneurial participants. As such, the study focuses on the human nature of entrepreneurship and strategic management which constructs beliefs, values, attitudes and behaviours of a South African insurance firm. This investigation represents a case study design using a qualitative research methodology by way of Grounded Theory analysis as means of deriving a descriptive narrative for opportunity realisation within the South African insurance market.

Grounded Theory is especially appropriate to this study as it addresses the “how” and the “what” of an entrepreneurial entity’s experience with opportunity realisation, and it provides a systemic, but flexible approach to data gathering and analysis based on the uniqueness and exploratory nature of the case as to develop theory underwritten in the “lived and real world experience” by the people who partake in it.

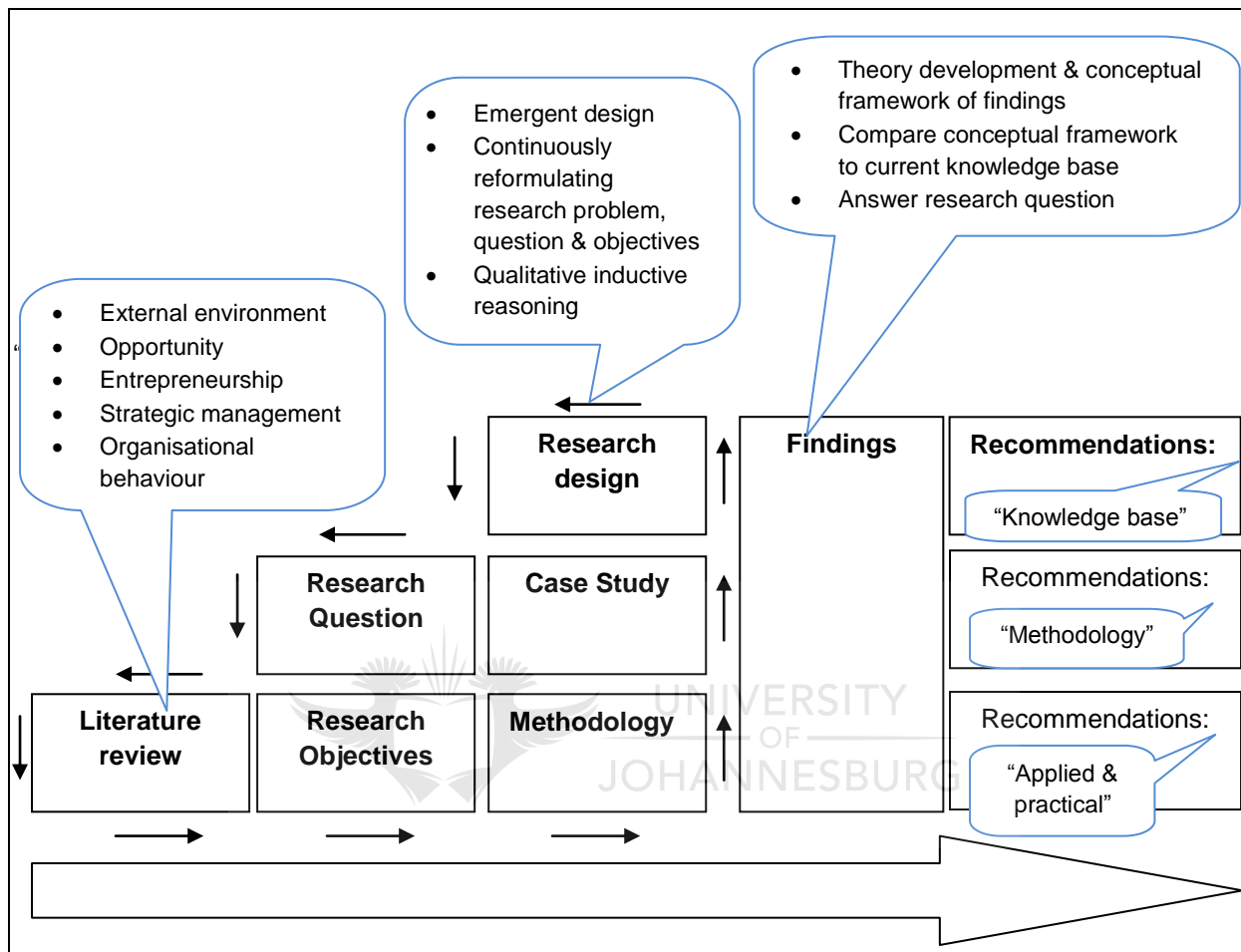
In-dept interviews were applied as the method of data collection. The information obtained from the 12 individual interviews forms the basis for the overall findings. Each interviewee is selected on their experience and specific knowledge to the case and all interviews were taped recorded and transcribed verbatim. This study was conducted within the context of a South African insurance firm at the premises of the XXXXX Group of Companies in Johannesburg.

The study included literature reviews on key concepts which are stated as the external environment, opportunity, entrepreneurship, strategic management, and organisational behaviour. The research question and objective become the outcome of an emergent design whereby data and literature are constantly reviewed as the research continues to discover and review new insight.

An inductive qualitative framework is applied to the study by making use of Grounded Theory analysis. The analysed data provides a narrative or theory for the research as to answer the research question, but is firstly compared and substantiated to current knowledge base obtained in the literature review, as to link the final conclusions with the research question and objectives. Recommendations are given on a current literature, methodology and on a practical level.

This study is exploratory and inductive in nature as to understand and describe opportunity realisation of an entrepreneurial entity and its potential value. Figure 1.1 provides a conceptual framework for this study.

Figure 1.1: Conceptualisation of this study



Source: Researcher's own construct

1.6 THE RESEARCHER

At the time of conducting this study, I as the researcher was employed at the XXXXX Group of Companies and hold a family relationship to one of the interview subjects. Thus, as the researcher, I bring to the inquiry a practical experience as a working professional within the firm, with both having knowledge and understanding of the environmental context. As the researcher, I acknowledge the value of an insider perspective, but also the liability of biasing judgements regarding the research design and the interpretation of findings.

As the researcher, I maintain commitment to engage in ongoing critical self-reflection by way of journalising through memo writing and constant dialogue with my promoter to the study. To address the subjectivity and strengthen the credibility of this study, procedural protocols are established in the form of strict Grounded Theory data collection and analysis safeguards.

1.7 IMPORTANCE AND VALUE OF THE STUDY

The contribution of this study is primarily concerned with the need to understand an entrepreneurial entity's experience with opportunity realisation within the South African insurance industry, and especially during the withdrawal of multinational insurance firms in South Africa. This contributes to the current body of knowledge concerning entrepreneurial and strategic behaviour within the South African insurance market, and especially for industries forced into rapid change. The data of this study also enables academic practitioners to evaluate the evidence against similar studies within the field of entrepreneurship as to allow for hypotheses statements and future testing.

Methodologically, this study provides insight into the effectiveness of word choice when conducting semi-structured interviews in order to make the question "stress free" to the interview subjects, and to obtain answers that contain the "lived experience" and not the "believed to be correct" answer, as to what one would typically get in an academic textbook.

At a practical level, this study aims to provide concrete recommendations to the XXXXX Group of Companies on key success factors for future and sustained opportunity realisation. The emerging theory from this exploratory and inductive case study hopes to provide valuable insights to entrepreneurs finding themselves in situations where multinational firms are withdrawing from South African industries as to exploit opportunities more efficiently.

On an applied level, due to the study's ability to identify key success factors, the theory emergent for the data becomes a tool that is used by firms to give context to operation improvement frameworks such as total quality management and value chain optimisation. This theory is easily adaptable to become a tool for conducting a competitor analysis based on the proposed key success factors of this study.

1.8 CHAPTER OUTLINE

The chapter outline of this study is as follows:

Chapter 1: Orientation and introduction to the study

An overview of the study, literature review, and the problem associated with the study are discussed. The chapter highlights the anticipated contributions and nature of the study by considering the mythology and design to be employed. The structure and chapter outline are also presented.

Chapter 2: Literature review

This chapter reviews and discusses key constructs and theories in literature regarding the aspects of external environment, opportunity, entrepreneurship, strategic management and organisation behaviour.

Chapter 3: Research design and execution

The methodological process employed in this study is discussed in detail. Aspects such as the research approach and methodology, sampling strategy and design, the data collection instruments, data coding, data analysis, and ethics are discussed. A description of the research question and objectives is re-established within the context as to redirect focus in this study.

Chapter 4: Research findings

The data findings are presented according to core categories, as detailed in Chapter 3. These findings present the feelings and experiences of an entrepreneurial entity with regard to opportunity realisation within the South African insurance industry.

Chapter 5: Discussion and theory emergent from the study

This chapter draws conclusions from the findings presented in Chapter 4, and a theory is derived from the concerning entrepreneurial entity's experience with opportunity realisation within the South African insurance industry, as suggested in Chapter 3. This chapter concludes by comparing the presented theory with existing theories and models from the literature.

Chapter 6: Recommendations and conclusions of this study

This chapter is the conclusion of this study and provides recommendations as revealed through the study. Specific recommendations are made to current literature, methodology and applied managerial implications. The limitations and areas for future research are also presented.

1.9 CONCLUSION

As an opening chapter in understanding and describing an entrepreneurial entity's experience with opportunity realisation within the South African insurance industry, this chapter describes the critical components of this study by elaborating on the background and the context of this study, problem statement, the statement of purpose and research question. This chapter also includes a discussion around the research, the researcher's perspectives, and the proposed value and significance of the study. The chapter concludes with a chapter outline for the study.

The next chapter will discuss the key literature knowledge relevant to an entrepreneurial entity's experience with opportunity realisation. The purpose of Chapter 2 is to contextualise the study based on the current academic knowledge base topics. Each key topic is organised and critically reviewed as to provide clear understanding and critique of each topic. This is done to provide a logical argument flow presented within current literature. Chapter 2 will conclude with a conceptual framework depicting categories and descriptors as found in literature, and directly relating the research objectives of this study.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

Chapter 1 introduced the research problem and objectives of this study. The successful realisation of opportunities leads to business growth, or new business creation, but many internal and external factors impact on the realisation of opportunities.

This chapter introduces and contextualises the construct of opportunity. As described in the previous chapter, this chapter introduces the context in which this study is undertaken. This entails, firstly defining the concept of opportunity by reviewing the nature of opportunity through different theoretic approaches. It secondly presents the context in which opportunity occurs by means of identifying and reviewing factors that impact on opportunities, such as the drivers of opportunity, moderator of opportunity, and strategic entrepreneurial process. Thirdly, the chapter presents an overview of organisational aspects and human capital that impact on opportunity realisation as depicted in organisation behaviour literature. Fourthly, the outcome of successful opportunity realisation is discussed. The purpose of this chapter is therefore to review and define the context of this study.

2.2 INSURANCE MARKETS

Over the past ten years the insurance industry has been subject to extreme losses due to dual exposure in both underwriting and investments exposure (Hong *et al.*, 2012:25). The insurance industry suffered a loss of 40 billion US dollars due to the terrorist attack on the World Trade Centre on September 11, 2001 (Chen *et al.*, 2008:39; Booth, 2010:18). The industry had to bear a loss of 280 billion US dollars due to natural disasters, hurricanes Katrina, Rita and William and most recently, the global financial crises with failing bank systems and shortage in credit (Booth, 2010:18).

Following a catastrophic event, insurers face large loss payouts, leading to depletion of capital (Chen *et al.*, 2008:42; Hong *et al.*, 2012:25). The demand for additional capital is both immediate and industry wide, resulting in increases in the cost of capital (Chen *et al.*, 2008:42).

Research indicates that the catastrophic losses and global financial turmoil negatively impact on all aspects of insurance firms' business and suggest the need to focus on core business activities and the necessity of further improvements of holistic risk and capital management of global and regional insurers with the aim to overcome problems imposed by financial crisis (Marovic *et al.*, 2010:127). The global financial crisis generally refers to business cycle contracting and slowdown activity over a long period of time (Ashraf & Sharma, 2011:49). Against a shifting macro-economic and political landscape, these forces create both opportunities and threats for an insurance firm (Brimble, Stewart & De Zwaan, 2010:71).

2.3 DEFINING OPPORTUNITY

Opportunity is a central concept within the field of entrepreneurial activity, and without an opportunity, there is no entrepreneurship (Shane & Venkataraman, 2000; Short *et al.*, 2010:40). Despite the emergence of opportunity as a central concept for entrepreneurship researchers, contrasting views exist about the definition and the nature of opportunities (Short *et al.*, 2010:41).

2.3.1 The nature of opportunity

Given the importance of the opportunity concept within entrepreneurial research, it is important to review the functional differences in theoretical perspectives when using the term 'opportunity' (Short *et al.*, 2010:41).

- ***Cognitive psychology***

The study field of cognitive psychology defines opportunity as a creative process whereby entrepreneurs identify and exploit opportunity based on the entrepreneur's cognitive ability to link the identification and exploitation of such opportunities (García-Cabrera & García-Soto, 2009:169).

Westhead, Ucbasaran and Wright (2009:659) describe opportunity as the creation or purchase of a business, and state that habitual entrepreneurs with prior experience are reported to have higher information search intensities and have identified more business opportunities than novice entrepreneurs. Human capital and cognitive theories suggest that highly educated and experienced entrepreneurs pose greater information search ability, and thus identify more opportunities.

They will therefore exploit more innovative opportunities with greater wealth creation potential (Westhead *et al.*, 2009:673). Mitchell and Shepherd (2010:139) state that opportunities exist, and those entrepreneurial decision-makings about opportunities are greatly influenced by the practitioners' image of him/herself. Mitchell and Shepherd (2010:139) highlight the need for self-reflection and dialogue with others in the opportunity-recognition process as to enhance the outcome of the opportunity. Hmieleski and Baron (2008) explain that opportunity is mostly discovered, and pose that opportunity discovery is mostly influenced by the character of the entrepreneur's self-regulatory mode, as this enhances or prevents risk and uncertainty.

Ozgen and Baron (2007) found that opportunities involve the creation of new firms, and new firm creation is positively linked to informal industry networks and professional form participation of the entrepreneur. Cliff, Jennings and Greenwood (2006) postulate that opportunities involve the creation of new firms that vary in terms of innovativeness. Differences in knowledge allow individuals to identify such opportunities (Cliff *et al.*, 2006).

Table 2.1 is constructed to provide a summary of the cognitive perspectives relating to opportunity.

Table 2.1: Cognitive theoretical perspectives relating to opportunity

Source	Literature/Theory Base	Depiction of opportunity
Westhead <i>et al.</i> , (2009)	Cognitive Psychology	Opportunities are described as the creation or purchase of a business. Experienced entrepreneurs will identify and exploit more innovative opportunities that lead to greater wealth potential
Mitchell & Shepherd (2010)	Cognitive Psychology	Opportunities are created. Entrepreneurs are influenced by past failures or success, and a flexible opportunity formation process emerges
Hmieleski & Baron (2008)	Cognitive Psychology	The discovery of opportunity is influenced and characterised by an entrepreneur's self-regulatory mode with regard to risk and uncertainty

Ozgen & Baron (2007)	Social Psychology	Opportunities involve the creation of new firms. This creation is positively linked to informal industry networks and the professional form participation of the entrepreneur
Cliff <i>et al.</i> , (2006)	Cognitive Psychology	Opportunities involve the creation of new firms that vary in terms of innovativeness. Differences in knowledge allow individuals to identify such opportunities

Source: Adapted from Cliff *et al.*, (2006); Ozgen & Baron (2007); Hmieleski & Baron (2008); Westhead *et al.*, (2009:73); Mitchell & Shepherd (2010).

▪ **Entrepreneurship**

Some theoretical perspectives describe opportunity as the chance to introduce innovative goods, services or processes into the market (Short *et al.*, 2010:41). Shane (2000) states that opportunity is driven by technological change in its environment, and such changes create new processes, products, markets and new ways of organising. Eckhardt and Shane (2003) explain that opportunities present themselves alongside dimensions of changes in products or service markets. Thakur (1999) contends that opportunities exist due to demand and supply gaps, price differences, and technological substitution. Opportunities are thus influenced by the entrepreneur's access to scarce resources (Thakur, 1999). Eddleston, Kellermanns and Sarathy (2008) found that opportunities result from technological innovation and most industries vary in opportunity richness.

Table 2.2 is constructed to provide a summary of entrepreneurial theoretical perspectives relating to opportunity.

Table 2.2: Entrepreneurial theoretical perspectives relating to opportunity

Source	Literature/Theory Base	Depiction of opportunity
Shane (2000)	Entrepreneurship, Economics	Opportunity is driven by technological change in its environment, and thus creates new processes, products, markets and new ways of organising

Eckhardt & Shane (2003)	Entrepreneurship	Opportunities present themselves along dimensions of changes in product or service markets
Thakur (1999)	Entrepreneurship, Grounded Theory	Opportunities are influenced by the access to resources choice and exist due to demand and supply gaps, technology substitutes or innovation
Eddleston <i>et al.</i> , (2008)	Entrepreneurship, Resource-based View	Opportunities result from technological innovation, and industries vary in opportunity richness

Source: Adapted from Shane (2000); Eckhardt & Shane (2003:333); Eddleston *et al.*, (2008).

▪ **Business management**

Other theoretical perspectives relating to opportunity are primarily concerned with the role of opportunities in creating new ventures (Short *et al.*, 2010:41). Shane (2000) states that technological innovation creates opportunities for new firm creation. Choi and Shepherd (2004) opine that new firm creation could exploit opportunities caused by changing consumer demands. Baron and Ensley (2006) and Gruber (2010) explain that opportunities involve new products or services that lead to the creation of new business.

Table 2.3 is constructed to summarise business management theoretical perspectives that focus on the role of opportunity in creating new ventures.

Table 2.3: Business management theoretical perspectives relating to opportunity

Source	Literature/Theory Base	Depiction of opportunity
Shane (2000)	Business Management, Innovation	Technological innovations in the market environment can create opportunities for new firm creation
Choi & Shepherd (2004)	Business Management, Resource-based View	Opportunities exist when there is customer demand for new products. Venture creation could exploit this opportunity

Baron & Ensley (2006)	Business Management	Opportunities involve new products or new services that lead to the creation of new business
Gruber (2010)	Business Management	Opportunities are exploited by the creation of new firms
Eckhardt & Shane (2003)	Business Management	Opportunities can be seen as “ <i>situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends or means-ends relationships</i> ”

Source: Adapted from Shane (2001); Eckhardt & Shane (2003:336); Choi & Shepherd (2004); Baron & Ensley (2006); Gruber (2010).

The cognitive psychology, entrepreneurial and business management theoretical perspectives relating to opportunity have identified the following important factors:

- ***Opportunity can be viewed as creative process:*** Opportunity can be viewed as the product of a creative process that links opportunity identification and opportunity exploitation, which is gradual over time and that, is dependent on the personal attributes of the entrepreneur (Short *et al.*, 2010).
- ***Opportunities are created:*** Opportunity is created by changing market conditions. Disequilibrium in the current market environment brings the opportunity to introduce innovative goods, services or process (Short *et al.*, 2010).
- ***Opportunity leads to new firm creation:*** Opportunity becomes a role player in creating new ventures and leads to wealth creation (Short *et al.*, 2010).
- ***Opportunity leads to new relationship formation:*** Opportunity is a chance to introduce new goods, services, raw materials, markets and organising methods through the formation of new means, ends or means-ends relationships when pursuing opportunities (Short *et al.*, 2010).

The different theoretical perspectives on the construct of opportunity can thus either be seen as concrete realities or as the enactment of an entrepreneur's unique vision (Alvarez & Barney, 2007 in Short *et al.*, 2010:54). The variances in theoretical perspectives relating to opportunity have shaped three dominant views of the opportunities construct (Alvarez & Barney, 2007 in Short *et al.*, 2010:54).

2.3.2 Dominant view relating to opportunity

The three dominant views of the opportunity can be identified and described as follows:

▪ ***Allocative view***

The allocation view perceives opportunities to exist when there is potential to redistribute resources for the betterment of some without making others worse off (also known as the *pareto improvement*) (Cohen & Winn, 2007:32).

The allocation view (Lehner & Kansikas, 2012:33) asserts that:

- Opportunities arise from inefficient allocations in the market by moving to pareto superior allocations.
- Information is readily available and networks are known or seen as a random process that an economic agent could fulfil.
- The focus therefore lies on the system and not on individuals.
- Uncertainty is managed through diversification.

▪ ***Discovery view***

The discovery view suggests that opportunities arise from information asymmetries with respect to the true value of resources and resulting value of the combination of those resources in outputs (Cohen & Winn, 2007:32).

The *discovery view* (Lehner & Kansikas, 2012:33) asserts that:

- Opportunities are searched for and found, and targeted through correcting the problems recognised.
- Available information is shared imperfectly amongst involved actors.
- Experiments are made in order to manage changes and uncertainties
- Tools need to be employed to manage failure in innovation process.

- Depending on the nature of the discovery, only one side is known either supply or demand.
- The discovery view emphasises the fact that strategies are vital to succeed in competition.
- The market is seen as being alive and in flux.

▪ **Creative view**

The *creative view* (tied to opportunity creation) suggests that entrepreneurship seeks to maximise the utility function of multiple stakeholders and that opportunities can only truly be identified ex-post (Cohen & Winn, 2007:32).

The *creative view* (Lehner & Kansikas, 2012:33) asserts that:

- The creative process view focuses on decision-making.
- Creative thinking brings entrepreneurial opportunities through innovations.
- Information and possible networks are unknown or only partially recognised.
- Entrepreneurial actions like effectuation are used to manage uncertainty.
- Through creative processes and intense interaction and knowledge on managing conflicts are built up.
- Creative challenges pre-assume assets and values in the competition.

Table 2.4 is constructed to summarise the dominant views of opportunity.

Table 2.4: Summary of dominant views on entrepreneurial opportunity

View	Description
Allocative view	<ul style="list-style-type: none"> ▪ Opportunities arise from inefficient resource allocations in the market ▪ Focus is on system improvements and not on individuals ▪ Uncertainty is managed through diversification ▪ The allocation view is strongly linked to the opportunity recognition process
Discovery view	<ul style="list-style-type: none"> ▪ Opportunities are discovered when searching for problems ▪ The discovery view regards organisational strategies as vital for organisation success ▪ Innovation process can be used as a management tool to improve organisational success

	<ul style="list-style-type: none"> ▪ The discovery view is strongly linked to opportunity creation process
Creative view	<ul style="list-style-type: none"> ▪ Entrepreneurs seek to maximise decision-making by using innovation techniques to be become more creative ▪ Creative thinking brings entrepreneurial opportunities through innovations, and creative process increase knowledge ▪ Entrepreneurial actions like effectuation are used to manage uncertainty ▪ The creative view is strongly linked to opportunity creation processes

Source: Adapted from Cohen & Winn (2007:32); Lehner & Kansikas (2012:33).

2.3.3 Ideas and dreams as potential opportunity

The opportunity concept requires consideration of two more related concepts, namely ideas and dreams, both of which may or may not evolve into opportunities (Short *et al.*, 2010:54).

- **Ideas:** Ideas are a function of creativity and learning; however, ideas lead to potential opportunities only if carefully vetted and developed (Dimov, 2007; Hsieh *et al.*, 2007 in Short *et al.*, 2010:54).
- **Dreams:** Dreams are aspirations whose connection to bona fide opportunities remains undefined (Ardichvili *et al.*, 2003 in Short *et al.*, 2009:54). Entrepreneurial dreams often centre on non-economic goals, such as gaining autonomy, improving society and creative expression (Rindova, Barry & Ketchen, 2009 in Short *et al.*, 2010:54). In these cases, ambiguity surrounds the ability to become economically viable (Short *et al.*, 2010:54).

The argument that ideas and dreams are pressures to entrepreneurial opportunities is consistent with Kirzner's (1997) suggestion in Short *et al.*, (2010:54) that alert individuals come upon opportunities by surprise. These surprises are not inherently opportunities, but rather they become opportunities via evaluative processes such as the assessment of risk and uncertainty (Short *et al.*, 2010:54).

2.3.4 Conceptualising a working definition of opportunity

From the preceding literature, the nature of opportunities draws attention to three main issues: the discovery versus creation of opportunities, temporal market dynamics surrounding opportunities, and the evolution of ideas and dreams into opportunities (Short *et al.*, 2010:55). To capture all three aspects, Short *et al.*, (2010:55) delineated the following definition of an opportunity:

“An opportunity is an idea or a dream that is discovered or created by an entrepreneurial entity and that is revealed through analysis over time to be potentially lucrative”.

2.4 FACTORS IMPACTING ON OPPORTUNITY

The factors impacting on opportunity can be classified according to the drivers of opportunity, the moderators of opportunity, and strategic entrepreneurship processes.

2.4.1 Drivers of opportunity – What drives opportunity?

The drivers of opportunity can be seen as the cognitive process of the entrepreneur, team processes and organisation learning available in evaluating and exploiting opportunities (Short *et al.*, 2010; Lehner & Kaniskas, 2012:37).

- ***Cognitive process, self-efficacy***

The recognition of business opportunities should be understood as a cognitive process or process through which individuals identify opportunities (García-Gabrera & García-Soto, 2009:169). Academic scholars such Muzychenko (2008:371) have also found strong links between opportunity identification and self-efficacy. Self-efficacy is a theoretical construct grounded in social cognitive theory which emphasises the reciprocal causation between behaviour, cognition, and other personal factors and the environment (Muzychenko, 2008:371).

The cognitive process thus becomes a key element in linking the identification and possible future development of opportunities (Short *et al.*, 2010:55), and entrepreneurs who discover opportunities are contingent of “prior information necessary to identify opportunities”, and have the “cognitive properties necessary to value it” (Shane & Venkataraman, 2000:222).

Opportunity recognition is distinctly different from the exploration of opportunities, (García-Gabrera & García-Soto, 2009:169), and will be discussed in section 2.3.3. The cognitive process and self-efficacy will be explained in section 2.4.

- ***Team process and organisational characteristics***

Gruber, MacMillan and Thompson (2012:2) found team characteristics such as diverse educational backgrounds (in terms of level of education) to have systematic advantages in identifying multiple market opportunities for ventures' growth of creation. Supporting research on top management team levels has identified a positive relation between educational diversity, corporate diversification and innovation (Gruber *et al.*, 2012:2).

- ***Organisational and experimental learning***

Organisational learning and learning processes such as preparation (learning through analysis), incubation (learning through reflection and observation), evaluation (learning through experimentation and imagination), and elaboration (learning through experiments and experiences) have the ability to decrease opportunity cost and increase opportunity identification and exploitation experience (Lehner & Kansikas, 2012:37).

2.4.2 Moderators of opportunity-related processes

Contextual characteristics such as market conditions, risk and uncertainty, and technology play a key role in determining the creation, discovery, and/or exploitation of opportunities (Short *et al.*, 2010:57).

- ***Market imperfections***

According to Cohen and Winn (2007:36), neoclassic economics has several shortcomings in its ability to “elaborate either normatively or descriptively on the existence and exploration of entrepreneurial opportunities, but the further away the market is from perfect, the further it is away from equilibrium, and the more entrepreneurial the opportunities that exist”. Market imperfections thus provide opportunities for the creation of profitable new ventures (Cohen & Winn, 2007:36).

Cha and Bae (2010:35) argue that to grow and prosper such a venture, new ventures must overcome considerable obstacles that relate to internal or external, and inevitable or occasional problems.

Table 2.5 is constructed to list and describe the different market imperfections that lead to opportunities.

Table 2.5: Market imperfections

Type of market imperfection	Description of the opportunity most likely to follow the market imperfection
Inefficient firms	<p>Markets have been operating well below the perfect efficiency equilibrated neoclassic view of perfect markets. Opportunity identification and exploitation by innovative entrepreneurs can bring the market closer to equilibrium through increased efficiency of resource allocation</p>
Externalities exist	<p>Externalities refer to that extent of exclusivity within the marker, which can be viewed as positive or negative to the bystanders.</p> <ul style="list-style-type: none"> ◆ <i>Positive externalities</i> occur when a third party benefits from the production or consumption of a good without incurring the full cost to the corresponding full value ◆ <i>Negative externalities</i> occur when a third party incurs the costs resulting from the production or consumption of products and services without receiving the equivalent benefit <p>Entrepreneurs who discover and create opportunities for the reduction of negative externalities bring the market to a more sustained equilibrium</p>
Flawed pricing mechanism	<p>Natural resources are exhaustible, undervalued and underpriced and not necessarily determined by price and demand. Innovative entrepreneurs spot current and future trends to create entrepreneurial opportunities that bring to bear the full cost of products and service and find triple-bottom solutions that displace underpriced, unsustainable resources</p>

Imperfectly distributed information	Neo classic economics suggests buyers and suppliers in a market have perfect information about prices, products and the market itself. However, no person or firm is omnipresent with regard to full knowledge and information, and hence the opportunity for innovation itself
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Source: Cohen & Winn (2007:39); Cha & Bae (2010:35).

- ***Risk and uncertainly***

Entrepreneurs are repeatedly confronted with situations of uncertainly and risk, and use their cognitive decision-making processes based on experience, education and knowledge to make reliable decisions with limited information in short time frames (Park, 2005:743).

- ***Technology***

Technology is increasingly changing to the extent that effective opportunity recognition involves embracing technology diversification on continuous bases to adapt to the market conditions and customer needs (Park, 2005:745). The fast pace of technological changes can avail opportunity in the disruptive technology, whereby inferior technology to that of the main stream market is used in less demanding applications or sold to customers not normally inclined to buy high-end products (Cohen & Winn, 2007:42).

Disruptive technologies provide opportunity for innovative entrepreneurs to enter the market and compete within that market (Cohen & Winn, 2007:42).

2.4.3 Strategic entrepreneurship processes

The interaction between the entrepreneur and opportunities can be viewed as the entrepreneurial process, and play a key role in the identification and exploration of opportunities (Cha & Bae, 2010:32). Strategic entrepreneurial processes are concerned with integrating entrepreneurial (e.g. opportunity seeking) behaviour and strategic (e.g. advantage seeking) perspectives by taking actions designed to create wealth through the materialisation of opportunities into new firm creation; firm growth of new venture development (Groenewald, 2010:114).

The strategic entrepreneurial process that enables the materialisation of opportunities can be studied by investigating opportunity identification or recognition, and the exploitation of such opportunities (Sarason, Dean & Dillard, 2006: 287; Cha & Bae, 2010:32).

▪ ***Opportunity identification and/or recognition***

Selecting the right opportunity is regarded as a key aspect in the entrepreneurial process (Park, 2005:741; Phillips & Tracy, 2007:314; Kontinen & Ojala, 2011:440).

Mitchell and Shepherd (2010:138), Vaghely and Julien (2010:75), Santos-Alvarez and Garcia-Merino, 2010:512) suggest the investigation of the following factors to gain a better insight into the process of opportunity identification or recognition:

- Prior knowledge and experience of the entrepreneur
- Social aspects of the entrepreneur
- Cognitive processing abilities of the entrepreneur

Through the exploration of the entrepreneur's sense-making mechanism and behavioural drives such as entrepreneurial intent, motivations, mindset, perceptions self-efficacy and locus of control, one will be able to gain insight into the process of opportunity identification, and possible future entrepreneur behaviour (Park, 2005:742; Muzychenko, 2008:367).

The view of entrepreneurship from a psychological or cognitive perspective will provide insight into the opportunity identification process, but will not be sufficient to fully explain opportunity identification as the relationship between the entrepreneur and the opportunity is interdependent (Sarason *et al.*, 2006:289).

Sarason *et al.*, (2006:303) suggest the use of the structuration theory to discover how entrepreneurs interpret and influence their world to attain their purposes. By studying the nature of entrepreneur-opportunity relationships through time and space, a longitudinal perspective will reveal the complex dynamics of mutual interdependence between the entrepreneur and the opportunity (Sarason *et al.*, 2006:303).

▪ ***Opportunity realisation***

Cha and Bae (2010:31) view opportunity realisation as a volatile and emergent process of transforming potentiality into actuality.

The exploitation of opportunities involves a commitment to market entry and possible advantages of first-mover advantage (Choi & Shepherd, 2004:37).

The decision to exploit opportunities will be impacted by the resource base of the entrepreneur and can be identified as follows (Choi & Shepherd, 2004:37):

- Knowledge of customer demand
- The development of enabling technologies
- Managerial capabilities
- Lead time

In order to grow and prosper, entrepreneurs must overcome the following problems (Cha & Bae, 2010:35):

- Internal or external problems
- Inevitable or occasional problems
- Technical problems

Table 2.6 provides a summary of the strategic entrepreneurial process according to opportunity identification or recognition, and the exploitation of such opportunities.

Table 2.6: Entrepreneurial opportunity activity

Entrepreneurial opportunity activity	Explanation of the strategic management process
Opportunity identification and/or recognition	<ul style="list-style-type: none"> ▪ Selecting the right opportunity is regarded as a key aspect in the entrepreneurial process ▪ Prior knowledge and experience of the entrepreneur, social aspects of the entrepreneur, and cognitive processing abilities of the entrepreneur should be studied to gain a better insight into the process of opportunity identification or recognition ▪ Through the exploration of the entrepreneur’s sense-making mechanism and behavioural drives such as entrepreneurial intent, motivations, mindset, perceptions self-efficacy and locus of control, one will be able gain insight into the process of opportunity identification and possible future entrepreneur behaviour

Opportunity realisation	<ul style="list-style-type: none"> ▪ Opportunity realisation can be viewed as a volatile and emergent process of transforming potentiality into actuality ▪ The decision to exploit opportunities will be impacted by the resource base of the entrepreneur ▪ In order to grow and prosper, entrepreneurs must overcome the following problems (Cha & Bae, 2010:35): <ul style="list-style-type: none"> ◆ Internal or external problems ◆ Inevitable or occasional problems ◆ Technical problems
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SOURCE: Adapted from Choi & Shepherd (2004:37); Park (2005:741); Sarason *et al.*, (2006:297); Phillips & Tracy (2007:314); Muzychenko (2008:367); Cha & Bae (2010:35); Mitchell & Shepherd (2010:138); Vaghely & Julien (2010:75); Santos-Alvarez & Garcia-Merino (2010:512); Kontinen & Ojala (2011:440).

The strategic entrepreneurial process is concerned with activities that lead to new business creation and competitive advantage, but the strategic entrepreneurial process does not end with the creation, but rather with the entrepreneurial exit (Cha & Bae, 2010:38, De Tienne, 2010:206). The entrepreneurial exit can be defined as the process by which the founders of privately held firms leave the firm they helped to create; they remove themselves from the primary ownership and decision-making structure of the firm (De Tienne, 2010:212).

2.5 OPPORTUNITY AND ORGANISATIONAL BEHAVIOUR ASPECTS

Individual and group behaviours that lead to the pursuit of opportunities can best be understood by reviewing literature relating to organisational behaviour, as this field of study contributes to the understanding of individual and group behaviours within a business environment, and how such behaviour relates to entrepreneurial activity and organisational success (Robbins, Judge, Odendaal & Roodt, 2009:7).

2.5.1 Individual behaviour

Gruber (2010:1150) states that individual behaviour should be classified according to certain personality traits, as such personality traits explain how people typically differ from one another in their actions, emotions and thoughts, and they typically describe the style or the “how” of behaviour. Personality traits can be divided in general and specific traits (Lukes & Ute, 2012:5) and will be discussed with specific relevance to entrepreneurship-specific personality traits.

▪ **General personality traits**

General personality traits can be studied by using the five-force model, which is an empirically well established model to describe the basis of personality (Gruber, 2010:1149; Lukes & Ute, 2012:5).

The five-force model consists of the following traits (Gruber, 2010:1149; Lukes & Ute, 2012:5):

- **Individual's openness to experience:** An individual scoring high on the openness to experience dimension can be characterised as imaginative, creative, broadminded, curious and likely to try out new solutions. These entrepreneurs are typically open to exploring new and creative ideas.
- **Conscientiousness:** Conscientiousness describes an individual's sense of responsibility, degree of organisation and advance planning, carefulness and perseverance. These entrepreneurs are found to be hard-working, organised and achievement oriented.
- **Extraversion:** Individuals with high levels of extraversion typically like to engage in social activities and talk to other people, and this should provide exposure to a large number of different stimuli that may help in the identification of alternative options. These entrepreneurs are found to be sociable, communicative, active and assertive.
- **Agreeableness:** Individuals who respect the opinions of others and do not seek confrontation.
- **Emotional stability:** These individuals do not suffer from depression, anxiety or constant stress.

Table 2.7 is constructed to provide a summary of the general dimensions according to the relevance thereof to entrepreneurial personality traits.

Table 2.7: General personality and entrepreneurial traits

General personality trait	Description of general personality trait	Entrepreneurial relevance
Openness to experience	Imaginative, creative, broadminded, curious and likely to try out new solutions	Exploring new ideas and creative (<i>open experience</i>)
Conscientiousness	Individual's sense of responsibility, degree of organisation and advance planning, carefulness and perseverance	Entrepreneurs are found to be hard-working, organised and achievement orientated (<i>highly conscientious</i>)
Extraversion	Engage in social activities, talk to other people, and this should provide exposure to a large number of different stimuli	Entrepreneurs are found to be sociable, communicative, active and assertive (<i>extraverted</i>)
Agreeableness	Individuals who respect the opinions of others and do not seek confrontation	Acting relatively independent of approval of others (<i>low agreeableness</i>)
Emotional stability	These individuals do not suffer from depression, anxiety or constant stress	Not depressed or anxious and emotionally stable

Source: Adapted from Gruber (2010:1149) and Lukes & Ute (2012:6).

Gruber (2010:1149) argues that amongst the five personality dimensions, the individual's openness to experience, conscientiousness and extraversion are like to influence the search for alternative solutions in path creation.

- **Specific personality traits**

Rauch and Frese (2007) and Rauch (2010) in Lukes and Ute (2012:7) found that specific personality traits relate more closely to the daily tasks that an entrepreneur has to accomplish in leading the organisation than general traits. Specific personality traits are better predictors of who will choose to become an entrepreneur and be successful in leading the organisation (Lukes & Ute, 2012:7).

Specific personality traits can be described as follows (Lukes & Ute, 2012:7):

- **Self-efficacy:** Self-efficacy refers to a broad and stable sense of personal competence to deal effectively with a variety of stressful situations and to persist in the face of adversity (Lukes & Ute, 2012:7). Leading and founding an organisation requires a strong belief in own capabilities and competencies, especially since entrepreneurs are likely to be confronted with uncertain situations in which decisions need to be made quickly (Lukes & Ute, 2012:7).
- **Locus of control:** Locus of control relates to beliefs in whether one is capable of engaging in certain behaviours and to beliefs regarding whether behaviours will bring about the desired results or whether results are determined by external circumstances such as luck (Lukes & Ute, 2012:7). Entrepreneurs are found to have a stronger internal locus of control than the general population (Lukes & Ute, 2012:7).
- **Personality initiative:** Refers to an individual's taking an active and self-starting approach to work and going beyond what is formally required in a given job (Lukes & Ute, 2012:8). Self starting, proactive behaviour seems critically relevant for entrepreneurs as they need to take initiative in order to set up organisations, identify and act upon opportunities before other people do, and proactively manage critical situations (Lukes & Ute, 2012:8).
- **Risk taking:** Entrepreneurs are often understood to be risk takers, as they are setting up and running organisations that involve uncertainties (Lukes & Ute, 2012:8).
- **Responsibility:** Entrepreneurs must be willing to take on responsibility for their decisions as this implies legal liability for them and for employees (Lukes & Ute, 2012:8). Entrepreneurs assume greater responsibility for the outcome of their actions (Lukes & Ute, 2012:8).

Table 2.8 is constructed to list, describe and explain each of the specific dimensions according to the relevance to entrepreneurial personality traits.

Table 2.8: Specific personality and entrepreneurial traits

Specific personality trait	Description of specific personality trait	Entrepreneurial-relevance
Self-efficacy	Personal competence to deal effectively with a variety of stressful situations and to persist in the face of adversity	Founded and leading an organisation require a strong belief in own capabilities and competencies, especially since entrepreneurs are likely to be confronted with uncertain situations in which decisions need to be made quickly
Locus of control	Relates to beliefs in whether one is capable of engaging in certain behaviours, and locus of control relates to beliefs regarding whether behaviours will bring about the desired results or whether results are determined by external circumstances such as luck	Entrepreneurs have a stronger internal locus of control than the general population
Personality initiative	Individual's taking an active and self-starting approach to work and going beyond what is formally required in a given job	Self starting, proactive behaviour seems critically relevant for entrepreneurs as they need to take initiative in order to set up organisations, identify and act upon opportunities before other people do, and proactively manage critical situations
Risk taking	Individuals who are prepared to take calculated risk and take responsibility for their risk-taking	Entrepreneurs are often understood to be risk takers, as they are setting up and running organisations that involve uncertainties

Responsibility	Entrepreneurs must be willing to take on responsibility for their decisions as they will have legal liability for them and for employees	Entrepreneurs assume greater responsibility for the outcome of their actions
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Source: Adapted from Lukes & Ute (2012:8).

Past research has found self-efficacy, personal initiative, internal locus of control, risk taking and responsibility as relevant and important to business creation and success (Lukes & Ute, 2012:7).

2.6 HUMAN CAPITAL

The behaviour and performance of entrepreneurs are shaped by their human capital profiles (Westhead *et al.*, 2009:661). Scholars such as Hood and Young (1993) in Haber and Reichel (2007:124) have successfully argued that effective entrepreneurs employ a variety of skills in areas such as financial management, accounting and marketing.

Entrepreneurial efficiency is thus highly impacted by the entrepreneur's demographic characteristics, achieved attributes, accumulated work experience and habits, as well as cognitive characteristics (Westhead *et al.*, 2009:661).

2.6.1 General and specific human capital

Westhead *et al.* (2009:661) distinguish between general and specific human capital, and describe each form of human capital as follows:

- *General human capital* is generic and has been measured in terms of an individual's age, parental background, gender and education. Managerial work experience is a key indicator of general human capital and applies to management of people and resources.
- *Specific human capital* is more limited in scope and refers to entrepreneurial experience gained from previous business ownership. Entrepreneurial skill refers to the perceived ability to create, identify and exploit opportunities. Entrepreneurial experience becomes important as it generates reputation and enables greater understanding of institutional requirements.

The differentiation of general and specific human capital allows for the classification of habitual and novice entrepreneurs (Westhead *et al.*, 2009:662).

Habitual entrepreneurs have prior knowledge of business ownership and are better equipped to accommodate and utilise additional human capital (Westhead *et al.*, 2009:662). It is therefore important to distinguish between habitual and novice entrepreneurs (Westhead *et al.*, 2009:662).

2.6.2 Educational endowment and work experience endowment

Gruber *et al.*, (2012:2) identified two types of educational endowments (educational level and education specialisation) and four types of work experience endowments (in technology, marketing, management and entrepreneurship) and found that novice and habitual entrepreneurs systematically differ in their opportunity identification behaviour. Work experience has multiple influences on the identification of market opportunities (Gruber *et al.*, 2012:19).

Both technological and marketing experience contain a negative affect according to Gruber *et al.* (2012:19), as individuals with technology and marketing backgrounds were confined and conditioned by their experience in known environments, rather than being open to the identification of novel market opportunities. Entrepreneurial and management experience are both found to have positive effects, suggesting that these generalist types of experience endowments are associated with the ability to search more broadly for opportunities (Gruber *et al.*, 2012:19).

2.7 OPPORTUNITY FULFILMENT

The importance of the opportunity concept stems from the outcome that follows the opportunity development that can be identified and described as new firm creation, new venture growth, small firm growth and creative distinction (Short *et al.*, 2010:56).

2.7.1 New firm creation

New firm creation can be described as the identification of opportunities and the establishment of a successful firm or entrepreneurial activity (Gruber, 2010:1161).

2.7.2 New venture growth

New venture growth is strongly dependant on the proactive behaviour in the opportunity discovery phase (Puhaka, 2007:45).

Proactive behaviour is an important contributor of the opportunity creation process that leads to good firm performance (Puhaka, 2007:45), and can be studied from the viewpoint of cognitive information processing ability.

The growth of new ventures through proactive behaviours stresses the development of opportunity discovery strategies by entrepreneurs (Puhaka, 2007:45). Proactive opportunity discovery strategies bring attention to scanning the competitive environment, envisioning the future and most probable trends in the business, and involving other people in this process (Puhaka, 2007:46).

2.7.3 Small firm growth

The resource-based view (RBV) explicitly looks for the internal sources of sustained competitive advantage within an organisation, and aims to explain why organisations in the same industry might differ in performance (Kraaijenbrink, Spencer & Groen, 2010:350). Choi and Shepherd (2004:390) argue that small-firm growth is the result of superior knowledge of consumer needs, fully enabled technologies, greater managerial capability and stakeholder support. The outcome of opportunity development such as small firm growth (Short *et al.*, 2010:57), allows for the competitive advantages to be identified and analysed within an organisation.

2.7.4 Creative destruction

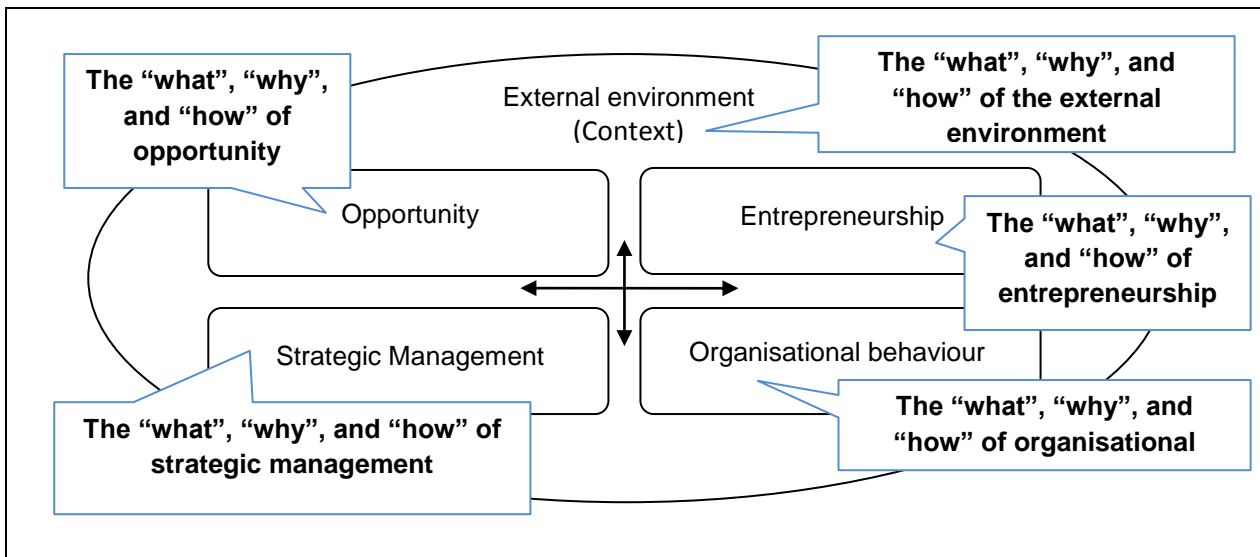
Schumpeter (1934, 1942) as cited in Spencer, Kirchhoff and White (2008:11) emphasised a process of “creative destruction where new opportunities are introduced to the market at the expense of existing ones”. The creative destruction process creates opportunities that are difficult to foresee (Short *et al.*, 2010:57), and creates corresponding changes within the entrepreneurial context.

2.8 CONCEPTUAL LITERATURE FRAMEWORK

From the preceding literature, opportunity is a central concept within the field of entrepreneurial activity and forms part of a variety of theoretical study fields.

Figure 2.1 is constructed to provide an overview of the contents discussed in this chapter, and to enable a conceptualisation of the “opportunity” construct and its imperatives within current literature knowledge.

Figure 2.1: Conceptual opportunity literature framework



Source: Researcher's own construct

2.9 CONCLUSION

From the literature review, it is clear that an opportunity is an idea or a dream that is discovered or created by an entrepreneurial entity and that it is revealed through analysis to be potentially lucrative. The realisation of such opportunities is subject to various factors impacting on that opportunity which can be identified as the drivers of the opportunity, moderators of the opportunity, and strategic entrepreneurial processes. Opportunities and opportunity realisation are greatly impacted on by individual and group behaviour. The behaviour and performance of entrepreneurs are shaped by their general personality traits, specific personality traits and human capital profile.

The importance of the opportunity concept stems from the outcome that follows the opportunity realisation in the form of small-firm growth, new venture growth or creative destruction. Chapter 3 elaborates on the methodological process employed in this study and details the specific plan followed to execute the study. Key considerations of Chapter 3 were the sampling design and strategy, the data collection instrument, and the data analysis measurement. The remainder of Chapter 3 deals with the ethical consideration during this study.

CHAPTER 3

RESEARCH DESIGN AND EXECUTION

3.1 INTRODUCTION

Chapter 2 provided an academic literature review of opportunity and four themes were proposed. Firstly, opportunity was defined as “*an idea or a dream that is discovered or created by an entrepreneurial entity and that is revealed through analysis over time to be potentially lucrative*” (Short *et al.*, 2010:55).

The second theme in Chapter 2 is the context in which opportunity occurs. The opportunity context is shaped by certain internal factors of the entrepreneur entity such as, individual cognitive abilities, team process and organisational characteristics and learning. The opportunity context is greatly impacted by external contextual issues such as market conditions, risk and uncertainty, and technology factors within the market setting of the entrepreneurial entity. The opportunity context is also influenced by the interaction between the entrepreneur entity and the opportunity, which explains the opportunity identification or recognition and the exploitation of opportunities by reviewing strategic entrepreneurial processes.

The third theme in Chapter 2 is organisational behavioural aspects and human capital that facilitate opportunity exploitation of the entrepreneurial entity. Organisational behaviour aspects and human capital of the entrepreneurial entity describe individual and group behaviours within a business environment, and how such behaviour relates to entrepreneurial activity, opportunity exploitation and organisational success.

The fourth theme in Chapter 2 describes the outcome of opportunity realisation. The importance of the outcome of opportunity realisation stems from new-firm creation, business growth, new-venture creation or creative destruction.

This chapter will describe the operational aspects in realising the study that can be stated as follows:

- Explaining the philosophical underpinnings behind the methods employed
- Providing a detailed action plan for conducting the practical research exercise
- Explaining how the actual research was conducted

Firstly, this chapter discusses the philosophical rationale behind the study by reviewing the ontological and epistemological debates surrounding opportunity so as to establish a relevant research paradigm for this study. The chapter will then assess the appropriate research method best suited for the study by reviewing qualitative research approaches relating to opportunity and entrepreneurial experience thereof.

This chapter will then address the practical issues of the study relating to the chosen research design by explained the selected sampling decision, data collection tool, capturing procedures, and the choice of an appropriate method of data analyses.

The chapter will then elaborate on the ethical considerations during the study, and the role and involvement of the researcher will be discussed within this context. The study concludes with a discussion regarding the actual research conducted. This discussion centres on personal reflections of the origin of the study, accounts relation to the fieldwork, and accounts during the analysis of the gathered field work.

3.2 RESTATING THE RESEACH QUESTION

It is necessary to revisit the research question of this study, as it reaffirms focus on the exact nature and outcomes of this study. Based on Chapter 1, the following research question was forthcoming:

How do entrepreneurial entities experience opportunity realisation within the South African insurance industry?

This implies that the study is interested in seeing and understanding opportunity realisation through the eyes of the people involved.

As such, the objectives of this research can be stated as:

- To understand and describe the formation behaviour of an entrepreneurial entity.
- To understand and describe the key success factors during opportunity realisation for an entrepreneurial entity within the South African Insurance Industry.
- To understand the future key success factors during opportunity realisation for an entrepreneurial entity within the South African Insurance Industry.

3.3 PHILOSOPHICAL FOUNDATIONS

Research is guided by a set of beliefs and feelings about the world, as well as the nature of the research enquiry that leads one to decide how it should be interpreted (Zimmerman, 2006:51). These philosophical foundations are important as they serve as crucial input to the research paradigm of this study (Goldman, 2007:51).

3.3.1 Ontology

Saunders, Lewis and Thornhill (2009:110) state that ontology is concerned with the nature of reality that is to be studied, and the assumptions that the researcher has about the way the world operates, and the commitment held to particular views. Ontology thus applies to the assumptions we make about the way in which the world works (Saunders *et al.*, 2009:110). Ontology within business and management research has the following stances towards the nature of reality (Saunders *et al.*, 2009:110):

- **Objectivism:** Objectivism holds a position that social entities exist in reality independently or externally to social actors concerned within its existence (Saunders *et al.*, 2009:110).
- **Subjectivism:** Subjectivists view that social phenomena are created from the perceptions and consequent actions of the social actors, and that this is a continuous process of social interaction, and that the social phenomena is in a constant state of revision (Saunders *et al.*, 2009:111).

3.3.2 Epistemology

Epistemology can be viewed as the researchers' assumptions about the nature of knowledge and the appropriate ways of producing such knowledge (Morgan, 2007:52). As such, epistemological stances relate to distinctive belief systems that influence how research questions are asked and answered, and take a narrow approach by concentrating on one's worldviews about issue with the philosophy of knowledge (Morgan, 2007:52).

This draws attention to the deeper assumptions that researchers make, regarding what to study and how to do so, and can be described through the following epistemic stances (Morgan, 2007:52):

- *Positivism*
- *Post-positivism*
- *Pragmatism*
- *Constructive-interpretive approach/Constructivism*
- *Participatory research*
- *Postmodernism*

The ontological and epistemological underpinnings of this study are discussed in the following section, namely the research paradigm.

3.4 THE RESEARCH PARADIGM

A research paradigm consists of a number of frameworks that determine the ultimate pattern of doing the research, and hence the development of the research method (Saunders *et al.*, 2009:108). A framework is a set of broad concepts that guide research, through a basic system of conducting research based on a configuration of interrelated set of assumptions, concepts, values, and practices that comprise a way of viewing reality (Goldman, 2007:50).

The research paradigm of this study is developed, based on the following ontological and epistemological beliefs surrounding the nature of social reality, and endeavours to gain knowledge about this social reality that is acceptable.

3.4.1 Research paradigm of this study

- *Interpretivism*

The research paradigm of this study is firstly built on interpretative view that considers the *nature of reality* as being socially constructed and subject to change over time (Saunders *et al.*, 2009:111). This interpretative position focuses on the subjective meanings of social phenomena, the detail of the situation, and the reality behind it. It also explains *acceptable knowledge* gathering on the bases of exploration and interpretation of the world as held by its participants (Zimmerman, 2006:51; Bakker, 2009:3; Saunders *et al.*, 2009:111).

- *Constructivism*

Secondly, this research paradigm is built on a constructive view that is composed of social meaning as the outcome of interaction between individuals and their context (Zimmerman, 2006:51). “Constructivism rests on the philosophical assumption that, although there may be a singular reality, people interpret reality and that there are, in effect, multiple interpreted points of view about reality as subjected to personal interpretation by individuals” (Zimmerman, 2006:51).

As such, constructivism views reality to be consciously and actively created within the minds of individuals (Garance, 2009:2). Constructivism emphasises a phenomenological approach to understanding people and the meaning of a social event (Zimmerman, 2006:51), such as the entrepreneurial entity’s experience with opportunity realisation within the South African insurance industry.

Zimmerman (2006:51) comments that we research what we believe to be knowledgeable and do so in ways that we believe will be effective in gaining access to this knowledge, both of which are reflections of our epistemological position.

By employing the interpretive and constructive paradigm, this research aims to gain a deeper understanding of the formation behaviour of entrepreneurial entities and the key success factors for opportunity identifying and exploitation within the South African insurance industry, based on the experience of those involved in the process.

3.4.2 Qualitative research approach

A qualitative research approach was chosen for this study, as its analysis was believed to deliver interpretative research that would provide insight to opportunity within the South African Insurance Industry (Evers & van Staa, 2009:5).

Qualitative research by nature is interpretive and anti-positivist, and was chosen as the research approach for this study due to the following factors (Leedy & Ormrod, 2010:135):

- **Description:**
 - Qualitative research focuses on a phenomenon that occurs in a natural real-life settings and the complexity thereof. This allows for a holistic approach to understanding social life and the meaning thereof for the people involved.

- Qualitative research reveals the nature of certain situations, settings, process, relationships, systems, or people.
- **Interpretation:**
 - Qualitative research enables the researcher to gain new insight about a particular phenomenon so as to develop new concepts or theoretical perspectives about the phenomenon and/or problems that exist within the phenomenon.
- **Verification:**
 - Qualitative research allows for the researcher to test the validity of certain assumptions, claims, theories or generalisation within a real-world context.
- **Evaluation:**
 - Qualitative research provides a means through which a researcher can judge the effectiveness of particular policies, practices or innovations.

3.4.3 Grounded Theory and the qualitative research approach

Grounded Theory refers to a set of systemic inductive methods for conducting qualitative research aimed towards building or constructing theory (Charmaz, 2012:1). The need for theory building or construction has been based on the research topic which stated:

“An entrepreneurial entity’s experience with opportunity realisation within the South African insurance industry.”

The topic itself provided difficulties, as the parameters for an entrepreneurial entity were not decisive from academic literature or the subsequent experiences thereof in realising an opportunity. Academic literature provided many insightful details surrounding the topic, but this detail had to be sourced from across academic disciplines, and was not presented in a holistic manner within entrepreneurial literature, but rather scattered, and fragmented across various other academic disciplines such as business management, economics, human resources management and even psychology.

The Grounded Theory has been proven to be scientifically reliable (Haid, 2012:1) and has considerable significance (Charmaz, 2012:2) as it:

- Provides explicit, sequential guidance for conducting qualitative research
- Offers specific strategies for handling the analytic phases of inquiry
- Streamlines and integrates data collection and analysis
- Advances conceptual analysis of qualitative data
- Legitimises qualitative research as scientific inquiry

Eriksson and Kovalainen (2008:21) stated that the Grounded Theory is especially well suited for organisational theory, where the Grounded Theory approach:

- Captures the complexity of contexts
- Links with practices, and thus organisational actions
- Enables theoretical work in new areas of organisational life
- Puts life into well established fields as an alternative view

It is also important to note that the Grounded Theory directs the researcher to take a progressively analytical and methodical stance towards the work as data collection is increasingly focused on answering analytical questions and to fill gaps in the emerging analysis (Charmaz, 2012:11). Grounded Theory strategies enable rich data gathering about specific processes and the analysis is progressively more focused and abstract (Charmaz, 2012:11). Subsequently, a Grounded Theory analysis may provide a telling explanation of the studied phenomena from which other researchers may deduce hypotheses (Charmaz, 2012:11).

The critics of the Grounded Theory have been many and criticism stems mainly from the position that the Grounded Theory holds amongst interpretative qualitative methods, and the criticism can be identified as (Eriksson & Kovalainen, 2008:25):

- Unsuitable methodological suggestions that become “rigid rules”, such as the minimum sample size to be 12
- Misperception regarding the applicability and relation of the Grounded Theory towards positivist practices, and its commitment to realism

3.5 RESEARCH DESIGN

The research design is a plan or “blueprint” of how the research is to be conducted and focuses on the end product, logic, and evidence required to address the research question (Babbie & Mouton, 2009:74).

Within the context of business management and social science research, the research design can be defined as “a master plan that specifies the methods and procedures for collecting and analysing the needed information” of how a person intends to conduct the research (Drotskie, 2009:178).

The research was conducted with a very specific setting, and a decision was made for this research to follow a case study design. Case studies are well suited for qualitative research, and especially Grounded Theory design setting, as this allows for in-dept studying of a particular phenomenon (Leedy & Ormrod, 2010:135).

3.5.1 A Case study as qualitative research design

Babbie and Mouton (2009:281) define case study research as an intensive investigation of a limited numbers of units (often one), such as an individual, a group or an institution for analysis, but with multiple variables for examination.

Aaltio and Heilmann (2009:9) refer to case study research as an empirical inquiry that allows for investigation of a contemporary phenomenon within its real-life context when the boundaries between the phenomenon and the context are not clearly evident and in which multiple sources of evidence are used.

Case studies are thus appropriate to situations in which it is not possible to separate a phenomenon’s variables from their context (Zimmerman, 2006:51). Eriksson and Kovalainen (2010:3) state several advantage of using case studies in the field of business management, and identify them as:

- ***Uniqueness***

The case study approach facilitates the examining and understanding of unique, rare and typical events and/or processes within a company.

- ***Sensitivity to social, cultural and economic context***

A possibility exists for generating new theoretical constructs and testing theory in a way that is more sensitive to the social, cultural, and economic context compared to quantitative research approaches.

A case study is composed of a social entity that can be restricted by parameters, and that uncovers a specific dynamic and relevance, revealing information that can be captured within its realms (Zimmerman, 2006:52). Data is therefore obtained from within these parameters in ways such as interviewing and observations (Goldman, 2007:71).

Cresswell (2007) states that the descriptive data of case studies is used to illustrate, support, or challenge the theoretical assumptions held prior to the data gathering process, and, as such, fits well with the purpose of the research which is to allow for practical research investigation.

The case study being investigated, as described in Chapter 1, deals with the formation of an entrepreneurial entity in 2002, who acquired experience at two international insurance companies during 2003 and 2006, and started an active insurance company within South Africa during 2005.

A case study research design is considered appropriate, as this leads to a detailed insight, and understanding of the perspectives, conceptions, experiences, interactions, or sense-making process of the entrepreneurial entity involved in the study (Eriksson & Kovalainen, 2010:2).

The major shortcomings of case study research can be noted as follows:

- ***Generalisation***

The major shortcomings of case study analyses lie within the bounded system concept, whereby findings of the research are contextualised and thus cannot be generalised to other settings than the one of the research conducted (Goldman, 2007:73). To summarise, the study took the form of an interpretative, qualitative case study.

3.6 RESEARCH METHODOLOGY

The terms research method and research methodology have been noted to be used interchangeably by various academic authors such as Goldman (2007:51) and Babbie and Mouton (2009). It should be noted that some academic authors differentiate between research methodology and research method.

For the purpose of this study, the term research methodology will be used, and refers to the research process, the kind of tools and procedures to be used when conducting the research (Babbie & Mouton, 2009:75). The research methodology will focus on individual steps in the research process and the procedures to obtain the required information of the study (Babbie & Mouton, 2009:75).

According to Silverman (2001), the goal of the research methodology is to ensure the rigour of the research, particularly, in terms of allowance for greater participant contribution to the research undertaking. Within this qualitative research context, numerous decisions had to be taken so as to ensure the scientific rigour of the research process, and will be discussed in the following section.

3.6.1 Sampling design and decisions

The actual research employed purposeful sampling, where selective sampling central to the phenomenon under study was used, and is believed to be consistent with the qualitative case study approach (Cresswell, 2007:125; Fletcher & Plakoyiannaki, 2009:7).

- **Sampling choice**

The chosen case design, as highlighted in section 3.5.1 for this research, was based on the research topic:

“An entrepreneurial entity’s experience with opportunity realisation within the South African Insurance Industry”.

The entrepreneurial entity was defined in Chapter 2 as:

“A particular and separable number of entrepreneurs who are identifiable, who form a distinct unit to create value by bringing together a unique combination of resources to exploit an opportunity”

The research sample was identified as the entrepreneurs who formed part of the entrepreneurial entity, and also any person who was involved in the opportunity realisation process. The sample size for this qualitative case study design was based on the uniqueness of the opportunity and the people involved during this process.

- **Sample size**

The total sample size for this qualitative case study design took the form of twelve semi-structured interviews as in accordance with the Grounded Theory suggestion on sampling size (Eriksson & Kovalainen, 2008:25).

The interview sample can be stated as follows:

- Three interviews were conducted with the original members of the entrepreneurial entity
- Eight interviews were conducted with people who participated in the process

Within this qualitative case study approach, the selected 12 interviews are believed to be sufficient, as this is underpinned by the epistemological stance of this study, the research question, and ability of the data to validate any statements made by the constituents of the entrepreneurial entity.

All the interviews took place at the offices of the entrepreneurial entity, and were conducted over a two-week period starting the 1st of August 2012 and ending on the 15th of August 2012.

Table 3.1 is constructed to list the twelve semi-structured interviews, and to provide a summary of demographic information regarding the interviewees.

Table 3:1 Interview demographic agenda

Number of Interviews	Interview 1	Interview 2	Interview 3	Interview 4	Interview 5	Interview 6	Interview 7	Interview 8	Interview 9	Interview 10	Interview 11	Interview 12
<i>Interview Number</i>	IA	IB	IC	ID	IE	IF	IG	IH	II	IJ	IK	IL
<i>Gender: Male (M)</i>	X	X	-	X	-	X	X	X	X	X	X	X
<i>Gender: Female (F)</i>	-	-	X	-	X	-	-	-	-	-	-	-
<i>Part of Entrepreneurial Entity</i>	X	X	-	-	-	-	-	-	-	-	X	-

Founding Member	X	X	-	-	-	-	-	-	-	-	X	-
Current Shareholder	X	X	-	-	-	-	X	-	-	-	X	-
Worked at Organisation prior to 2003	-	-	X	-	X	-	X	-	X	X	-	-
Worked at Organisation during 2003 - 2006	X	X	X	-	X	-	X	X	X	X	X	-
Worked at Organisation during 2006 – 2012	X	X	X	X	X	X	X	X	X	X	X	-
Senior Management	X	X	-	-	X	X	X	-	-	X	-	-
Outsourced Party to Organisation	-	-	-	X	-	-	-	-	X	-	-	X
Executive Board Member	X	X	-	-	-	-	X	-	-	-	X	X
Tertiary Education or Higher	X	X	X	X	X	X	X	-	X	X	X	X
Industry Experience: 0 - 19 Years	-	-	X	X	-	-	-	X	-	-	-	-
Industry Experience: 20 - 29 Years	-	-	-	-	-	-	-	-	-	X	-	-
Industry Experience: 30 + Years	X	X	-	-	X	X	X	-	X	-	X	X

3.6.2 Data collection methods

The data collection method within this qualitative case designs was flexible, and changed over the course of the study (Leedy & Ormrod, 2010:142). The changes took the form of replacing the work “**think**” with “**believe**” in the questioning agenda after the second interview had been conducted. This change in words allowed the researcher to obtain a much more personal encounter of the event that unfolded, as opposed to a more textbook reply when the word “think” is used. The qualitative case design was built on evidence from multiple sources, and the collection methods used in this study were semi-structured interviews.

- **Semi-structured interviews**

Semi-structured interviews can be described as a process of probing and recording answers from respondents to explain and build on their responses to attain data central to the phenomena under investigation (Saunders *et al.*, 2009:325). Semi-structured interviews involve taking individual respondents through predetermined issues and topics captured in a pre-prepared interview schedule (Goldman, 2007:79).

The issues and topics reflected on in the interview schedule are not covered in a rigid manner or order, which allows the interview to be flexible and to be steered in directions that could yield rich data and/or additional insight (Saunders *et al.*, 2009:325; Leedy & Ormrod, 2010:142).

The goal of the semi-structured interviews was to access descriptions of “the lived world of the participants regarding their interpretation of the meaning of the described phenomena” (Zimmerman, 2006:69). The semi-structured interview made use of questioning agenda to guide the inquiry, (**See Annexure A**).

3.6.3 Data capturing procedure

The field work was conducted over a two-week period, beginning in 1st of August 2012 and ending in the 15th of August 2012. Individual subjects were contacted telephonically, and invited to participate in this study.

A follow-up email was sent to subjects to inform them on the purpose of the study, and arrange a proposed interview date. Written permission was also obtained before each recording took place. To ensure there was quality of the data, communication channels were kept open with all subjects in order to telephonically or electronically clarify any uncertainties whilst transcribing the interviews.

3.6.4 Data analysis

Constructive Grounded Theory techniques were used for the analysis of the data collected. Contemporary Grounded Theory is noted by Charmaz (2006) in Zimmerman (2010:109) for “business management research to take the form of constructive and interpretative approaches, as it becomes a way to learn about the worlds we study and a method to assist in the development of theory”.

In qualitative research, data is interpreted by looking for themes embedded in the interview subjects’ responses (Zimmerman, 2010:109). “Emergent theories are thus not discovered, as in Glaser and Strauss’s (1967) Classical Grounded Theory, but rather constructed on the basis that participants’ implicit meanings, and the researchers’ Grounded Theories are thus constructions of reality” (Zimmerman, 2010:109).

“As such, a constructivist revision of Glaser and Strauss’s Grounded Theory captures more closely Grounded Theory’s combination of systematic rigour in analysis, with creative and dynamic character of the interpretive research process” (Zimmerman, 2010:109).

In qualitative research, data is interpreted by looking for themes embedded in the interview subjects’ responses (Zimmerman, 2010:109). Grounded Theory is also a good method of data analysis as this provides a structured and relatively systematic way of narrowing down large amounts of raw data into a concise conceptual framework that describes and explains a particular phenomenon (Leedy & Ormrod, 2010:143).

The phases of data analysis can be described as follows:

- **Transcription of voice recordings into individual data sets**

The transcription of the voice recording from the interview subjects onto individual data sets allowed for each data set to be analysed separately, as mentioned in section 3.6.3, (**See Annexure B**).

- **Analysis of individual data sets by making use of open coding and memo writing**

The individual data sets were analysed by making use of a two-dimensional analysis of each data set through open coding and memo writing (Leedy & Ormrod, 2010:143). This process began immediately as categories were being identified, while the interviews were being transcribed verbatim (Leedy & Ormrod, 2010:143).

The open coding started with line-by-line coding of each data set (Babbie & Mouton, 2009:499). The researcher coded the data based on asking questions about the data as suggested by Bryant and Charmaz (2007:150), Babbie and Mouton (2009:499), and Leedy and Ormrod (2010:143) when conducting open coding. The questions may include:

- i. What is going on here?
- ii. What does the data study?
- iii. What category does this incident indicate?
- iv. What is actually happening in the data?

- v. What is the main concern being faced by the participant?
- vi. What accounts for the continual resolving of this concern?

By coding the data sets line-by-line, the researcher was able to verify and substantiate each category with rich and dense evidence (Bryant & Charmaz, 2007:150), (**See Annexure B**).

The benefit of coding each data set individually is derived from the continuous stimulation of conceptual ideas regarding data and the next steps of the analysis (Bryant & Charmaz, 2007:150). Importantly, memos were also used by writing short descriptions to develop ideas for further analysis of the data, but with complete conceptual freedom (Bryant & Charmaz, 2007:150).

In the beginning of the coding process the memos were brief in description. However, as the coding continued the memos became more extensive as they integrated the idea of earlier memos, and in return generated further memos (Bryant & Charmaz, 2007:150).

The memo writing in conjunction with coding and analysis of data slowed the researcher down tremendously in analysing the data as he was forced to constantly reason with the emerging theory as categories started to emerge, and they needed to be integrated (Bryant & Charmaz, 2007:150). The emerging theory and categories integration will be discussed in the forthcoming sections. In total, the researcher wrote 50 memos. The memos are presented in **Annexure C**.

- **Analysis of open-coded data by making use of axial coding and memo-ing to identify categories**

The open coding and memo writing provided a large amount data. The next step was to reduce the data to a small set of themes that appear to describe the phenomenon under investigation (Leedy & Ormrod, 2010:143). This took the form of axial coding whereby the open-coded data is categorised and examined for specific dimensions, properties and consequences (Babbie & Mouton, 2009:499).

In axial coding, the focus is on determining more about each category in terms of conditions that give rise to it, the context in which it is embedded, the strategies that people use to manage it out or carry it out, and the consequences of those strategies (Babbie & Mouton, 2009:500; Leedy & Ormrod, 2010:143).

No formal tool was available for the researcher to put the open-coded data into a working summary format. To overcome this, the researcher made use of a Microsoft excel spreadsheet and placed all the open-coded data together that had similar descriptions based on the line-by-line coding. This is illustrated in **Annexure D**.

The axial coded data analysis provided identified categories with implications. The axial coded data on the Excel spreadsheets was printed to create a coding wall, for further review and analysis. Evidence of the axial coding wall is presented in **Annexure E**.

The axial coding wall was used as a tool to verify the core categories identified by reviewing the category based on its workability, properties and ability to account for a large portion of the pattern of behaviour as this variable needed to reoccur frequently in the data and was viewed as an stable pattern (Bryant & Charmaz, 2007:22). After reviewing the axial coded wall and making the adjustments, the axial coding of the data identified 23 categories. These categories are described in detail in Chapter 4. A typical identified category with its properties and dimensions as obtained from an axial coding Excel sheet and data wall is presented in **Annexure F**.

- **In-depth analysis of the categories identified through selective coding, as to identify the interrelationship of categories that combined describes the “what happens?”**

The open and axial coding allowed for the data to be coded and facilitated categorisation of the data. Selective coding was used to rearrange the data in new ways, by identifying interrelationships and making interconnections among the categories and subcategories as built theory that can be used to answer the research question of this study (Babbie & Mouton, 2009:500; Leedy & Ormrod, 2010:143). The categories and their interrelationship were combined to form a storyline, that describes best “what happens” in the phenomenon being studied (Leedy & Ormrod, 2010:143).

The selective coding process identified five main themes. The selective coding process and its outcome are fully elaborated on in Chapter 5, and **Annexure G** provides evidence of the selective coding by illustrating the connection made between the categories and their subcategories.

3.7 DEVELOPMENT OF THEORY

The development of theory to answer the research question and objectives of this research study was based on the outcome of the selective coding process as to present a conceptually abstract narrative that describes each of the main themes identified through the selective coding process by articulating the theoretical propositions and relationships between the main concepts (Bryant & Charmaz, 2007:31).

The theory of this study takes the form of a visual model in order to explain the phenomenon under study (Leedy & Ormrod, 2010:143). Importantly, it should also be noted that the written memos facilitate the theory formulation process by providing an outline of the emerging outline (Babbie & Mouton, 2009:501).

3.8 THE ROLE AND INVOLVEMENT OF THE RESEARCHER

The researcher's involvement with the research setting can be described as follows:

- The researcher is a close family member to one of the entrepreneurial entity members.
- The researcher has been working full time for the entrepreneurial entity for six months, and prior to that for three years on a part-time basis.

The researcher was initially concerned that the semi-structured interview could be bound by cautious answering on behalf of the interviewees due to my personal relationship with one of the entrepreneurial entity members. To mitigate the occurrence of such an event, the researcher drafted a letter of consent (***please refer to Annexure A***) which states that he, as the interviewer was bound by confidentiality of the interviewee, and also that he adhered to the ethical considerations of the University of Johannesburg when conducting research. During the first five minutes of the interview, the researcher also took some time to inform the interviewees on the purpose of the research, and again confirmed the confidentiality of the research.

3.9 ETHICAL CONSIDERATIONS FOR THE STUDY

Permission to undertake this study was received from the Department of Business Management at the University of Johannesburg. Ethics is an essential part of the research process from initial conceptualisation of the research problem to the interpretation and reporting of the research findings (Zimmerman, 2010:116).

The ethical principle guiding this study was based on securing the integrity and confidentiality of the opinions raised by the participants, so as to avoid any experiences of physical and psychological distress during the interview process and research procedures (Leedy & Ormrod, 2010:101).

The researcher undertook to adhere to the principles of ethical research, which can be stated as informed consent, confidentiality, avoiding harm, integrity and professionalism (Gibson & Brown, 2009:9; Leedy & Ormrod, 2010:101; Zimmerman, 2010:116). The ethical principles followed during the study can be described as follows:

- ***Informed consent***

Consent to conduct the study was received from the shareholder of the XXXXX Group of Companies. The interview subjects gave their consent prior to the data collection for the study. All the research subjects were interviewed with prior consent by making use of a research consent form. This was emailed to the research subjects and collected prior to the interviews.

- ***Confidentiality***

At the beginning of each interview the researcher explained the goal of the research and outlined what was expected from the interview subjects. He answered all questions and explained the ethical procedures for the study as highlighted in the research consent form. The participants also had to give permission for their interview responses to be recorded by using a digital voice recorder. The interview subjects were also informed about who would have access to the data they provided, and for which purposes their contributions would be used. This research study maintained the confidentiality of certain issues discussed during the interviews, as to honour such request from the research subjects.

- ***Avoiding harm***

The research was conducted within the governing and criminal laws of the Republic of South Africa and no harm was done to any person during this process.

- ***Integrity and professionalism***

Plagiarism rules and regulations of the University of Johannesburg were followed during the presentation of facts and cross referencing when obtaining data. The findings of this study are presented as accurately as possible.

3.10 REFLECTIONS ON OPERATIONALISING THE STUDY

The researcher really enjoyed conducting the interviews with the members of the entrepreneurial entity. The interviews with people related to the entrepreneurial entity were interesting, but did not provide the same richness as that of the entrepreneurial entity members.

In retrospect the researcher, would have done a group interaction discussion with all the entrepreneurial entity members, but as the main researcher he would have wanted to observe the members of the entity, and have a secondary research assistant asking semi-structured questions for the constituents of the entrepreneur entity to answer.

After analysing this data, the researcher would have wanted to conduct personal interviews with each of the entrepreneurial entity members, with the goal to ask questions surrounding the observations made, and to obtain an even richer description of the events.

3.11 CONCLUSION

This chapter described the operational aspects in realising the study, by explaining the philosophical underpinnings behind the study and method used to achieve this.

This chapter discussed the philosophical rationale behind the study by reviewing the ontological and epistemological debates surrounding opportunity so as to establish a relevant research paradigm for this study by reviewing qualitative research approaches relating to opportunity and entrepreneurial experience thereof.

The practical issues of the study relating to the selected sampling decision, data collection tool, capturing procedures, and the choice of an appropriate method of data analyses were discussed. The ethical considerations during in the study, the role and involvement of the researcher were discussed within the context of this, as well as a reflection on the operationalising of the study.

Chapter 4 provides the findings resultant from the coding process as states in section 3.6.4, and hence, the process of building theory in this study. The purpose of Chapter 4 is to represent a full account of phenomena under investigation by means of discovering and conceptualising the data obtained into categories through the process of open coding and axial coding of the data. The selective coding process and theory building will be presented in Chapter 5.



CHAPTER 4

RESEARCH FINDINGS

4.1 INTRODUCTION

The purpose of this chapter is to discuss the results of the study. When reflecting on the research objectives and methodological paradigm of this study as stated in Chapter 3, it becomes clear that the perceptions and beliefs held by the employees and the entrepreneurial entity members of the organisation are vital for gaining a deeper understanding into the lived experience of opportunity realisation through the eyes of the people who have participated in the study.

The study followed a qualitative approach to the research, and the ontological and epistemological rationale of this study is grounded in an interpretive and constructive paradigm as to understand the social reality and meaning attached to it, as held by the interview subjects.

A case study design was adapted to specifically investigate the opinions of a private equity company's representatives/interviewees of opportunity realisation within the South African insurance industry. The data was obtained by conducting semi-structured interviews with a variety of stakeholders relevant to the private equity company's experience of opportunity realisation. Purposive sampling was used, as described in Chapter 3.

The aim of the semi-structured interviews was to:

- Gain a deeper understanding of opportunity realisation within the South African insurance industry.
- Gain an understanding of key success factors of opportunity realising within the South African insurance industry.
- Gain an understanding of the future key success factors of opportunity realising within the South African insurance industry.

Grounded Theory methodology was used to interpret the gathered data by transcribing each recorded interview and analysing each data set. The analysis of the transcribed data involved a coding process that consisted of three rounds namely open, axial, and selective coding. The outcome of the coding process comprises the emergence of core categories and themes in order to construct a theory pertaining to opportunity realisation.

During round one, the open-coding process identified 70 labelled categories. The second round of coding, namely the axial coding process established linkages and similarities between categories, and reduced the initial 70 labelled categories to 23 labelled categories. The third round of coding, which can be described as the selective coding process was the final round of coding and enabled the construction theory pertaining to the research question and objectives.

4.2 OUTLINE AND STRUCTURE OF THE CHAPTER

In this chapter, the outcomes of both the open and axial coding rounds are presented according to four broad grouping areas. The four areas can be stated as:

- Entrepreneurial behaviour
- Strategic behaviour
- Future behaviour
- Reflective behaviour



Within each grouping, the main categories were identified and discussed in detail according to their dimensions. The discussion and the evidence from each category were also conceptualised by the construction of accompanying figures to summarise the main points of discussion. The evidence from these findings is presented in accompanying tables, according to the broad theme, the identified categories, their underlying dimensions and an interviewee code allocated during the data-coding process, which was discussed in Chapter 3. Due to the large volume of data collected and evidence obtained, the findings will be limited to a maximum of five quotes to support the evidence. The additional evidence can be obtained on request.

From the discussions that follow, certain categories and dimensions will “cross cut” across the four identified themes. A framework is developed by means of selective coding to accommodate the interrelatedness of the findings presented from the four themes in this chapter so as to construct a theory for opportunity realisation with the South African insurance industry and will be presented in Chapter 5.

4.3 ENTREPRENEURIAL BEHAVIOUR

From the conceptualisation of this study, it was important to gain insight into how the private equity company was formed, and how it went about realising opportunities in order to become the organisation that it is today. In doing so, the interview subjects shared insight regarding the dynamics of the organisation and its history. Individual reactions and feelings were shared about the origins of the organisation and the opportunities that were realised.

This was insightful, as it allowed the researcher to gain an insight into the lived experiences of the entrepreneurial entity members and organisational members who participated in opportunity realisation.

The data analysis identified nine categories, 44 properties, and 124 dimensions relevant to the origins of the entrepreneurial entity, its opportunities and the context within which they occurred. These findings are grouped under the theme of entrepreneurial behaviour. The identified categories and their underlying dimension of entrepreneurial behaviour can be stated and discussed as follows:

4.3.1 Historic market conditions

The historic market condition was significant for the opportunity to have been realised, as it provided the context for the entrepreneurial behaviour and the entrepreneurial entity formation. Figure 4.1 is constructed to provide a summary of the historic market conditions.

Figure 4.1 Historic market conditions – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Historic market condition	Post 9/11 event	<ul style="list-style-type: none"> ▪ Systemic collapse of equity markets ▪ Undercapitalisation of multinational reinsurance organisations ▪ Repatriate funds to home counties ▪ Withdrawal from small markets
	African risk	<ul style="list-style-type: none"> ▪ Great investment risk in Africa ▪ Political uncertainly due to the release of Nelson Mandela, Ambiguity of ANC movement ▪ Impact of HIV/Aids on life insurance ▪ Strategic decision to exit the South African market
	Run-off markets	<ul style="list-style-type: none"> ▪ Avoid future risks ▪ Market exiting tool ▪ No more underwriting ▪ Settle all outstanding claims from reserve but not outstanding funds (IBNR) ▪ Need specialised skills ▪ Actualise profits ▪ Repatriate funds to home country
	Recovery in equity markets	<ul style="list-style-type: none"> ▪ Recovery of equity markets allows for capital gains from IBNR investment returns

Source: Researcher's own construct

The historic market conditions were described according to the following events that unfolded:

- ***Post 9/11 event (collapse of equity markets)***

The majority of the interviewees described the historic market conditions according to the September 2009 terrorist attack on the World Trade Centre that subsequently caused a systemic collapse off equity markets across the world. The interviewee subjects noted that multinational organisations within the international reinsurance market were forced into undercapitulation problems. This affected the financial solvencies of international reinsurance negatively, and the need to repatriate funds to the home country followed.

Multinational reinsurance companies were predominantly situated in Germany and multinational reinsurance companies withdrew from smaller markets such as South Africa.

The interview subjects noted that the World Trade Centre losses, and the collapse in equity markets around the world negatively affected the solvency of multinational insurance companies as a large portion of their investment portfolio was depleted. This forced multinational insurance organisations into mergers, or withdrawal from certain markets.

The evidence presented provides context for the entrepreneurial behaviour based on the post 9/11 events and systemic collapse of equity markets, as is evident from the following opinions.

Table 4.1 Post 9/11 events (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Post 9/11 event	<i>“The reason for that was not that the South African company had any financial difficulty or was managed badly or to anything untowards, but was result of the world trade losses, that the Xxxxx Group worldwide ran into an undercapitalisation in Germany, and being a German, I heard that they were looking for something to repatriate funds into the home country, and made subsequent decision to sell”</i>	IA
	<i>“As I understand it, I mean, this was really a post 9-11 event, that the Xxxxx Group was one of those that withdrew from, it was, I suppose, after the collapse of equity prices that world markets led to a position, where insurers in fact, or reinsurers couldn’t write as much business as they previously had”. “Their solvencies were affected, so they had to withdraw from smaller markets. That was the opportunity that allowed them to then, the XXXXX Group originated out of the Xxxxx Group, and as a result of post 9-11 events, that Xxxxx ended up for sale locally”</i>	IG
	<i>“It was after 9/11, and there was a merger between the XXxxxx head office in the States and Travelers Insurance: Travelers Insurance, which was possibly about the third biggest company in the States. And the new MD of the joint group decided you know these branches overseas were not contributing properly to the overall picture”</i>	IF
	<i>“Obviously lots of markets took a drop, and a, you know...I mean, worldwide, it was a...it had a huge impact”</i>	IC

- **African risk**

The interview subjects noted that multinational insurance organisations strategically decided to exit the South African market at the time, due to a belief that the investment risk in Africa was too high and uncertain.

These risks were describes according to the release of Nelson Mandela; ambiguity regarding the ANC movement, an increased awareness of the impact of HIV/Aids on life insurance in Africa, and the political uncertainty in South Africa at the time.

The evidence presented provides contexts for the entrepreneurial behaviour based on the African risk, as is evident from the following opinions:

Table 4.2 African risks (Interviewee opinions)

Properties	Dimension(s)	Interview Number
African Risk	<i>“That was then...a strategic decision was taken to sell it, by the head office in Germany, not because the company was not profitable; we were the most profitable subsidiary at the time, so it was a decision that they believed the investment in Africa was too risky, not the profitability, okay. So that was a strategic decision”</i>	II
	<i>“It was perfect for them to do what they did. A lot of...remember, the risk was very high, and a lot of the international companies like our one, Xxxxx Global, were very scared of the African risk, okay, very, very scared of the African risk. Well, there was the whole political risk in Africa, and it was the time when Nelson Mandela just came out, what would the ANC do going forward, all the conflict that was happening around South Africa”</i>	IG
	<i>“Also I don’t think they really wanted to be in the South... in the African market, you know, and I think there’ve been a lot of court cases with exploitation – that was definitely one of the reasons. There was a lot of politics in those days and I think their major concern was there was a lot of... what’s the name of that lawyer where he was targeting companies that used previously-disadvantaged people or exploited disadvantaged people”</i>	IE
	<i>“On the Life said, I know AIDS was a big...it was a big thing, at that point of time, so...and then also, it was the World Trade Centre setup in 2001, and I think those were the factors that prompted Xxxxx on the Life side to decide not to continue their African operation. But they needed the capital in Europe, or America, wherever they were, because it’s a huge economic situation there, internationally, to manage their own capital for themselves, but they were still facing this huge African risk. And they said, no, strategically, let’s bring the money in-house. We can manage it better, plus we don’t have that risk. In hindsight, they have...each one of them has said, bad mistake”</i>	IC

	<p><i>“So the...you know, and nobody really believed the opportunities in Africa, other than South Africa, as well, so a lot of these head offices that had huge amounts of money, wanted to protect their money. So they believed, from a strategic point... Bear in mind, we were so profitable, Xxxxx Global, South, Africa, the most profitable subsidiary, and they said, now, hold on; the future risk on their capital invested in South Africa was too great, okay, so they would rather sell, and lose the opportunity going forward. But then also, at the same time, there were...Europe was having its own financial crisis, so it was a double handed whammy for them”</i></p>	IG
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- **Run-off markets**

The interview subjects noted that insurance run-off markets started to develop around the world due the big World Trade Centre losses and the collapse of equity markets around the world as multinational organisations needed to find ways to recapitalise as investment funds were depleted. Run-off markets refer to insurance markets, where insurance companies do not write new business, but manage the remaining claims of the organisation to be closed and until all the claims are paid in full from the reserve funds that have been accumulated over the years. The difference between outstanding claims and the reserve funds is actualised as profits, and hence the term, “run-off”.

The need to recapitalise multinational insurance companies and the risk associated with the South Africa market, caused multinational insurance organisations such as Xxxxx Global and XXxxxx Insurance Company to withdraw from the South African market, and consequently the operations in South Africa were placed in run-off.

The interview subjects also noted that run-off markets are extremely specialised and need a special skill set in South Africa they are small and are not influenced by competitive market factors as all events are historic and known.

The evidence presented provides contexts for the entrepreneurial behaviour based on the run-off market, as is evident from the following opinions:

Table 4.3 Run-off markets (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Run-off Market	<i>"I would say in fact it wasn't because the company was in run-off, in other words it was not actively competing within the current market and writing new business, we already had a portfolio, so if I say it wasn't important, in once sense where you did need to go and acquire new business or to be competitive in the market"</i>	IB
	<i>"I just want to stress for the acquisition, the market condition is not so relevant for going forward in the market condition. It is a run-off operation, so you don't write new business, what is on the books has been on the books and you can't change it. "So it is not so much about the marker condition going forward. It is historic, the claim is historic, and the money that comes with the company is historic. The investment is historic. You basically make the best you can with what you have been given"</i>	IA
	<i>"So the run-off market is a very specialised market, very mature in South Africa... and I think South Africa is too small. The interesting thigk about the run-off market in the UK, and also in Bermuda is that it has been huge. You know this is a huge business and there have been a lot of opportunities in the UK, where at one stage I think the run-off business was almost as big as the run-off business. That means, if you think about it, and for very strategic reasons run-off market or to take part of it, and to run it off. They then find, the run- off requires very different skills set as you don't need to actively build and reserve, and they would then sell that on to the market"</i>	IB
	<i>"The run-off market is a bit difficult to say how it was in South Africa, but the active market has been very competitive, and even now as we speak a lot of the direct players in the market such as Outsurance, and Mi Way have entered the market. So the South African short term insurance market has become very competitive. Run-off market is a bit of a different animal"</i>	IB
	<i>"So the business, because we were already in run-off – the competition was no longer; it was just a case of how many companies could we recapture and it wasn't going to Germany, so therefore they had to look at getting someone to take over the business"</i>	IE

- **Recovery in equity markets**

The interview subjects noted that equity markets did recover internationally. The recovery period for equity markets was uncertain at the time, but the recovery was being anticipated in the market. The interview subjects also noted that the recovery in equity markets allowed for profits gains, as purchase prices were low, and selling prices high when the equity market recovered.

The evidence presented provides contexts for the entrepreneurial behaviour based on the recovery in equity markets, as is evident from the following opinions:

Table 4.4 Recovery in equity markets (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Recovery in Equity Markets	<i>“Other cases, to simply scale back on activities, because in essence, insurers, reinsurers are able to write business, based on formulae relating to their capital bases, so they took a long time post 9-11 to recover, but I think, when that recovery happened, then it happened and that’s why I can’t remember the exact dates, but that recovery happened, and once it set in, it happened quite quickly, but I think for a year, a year and a half after the 9/11 events, the world markets were quite depressed”</i>	II
	<i>“The reason for that was not that the South African company had any financial difficulty or was managed badly or to anything untoward, but was result of the world trade losses, that the Xxxxx Group worldwide run into an undercapitalisation in Germany, and being a German, I heard that they were looking for something to repatriate funds into the home country, and made subsequent decision to sell”</i>	IA
	<i>“So it would not make sense for any of the other players to, Swiss Re or Hanover Re to purchase the book as they already had the same portfolio. I think, they would have picked up the active business anyway as you know we were in run-off”</i>	IB

4.3.2 Opportunity identification

Opportunity identification is a fundamental part of entrepreneurial behaviour as it foresees possibilities, and without opportunity identification no entrepreneurship exists. Figure 4.2 is constructed to provide a summary of opportunity identification.



Figure 4.2 Opportunity identification – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Opportunity identification	Unforeseen event	<ul style="list-style-type: none"> ▪ Systemic collapse of equity markets ▪ Undercapitalisation of multinational reinsurance organisations ▪ Repatriate funds to home counties ▪ Withdrawal from small markets
	Market scanning, familiarity, and knowledge	<ul style="list-style-type: none"> ▪ Scanning the industry for opportunities ▪ Evaluate viability through the informal formation of an entrepreneurial entity ▪ Review due diligence reports ▪ Confidentiality agreements ▪ Best use of current skills base ▪ Cultural familiarity of multinational organisation
	Understanding business models with financial implications	<ul style="list-style-type: none"> ▪ Awareness of run-off portfolio profitability ▪ Understand the underlying assets of the organisation ▪ Need to know the exact number of claims outstanding ▪ Understanding modern investment theory ▪ Determine possible future profits
	Risk appetite and personality	<ul style="list-style-type: none"> ▪ Risk appetite and the personality of entrepreneurial entity member are key drivers for entrepreneurial behaviour

Source: Researcher’s own construct

Opportunity identification within this study was driven and determined by the following factors:

- **Unforeseen events**

The interview subjects noted that an international need arose for recapitalising of multinational insurance companies which were predominately European owned companies. The need for recapitalisation was contributed to the World Trade Centre loss in America; a series of natural disaster floods in Europe, and a systemic collapse of equity markets that eroded the existing investment capital and savings of most multinational insurance companies.

The international need for recapitalising of predominantly European owned multinational insurance companies forced the close down of subsidiary insurance companies in smaller international markets such as South Africa. The interview subjects also noted that the decision to close down the South African operation of Xxxxx Global, by means of creating a run-off portfolio, was strongly influenced by a view of the time that South Africa posed a great future investment risk due to political unrest and the increased impact of HIV/Aids on life insurance in South Africa.

Interestingly, the interview subjects noted that the decision was made to run-off the South African operation of Xxxxx Global, even though it was the most profitable subsidiary of the time. The reason for the run-off was the perceived investment risk associated with Africa.

The evidence presented provides contexts for the entrepreneurial behaviour based on unforeseen events, as is evident from the following opinions:



Table 4.5 Unforeseen events (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Unforeseen Events	<i>“As I understand it, I mean, this was really a post 9/11 event, that the Xxxxx Group was one of those that withdrew from, it was, I suppose, after the collapse of equity prices that world markets led to a position, where insurers in fact, or reinsurers couldn’t write as much business as they previously had”</i>	IG
	<i>“The reason for that was not that the South African company had any financial difficulty or was managed badly or to anything untowards, but was result of the word trade losses, that the Xxxxx Group worldwide ran into an under capitalisation in Germany, and being a German heard that they were looking for something to repatriate funds into the home country, and made subsequent decision to sell”</i>	IA
	<i>“Their solvencies were affected, so they had to withdraw from smaller markets. That was the opportunity that allowed them to then, the XXXXX Group originated out of the Xxxxx Group, and as a result of post 9/11 events, that Xxxxx ended up for sale locally”</i>	IG
	<i>“As I understand it, I mean, this was really a post 9/11 event, that the Xxxxx Group was one of those that withdrew from, it was, I suppose, after the collapse of equity prices that world markets led to a position, where insurers in fact, or reinsurers couldn’t write as much business as they previously had. Their solvencies were affected, so they had to withdraw from smaller markets. That was the opportunity that allowed them to then, the XXXXX Group originated out of the Xxxxx Group, and as a result of post 9/11 events, that Xxxxx ended up for sale locally. With the collapse in equity markets, their whole capital basis essentially collapsed, and forced them, in some cases, forced mergers”</i>	II
	<i>“Well, that is that there had been major events, such as in this case, 9/11, which caused some sort of, it was almost a systemic collapse in a series of markets, in equities, in...It was an anomaly within world markets ultimately, but that inevitably, that there was some sort of recovery was to come, and I think the game that they then played was to see, sort of, when would that recovery comes? And, that could...could they then participate, almost use the increase in equities to pay for what they’ve purchased”</i>	II

- **Market scanning, familiarity and knowledge**

The interview subjects noted that they heard that Xxxxx South Africa was in run-off, and possibly up for sale. Prior to this, an interview subject stated that he was scanning the insurance market for some years trying to identify a business opportunity. The interview subjects explained the informal formation of an entrepreneurial entity that could evaluate the viability, and possible purchase of Xxxxx South Africa.

The interview subjects explained the process that the entrepreneurial entity followed to review the due diligence reports of Xxxxx Global. The due diligence analysis reviewed the incurred but not reserved (IBNR) funds of the organisation, the infrastructure and current skills set within the organisation. The interview subjects noted that the signing of confidentially agreements was very important during this process, as value was creating value by making the best use of the current skill base brought together.

The interview subjects also noted that one of the informal entrepreneurial entity members was a German national who had been living in South African for about 30 years. Also, one of the informal entrepreneurial entity members was well experienced in structuring mergers, and another one in financial analysis.

The evidence presented provides contexts for the entrepreneurial behaviour based on market scanning, familiarity and knowledge, as is evident from the following opinions:



Table 4.6 Market scanning, familiarity and knowledge (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Market Scanning	<i>"What then happened is that we got to know that the Xxxxx Global Reinsurance Company decided to sell the South African operations"</i>	IB
	<i>"I was already scanning the marker for long time for an appropriate portfolio. It goes back to 2002 that I heard that Xxxxx Global South Africa was up for sale and has been put into for run-off"</i>	IA
	<i>"What I saw there was an opportunity to acquire a company that once we looked at all the numbers had a very good track record, and we felt that the company was very well reserved. Being well reserved for an insurance company, it means that you have sufficient reserves in your company for the claims you have not yet paid or know that you have incurred thereof, and this is known as an IBNR reserve, incurred but not yet reported"</i>	IB
	<i>"Firstly, it started with me identifying the opportunity, and at that point in time it was Charles Matthews who worked in my current company as the CFO, and it was a temporary appointment as I knew about his financial skill and knowledge in analysing a balance sheet and understanding due diligence information"</i>	IA
	<i>"That's how I understand it. But it was Thomas, being German, who had the contacts in Germany, the German company, Xxxxx Global, who heard about it, and then put the opportunity forward"</i>	IG
	<i>"I think because they're entrepreneurs. I think that's why they were able to do it, but I think the opportunity arose for one fact only; Thomas being German, and having the right connection"</i>	IG
	<i>"And then that was the opening that they needed. Thereafter, entrepreneurs enough to sell the risk, to understand that they wanted to get rid of the company because of a strategic risk, okay, they saw the opportunities financially to utilise the finance of the company to buy itself, without putting a hand in their pocket. Very, very clever..."</i>	IG
	<i>"And they realised there was an opportunity to make big money without putting a hand in their pocket. Very clever. And then they also realised, leveraging off that, as I said in the merge and acquisition, the third stage, you know what I mean..."</i>	IG
	<i>"Acquire a company that has infrastructure, has staff, has everything, and the owners decided that they do not want to be part of this anymore"</i>	IB
	<i>"Charles was somebody who had been working for himself for a period of time, and I think that their, the sort of, there was a combination of need, and somebody who just foresaw an opportunity, where the opportunity that a well established insurance company presents, particularly on a run-off basis is that it has, that regulators force insurers to become almost like investment trusts"</i>	II

Market Knowledge	<i>It goes back to 2002 that I heard that Xxxxx Global South Africa was up for sale and has been put into for run-off.</i>	IA
	<i>"... we saw an opportunity and we thought of asking the German guys in Cologne, who owned the Xxxxx Global, which was a subsidiary company from the Xxxxx group"; "We saw an opportunity to talk to the guys, that we could maybe manage the company for guys as they did not want to be in South Africa anymore"</i>	IB
	<i>"Then I thought that could be a very good target as the company is sound and solid, and the problem is not caused by the company itself, but rather by a reason that was a fact that influences or is not being influenced by the company"</i>	IA
	<i>"...that Xxxxx Global ReInsurance Company decided to sell the South African operations. They have already placed the company not in liquidation, but run-off"</i>	IB
	<i>"acquire a company that has infrastructure, has staff, has everything, and the owners decided that they do not want be part of this anymore"</i>	IB
	<i>"and to run this for our own account and to start with that as a base, and start build our own portfolio on insurance companies"</i>	IB
	<i>"He had vast experience in structuring deals for mergers and acquisitions, and he also had the experience of running claims for insurance companies for the attorneys' account, as the insurance litigator"</i>	IB

- **Understanding business models with financial implications**

The interview subjects noted that an awareness of run-off portfolio profitability was a key driver for pursuing the opportunity. The interview subjects expressed a need to understand with the underlying assest of the organisation and the exact number of claims outstanding, as to determine the possible future profits of the organisation.

The interview subjects stated that Xxxxx South Africa was a good buying opportunity, as the main reason for the created run-off portfolio was the international need to repatriate funds into European-based Xxxxx Global, and not the operational performance of Xxxxx South Africa.

The interview subjects noted that this was a good buying opportunity, as market prices were low, and an eventual recovery in equity markets would allow for the purchasing price of the organisation to be regained with the recovery value of investment income generated from the IBNR reserves funding that was placed in investment portfolios on equity markets which was part of the purchasing price of the company.

The evidence presented provides contexts for the entrepreneurial behaviour based the understanding of business models with financial implications, as is evident from the following opinions:

**Table 4.7 Understanding business models with financial implications
(Interviewee opinions)**

Properties	Dimension(s)	Interview Number
Understanding the Business Model and Financial Implications	<i>“It started with a certain awareness that run-off can be a very profitable case if it is managed well and the underlying reserves are set adequately. We signed confidentially agreements, we got hold of the due diligence information, and it ended up us entering into negotiations with the seller to take over the company and that is how this all started and basically what it still is today the core and the focus of the group”</i>	IA
	<i>“It was important for us to acquire and to know exactly how many claims were outstanding in other words what amount could be taken for profit, and to understand how the run could be run for our profit, and influence the ultimate run of our profitability... Technology was important, but only in a static sense”</i>	IB
	<i>“The making best use of your skills is to create the best value of what is in your company, rather than what you are going to do with it. I don’t recall the exact numbers, but it is definitely in excess of 500 million rand worth of claim reserves that we had to use”</i>	IA
	<i>“And then that was the opening that they needed. Thereafter, entrepreneurs enough to sell the risk, to understand that they wanted to get rid of the company because of a strategic risk, okay, they saw the opportunities financially to utilise the finance of the company to buy itself, without putting a hand in their pocket. Very, very clever”</i>	IG
	<i>“And they realised there was an opportunity to make big money without putting a hand in their pocket. Very clever. And then they also realised, leveraging off that, as I said in the merge and acquisition, the third stage, you know what I mean...”</i>	IG

- **Risk appetite**

The interview subjects stated that the risk appetite and personality of the entrepreneurial entity members were key drivers during this process as the opportunity to purchase Xxxxx South Africa presented itself within the South African insurance market, but some stakeholders internal and external to Xxxxx South Africa refused to explore this opportunity.

The evidence presented provides contexts for the entrepreneurial behaviour based on risk appetite, as is evident from the following opinions:

Table 4.8 Risk appetite (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Risk Appetite	<p><i>“There is...I mean, that’s a big question. We often look at the guys. There was in fact a fifth guy involved. He was at the time, the MD of Xxxxx, a guy called Steve Smith, and I think that some of the opportunity was something that was almost offered to him, at the time. Steve was, but I think Steve was a real corporate guy, and not into entrepreneurial sort of, or the risk. He just didn’t have the risk appetite that these guys did, and I think he’s one of those who ended up feeling very sore, as a result of this process”</i></p>	II

4.3.3 Technology

Technology was not considered an important factor when acquiring a run-off portfolio as the organisation did not have the need to actively compete within the market, and communication to customers was limited. Within the context of run-off portfolio management, technology becomes a means of saving cost quickly over a short period of time. But future implication due exist, especially if the organisation decides to engage in corporate venturing activities.

The need for technology is reflected in Figure 4.3.

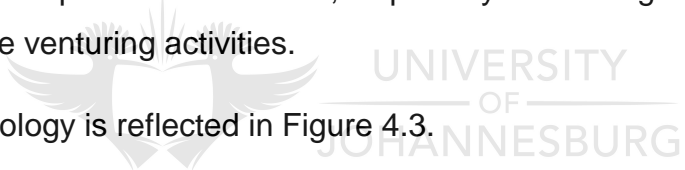


Figure 4.3 Technology – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Technology	Technology: pre-acquisition	<ul style="list-style-type: none"> Limited exposure to new technologies, manual operations Technology wasn't a consideration as company was entering in run-off
	Technology: post-acquisition	<ul style="list-style-type: none"> Accurate information due to strict control and industry regulations for active insurance companies Run-off portfolios have limited control needs
	Technology: develop own systems based on run-off portfolio need	<ul style="list-style-type: none"> Development of new technologies decreases dependencies from previous owners Allows for cost savings Customised solution to run-off portfolio management
	Technology: future technological needs for corporate venturing	<ul style="list-style-type: none"> Future corporate venturing does have technology needs Active data management requirements Business enabler Customer communication tools

Source: Researcher's own construct

The need for technology can be described through the following actions that took place:

- **Technology: pre-acquisition**

The interview subjects noted that technology was not a consideration with regard to acquiring the organisation as the company had had an newly installed technological upgrade from Xxxxx Global in Germany a couple of months before the run-off decision was announced. Interestingly enough, the interview subjects noted that before the technology upgrade, the company operated on a low technology base due to the opinion of the managing director at the time regarding the use of technology.

The evidence presented suggests that the technology is not an important factor for purchasing a well established organisation, but technology becomes a key enabler for corporate venturing projects, as is evident from the following opinions, as depicted in Table 4.9.

Table 4.9 Technology pre-acquisition (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Well established IT Infrastructure	<i>"If it was, then I would be very surprised because we didn't have good technology, I think, compared to some of the other reassurers"</i>	IE
	<i>"The IT and the whole information technology was ten years ago a very sophisticated system, it was just implemented and the company had spent a huge amount of money at that stage of time on a sophisticated system. We were very comfortable with the level of technology that came with the company"</i>	IA
	<i>"It was important for us to acquire and to know exactly how many claims was outstanding...in other words what amount could be taken for profit, and to understand how the run-off could be run for our profit, and influence the ultimate run of our profitability...Technology was important, but only in a static sense"</i>	IB
	<i>"Probably not in the sense of business school perspective, because for us the biggest concern was not technology. Remember we had a complete set up, and we were part of a huge organisation that was regulated to the last dot"</i>	IA
	<i>"No. I don't think so. I mean, Xxxxx was obviously it had its own systems internally, but I think that they ended up, they needed technology, the role that technology played for them, was an ability to continue to administer the business that they had taken on, from Xxxxx"</i>	II

- **Technology: post-acquisition**

The interview subjects noted that Xxxxx Global had introduced a top-of-the-range information technology system (that was state of the art in the market at that stage), a couple of months prior to the 9/11 attacks This system allowed the organisation to have exact and accurate information, as the organisation was heavily regulated and controlled. The interview subjects noted that as the organisation entered into a run-off portfolio, the company did not need the newly introduced information system.

The evidence presented suggests that technology is not an important factor for purchasing a well established organisation, but technology becomes a key enabler for corporate venturing projects, as is evident from the following opinions, as depicted in Table 4.10.

Table 4.10 Technology post-acquisition (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Minor technology involvement	<i>“No, not at all. And I’ll tell you why. Xxxxx Global, prior to the acquisition, we had a managing director who was very anti computers, really anti computers. Tommy Gentles [?], he subsequently passed away, God bless his soul, but we had to do everything manually. He would not go into technology. Then he...just before these guys acquired it, two or three years before he...before they acquired it, we got a new MD because he moved on, and they tried to bring us up to speed. But we were still very, very far behind”</i>	IG
	<i>“Do you know what I mean? So when they bought it out, there wasn’t such a big technology here. We were still finding our feet, if I could say it that way. We were babies in that regard. So since they’ve acquired it, our technology in this company has improved, not...it wasn’t worthwhile saying, let’s buy Xxxxx Global, because the technology infrastructure of that company is a wow, and we can leverage off it going forward. Definitely not. We’ve actually grown in leaps and bounds since they’ve acquired us”</i>	IG
	<i>“In terms of technology, we didn’t really have a big... I mean, the Life system was fairly... It’s the same that we’re currently using, so there hasn’t been a change. So in tech...in terms of technology, obviously there wasn’t much of a change. In terms of the whole culture of the company, yes, there, there was a change”</i>	IC
	<i>“At that stage we could get away with it, but I think if we had continued or if we had ever reactivated it would have played a major role in it, you know. Just from experience, the companies that we, that where our competitors were... were very much further advanced compared to what we were as a company”</i>	IE

- **Technology: develop own systems based on run-off portfolio need**

The interview subjects also noted that because the company’s data information had been managed well up to that stage, and the company was entering into a run situation, it had no longer the need for active information technology management. This caused the company to develop its own system that saved the organisation costs over the next couple of years, and also allowed the company to decrease its dependency on the Xxxxx Global Group in Germany.

The evidence presented suggests that technology is not an important factor for purchasing a well established organisation, but technology becomes a key enabler for corporate venturing projects, as is evident from the following opinions, as depicted in Table 4.11.

Table 4.11 Technology development (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Develop own system	<i>“The concern was the running cost of the company. We count maintain or run the system ourselves being dependant on the main and head office in Germany, which was hugely expensive at the time. I recall the first quotation for the maintenance contract was two or three million rand, just for maintenance”</i>	IA
	<i>“The hardware or anything that we needed was additional. Our main driver was to get off the information system as soon as possible, and to develop our own system that we are actually still using today, where we knew we would compromise on the data quality and availability of reports, but then we also said it is a run-off company, and we are not aiming to run new business, and some of the needs of the company as if we needed to grow the company were never there”</i>	IA
	<i>“That saved a lot of money and over a 30 million rand in not using the system at the time and we then moved over to Footprint, but there was also a risk of the data, but also an expense to the development of the system”</i>	IA
	<i>“So long as they could maintain the sort of status quo, and over a period of time, they knew that the volumes of business would come down to a point where they could almost be handled manually, so I think they needed an administrative capability initially, to be able to...and that was as far as that opportunity or the effective technology there, came about”</i>	II

- **Technology: future technological needs for corporate venturing**

The interview subject noted that initially technology did not play a big role within the organisation, as the organisation was in run-off, and did not want to grow the company or actively compete within the market. The interview subjects also noted that the organisation started to engage in corporate venturing projects and the need for technology increased, as technology is a key enabler within the insurance industry to manage data and to interact with customers.

The evidence presented suggests that technology is not an important factor for purchasing a well established organisation, but technology becomes a key enabler for corporate venturing projects, as is evident from the following opinions, as depicted in Table 4.12.

Table 4.12 Technology for the future (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Future Technology Need and Business model implication	<i>“To answer your question it did not play a big role in the company as if you wanted to grow the company. I am only looking at the company now, and as you know we then opened up new things, and there it is slightly different”</i>	IA
	<i>“This is, I mean, XXXXX Insurance was obviously an opportunity that they started from scratch, but for the reinsurance side, I think that technology was simply an enabler”</i>	II
	<i>“Even with XXXXX Insurance, I don’t believe that technology has played a significant role in the growth of their business, because in effect, they are a virtual insurer. Information is vital: statistics; claims; where the poorer areas are and how to cope with that, as well as the technologies needed to supply the returns to the statutory authorities”</i>	II
	<i>“Oh, technology obviously plays a role everywhere. Technology is, unfortunately, the way to go. How can I say? You can’t run without a server or technology. We can’t go back to paperwork. It just takes too much time, too much money and stuff like that. So, in the sense of, I don’t know, the systems and stuff like that, I don’t know what role that will take but, obviously, data plays a role as well”</i>	ID
	<i>“Technology definitely plays a big part in business, any kind of business, even in the insurance industry. It played a big part because technology, when we’re talking technology I think we’re talking computers, we’re talking TV, we’re talking about a lot of things so I think technology had a big part in making this thing happen. Especially when it comes to communication it’s the biggest communication tool currently. In South Africa and abroad it’s the biggest communication tool. It’s being used to communicate with other people, it’s being used to connect deals and things like that, that make the business go forward or be successful or bring in new ideas from people internationally. That’s technology”</i>	IH

4.3.4 Business models

Business models are vital for entrepreneurial behaviour as they indicate where the organisation needs to focus attention and how the organisation intends to manage the organisation. In order to summarise the evidence presented with regard to the business model as, Figure 4.4 is constructed.

Figure 4.4 Business model – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Business models	Underwriting, claims, and IBNR reserving	<ul style="list-style-type: none"> ▪ Underwriting specific risk ▪ Claims payment ▪ IBNR reserving ▪ Economical settlements
	Investment income and fund protection	<ul style="list-style-type: none"> ▪ Investment management ▪ Fund protections ▪ Equity markets ▪ Low operational expenses
	Organisational infrastructure and technology	<ul style="list-style-type: none"> ▪ Existing organisational infrastructure capabilities ▪ Effective staff and good skills ▪ Technology base ▪ Leverage of actions
	Strategic direction: run-off decision	<ul style="list-style-type: none"> ▪ Adapted to changing shareholder decision ▪ New changes and strategic direction ▪ Run position vs. liquidation ▪ Maximise cost savings
	Corporate venturing and portfolio increases	<ul style="list-style-type: none"> ▪ Capital gains ▪ New venture opportunities ▪ Specialised skills acquired in managing claims and structuring deals

Source: Researcher's own construct

The data findings from this figure suggest the following aspects to be vital when describing the business rationale of the entrepreneurial entity, and can be stated as follows:

- ***Underwriting, claims payments and IBNR reserves***

The interview subjects noted that insurance is about underwriting and you receive a premium for underwriting a specific risk. When an underwritten risk occurs and damage is caused, the insurance company pays for the damages incurred as per the underwritten agreement. The interview subjects also noted that an insurance company would build up financial reserves by means of allocating underwritten premium amounts that were not paid for claims into an investment account, and this is referred to as an insurance company's incurred, but not reserves funds (IBNR).

The interview subjects noted that effective claims management is the ability to settle outstanding claims for a lesser amount than the allocated IBNR reserve. The interview subjects also noted the IBNR reserving of an insurance company is extremely important when consideration is given to acquire such a company.

**Table 4.13 Business model – Underwriting, claims and IBNR reserving
(Interviewee opinions)**

Properties	Dimension(s)	Interview Number
Underwriting, claims & IBNR reserving	<i>"...about the insurance, but you basically make your money from underwriting, you make or lose money, you then ..." "You basically have the claims and the money in the bank to manage it out, and nobody gets hurt in the process, as opposed to a liquidation where normally all the creditors are not paid out to that what is due to them"</i>	IB
	<i>"The making best use of your skills is to create the best value of what is in your company, rather than what you are going to do with it. I don't recall the exact numbers, but it is definitely in excess of 500 million rand worth of claims reserves that we had to use. So all you now have to access is whether the claims on the books are sufficiently supported by the investment that the company has. We were basically given a pot of money, a list of outstanding claims and it was up to us to make money out of settling those claims for less than they were worth on the books. That is basically the business model. Remember the company is in a run-off situation, with what you are going to do with it in the future, but the company has done in the past and is it efficiently reserved..."</i>	IA
	<i>"It was important for us to acquire and to know exactly how much claims were outstanding...in other words what amount could be taken for profit, and to understand how the run could be run for our profit, and influence the ultimate run-of our profitability...Technology was important, but only in a static sense. What I saw there was an opportunity to acquire a company that once we looked at all the numbers, it had a very good track record, and we felt that the company was very well reserved. Being well reserved for an insurance company, it means that you have sufficient reserves in your company for the claims you have not yet paid or know that you have incurred thereof, and this is known as an IBNR reserve, incurred but not yet reported"</i>	IB
	<i>"We felt that the company's reserving was good, and that gave us quite a good feeling to be able to take this risk. We had a very close look at the run-off pattern this is required for the next three to four years and to make sure there is enough money, and the trick was then to cut the costs of the company and make your money from settling claims"</i>	IB
	<i>"They have to keep considerable reserves, and I think that if you have some insight into insurers, that you can see that. Their solvencies were affected, so they had to withdraw from smaller markets. That was the opportunity that allowed them to then... the XXXXX Group originated out of the Xxxxx Group, and as a result of post 911 events, that Xxxxx ended up for sale locally. Ultimately, the whole solvency of an insurer is affected by equity markets, because a large part of their investment portfolio is in equities, and they take a very long-term view"</i>	II

- **Investments income and the protection of the funds**

The interview subject noted that investment management is an important factor for the financial profitability of an insurance company, and the protection of financial funds is also extremely important for financial profits. The interview subjects explained that when you are able to protect your investment income, you are able to earn additional income apart from just receiving monthly and annual underwriting premiums.

Interestingly, the interview subjects noted that many insurance companies do focus attention on investment management of fund protection, but focus only on operational aspects of an insurance company such as good customer service.

The interview subjects also noted that if equity markets are down and a run-off company is purchased at a discounted price, the owners of the run-off company can realise profits if the market recovers, but the expenses of the run-off company need to be managed effectively.

The evidence presented suggests that the business model of an insurance company is shaped by its strategic decisions and its understanding of the operational aspects of managing the organisation, and finding additional income sources for the organisation, as is evident from the following opinions, depicted in Table 4.14.

Table 4.14 Business model – Investment income (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Investments	<i>"A lot of people in the insurance industry don't focus on the investment, but the financial side, but ...so that is a bit on the background"</i>	IB
Protect the money	<i>"...its then quite an art to protect the money, in other words to make money work for you , that you have managed to make through underwriting"</i>	IB

- **Organisational infrastructure and technology**

The interview subjects noted that the infrastructure of the Xxxxx South Africa played a fundamental role in the decision to acquire the organisation, as the company had good staff, skills, and technology that enabled the entity members to leverage those actions.

The evidence presented suggests that the business model of an insurance company is shaped by its strategic decisions and its understanding of the operational aspects of managing the organisation, and finding addition income sources for the organisation, as is evident from the following opinions, as depicted in Table 4.15.

Table 4.15 Business model – Infrastructure and technology (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Infrastructure and technology	<i>"Acquire a company that has infrastructure, has staff, has everything, and the owners decided that they do not want to be part of this anymore"</i>	IB
	<i>"The other stuff, insure...reinsurance, insurance, emergent acquisitions, to leverage off that what they did successfully, and for other opportunities"</i>	IG
Technology	<i>"So it is not so much about the market condition going forward. It is historic, the claim is historic, and the money that comes with the company is historic. The investment is historic. You basically make the best you can with what you have been given. The IT and the whole information technology were ten years ago a very sophisticated system, it was just implemented and the company had spent a huge amount of money at that stage on a time of sophisticated system"</i>	IA
	<i>"The hardware or anything that we needed was additional. Our main driver was to get off the information system as soon as possible, and to develop our own system that we are actually still using today, where we knew we would compromise on the data quality and availability of reports, but then we also said it is a run-off company, and we are not aiming to run new business, and some of the needs of the company as if we needed to grow the company were never there. That saved a lot of money and over a 30 million rand in not using the system at the time and we then moved over to Footprint, but there was also a risk of the data, but also an expense to the development of system. To answer your question it did not play a big role in the company as if you wanted to grow the company. I am only looking at the company now, and as you know we then opened up new things, and there it is slightly different"</i>	IA
	<i>"This is, I mean, XXXXX Insurance was obviously an opportunity that they started from scratch, but for the reinsurance side, I think that technology was simply an enabler. So long as they could maintain the sort of status quo, and over a period of time, they knew that the volumes of business would come down to a point where they could almost be handled manually, so I think they needed an administrative capability initially, to be able to...and that was as far as that opportunity or the effective technology there, came about"</i>	II

- **Changes in strategic direction: run-off position**

The interview subjects noted that the business model of Xxxxx South Africa was forced by a decision to place the South African Company in a run-off position and not under liquidation. With run-off portfolios, if managed successfully the shareholders would realise profits as opposed to liquidation where the company pays all its creditors with the goal of financial break-even. The interview subjects noted that with run-off business, one needs a different skills set as you are not actively writing new business, but rather managing out the costs against your reserve funds, and finding ways to save on expenses in order to maximise profits. The evidence presented suggests that the business model of an insurance company is shaped by its strategic decisions and its understanding of the operational aspects of managing the organisation, and finding additional income sources for the organisation, as is evident from the following opinions, as depicted in Table 4.16.

Tabel 4.16 Business model – Run-off (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Run-off	<i>"It started with a certain awareness that run-of can be a very profitable case if it is managed well and the underlying reserves are set adequately"</i>	IA
	<i>"Originally, to go back, we were considering reactivation of both the non-life and the life side but from one thing it didn't, it just didn't pan out. And as result we've been in run-off for the last ten years"</i>	IE
	<i>"...that Xxxxx Global ReInsurance Company decided to sell the South African operations. They have already placed the company not under liquidation, but in run-offrun-off". "Run-off is a term used specifically in the insurance industry, where you don't write any more new business, but you manage the portfolio that you have built up, and you still pay the claims. So it's really bringing your business to a close, but you still have expenses". That means, if you think about it, and for very strategic reasons run-off market or to take part of it, and to run it off. They then find, to run it if off requires a very different skills set as you don't need to actively build and reserve, and they would then sell that on the market"</i>	IB
	<i>"...the opportunity that a well established insurance company presents, particularly on a run-off basis is that it has, that regulators force insurers to become almost like investment trusts. It workes like an investment trust, that there are equities, and that was the opportunity that they saw at the time. Here were a suite of equities, which were probably priced low, and that world markets were likely to move upwards"</i>	II

	<i>"We had a very close look at the run-off pattern this was required for the next three to four years and to make sure there is enough money, and the trick was then to cut the costs of the company and make your money from settling claims, and to rebuild the company"</i>	IB
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- **Corporate venturing and portfolio increases**

The interview subjects explained that by purchasing a run-off insurance business they were able to enter into other ventures by using the investment capital gained from the run-off purchase. Through this process, the interview subjects noted that they acquired skills in structuring deals and managing claims, and hence the extension of current business into acquiring more run-off business and related insurance venturing.

The evidence presented suggests that the business model of an insurance company is shaped by its strategic decisions and its understanding of the operational aspects of managing the organisation, and finding addition income sources for the organisation, as is evident from the following opinions depicted in Table 4.17.

Tabel 4.17 Business model – Corporate venturing (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Own Portfolio	<i>"...and to run this for our own account and to start with that as a base, and start to build our own portfolio on insurance companies" He had a vast experience of structuring deals for mergers and acquisitions, and he also had the experience of running claims for insurance companies for the attorneys account, as the insurance litigator"</i>	IB
	<i>"We felt that the companies reserving was good, and that gave us quite a good feeling to be able to take this risk. We had a very close look at the run-off pattern this was required for the next three to four years and to make sure there is enough money, and the trick was then to cut the costs of the company and make your money on settling claims, and to rebuild the company, as we did later on"</i>	IB
	<i>"That means, if you think about it, and for very strategic reasons, run-off market or to take part of it, and to run it off. They then find, to run if off requires very different skills set as you don't need to actively build and reserve, and they would then sell that on the market. I would say in fact it wasn't because the company was in run-off, in other words, it was not actively competing within the current market and writing new business, we already had a portfolio, so if I say it wasn't important, in once sense where you did need to go and acquire new business or to be competitive in the market"</i>	IB
	<i>"I made contact with the German seller, the person who was in charge, and we basically had a very long telephone conversation, that I understood a little better what the financial mechanics of the company were, and I thought it could be something we could pursue"</i>	IA

4.3.5 Individual background of entrepreneurial entity members

The behaviour of the entrepreneurial entity is strongly influenced and directed by its members. The background of the entrepreneurial entity members is fundamental to their decision making abilities and interaction. In order to summarise the evidence presented for entrepreneurial behaviour relating to the individual backgrounds of the entrepreneurial entity members, Figure 4.5 is constructed.



Figure 4.5 Individual backgrounds of the entrepreneurial entity members – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Individual background of entrepreneurial entity members	Formal education	<ul style="list-style-type: none"> Importance of formal university training Combined qualification base
	Special skill base	<ul style="list-style-type: none"> Specialised skills based on industry experience Strong negotiation ability Interpret financial data accurately Understand investment management Comprehend mechanics of running a business
	Industry specific experience	<ul style="list-style-type: none"> Insurance industry experience Particular area of specialisation within the insurance industry Entrepreneurial entity members come from the same industry
	Self employment	<ul style="list-style-type: none"> Working for self Embedded entrepreneurial ability
	Industry credibility	<ul style="list-style-type: none"> Good industry credibility Positive work references from industry regulation bodies
	Need of change and sense of awareness	<ul style="list-style-type: none"> Strong desire for change Need for new challenge in personal and professional life Awareness that new opportunities exist
	Need for additional skill base	<ul style="list-style-type: none"> Individual skill set Make use of combined skill set of entrepreneurial entity members
	Risk appetite	<ul style="list-style-type: none"> Risk appetite of entrepreneurial entity members Perceived risk association Ability to deal with uncertainty

Source: Researcher's own construct

The following aspects are relevant to the individual background of the entrepreneurial entity members and their actions:

- **Formal education**

The interview subjects noted that the formal education background of the entrepreneurial entity members through universities systems had a significant impact on their skill base. The four entity members combined had a BCom, BCom (Honours) Accounting, MBA, LLB, and PhD qualification base.

It would appear from the evidence that individual backgrounds of the entrepreneurial entity members were critical in pursuing the opportunity, as is evident from the following opinions, as depicted in Table 4.18.

Table 4.18 Individual backgrounds of the entrepreneurial entity members – Formal education (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Formal Education	<i>"I did my BCom Degree; BCom Hons (Accounting); MBA"</i>	IB
	<i>"We needed to pull in somebody who had done this before, and Charles suggested Dr. Gerhard Sundrock who had done something like this before, and who has been appointed by the financial services board as a curator for a company that has been in run-off before, who understands the hands on mechanics of a run-off company"</i>	IA
	<i>"I have a financial background"; "I did a lot of my previous work in the financial services industry, and especially in the insurance companies...I started with President Insurance, then Alliance Insurance company, and I did some work for Guardian National Insurance Company"; "that is basically where I learned, so I did a lot of my work on the financial management side, and focused on investment side"</i>	IB

- **Specialised skill base**

The interview subjects noted that the entrepreneurial entity members had a specialised skill base that the entity members had acquired over the years. The specific skills identified can be described as the ability to negotiate during acquisitions, the ability to understand and interpret financial data accurately, the ability to understand investment management, and the ability to comprehend the mechanics of running a business.

The evidence presented suggests that the individual backgrounds of the entrepreneurial entity members were critical in pursuing the opportunity, as is evident from the following opinions, as depicted in Table 4.19.

**Table 4.19 Individual backgrounds of the entrepreneurial entity members –
Specialised skills (Interviewee opinions)**

Properties	Dimension(s)	Interview Number
Specialised Skill Base	<i>"Firstly, it started with me identifying the opportunity, and at that point in time it was Charles Matthews who worked in my current company as the CFO, and it was a temporary appointment as I knew about his financial skill and knowledge in analysing a balance sheet and understanding due diligence information"</i>	IA
	<i>"We needed to pull in somebody who had done this before, and Charles suggested Dr. Gerhard Sundrock had done something like this before, and who has been appointed by the financial services board as a curator for a company that has been in run-off before, who understand the hands-on mechanics of a run-off company"</i>	IA

- **Industry specific experience**

The interview subjects also noted that each of the entrepreneurial entity members come from an insurance industry, and each one of them specialised in a particular area within the insurance industry. None of the entrepreneurial entity members had the same area of specialisation even though they all came from the same industry.

The evidence presented suggests that the individual backgrounds of the entrepreneurial entity members were critical in pursuing the opportunity, as is evident from the following opinions, as depicted in Table 4.20.

**Table 4.20 Individual background of the entrepreneurial entity members –
Industry specific experience (Interviewee opinions)**

Properties	Dimension(s)	Interview Number
Industry Specific Experience	<i>"I have a financial background"; "I did a lot of my previous work in the financial services industry, and especially in the insurance companies...I started with President Insurance, then Alliance Insurance company, and I did some work for Guardian National Insurance company"; "that is basically where I learned, so I did a lot of my work on the financial management side, and focused on investment side"</i>	IB
	<i>"We needed to pull in somebody who had done this before, and Charles suggested Dr. Gerhard Sundrock had done something like this before, and who has been appointed by the financial services board as a curator for a company that has been in run-off before, who understand the hands-on mechanics of a run-off company"</i>	IA

- **Self employment**

One interview subject noted that because he had worked for himself for a couple of years, the entrepreneurial ability was already imbedded within his DNA.

The evidence presented suggests that the individual backgrounds of the entrepreneurial entity members were critical in pursuing the opportunity, as is evident from the following opinions, as depicted in Table 4.21.

Table 4.21 Individual backgrounds of the entrepreneurial entity members – Self employment (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Self Employment	<i>"I started to do consulting work for myself"; "firstly I joined IBM, and then we did some work for the Old First National Bank, where the bank wanted to start an insurance company, and I basically helped the guys to set up, and I did some consulting work for them"</i>	IB
	<i>"Charles was somebody who had been working for himself for a period of time, and I think that there, the sort of, there was a combination of need, and somebody who just foresaw an opportunity, where the opportunity that a well-established insurance company presented, particularly on a run-off basis is that it has, that regulators forced insurers to become almost like investment trust"</i>	II

- **Industry credibility**

The interview subjects noted that one of the entity members had a good industry reputation, and he had prior positive dealing with the regulator of the South African Insurance Regulator known as the Financial Service Board (FSB).

The evidence presented suggests that the individual backgrounds of the entrepreneurial entity members were critical in pursuing the opportunity, as is evident from the following opinions, as depicted in Table 4.22.

Table 4.22 Individual backgrounds of the entrepreneurial entity members – Industry credibility (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Industry Credibility	<i>"We had a chat with him, and he had quite good credibility with the Financial Services Board"</i>	IB

- ***Need for change and sense of awareness***

One interview subject noted a strong desire for change and challenge in his professional and professional life. An imbedded awareness that new opportunities do exist was also noted.

The evidence presented suggests that the individual backgrounds of the entrepreneurial entity members were critical in pursuing the opportunity, as is evident from the following opinions, as depicted in Table 4.23.

Table 4.23 Individual backgrounds of the entrepreneurial entity members – Need for change (Interviewee opinions)

Properties	Dimension(s)	Interview Number
<i>Need for change</i>	<i>"I was always keen to explore opportunities if they were to come along"; "When I felt, I needed a bit of new challenge..."</i>	IB

- ***Need for additional skill base***

The interview subjects noted that they all had individual skills, but in order to achieve and evaluate the opportunity, they needed to make use of the combined skills of the entrepreneurial entity members.

The evidence presented suggests that the individual backgrounds of the entrepreneurial entity members were critical in pursuing the opportunity, as is evident from the following opinions, as depicted in Table 4.24.

**Table 4.24 Individual backgrounds of the entrepreneurial entity members –
Need for additional skill base (Interviewee opinions)**

Properties	Dimension(s)	Interview Number
Need for Additional Skill Base	<i>“He had a vast experience of structuring deals for mergers and acquisitions, and he also had the experience of running claims for insurance companies for the attorneys account, as the insurance litigator”</i>	IB
	<i>“Charles was somebody who had been working for himself for a period of time, and I think that their, the sort of, there was a combination of need, and somebody who just foresaw an opportunity, where the opportunity that a well established insurance company presents, particularly on a run-off basis that it has, that regulators force insurers to become almost like investment trusts”</i>	II
	<i>“We needed to pull in somebody that was done this before, and Charles suggested Dr. Gerhard Sundrock that has done something like this before, and who has been appointed the financial services board as a curator for a company that has been in run-off before, who understand the hands on mechanics of a run-off company”</i>	IA
	<i>“Firstly, it started with me identifying the opportunity, and at that point in time it was Charles Matthews who worked in my current company as the CFO, and it was a temporary appointment as I knew about his financial skill and knowledge in analysing a balance sheet and understanding due diligence information”</i>	IA
	<i>“I think my more... my dealings have been more with Charles than the rest of the shareholders, because I think Charles was the person who was very instrumental in the life side”</i>	IE

- **Risk appetite**

The interviewers noted that the risk appetite of the entrepreneurial entity members played big part in the decision to pursue the opportunity, the initial opportunity of purchasing Xxxxx South Africa, as the opportunity could have been realised by other people within the company or industry, but who refused the opportunity due to the perceived risk associated with it.

The evidence presented suggests that the individual backgrounds of the entrepreneurial entity members were critical in pursuing the opportunity, as is evident from the following opinions, as depicted in Table 4.25.

Table 4.25 Individual backgrounds of the entrepreneurial entity members – Risk appetite (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Risk Appetite	<i>“There is...I mean, that’s a big question. We often look at the guys. There was in fact a fifth guy involved. He was at the time, the MD of Xxxxx, a guy called Steve Smith, and I think that some of the opportunity was something that was almost offered to him, at the time. Steve was, but I think Steve was a real corporate guy, and not into entrepreneurial, sort of, or the risk. He just didn’t have the risk appetite that these guys did, and I think he’s one of those who ended up feeling very sore, as a result of this process”</i>	II

4.3.6 Individual characteristics of entrepreneurial entity members

The individual characteristics of the entrepreneurial entity members are vital to entrepreneurial behaviour as they predict behaviour and facilitate interaction with stakeholders who are internally or externally open to opportunity realisation.

In order to summarise the evidence presented with individual characteristics of entrepreneurial entity members during entrepreneurial behaviour, Figure 4.6 is constructed.

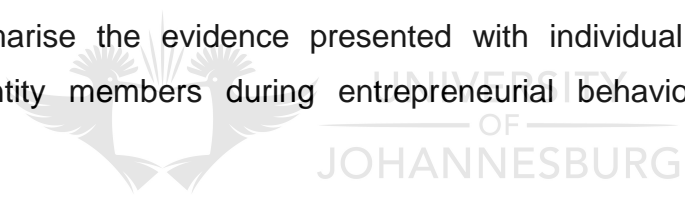


Figure 4.6 Individual characteristics of the entity members – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Individual characteristics of entrepreneurial entity members	Experience	<ul style="list-style-type: none"> Ability to identify opportunities is influenced by experience and skills The ability draws people together who can collectively explore opportunities
	Entrepreneurial mindset	<ul style="list-style-type: none"> Entrepreneurial abilities continuously develop
	Approachability and forcefulness	<ul style="list-style-type: none"> Employee commitment is influenced by the humane treatment, approachability and sympathetic behaviour of an entrepreneurial entity member Entrepreneurial entity members tend to be exact and forceful at times
	Bravery and risk taking	<ul style="list-style-type: none"> Bravery to engage in risk Calculated risk as opposed to blind risk-taking
	Confidence	<ul style="list-style-type: none"> Self confidence in ability to gain perspective on current and future matters
	German nationality, family background, and marketeer	<ul style="list-style-type: none"> German nationality and strong insurance family background Effective marketing ability Good projection of self-image
	Talented, eager, and good self-image	<ul style="list-style-type: none"> Entrepreneurial entity members are highly talented and exact Eagerness to see if judgements are correct
	Information seeking and trustworthy	<ul style="list-style-type: none"> Constantly seeking information Establishing trust to build the organisation Trust in the entrepreneurial entity members' abilities, ideas and goals

Source: Researcher's own construct

The following factors were identified as key individual characteristics of the entrepreneurial entity members:

- **Experience**

The interview subjects noted that it was the ability to identify an opportunity that was important, and then also the ability to draw people together who could actualise the opportunity by means of structuring the deal, evaluating finances and due diligence reports to ultimately run the operations.

The evidence presented suggests that the personal characteristics of the entrepreneurial entity members are vital in realising opportunities, as depicted in Table 4.26.

Table 4.26 Personal characteristics of the entrepreneurial entity members – Experience (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Experience	<i>“Charles was somebody who had been working for himself for a period of time, and I think that their, the sort of, there was a combination of need, and somebody who just foresaw an opportunity, where the opportunity that a well established insurance company presents, particularly on a run-off basis is that it has, that regulators force insurers to become almost like investment trusts”</i>	II
	<i>“He had a vast experience of structuring deals for mergers and acquisitions, and he also had the experience of running claims for insurance companies for the attorneys account, as the insurance litigator. To try and answer your question, I think if you have the right skill set, I can then talk on a personal level, and I felt that I had a very good theoretical experience, having had an honours degree in accounting, and having done an MBA or MBL from UNISA that really helped me to take risk but to also understand the risk”</i>	IB
	<i>“We needed to pull in somebody that was done this before, and Charles suggested Dr. Gerhard Sundrock that has done something like this before, and who has been appointed the financial services board as a curator for a company that has been in run-off before, who understand the hands on mechanics of a run-off company. Firstly, it started with me identifying the opportunity, and at that point in time it was Charles Matthews who worked in my currently company as the CFO, and it was an temporary appointment as I knew about his financial skill and knowledge in analysing an balance sheet and understanding due diligence information. and also I was in the insurance industry for over 20 years before we acquired the opportunity, so I think I acquired sufficient insurance skills over the years to ...”</i>	IA
	<i>“I think my more... my dealings have been more with Charles than the rest of the shareholders, because I think Charles was the person who was very instrumental in the life side”</i>	IE

	<p><i>“Charles was somebody who had been working for himself for a period of time, there was a combination of need, and somebody who just foresaw an opportunity, where the opportunity that a well established insurance company presents, particularly on a run-off basis is that it becomes almost like investment trusts”</i></p>	II
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- **Entrepreneurial mindset**

The interview subjects noted that the entrepreneurial side of the entrepreneurial entity members had not been fully developed when they bought Xxxxx South Africa, even though the individual entrepreneurial entity members came from well trained and experienced backgrounds.

The evidence presented suggests that the personal characteristics of the entrepreneurial entity members are vital in realising opportunities, as depicted in Table 4.27.

Table 4.27 Personal characteristics of the entrepreneurial entity members – Entrepreneurial mindset (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Entrepreneurial Mindset	<p><i>“I come from an Insurance family, I don’t come from a family of entrepreneurs or a family that has build up an emporium, and that is not the case. If you start with my grandfathered he was involved in insurance, my father was involved in insurance, so it was a natural thing for me also to go into insurance, and I think over the years...”</i></p>	IA
	<p><i>“Look, I think some of that was circumstance, because I think that there, the likes of Charles had been, I think he was the prime, sort of, entrepreneur within all of this. The other, I can’t really speak for Philip, but I know he had been involved in various bits and pieces, but that the others were involved much more in the corporate world, so I think that maybe their entrepreneurial side was not fully developed at that point in time”</i></p>	II
	<p><i>“I think because they’re entrepreneurs. I think that’s why they were able to do it, but I think the opportunity arose from one fact only; Thomas being German, and having the right connection”</i></p>	IG
	<p><i>“But for me an entrepreneur is someone who normally works within a big organisation, and comes up with an idea or project, and they can do very well with that, but they use someone else’s capital, and it is not their own capital that is at risk. They would normally have some sort of a shareholding, and would only participate in the upside of such”</i></p>	IB
	<p><i>“While a true entrepreneur is someone who takes risks from the word go, uses his own capital or borrows it or whatever the case is. If it all goes well, or if the things bang out as it sometimes happens”</i></p>	IB

- **Approachability and forcefulness**

The interview subjects noted that the entrepreneurial entity member with the financial background was instrumental in the running of the organisation at that stage, and they found him to very exact on financial matters, humane, approachable and sympathetic. The interview subjects also noted that when they felt cared about, they as employees did not mind to go the extra mile.

The interview subjects noted that the entrepreneurial entity member with the legal back-ground is quite forceful, strong and that he does not take no for an answer.

The evidence presented suggests that the personal characteristics of the entrepreneurial entity members are vital in realising opportunities, as depicted in Table 4.28.

TABLE 4.28 Personal characteristics of the entrepreneurial entity members – Approachable and forceful (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Approachable and forceful	<i>“Okay. I don’t really know Thomas that well, because obviously, he was in insurance, and I was on the Life side. Of the four that...the original four shareholders, the person I could maybe speak about would be Charles, because that’s the person I’ve had the most contact with. So between him and Irene, they made it possible for me to be there, while my dad was so sick, and then also continue with my job. And I think that kind of humaneness and empathy for an employee, says a lot about the individual. I think when you get that kind of feeling, then you don’t mind going the extra mile, because you know that this shareholder...”</i>	IC
	<i>“It was very difficult because in those days I think the only one that I was really dealing would have been Charles because Charles was very involved in the acquisition of the Life side as well as the other shareholders, but Charles was more instrumental so I had more dealings with him and the life. So why the old got together is another story”</i>	IE
	<i>“I mean, a lot of my comments are going to be about Charles, because that’s the shareholder I dealt with. A lot of sympathy. I actually lost my dad in that period, and he was very... You know, I would never forget the care, and the concern he had. There wasn’t a time when I felt threatened, or felt not comfortable that I couldn’t be at work all the time because my dad was so ill. Even Thomas; the person I dealt with on the re [?] side was Charles, and I actually...besides his financial acumen, I just found he’s a very approachable person. He’s very humane...”</i>	IC
	<i>“Well, Philip is obviously quite forceful in many ways with his legal background, and he’s learnt a lot on the insurance side since then”</i>	IF

	<p><i>“Not an idea, hey. I know... No, I don’t know exactly what... I know Philip’s got maybe a, wat sê jy, ‘n prokureur agtergrond, an attorney background and stuff like that. So that’s basically what I know about them. I know Leith [?] is into gardens. Thomas is German. Philip, you know, is quite strong. Philip has got, I think why Philip is successful, obviously he’s got, he doesn’t take no for an answer...”</i></p>	ID
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- **Bravery and risk taking**

The interview subjects noted that the entrepreneurial entity members were brave to take the risk of buying the organisation without knowing the outcome. The interview subjects also noted that the biggest reason for the success of the organisation was the ability of the entrepreneurial entity members to be brave and take a calculated risk, and not a blind risk.

The evidence presented suggests that the personal characteristics of the entrepreneurial entity members are vital in realising opportunities, as depicted in Table 4.29.

Table 4.29 Personal characteristics of the entrepreneurial entity members – Risk taking (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Risk taking	<i>“I’d say the biggest thing that I see is they were brave to take a risk because they bought into things which they were not sure if they were going to work out or not”</i>	IH
	<i>“It wasn’t the case of taking risk blindly, it was a matter of knowing the industry, and I have been working in the industry for quite a while”</i>	IB
	<i>“I am a person who likes to take what is known as a calculated risk, and that has always been in my nature”</i>	IB
	<i>“I think that was the risk, and I think it’s, in this case, it was insight into how an insurer regulated industry works, or somebody within a regulated industry, and to look at, you can see, timing. There was some degree of timing in world events”</i>	II
	<i>“So I think being brave is the biggest part, being brave, being able to take risks is the biggest part of their success. They were never afraid to take a risk and start this thing and then today it’s paying off”</i>	IH

- **Confidence**

The interview subjects noted that the self-confidence of the entrepreneurial entity members in their abilities played a big part in the success of the organisation, as their skill allowed them to have perspective on what was going on and what was needed. One interview subject also noted that his formal educational training and self employment in consulting work prepared him to be ready to take advantage of the opportunities, and to become an entrepreneurial entity member.

The evidence presented suggests that the personal characteristics of the entrepreneurial entity members are vital in realising opportunities, as depicted in Table 4.30.

Table 4.30 Personal characteristics of the entrepreneurial entity members – Confidence (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Confidence	<i>"I always had a very good feeling for numbers and so I understand the numbers, I think I understood the dynamics of how you make or lose money in the insurance industry"</i>	IB
	<i>"We felt that the companies reserving was good, and that gave us quite a good feeling to be able to take this risk"</i>	IB
	<i>"So this is my story, it feels as if I was always ready to take an opportunity, and when it came, I knew this was the opportunity"</i>	IB
	<i>"So I think the self-belief of self-confidence is because of a strong believe in my skills and I can believe in myself and see and put in perspective how the future may be and whether it might be good or not"</i>	IA
	<i>"To try and summarise, my training, my formal training prepared me for that..."</i>	IB
	<i>"I have been doing consulting work, and been working on my own before this opportunity came up"</i>	IB

- **German nationality, family background and marketer**

The interview subjects noted that the entrepreneurial entity member who is from German nationality had a strong family background within the German insurance industry, and that this played a big role in establishing initial contact with the Xxxxx Global in Germany. The interview subjects also noted that the German entrepreneurial entity member was quite a marketer, and he projected a good image.

The evidence presented suggests that the personal characteristics of the entrepreneurial entity members are vital in realising opportunities, as depicted in Table 4.31.

Table 4.31 Personal characteristics of the entrepreneurial entity members – Family background (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Family background	<i>“I come from an Insurance family, I don’t come from a family of entrepreneurs or a family that has build up an emporium, and that is not the case. If you start with my grandfather he was involved in insurance, my father was involved in insurance, so it was a natural thing for me also to go into insurance, and I think over the years...”</i>	IA

- **Talented, eager, and good self-image**

The interview subjects noted that the entrepreneurial entity members were all very talented, exact, and eager to see if their judgements skills were to be successful or not. The evidence presented suggests that the personal characteristics of the entrepreneurial entity members are vital in realising opportunities, as depicted in Table 4.32.

Table 4.32 Personal characteristics of the entrepreneurial entity members – Eagerness (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Eagerness	<i>“The fact that I became self employed was almost a side effect of my prime target to become self employed, it was more the keenness or eagerness to see if the judgement skills were successful or not”</i>	IA
Good Image	<i>“About Thomas, I think he, as a marketeer, I think he projects a very good image. I don’t know him from a work perspective, but in terms of his image at XXXXX Insurance, I think it’s quite a...you know, it’s good to...the image that he portrays. It’s a bit difficult to say. I don’t really know. I don’t...I’ve never had any dealings with Phillip. I think he...maybe from an employee point of view, like, he’s always the one that would say, if you work in your lunch hour, then you can go early, from that aspect...”</i>	IC
Talented and Quite	<i>“All are highly talented...probably Thomas is the quietest one”</i>	IF
	<i>“Thomas, I really haven’t had a lot to do with Thomas. Certainly when we did talk insurance claims, he was on the ball. He was polite, knowledgeable, on the quieter side”</i>	IF

Exact	<i>“But Charles just is with his financial background, accounting background, is exact. He’s very quick on the uptake on financial matters”</i>	IF
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- **Information seeking and trust**

The interview subjects also noted that the entrepreneurial entity members were always looking for information, and the biggest element of building an organisation was the element of trust, trusting each other’s knowledge, ideas and goals.

The evidence presented suggests that the personal characteristics of the entrepreneurial entity members are vital in realising opportunities, as depicted in Table 4.33.

Table 4:33 Personal characteristics of the entrepreneurial entity members – Information seeking and trust (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Information Seeking	<i>“You know, you can see with the, whereas information. He likes to have a lot of information to give to a client and stuff like that. You know, like the presentations and stuff he does to clients. I can see with the presentations”</i>	ID
	<i>“There’s a lot of information. He always adds a lot of... No, he rather wants this. So he likes to have a lot of information to give to somebody. Yes, I think that’s basically it. Leith, I don’t, I really don’t know. I can’t sum him up”</i>	ID
Trust	<i>“I think trust was the biggest element, that what worked as the biggest element to build the organisation because I think they trusted each other’s decisions, they trusted each other’s knowledge and ideas and then they believed in them, they all believed in the same goal and then it worked out as a business, as a successful business”</i>	IH

4.3.7 Individual networking ability of entrepreneurial entity members

The individual networking abilities of the entrepreneurial entity members were extremely significant for entrepreneurial behaviour, as this builds trust and confidence in relationships. In order to summarise the evidence presented for the networking ability of the entrepreneurial entity members during the entrepreneurial behaviour, Figure 4.7 is constructed.

Figure 4.7 Individual networking ability of the entrepreneurial entity members – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Individual networking ability of entrepreneurial entity members	Similar cultural background	<ul style="list-style-type: none"> ▪ Cultural familiarity ▪ Establish initial contact
	Established friendships	<ul style="list-style-type: none"> ▪ Previous employment shared ▪ Positive friendship post employment
	Personal credibility and skill base	<ul style="list-style-type: none"> ▪ Networking ability is grounded in good credibility, professional skills, and knowledge ▪ Maintain positive relationships

Source: Researcher’s own construct

The following aspects were noted:

- **Similar cultural background and familiarity**

The interview subjects noted that Xxxxx Global was a German company, and that the entrepreneurial entity member who established contact with Xxxxx Global at the time was also a German national.

The evidence presented suggests that the networking ability of the entrepreneurial entity members was important for realising the opportunity, as depicted in Table 4.34.

Table 4.34 Individual networking ability of the entrepreneurial entity members – Similar cultural background (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Similar Cultural Background	<i>“I made contact with the German seller, the person who was in charge, and we basically had a very long telephone conversation, that I understood a little better what the financial mechanics of the company was, and I thought it could be something we could pursue”</i>	IA
	<i>“I think because they’re entrepreneurs. I think that’s why they were able to do it, but I think the opportunity arose for one fact only; Thomas being German, and having the right connection”</i>	IG

- **Established friendship**

The interview subjects noted that as entrepreneurial entity members, they needed to know each other through previous work employment where they worked together and they maintained friendship post the employment period.

The evidence presented suggests that the networking ability of the entrepreneurial entity members was important for realising the opportunity, as depicted in Table 4.35.

Table 4.35 Individual networking ability of the entrepreneurial entity members – Established friendships (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Established friendships	<i>"When I felt, I needed a bit of new challenge, one of my old friends that I used to work for and with at Alliance Insurance, Thomas Obenslager, and he needed someone to help him with short-term consultancy with a task at a company he was working with, WinterBach ...Africa"</i>	IB
	<i>"...I used to work for and with at Alliance Insurance, Thomas Obenslager..."</i>	IB
	<i>"I know Charles Matthews from a few dealings before, and we both had employment with Alliance in the beginning of the nineties, and then I did not know any of the other parties"</i>	IA
	<i>"...short-term consultancy with a task at a company he was working with, WinterBach ...Africa"</i>	IB
	<i>"...and then we got together with another colleague of mine Dr. Gerhard Sandrock, who was the curator appointed by FSB at that stage, and was working at First Central which was in liquidation as opposed to run-off..."</i>	IB

- **Personal credibility and skill base**

The interview subjects noted that good credibility, professional skills and knowledge were important for establishing friendships and maintaining a positive relationship.

The evidence presented suggests that the networking ability of the entrepreneurial entity members was important for realising the opportunity, as depicted in Table 4.36.

Table 4.36 Individual networking ability of the entrepreneurial entity members – Personal credibility (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Personal Credibility	<i>"We had a chat with him, and he had quite good credibility with the Financial Services Board"</i>	IB
Skill Base	<i>"Firstly, it started with me identifying the opportunity, and at that point in time it was Charles Matthews who worked in my current company as the CFO, and it was a temporary appointment as I knew about his financial skill and knowledge in analysing a balance sheet and understanding due diligence information"</i>	IA

4.3.8 Entrepreneurial entity formation

Entrepreneurial entity formation is a prerequisite for opportunity realisation within the South African insurance industry. The behaviour of an entrepreneurial entity is strongly shaped and influenced by the formation process and the initial interactions amongst its members. The evidence presented suggests that entrepreneurial entity formation is part of realising the opportunity, as depicted in Figure 4.8.

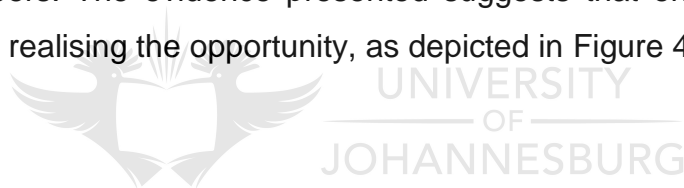


Figure 4.8 Entrepreneurial entity formation – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Entrepreneurial entity formation	Informal entrepreneurial entity formation	<ul style="list-style-type: none"> ▪ Informal discussion and exploring of opportunities ▪ Based on skill need and knowledge ▪ Financial, legal and operation analysis ▪ Individual need, skill, and credibility
	Formal entrepreneurial entity formation	<ul style="list-style-type: none"> ▪ Buying consortium ▪ Shared legal ownership
	Communication	<ul style="list-style-type: none"> ▪ Discussion amongst entrepreneurial entity member of the running of the organisation ▪ Continuous communication to staff members as to mitigate uncertainties
	Conflict handling	<ul style="list-style-type: none"> ▪ Focus on identifying problems ▪ Focus on addressing problems quickly and effectively
	Changes in formal shareholding	<ul style="list-style-type: none"> ▪ Exit of entrepreneurial entity members ▪ Changes in shareholding ▪ Changes in decision making

Source: Researcher's own construct

The following aspects support this statement:

- ***Informal entrepreneurial entity formation***

The interview subjects noted that the entrepreneurial entity members got together in an informal way to discuss the possibility of purchasing Xxxxx South Africa. The getting together of individual entrepreneurs was based on the need for mutual skills, as to understand the dynamics of purchasing and running Xxxxx Global. The entrepreneurial entity was formed in an informal manner when the individual entrepreneurs started to collectively evaluate and explore the possibility of running and purchasing Xxxxx South Africa.

This decision started with the knowledge that Xxxxx South Africa was up for sale, the need to understand the financial and investment needs of the company arose and also, with a need for understanding how to run the organisation, with a need to understand the legal implications for actualising the opportunity.

The interview subjects also noted that the informal entity formation selection was based on need, perceived image, skill and credibility of the individual members within the insurance industry that eventually became part of the entrepreneurial entity.

The evidence presented suggests that entrepreneurial entity formation is part of opportunity realisation and entrepreneurial behaviour, as depicted in Table 4.37.

Table 4.37 Entrepreneurial entity formation – Mutual need (Interviewee opinions)

Properties	Dimension(s)	Interview Number
“More than 1 person” (Informal)	<i>“What then happened is that we got to know that Xxxxx Global Reinsurance Company decided to sell the South African operations”. “Myself, Thomas, and Gerhard then sat around a table and had a chat, and we said we should maybe try and buy this company, and run this company for our risk”</i>	IB
Mutual Need	<i>“...Thomas Obenslager, and he needed someone to help him with short- term consultancy ”</i>	IB
	<i>“So we then approach a guy called Phillip van Vuuren who Gerhard knew quite well, who worked at a company called Equils, and he is an attorney, litigation attorney, and he was also one of the partners at Quileman. I am not sure if you could maybe have a discussion with him on this that could be quite interesting. He had a vast experience of structuring deals for mergers and acquisitions, and he also had the experience of running claims for insurance companies for the attorneys’ account, as the insurance litigator”</i>	IB
	<i>“So what then happened as I explained, there were three of us, myself, Dr. Gerhard Sandrocks, and Thomas Obernslager, and we then saw this opportunity to buy the company, but we needed experience on how to put this together. So while I always had the theory, none of us were seasoned purchasers of companies, which we since then have become”</i>	IB
	<i>“I think because they’re entrepreneurs. I think that’s why they were able to do it, but I think the opportunity arose for one fact only; Thomas being German, and having the right connection”</i>	IG

- **Formal entrepreneurial entity formation**

The interview subjects noted that the informal entrepreneurial entity members became the buying consortium who successfully purchased Xxxxx South Africa, and consequently became the four legal shareholders of the organisation.

The evidence presented suggests that entrepreneurial entity formation is part of opportunity realisation and entrepreneurial behaviour, as depicted in Table 4.38.

Table 4.38 Entrepreneurial entity formation – Formal shareholding (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Shareholding (Formal)	<i>“We all then got together with Phillip who formed the fourth shareholder, and he eventually advised us on the structure of the company, and we all then went over to Germany in 2002. The four of us , and we went to Cologne in Germany, and we structured a deal with the owners, and we formed the Eaton Holdings or what is known as the XXXXXX Group of companies to acquire the shares of the South African Subsidiary of Xxxxx Global Reinsrunce Company”</i>	IB
	<i>“We then later changed the name to XXXXXX Reinsurance Company. So that was the initial four shareholders. Meantime, after a couple of years we bought out the one shareholder, Dr Gerhard Sandrock, and the three of us,myself, Thomans and Phillip formed the shareholding of 30 % each, and offered Leith Clark, who was the company’s financial secretary, and we offered him a 10% shareholding. So there always were four shareholders, but the shareholding changed”</i>	IB
	<i>“That was then...a strategic decision was taken to sell it, by the head office in Germany...That was then bought by the four shareholders, okay, at the time, Phillip, Charles, Sandy and Thomas”</i>	IA

- **Communication**

The interview subjects noted that the communication between the entrepreneurial entity members was extremely important, and that the entrepreneurial entity had to continuously discuss matters relating to running the organisation with each other.

The interview subjects noted that during the initial stages of purchasing the organisation, the communication to existing staff members was not sufficient, and this caused great uncertainty among the existing staff members.

The evidence presented suggests that entrepreneurial entity formation is part of opportunity realisation and entrepreneurial behaviour, as depicted in Table 4.39.

Table 4.39 Entrepreneurial entity formation – Communications (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Communication	<i>“Communication. I think they communicate quite often with each other. It’s very important that they communicate everything with each other. You see them going into meetings together, making big decisions together quite often and then even if they send out someone to make a decision on behalf of them, they know that that person will never make the decision that person makes will be the best decision for the business”</i>	IH
	<i>“No, it was very secretive, initially, so we didn’t know much. We only got to know once the actual transaction happened. We were kept in continuous feedback, which was very good, from the old German company, and the MD at that time, Steve Smith. We were told that there were certain discussions taking place, but obviously the confidentiality was quite intense, so...”</i>	IC
	<i>“You know, they had a lot of little things. There were certain standards like, okay, in terms of staff, there...you know, obviously, there was a focus on development on yearly appraisals linked to bonuses, you know, that kind of thing, your increases were all...it was...it was more, I would say, structured”</i>	IC
	<i>“ I’m not saying it’s not structured now, but initially, when we went into run-off, some of those structures stayed, but slowly, they fizzled away. So you know, like, in terms of...as a staff member, in terms of development, currently, there isn’t really much...”</i>	IC

- **Conflict management**

The interview subjects also noted that the entrepreneurial entity members were initially extremely focused on identifying problems and addressing problems quickly and effectively.

The evidence presented suggests that entrepreneurial entity formation is part of opportunity realisation and entrepreneurial behaviour, as depicted in Table 4.40.

Table 4.40 Entrepreneurial entity formation – Conflict handling (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Conflict Handling	<i>“So since they’ve acquired it, our technology in this company has improved, not...it wasn’t worthwhile saying, let’s buy Xxxxx Global, because the technology infrastructure of that company is a wow, and we can leverage off it going forward. Definitely not. We’ve actually grown in leaps and bounds since they’ve acquired us”</i>	IG
	<i>“I don’t know how to put it – it wasn’t their intention at that stage to really try and react to it. I don’t think it was the four of them; I don’t think the four of them were in agreement that we’ll reactivate the Life side; I think the aim was to try and do it on the non-Life side and the reinsurance on Life. You’re asking somebody who’s getting very old and memory doesn’t serve them so well”</i>	IE
	<i>“I don’t think there is... I don’t think there was really much conflict; I think, you know, when we started off we were trying to sort the business – there was a lot of problems in XXXXX then... sorry, Xxxxx in those days, and when they took over, they took over quite a lot of the problems”</i>	IE
	<i>“So on the Life side we had, like problem occurrence and problem areas, so I don’t think it was so much conflict; I think what we did was we actually started looking and identifying the problem areas and starting to address them”</i>	IE
	<i>“So I didn’t see it as a conflict, I just saw it as a, shall we say, a task that was undertaken where we had addressed the problem areas and went ahead to try and resolve them”</i>	IE

- **Changes in shareholding**

The interview subjects noted that there was a change in the entrepreneurial entity’s membership by means of changes in the formal shareholding.

The evidence presented suggests that entrepreneurial entity formation is part of opportunity realisation and entrepreneurial behaviour, as depicted in Table 4.41.

Table 4.41 Entrepreneurial entity formation – Changes in shareholding (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Changes in Shareholding	<i>“There have been changes in the shareholding obviously over the years, and again recently”</i>	IF

4.3.9 Entrepreneurial entity characteristics

The characteristics of the entrepreneurial entity became increasing more important as they evolved from an informal membership to a dynamic formal membership, as it partook in entrepreneurial behaviour.

The evidence presented suggests that the entrepreneurial entity characteristics were significant realising the opportunity, as depicted in Figure 4.9.

Figure 4.9 Entrepreneurial entity characteristics – Entrepreneurial behaviour

Entrepreneurial Behaviour		
Category	Property	Dimension
Entrepreneurial entity characteristics	Relationship management	<ul style="list-style-type: none"> ▪ Different skill and strong willed individuals ▪ Relationship management based on mutual need and common goals
	Compromise	<ul style="list-style-type: none"> ▪ Compromise to achieve common goals ▪ Need to know each other as entrepreneurial entity members better
	Interaction	<ul style="list-style-type: none"> ▪ Need for better interaction and trust amongst entrepreneurial entity members

Source: Researcher's own construct

The following areas are noted:

- ***Relationship management***

The interview subjects noted that the entrepreneurial entity members were four very different, strong-willed individuals with complementary skills and mutual needs who got together to explore and actualise the opportunity.

The entrepreneurial entity members noted that it was very important for them to establish good relationships with each other in order to actualise the opportunity. This was achieved sorting out each other, and continually obtaining a common target that needed to be achieved.

The evidence presented suggests that entrepreneurial entity characteristics formed a significant part in realising the opportunity, as depicted in Table 4.42.

Table 4.42 Entrepreneurial entity characteristics – Relationship management (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Relationship Management	<i>“Normally, he would try to smooth over the relationship and some of the issues in that sense, as he understands the insurance industry quite well. Gerhard, Dr. Sandrock, he brought IT skills as well to the party. So when touched on specific issues such as how to take over, and would be using our own IT platform, or using the currently platform that would have cost us a lot of money. He was quite good in those operational types of issues. Phillip who has the attorney’s background, was quite good in terms of structure and how we would structure things, and helping the drawing up of the sale and purchase agreement, and that was his area of speciality. While we all would focus more on the numbers, how much we have to pay, and how we would structure the payments, and how much money we thought we could make out of this. In that sense all four shareholders were needed to make the transaction...and we drew on all the skill to...”</i>	IB
	<i>“I think it was always one of those things where you would have problems later on, as often happens with a couple of strong-willed people getting together in something and each one wanting to get his own way”</i>	IB
	<i>“So let’s understand something, it’s not always been an easy ride”</i>	IB
	<i>“But to try and answer your question, we were four strong-willed individuals, like I said, myself with a strong financial training and MBA, Dr. Gerhald Sandrock who was a seasoned insurance professional, Phillip van Vuuren who was an litigation attorney, and we had Thomas who was German, who had training in Germany, ... and he was from Germany, and we acquired the company from a German crowd”</i>	IB
	<i>“Well, they...all four of them seemed very different individuals”</i>	IC

- **Compromise**

The interview subjects noted that as entrepreneurial entity members they felt they had to compromise a lot in order to achieve the goals of acquiring the organisation, and they wished they could have had more time to get to know each other but the window of realising the opportunity was very limited and did not allow for that.

The evidence presented suggests that entrepreneurial entity characteristics formed a significant part in realising the opportunity, as depicted in Table 4.43.

Table 4.43 Entrepreneurial entity characteristics – Compromise (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Compromise	<i>“And, Philip, I think is ultimately, he’s the ultimate entrepreneur, but the individual entrepreneur. He doesn’t come across as a team player in any sense at all. But, I think that he has almost, what you might call, the killer instinct, that sort of cold, cold ability to, I mean, he has a legal background, but to be very cold and look in the absence of what the effect on people is going to be, or anything like that, to make decisions on a pure financial basis, so I mean, I think we often looked at the four of them, and figured they’re the most unlikely combination, because their characters are so different”</i>	II
	<i>“Their common goal, I suppose, is optimisation of profits out of something that was a smaller opportunity, but the opportunity grew on them, as they got into it, but they’ve...I don’t know. I often look at them, and I think that it was almost a symbiotic relationship”</i>	II
	<i>“I think I would do things differently, but at this point in time, I think we all did the best we could. It was about sassing out the other person, sassing out the opportunity and that was the main aim”</i>	IA
	<i>“I think we compromised a lot with each other in order to take acquisition of the company. So there in hindsight you could say that we should have gotten to know each other a bit better before one does things like this. But unfortunately opportunities don’t wait for you to sort out your issues. You see, we started negotiations in September and concluded the negotiations before Christmas the same year”</i>	IA
	<i>“It was less than 3 months from the first time we got together behind a table, the four buyers buying the company or finishing the deal. It was not like we could go away for the weekend and get to know each other”</i>	IA

- **Interaction**

The interview subjects also noted that the entrepreneurial entity members could have been more successful, if there has been better interaction between the entrepreneurial entity members. The interview subjects also noted that the original entity members had a change in membership as the interaction amongst the shareholders was poor, even though the entrepreneurial ideas were good.

Consequently, a change in shareholding occurred as a result of ineffective interaction amongst the entrepreneurial entity members.

The evidence presented suggests that entrepreneurial entity characteristics formed a significant part in realising the opportunity, as depicted in Table 4.44.

Table 4.44 Entrepreneurial entity characteristics – Interaction (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Interaction	<i>“I think it could have been more successful, since [?] the interaction sucks, and still does, and I think it was... One thing that’s very, very important; you can have a brilliant entrepreneurial idea. If you do not have the right mix in it, it can fail, and it can fail dismally. I believe, okay, that we have seen, and history has proven it, that there’s no longer the four original shareholders, because of politics and because of the interaction, so I think the mix between the four of them was very, very, very, very poor, okay”</i>	IG
	<i>“I think they’re all exceptionally bright, but the personalities are not conducive to a successful entrepreneurialship, and I think that has a lot to do, why they’re not as successful as they wish they could have been. They want to have... Have you ever been in a shareholders’ meeting? No, you haven’t? Let me tell you something now. It’s not the idea that’s put to the table that everybody listens to; it’s who shouts the loudest to get their point across. That is not a successful unit that has to do that, okay”</i>	IG
	<i>“So I want to just stress something, La Roi [?]. This is important. I hold them in very high regard in the sense that I think they’re exceptionally bright, and they’re entrepreneurs, in the sense they understand the bigger picture. Where my biggest concern for them, and I think their biggest downfall is the interaction and the personalities between them”</i>	IG
	<i>“And I think, everybody thinks, by doing so, that it’s going to manage it. It’s...that’s not what conflict is about. And I really stress that it could be more successful, this whole...this whole...what’s the word I’m looking for...our organisation that we have right now, from the start, to where we are now, could be a lot more successful, if they allowed people... An entrepreneur, a good entrepreneur finds the idea, chases the idea, looks at the opportunity, and then relies on a very strong, coercive team to take that opportunity and that idea and put it into reality”</i>	IG
Stand on the side	<i>“A good entrepreneur knows when to stand on the sideline to look at the next opportunity”</i>	IG

4.4 STRATEGIC BEHAVIOUR

During the conceptualisation of this study, it was important to gain insight into how the entrepreneurial entity expanded and improved its operations from the initial stages of opportunity realisation. In doing so, the interview subjects shared insight as to the strategic dynamics of growing the organisation and realising additional opportunities. Individuals’ reactions and feelings were shared about the organisation, its expansion and additional opportunities that could be realised.

This was insightful in terms of understanding the entrepreneurial entities' behaviours and actions in the realisation of additional opportunities.

The data analysis identified five categories, 31 properties, and 79 dimensions relevant to origins of the entrepreneurial entity, if opportunities and the context within it occurred. These findings are grouped under the theme of strategic behaviour. The identified categories and their underlying dimensions of strategic behaviour can be stated and discussed as follows:

4.4.1 Market growth actions

The entrepreneurial entity members focused attention on growing the organisation as to realise addition income. The evidence presented suggests that market growth actions were vital in realising additional opportunity, as depicted in Figure 4.10.

Figure 4.10 Market growth factors – Strategic behaviour

Strategic Behaviour		
Category	Property	Dimension
Market growth actions	New venturing	<ul style="list-style-type: none"> ▪ New company formation ▪ Appoint UMAs
	New business model	<ul style="list-style-type: none"> ▪ Changing business models ▪ New skills ▪ New risk ▪ Changes in shareholding ▪ Uncertainty amongst employees
	Acquisitions	<ul style="list-style-type: none"> ▪ Acquire a new run-off portfolio
	Investment return	<ul style="list-style-type: none"> ▪ Need for investment return ▪ Keep administration costs low ▪ Accumulated profits allow for investment capital
	FSB requirements	<ul style="list-style-type: none"> ▪ Increased statutory requirements ▪ Increased capital requirements ▪ Investment capital barriers

Source: Researcher's own construct

The following actions related to the market growth action of the organisation:

- **New venture**

The interview subjects noted that the entrepreneurial entity decided to grow the organisation by starting a new venture called XXXXX Insurance Company which is a short-term insurance company that actively underwrites new insurance business and products.

The interview subjects noted that the entrepreneurial entity members looked for a way to gain a new source of income for the company, as the Xxxxx South Africa run-off portfolio was neither a continuous nor a sustainable source of future income for the next 20 to 30 years, even though very good profits were realised over a short period. Hence the idea to start a new short-term insurance company at the end of 2004 that could build up a portfolio of products over time.

The interview subjects noted that the entrepreneurial entity members agreed that they would acquire the necessary skills as they went along in developing the short-term insurance company. One of the ways to grow the venture was to appoint insurance underwriting management administrator (UMA) companies to administer the operations for XXXXX Insurance Company.

The evidence presented suggests that market growth actions by the entrepreneurial entity formed a vital part of strategic behaviour in order to realise continued opportunity, as depicted in Table 4.45.

Table 4.45 Market growth actions – New ventures (Interviewee opinions)

Properties	Dimension(s)	Interview Number
New Venture	<i>“The decision was then made to form our own short-term insurance company, and basically we used our own money that we made from the run-off portfolio Xxxxx Global, and we hadn’t yet acquired the XXxxxx at that stage and we formed our own short-term insurance company. We always wanted to have a company that could take us forward into ten, twenty, thirty years from now”</i>	IB
	<i>“What we then did to go back to your question about the short term insurance, we went back to 2003 and at the end of 2004 we realised that the run-off company had a limited lifespan of up to about 5 years, and you pay all the expenses and you basically reduce all claims to basically a handfull, and you do not have so many more people necessary to manage them So the thinking was, let’s form a company, acquire more skills as we go along, and as such we increase our business”</i>	IB

	<i>“This business model basically needs a run-off to keep on sustaining itself. But it is a bit nervous as there is not enough run-off business in the market to keep us going for the rest of our lives. Hence the idea to start off a new short-term insurance company that would build up a portfolio and that was basically the idea to start XXXXX Insurance in 2005”</i>	IA
	<i>“But XXXXX was then expanding to work through administrators, so they took on some new administrators, but some of them turned out to be bad, both from a results point of view and the dishonesty of the administrators themselves, which has still left a legacy of some problems”</i>	IF
	<i>Very much stricter financial controls by the government bodies, which is causing a lot of work for the secretarial side; the amount of business available with a downturn in the economy: less business, less premiums, and costs still remain high”</i>	IF

- ***New business model***

The interview subjects noted that the business model used by the entrepreneurial entity was changing from having a mindset of running off all activities and maximising cost savings efficiencies, to that of needing to grow the company from the bottom up. The new business model for XXXXX Insurance Company was directly opposite to the existing business model used for the Xxxxx South Africa run-off portfolio.

The interview subjects also noted that the biggest reason for changing the business model was to allow for a new way to realise additional future income for the group.

The interview subjects also noted that during this time, the formal shareholding of the organisation changed due to the associated risk of changing the business model, and also due to lack of sufficient interaction between the shareholders. The interview subjects also noted that a split in shareholding caused uncertainty among customers within the insurance market.

The interview subjects noted that the changing business model used by the entrepreneurial entity members caused a great deal of uncertainty within the organisation. The interview subjects also noted that the skills sets for the two business models were completely different as before they were trying actively to cut costs and run-off a business, but now they had to grow the company.

The interview subjects noted that the organisational structure of the company did not change during this process while the marketing increased for XXXXX Insurance, but the staff members kept decreasing due to the run-off portfolio mindset. Employees were also allocated work that they were not equipped to handle.

The evidence presented suggests that market growth actions by the entrepreneurial entity formed a vital part of strategic behaviour in order to realise continues opportunity, as depicted in Table 4.46.

Table 4.46 Market growth actions – New business model (Interviewee opinions)

Properties	Dimension(s)	Interview Number
New business model	<i>“Very clearly, the up side of buying a company is that everything is historical and you can’t do anything about it. For going forwards, you make best use of that what is available. But the down side of this is that, when the last rand is paid out for the last claim, the money is made and the business model is obsolete. The idea with a run-off business is to run-off the business, until all the claims are finished”</i>	IA
	<i>“So again, I would say, I tried to be the driver of strategic thinking to tell the guys, let’s prepare ourselves for that moment when there is not more to run-off... and we need a new business model to substitute the old business model”</i>	IA

- **Acquisitions**

The interview subjects noted that the entrepreneurial entity realised an additional opportunity by acquiring an American run-off portfolio in 2006, called XXxxxx Insurance. The American company called XXxxxx Insurance exited the South African market by placing its operation in run-off. This was the second run-off portfolio to be acquired by the entrepreneurial entity.

The evidence presented suggests that market growth actions by the entrepreneurial entity formed a vital part of strategic behaviour in order to realise continued opportunity, as depicted in Table 4.47.

Table 4.47 Market growth actions – Acquisitions (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Acquisition	<i>“Definitely to grow, definitely to grow and acquire different new companies. I think by that stage we were definitely not reactivating; I think we knew that. Well, maybe not; maybe not as early as that”</i>	IE
	<i>“We looked at the company, we looked at the people, we looked at the purchase price and we decided that this would be the second acquisition of a run-off that we would do of a run-off portfolio. It is fitting as we know how to do this, and manage a run-off portfolio”</i>	IB
	<i>“There are two ways to go about it in our position, the one is to buy a run-off company and another one and another one, and basically keep on doing this influx of run-off portfolios going until you always have something to run-off”</i>	IA
	<i>“We tried to do this in the first instance, and we had another opportunity in Switzerland, but did it not work out, and we looked for other opportunities in Africa, and one of them became available which became the acquisition of the XXxxx’s Book”</i>	IA
	<i>“Unfortunately, living in a very confined market such as South Africa, you don’t have hundreds of run-offs that come to the market each year”</i>	IA

- **Investment return**

The interview subjects noted that the entrepreneurial entity members focused attention on making an investment return with the acquisition of Xxxxx South Africa by, keeping the administration costs as low as possible. This caused the organisation to obtain profits and capital funds that could be used for new venturing.

The evidence presented suggests that market growth actions by the entrepreneurial entity formed a vital part of strategic behaviour in order to realise continued opportunity, as depicted in Table 4.48.

Table 4.48 Market growth actions – Investment return (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Investment return	<i>“They needed, they were making essentially an investment return, and they needed to keep the administrative costs as low as possible, in order to be able to make money out of all of that. I think they were not truly underwriting”</i>	II

- **FSB requirements**

The interview subjects also noted one of the biggest changes that occurred whilst trying to grow the organisation, was the changing regulatory requirements from the South African Financial Services Board (FSB). This regulation forced insurance companies to keep larger amounts of capital in their bank accounts, that was not to be used for investment purposes, but was held in case of an emergency such as the European debt crises. Increasingly, more profits had to be retained for capital assurances, and less funding was available for reinvestment purposes.

The evidence presented suggests that market growth actions by the entrepreneurial entity formed a vital part of strategic behaviour in order realise continues opportunity, as depicted in Table 4.49.

Table 4.49 Market growth actions – SAFSB (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Satisfy SAFSB Requirements	<i>“So here you have to build up huge reserves according to the FSB which is the statutory board like contingencies, IBNRs and there is a lot of other reserves that you need to hold, and you need to hold a lot more capital where you had to hold 3 million of capital and later it became 5 million, and at the moment you have to hold 10 million in capital, and these kind of stringent capital requirements are placed upon you by the regulatory authorities”</i>	IB

4.4.2 Changing market conditions

The strategic behaviour of the entrepreneurial entity was greatly influenced by the changing market conditions of the insurance industry.

The evidence presented suggests that the changing market condition was extremely significant in continued opportunity realisation, as depicted in Figure 4.11.

Figure 4.11 Changing market conditions – Strategic behaviour

Strategic Behaviour		
Category	Property	Dimension
Market growth actions	Smaller run-off markets	<ul style="list-style-type: none"> ▪ Run-off portfolio markets had changed ▪ International awareness of run-off portfolio profitability ▪ Stable European Insurance Industry ▪ Positive risk perception of South Africa ▪ Indian based insurance companies
	Industry regulations	<ul style="list-style-type: none"> ▪ South African insurance industry is extremely regulated by FSB ▪ Capital investment boundaries ▪ Dampened entrepreneurial activity at macro level
	Increased competition	<ul style="list-style-type: none"> ▪ More insurance companies in South Africa ▪ Increased product offerings ▪ Products aimed at lower income consumers
	Uncertain equity markets	<ul style="list-style-type: none"> ▪ Insurance companies profitability was heavily dependent on investment income of equity markets
	Capital budgets for new venturing	<ul style="list-style-type: none"> ▪ Budget needs for capital investments ▪ Capital funding obtained for current business ventures
	Investor dilemma	<ul style="list-style-type: none"> ▪ Finance of the entrepreneurial entity members' own pockets as shareholders ▪ Expected investment return ▪ Dividend payments to entrepreneurial entity members ▪ Formal reinvestment strategy needed

Source: Researcher's own construct

The following aspects are noted:

- **Smaller run-off markets**

The interview subjects noted that the external market condition had changed over the last couple of year with regard to run-off portfolio management. Multinational insurance companies had realised that run-off portfolio management could be very profitable if managed correctly, and the need for cash injections into European owned insurance companies had stabilised.

This caused the run-off market to become very small internationally, and non-existing in South Africa, as the XXXXX group had realised these opportunities in South Africa. The interview subjects also noted that the international risk perception regarding South Africa had changed to a positive view, and multinational insurance companies did not see South Africa as the same type of risk as previously held, and hence saw the South African markets as a place for great opportunity.

The interview subject also noted that many multinational insurance companies had moved to India due to the technology enablement and lower business operating expenses that ultimately allowed for greater business efficiency.

The evidence presented suggests that changing market conditions played a big part in realising the opportunity, as depicted in Table 4.50.

Table 4.50 Changing market conditions – Smaller run-off markets (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Smaller Run-off Market	<i>"I think...I think a lot of the opportunities have closed down, okay. We went through that whole spate where everybody was keen to either leave the country or put the company in run-off and manage it. So I think those are the market conditions that have changed. People have wisened up to that, don't just give it away for a song and a dance and let them make money; let's do it ourselves"</i>	IG
	<i>"And I think that's why there hasn't been another one, because we've tried very hard to actually find another one, but people are asking for a lot of money, because they've seen the likes of what we've achieved, and they're saying, now, hold on, you know, you might have the skills, but surely, we can do it in-house, as well. So those are the markets that have changed"</i>	IG
Changing Risk Perception	<i>"Do you know what I mean? And plus, those people, those companies, that survive that spate are the bigger companies, the companies that won't falter easily, or whose boards won't take a strategic decision to just lose the risk and move out"</i>	IG
	<i>"I think the market changed in that the competitiveness is still there. I mean, the companies are expanding out of South Africa, per se; they're going more into Africa"</i>	IE
Attraction of India	<i>"I think the African market has expanded quite substantially in that time since then. India's playing a big role in there because a lot of the reinsurance companies are now, have representation in Swiss... um, Swiss... in India – Swiss Re actually run the administration from India because they actually moved because of the costing"</i>	IE

- **Industry regulations**

The South African insurance market has become increasingly regulated by the South African FSB with respect to capital holding. This caused South African insurance companies to hold more capital that can't be used for growth or investment venturing. This dampened entrepreneurial activity with the South African Insurance Industry on a macro level.

The interview subjects also noted that the introduction of the consumer protection act is forcing insurance companies to comply with greater ethical standards and conduct. This is enforced by the insurance ombudsman.

The evidence presented suggests that changing market conditions played a big part in realising the opportunity, as depicted in Table 4.51.

Table 4.51 Changing market conditions – Industry regulations (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Regulations	<i>“Look, the forces, the biggest forces for change in that market, in the market have been, I suppose, in insurance, it's always the effect of regulation, and there've been a series of regulatory changes, considerable regulatory changes. We've introduced a series of things”</i>	II
Consumer Protection Act	<i>“I mean, besides increased capital requirements, you have now as consumer, the Consumer Act. We have policy holder protection rules, and a series of related regulatory changes, so that has been a force for change”</i>	II
	<i>“Consumerism has been a major force for change, and I think that consumers are, even over the last ten years, have become far more informed on what their rights are, what their alternatives are, and in this country, the consumer has been helped a lot by the introduction of the ombudsman, and that has put a considerable pressure on insurers”</i>	II

- **Increased competition**

The interview subjects also noted competition has increased within the South African insurance market, with more insurance companies and products offerings aimed at lower income consumers.

The evidence presented suggests that changing market conditions played a big part in realising the opportunity, as depicted in Table 4.52.

Table 4.52 Changing market conditions – More competition (Interviewee opinions)

Properties	Dimension(s)	Interview Number
More competition	<i>“So, yes, so... there’s been quite a change in the market, lots of changes in the products; the products are more, shall we say, directed towards individuals”</i>	IE
	<i>“And those, the range, the target range has become a lot wider in that they’re looking at the lower income classes as well – you know, they’ve done projects for lower income classes, whereas before a number of years ago it was very much the people who could afford it”</i>	IE
	<i>“You know, if you know a business has become quite a... if you know business in any insurance business... But it’s not like linked policies so you have like your life policy that is linked to your, shall we say, your disability, your terminal illness, your funeral. You know, each company has its own little perks..”</i>	IE

- **Uncertain equity markets**

The interview subjects also noted that an insurer’s profitability is greatly influenced by the state of equity markets as many reserve funds are invested within these markets.

The evidence presented suggests that changing market conditions played a big part in realising the opportunity, as depicted in Table 4.53.

Table 4.53 Changing market conditions – Uncertainty in equity markets (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Uncertain Equity Markets	<i>“I will try and think of the other changes, so sort of, I think we’ve covered the main ones. Consumerism, sort of, investment markets, or stock markets. And, regulation, I think are the main drivers”</i>	II
	<i>“They agreed upon a price, at a point in time when markets were low, and from the beginning of 2003, markets did move up considerably, and that they were able to use much of the investment return, from the investments, from the underlying investments within the insurers, to pay for the insurers”</i>	II
	<i>“Similarly, I think the new insurer was capitalised out of, so that they were able to start a new insurer, using capital from something that they had acquired, so it wasn’t they themselves, as individuals didn’t have to contribute heavily towards the formation of a new insurer that the capital was made available from a prior successful entrepreneurial transaction”</i>	II

- **Capital budgets for new ventures**

The interview subjects noted the business growth within the insurance industry was heavily dependent capital investments. Such investment is usually funded from prior business success of the organisation.

The evidence presented suggests that changing market conditions played a big part in realising the opportunity, as depicted in Table 4.54.

Table 4.54 Changing market conditions – Capital budgets for new ventures (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Capital Budget for new ventures	<i>“The second element that I believe in spite of us making profits in particular we always had particular capital restraints and not shortage in the capital we had to manage our business, but for new venture”</i>	IA
	<i>“We live an environment, epically the banking and financial services industry where we are very capital intensive, and big corporate”</i>	IA
	<i>“Now, here comes four shareholders with their own pockets that they have generated within the group and new ventures are very difficult to generate without help from outside capital”</i>	IA
	<i>“We also tried to avoid outside capital o a couple of times, and it was very difficult at a couple of times as such access was very high, and the markets are very cautious and they always failed us... and with the available interest capital it was relatively hard in our industry”</i>	IA

- **Investor dilemma**

The interview subjects also noted that business growth had to be financed from the entrepreneurial entity members’ own pockets, as lending from other institutions was not considered a viable option. As investors who expected a return, the decision to leave sufficient funds within the company became a problem, as there was no real consensus on how much profit was to be realised as dividends or any formal reinvestment strategy in place.

The evidence presented suggests that changing market conditions played a big part in realising the opportunity, as depicted in Table 4.55.

Table 4.55 Changing market conditions – Investor dilemma (Interviewee opinions)

Properties	Dimension(s)	Interview Number
<i>Investor Dilemma</i>	<i>“I think their challenge has always been whether to leave sufficient capital within the company, to acquire new run-off businesses, or as entrepreneurs, to make that additional, or those profits available to themselves, to take it out, for instance as dividends”</i>	II

4.4.3 Competitive advantage

Strategic behaviour is mostly concerned about ways of continuously improving the competitive advantage or position of an organisation. The evidence presented suggests that the competitive factors are vital for realising the opportunity, as depicted in Figure 4.12.



Figure 4:12 Competitive factors – Strategic behaviour

Strategic Behaviour		
Category	Property	Dimension
Competitive factors	Captive business	<ul style="list-style-type: none"> Run-off portfolio business is captive and no relative need exists for competitive advantage Low administrative costs Investment returns on equity markets Economical claims settlement
	Big reserves and availability of capital	<ul style="list-style-type: none"> Large capital bases allow for corporate venturing Legal leverage of claims settlement
	Positive equity markets	<ul style="list-style-type: none"> Link between positive equity markets and investment income Discounted purchasing prices
	People with skills	<ul style="list-style-type: none"> Appropriate skills and money saving Commitment and hard work Skills development
	Technology	<ul style="list-style-type: none"> Employee productivity Data availability Information storage New business enabler Contact medium between the company and consumer
	Marketing and networking ability	<ul style="list-style-type: none"> Market effectiveness at lower costs Networking abilities of marketing person

Source: Researcher's own construct

The following facts were described regarding the entrepreneurial entity's competitive position:

- **Captive business**

The interview subjects noted that competitive advantages are not that important with run-off portfolio management, as the remaining business is captive.

The interview subjects also noted that because the events and the costs were historic, nothing can really be done about it, except for keeping your administration costs as low as possible, and making your money out of investment return on equity markets and economic settlement of claims.

The evidence presented suggests that competitive factors are vital for realising the opportunity, as depicted in Table 4.56.

Table 5.56 Competitive factors – Captive business (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Captive business	<i>“Look, the runoff business and even the XXxxxx Group, is run-off business, so Xxxxx Re and XXxxxx, which formed the heaviest part of their business, there’s no competitive advantage required there, because you have captive business”</i>	II
	<i>“Very clearly, the up side on buying a company is that everything is historical and you can’t do anything about it. For going forward, you make best use of that what is available. But the down side of this is that, when the last rand is paid out for the last claim, the money is made and the business model is obsolete. The idea with a run-off business is to run-off the business, until all the claims are finished”</i>	IA
	<i>“The same type of methodology or strategy was followed as in the case of Xxxxx Global. The trick is to trim your expenses and to manage your investments, the money in the bank, to try and pay the claims for a value less than you bought the portfolio for”</i>	IB
	<i>“That’s a good question. I think, if we had a competitive advantage, okay, it was the ability to run... Bear in mind... Let me start right in the beginning. When they bought Xxxxx Global, Xxxxx Germany had placed it in run-off, so they acquired Xxxxx, which became XXXXX re in a run-off position”</i>	IG
	<i>“They needed, they were making essentially an investment return, and they needed to keep the administrative costs as low as possible, in order to be able to make money out of all of that. I think they were not truly underwriting”</i>	II

- **Big reserves and availability of capital**

The interview subjects noted that big reserves are definitely a source of competitive advantage as it allows possible investment income and legal leverage for claims settlements.

Evidence presented suggests that competitive factors are vital for realising the opportunity, as depicted in Table 4.57.

Table 5.57 Competitive factors – Big reserves (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Big Reserves	<i>“I’d say... I can’t talk about the reinsurance side, but on the XXxxxx side there were some tricky legal claims on the go which made it difficult for Philip and thus to... and you had to have big reserves in case”</i>	IF
	<i>“But because those run-off companies were run-off so successfully, and had been run-off so successfully, they had a competitive advantage to most other people, because at that stage, and we’ve seen it, a lot of the companies had gone into run-off due to very stringent capital requirements, changes in legislation”</i>	IG
	<i>“I’m not sure, the competitive advantage in establishing XXXXX Insurance would have come from having access to a suitable capital base...”</i>	II
	<i>“So, that insurers knew Greenfields Insurers, I mean, with their strong capital base, that’s vital for starting a new insurer in a regulated environment, but I’m not sure that the balance, that the true competitive advantage, or that the remaining competitive factors were truly dealt with, because I think XXXXX Insurance struggled to become truly competitive in the South African market”</i>	II

- **Positive equity markets**

The interview subjects noted that positive equity markets are key competitive factors for companies in run-off. But interestingly, if the initial purchase price of the run-off portfolio is at a discounted price, and the equity market negative at time of purchase, future investment returns could become higher than the initial purchasing price.

Evidence presented suggests that competitive factors are vital for realising the opportunity, as depicted in Table 4.58.

Table 5.58 Competitive factors – Positive equity markets (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Positive Equity markets	<i>“You’re not trying to sell any new business, so I think that the only advantage, or the only thing that they required there, was to be able to, they relied on markets that still needed to be positive”</i>	II
Save money	<i>“There is another side to it, as you need people to help you save money”</i>	IB

- **People with skills**

The interview subjects noted that the entrepreneurial entity members needed people to help them save money through the utilisation of appropriate skills that were available within the Xxxxx South Africa run-off portfolio. The interview subjects also noted that a big reason for the success of the run-off portfolio management of the entrepreneurial entity was due to commitment and hard work of employees prior to the company entering into run position.

The interview subjects also noted that employee development encourages competitive advantage and if employees feel valued, they learn more skills that can be utilised. The evidence presented suggests that competitive factors are vital for realising the opportunity, as depicted in Table 5.59.

Table 4.59 Competitive factors – Skills (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Skills	<i>“So the thinking was, let’s form a company, acquire more skills as we go along, and as we increase our business”</i>	IB
	<i>“That was their competitive advantage. Also, because another competitive advantage they had was that the likes of Thomas, his marketing skill, and his wide network, allowed him to put Phillip, who is an advantage once he starts talking the legal stuff, to actually put these things to bed, to find somebody who’s interested, put Phillip onto it, to manage it and do that. They acquired XXxxxx in a run-off position, okay. That’s the first thing to bear in mind. Because those two companies had been managed successfully, and I want to stress something, and it’s very important that you understand that; that managed successfully is the thanks to the management of the staff, the old team, and the expertise that is sitting in the staff”</i>	IG
	<i>“That is not thank you to the entrepreneurs. That is essential that you understand that. Okay, that does not mean that they don’t bring their own skills and that to it, but the underlying knowledge is set with the staff, to get the day-to-day stuff done, to meet all the requirements that had to be done, whether it was financial, whether it was life, non-life, technical, whatever that was, that sat there, and they knew that”</i>	IG
	<i>“So they had the advantage to say, look, we buy...we bought Xxxxx Global Re, and we’ve...a huge company, and we’ve put... managed that successfully; the old XXxxxx, now Parktown, we’ve managed that successfully, do you see what I mean...”</i>	IG
	<i>“Through appropriate negotiation with the people affected, and a combination of that and litigation, I suppose, that they may have settled a series of those claims at lesser values than had been provided for, so there is maybe an element of competitive advantage”</i>	II

- **Technology**

The interview subjects noted that technology is becoming increasingly more important as the employee productivity depends upon it, availability of data for decision making, and information storage. The interview subjects also noted that technology becomes a business enabler by linking customers and employees to each other.

The evidence presented suggests that competitive factors are vital for realising the opportunity, as depicted in Table 4.60.

Table 5.60 Competitive factors – Technology (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Technology	<i>“My day-to-day runnings with regard to that is obviously the systems. So the systems must be... Okay, from an IT perspective now, that will be the servers and stuff like that, up and running. We need to look at 100% uptime, not downtime”</i>	ID
	<i>“So I think, in that way, we can definitely say we’re quite well off because last year, the whole year, we were 95.9% up and, basically, 4% was downtime, of the year. So I think, in that sense, that’s actually quite great, especially when we’ve got that uptime. So there’s not really downtime”</i>	ID
	<i>“Basically huge, hey. Everything goes around IT. You can’t run a company now, these days, without IT. There’s the server that holds your information, that backs up all your information to it”</i>	ID
	<i>“Look, obviously, take a scenario where if the backup didn’t run properly and you got a crash on a server or something like that, you can’t recall that data. So it means basically recapturing of data. So that’s quite bad. If the systems are slow, you’re obviously going to have an impact on the user that’s used at the end of the line. The system’s going to be slow. So productivity is going to go lower, if I can say it like that. Whereas they have, let’s say, 20 policies that they can work through the day, they can only work through ten because of the systems being so slow. So, at the end of the day, everything plays a role”</i>	ID
	<i>“In some cases, there is some of the competitive advantage, if you want to call it that, simply comes from utilisation of appropriate skills. That now says at the point in time where they acquired business from either XXxxxx or Xxxxx, that certain claims may have been, there may have been provisions for claims, which these guys may have seen an element of fat in”</i>	II

- **Marketing and networking**

The interview subjects noted that the South African insurance industry is extremely competitive and that marketing is very important, and especially if it brings more business to the organisation, but at a lower cost than the current marketing operations. The interview subjects also noted that new insurance business generation is dependent on marketing ability and network ability of the marketing person of the organisation.

The evidence presented suggests that competitive factors are vital for realising the opportunity, as depicted in Table 4.61.

Table 5.61 Competitive factors – Marketing strategy (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Marketing Strategy	<i>“To me it looks like the biggest thing that they focused on was marketing, a good marketing strategy that costs less but brings in more; I’d say that costs less but has the potential of bringing in more”</i>	IH
	<i>“What I mean is marketing that in a way will bring in more customers by spending less, spending less to market those customers but bringing in more. What do I mean by that? Marketing via maybe certain people or a number of people who have got the potential of bringing in more business, like brokers”</i>	IH
	<i>“The market now is a very competitive market. There are a lot of new companies coming in. There is a lot of competition. Everybody is offering different stuff and it’s a very competitive market, the Insurance Industry as we speak, especially the shortterm insurance industry”</i>	IH

4.4.4 Motivational factors

Motivational factors were identified as an important category for strategic behaviour as they help to describe the driving forces for opportunity realisation. The evidence presented suggests that certain motivational factors were forthcoming in realising the opportunity, as depicted in Figure 4.13.

Figure 4.13 Motivational factors – Strategic behaviour

Strategic Behaviour		
Category	Property	Dimension
Motivational factors	Need for change	<ul style="list-style-type: none"> Strong desire for change and new challenge
	Need for investor return	<ul style="list-style-type: none"> Wealth creation Sustainable future profits
	Need for vision	<ul style="list-style-type: none"> Future of the company Create more business, jobs and profits
	Quick decision-making	<ul style="list-style-type: none"> Less formal structures Quick decision making and feedback
	Personal development	<ul style="list-style-type: none"> Opportunistic behaviour allows for quick skills development

Source: Researcher's own construct

The motivational factors can be stated as:

- **Need for chance**

The interview subjects noted a desire for change, and new challenge. An interview subject also referred to entrepreneurial entity as taking a gamble which paid off.

The evidence presented suggests that certain motivational factors were forthcoming in realising the opportunity, as depicted in Table 4.62.

Table 5.62 Motivational factors – Need for change (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Need for Change	<i>"I think they enjoyed most the challenges that they went through and when it paid off at the end, that's what everybody enjoyed the most in business"</i>	IH

- **Need for investor returns**

An interview subject, as an entrepreneurial entity member noted that it was a great pleasure to become wealthy, and that their focus was about findings ways to sustain profits for the group.

The evidence presented suggests that certain motivational factors were forthcoming in realising the opportunity, as depicted in Table 4.63.

Table 5.63 Motivational factors – Need for investor returns (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Investor return	<i>“This business model basically needs a run-off to keep on sustaining itself. But it is a bit nervous as there is not enough run-off business in the market to keep us going for the rest of our lives. Hence the idea to start off a new short-term insurance company that would build up a portfolio, and that was basically the idea to start XXXXX Insurance in 2005”</i>	IA
	<i>“I think the greatest pleasure is always, and I think they’ve been a great example of that, is to be able to become wealthy at somebody else’s expense. There was, at the entrepreneurial level, they took a gamble”</i>	II

- **Need of vision**

The interview subject noted that they would like to see the organisation as one of the top three insurance companies in South Africa, so as to create more business, profits and jobs in South Africa.

The evidence presented suggests that certain motivational factors were forthcoming in realising the opportunity, as depicted in Table 4.64.

Table 5.64 Motivational factors – Need of vision (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Vision	<i>“When I say big, I want to see it being one of the top three insurance companies, insurance group companies, or top five, per se, and bringing in more money, creating more jobs. That’s what I’d like to see”</i>	IH

- **Quick decision making**

The one interview subject, as an employee of Xxxxx South Africa, noted that the ability to make quick decisions can be seen as a great motivating factor and business enabler as opportunities could be discussed quickly and efficiently, as you did not have to wait for head office Germany to make a decision or wait for senior people to get together based on their diary availability.

The evidence presented suggests that certain motivational factors were forthcoming in realising the opportunity, as depicted in Table 4.65.

Table 5.65 Motivational factors – Quick decision making (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Quick decision-making	<i>“These guys took over. It led to a lot of new opportunities that you wouldn’t have had in such an organisation, in the sense that decisions could be made straight away, that was a big plus. We no longer had to wait for Germany to make a decision”</i>	IG
	<i>“That’s a big...that, just by the way, is another reason that there was the market opportunity, was the ability for four people to sit in one room, right away, and make a decision without having to spend hours and days and weeks before a decision was made by head office”</i>	IG

- **Personal development**

The interview subject noted that with opportunistic behaviour, one is able to learn more skills quickly, than would have been possible otherwise.

The evidence presented suggests that certain motivational factors were forthcoming in realising the opportunity, as depicted in Table 4.66.

Table 4.66 Motivational factors – Personal development (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Personal development	<i>“But the positive sides have been the opportunities to acquire new companies, to learn new things, and to go through these transitional periods. That’s been a big plus”</i>	IG
	<i>“Yes. I think I got the opportunity to be multi-skilled. When we were Xxxxx, because of the...of the size, it was very specialised what you did, so at that time, I was a claims and a debtors person, so that’s all I did, claims and debtors”</i>	IC
	<i>“So the pluses in a small organisation like this is that multiskilling can be to the...to the benefit of the employer and the employee, but it also depends on the management style of a certain department”</i>	IC
	<i>“I was fortunate that in the Life department, Irene was very open to multi-skilling. The idea was that everybody needed to know what was going on, so that if somebody’s on leave or sick, the whole operation doesn’t come to a standstill. And yes, we...at least that assisted in my personal development”</i>	IC

4.4.5 Problematic factors

The interview subjects made mention things that they personally experienced as being difficult or problematic. The evidence presented suggests that certain problem factors were forthcoming in realising the opportunity, as depicted in Figure 4.14.

Figure 4.14 Problematic factors - Strategic behaviour

Strategic Behaviour		
Category	Property	Dimension
Problematic factors	Lack of consensus	<ul style="list-style-type: none"> ▪ Handling of disagreements ▪ Managing interentrepreneurial relationships and conflict ▪ Eroding intellectual capacity ▪ No majority ruling and continuous need for consensus
	Lack of trust	<ul style="list-style-type: none"> ▪ Creating an environment of trust
	Loss of autonomy and uncertainty	<ul style="list-style-type: none"> ▪ Loss of autonomy during acquisitions ▪ Uncertainty about the business operations ▪ Uncertainty about job positions
	Not connecting	<ul style="list-style-type: none"> ▪ Outsourced parties to the organisation struggle to feel connected
	Underestimation	<ul style="list-style-type: none"> ▪ Underestimation of the possibility to build a company up from the bottom
	Not motivating staff	<ul style="list-style-type: none"> ▪ Employees leaving the organisation ▪ Existing staff taking on more work ▪ Maintaining high standards of work performance
	Inefficient Structure	<ul style="list-style-type: none"> ▪ Structural changes to organisation post acquisitions ▪ Focus on maintaining high employee motivation
	Entrepreneurial boundaries	<ul style="list-style-type: none"> ▪ Entrepreneurs becoming shareholders and operating managers ▪ Allocating benefits to structured channels ▪ Interaction with employees
Retrenchment	<ul style="list-style-type: none"> ▪ Employees are losing friends ▪ Additional responsibilities ▪ High standards are required from remaining staff members 	

Source: Researcher's own construct

These can be described as follows:

- **Lack of consensus**

The interview subjects noted that disagreements amongst the entrepreneurial entity members were a very difficult thing to handle, as most of the entrepreneurial entity members spent their time managing inter entity relationship rather than focusing their expertise on the organisation. This eroded intellectual energy and capacity. The interview subjects also noted that no entrepreneurial entity member had a majority rule, and that decisions could only be made with consensus of all the entity members. The interview subjects noted that entrepreneurial entity members did not always agree with each other, and this caused conflict within the entity.

Reasons for disagreement on big decisions were that the entrepreneurial entity members were in different stages of their lives, had different strategic visions for the organisation, and different personalities and risk appetites for what to do with the available funds within the organisation. The evidence presented suggests that certain problems areas were forthcoming in realising the opportunity, as depicted in Table 4.67.

Table 4.67 Problematic factors – Lack of consensus (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Lack of consensus	<i>“The area that I would describe as being difficult is when there is disagreement on big decisions. And it’s very difficult because it’s not a one-man show or two, it’s a number of people with different ideas and they think differently. But the goal is one, yes, but it was difficult at some stages while I was still within the company”</i>	IH
	<i>“I noticed that it was difficult and some decisions which were supposed to be made, somewhere they made big decisions that led to the downfall of the company and somewhere they came together and made decisions that brought the company back to life again. Decision making is very difficult... agreeing on something and making decisions is the most difficult thing”</i>	IH
Alignment of visions & different risk appetites	<i>“I think two elements which took strain. Firstly, the alignment of visions and strategic thinking. You have different people with different backgrounds, different views and also from a personality point of view, they have different appetites for risk taking, they all are at a different point in life in terms of life planning”</i>	IA
Big decision-making	<i>“It is difficult, and none of us had the majority ruling to make a decision over the other, and we always had to agree with each other on a decision. We even made a case out of it, and said to agree. We want all four people with equal shareholding, 25% each to be exactly on the same page”</i>	IA

- **Trust**

The interview subjects noted that creating an environment for trust within the organisation was very important. The evidence presented suggests that certain problems areas were forthcoming in realising the opportunity, as depicted in Table 4.68.

Table 4.68 Problematic factors – Trust (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Trust	<i>“I must honestly say that you’ve got that environment where people trust you. They don’t treat you like a child. That’s what I see here. It’s everybody doing their job and they’re doing their job. It’s not like, like I said, you can feel it here”</i>	ID
	<i>“You’re not being treated like a child. You’re not being looked over your shoulder the whole time, like a hawk, to check if you’re doing the job or that type of thing. So I think it’s very relaxed and can get obviously sometimes tense”</i>	ID

- **Loss of autonomy and uncertainty**

The interview subjects noted that some senior employees lost their autonomy during the acquisitions of the two run-off portfolios, and uncertainty remained amongst the employees about the state of the business and the security of their jobs positions.

The evidence presented suggests that certain problems areas were forthcoming in realising the opportunity, as depicted in Table 4.69.

Table 4.69 Problematic factors – Loss of autonomy (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Power Shifts	<i>“To be honest, with the XXXxxx’s we had a lot of autonomy. Large claims were reported to St Pau’s head office, so they assisted us, or even dictated in some ways, but we could decide a lot for ourselves”</i>	IE
	<i>“And as I say, to be honest, when Philip and XXXXX took over and decided to be involved in decision-making, it caused delay because he wasn’t always here, so it made handling those one-off of XXXxxx claims a bit more difficult. In other ways he was helpful: because of his legal background he was able to help us with the legal issues involved”</i>	IE
	<i>“Well, meeting the rest of the XXXXX Group, especially when the XXXXX Insurance came back to this building after being... moving out to elsewhere, and having more colleagues to deal with, and more... just making more friends”</i>	IE
Uncertainty	<i>“On a personal level? I think, on a personal level, maybe just not for me, maybe for other guys, maybe, I don’t know if it’s growth”</i>	ID

- **Not connecting**

The interview subjects noted that as an outsourced party to the organisation and its operations, he did not feel connected to the organisation. The evidence presented suggests that certain problem areas were forthcoming in realising the opportunity, as depicted in Table 4.70.

Table 4.70 Problematic factors – Not connecting (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Not connecting	<i>“Maybe it’s something to do with that. If it’s on a personal level, unfortunately, I don’t feel the same way as the guys who are actually working here because I’m just an outsourced person here”</i>	ID
	<i>“I can just go to my other clients but I think maybe some of the people will just feel where to from here. Is the company growing enough to keep us here...”</i>	ID
	<i>“I must say the people here are quite nice to work with. I don’t have a problem with any one of them. It’s always a challenge to assist somebody but it’s a good challenge. It’s not something that you regret at the end of the day, helping people. I think it’s a nice environment”</i>	ID

- **Underestimation**

The interview subjects noted that as entrepreneurial entity members, they underestimated what it would take to build a short-term insurance company, and that they would be working on it headstrong as they went along. The evidence presented suggests that certain problems areas were forthcoming in realising the opportunity, as depicted in Table 4.71.

Table 4.71 Problematic factors – Underestimation (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Underestimation	<i>“Look we probably underestimated what it would take to build up a short-term insurance company from scratch”</i>	IB
	<i>“It was and still is difficult, it is challenging and whiles we still work through it...head-on as we go along”</i>	IB

- **Motivating staff**

The interview subjects noted that the motivation of staff was one of the toughest things during the past couple of years as the run-off portfolio business model forced many employees to leave the organisation due to retrenchment; existing staff members had to take on more work; and shareholders’ expectations had to be met at the same standards prior to the retrenchments.

The interview subjects also noted that some employees left the organisation due the negative experiences encountered during shareholders interaction. The evidence presented suggests that certain problems areas were forthcoming in realising the opportunity, as depicted in Table 4.72.

Table 4.72 Problematic factors – Motivating staff (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Motivating Staff	<i>“Look, I think the challenge that they’ve had, all along is trying to keep a motivated staff base, whilst you know, over time, the size of your business is reducing. That’s the nature of runoff, the administration of run-off, that as claims get settled, then the volume of business internally gets smaller and smaller, and staff expectations don’t change, and shareholder expectations don’t change, but that your return internally is always related to the size of the company, and in run-off business, you’re ironically in a position where the company is reducing in size, unless you’re acquiring more run-off business”</i>	II
	<i>“You were growing new opportunities resulting in more work, but we did not have the opportunity to grow the staff base. The company was in run-off; nobody wanted to join us. Plus, there was a moratorium on the appointment of new staff”</i>	IG
	<i>“So the existing staff were being swamped with more and more work coming in. Nobody was trying to marry the two, do you see what I mean, to say, guys, we’ve got to be responsible about this. We can either do six things exceptionally well, and get an A-plus in them, or we can do 12 things, where we’re just going to get a C. You know, and then as a result, we lost a lot of staff, just purely because they couldn’t handle, and this is a fact, it’s on record, the style of the shareholders, the manner in which they address staff, the...”</i>	IG
	<i>“How does it work that you can tell your staff, who have worked really hard, okay, and when I say, staff, I’m talking about all classes, I don’t care if it’s the tea lady, or if it is the financial manager...; we’ve had a tough year, and a shareholder, the very, very next day, goes out and buys a brand new car in excess of what our total bonus bill would have been for the 13th cheque”</i>	IG
	<i>“I don’t know, currently, I think we’re very few, compared to what we were. I mean, we’ve had, what, six resignations in the past six months, so currently, we’re very few”</i>	IC

- **Structure**

The interview subjects noted that the structure and controls of the organisation had been relaxed with the new ownership of the organisation, and this caused the productivity of the organisation to decrease.

The evidence presented suggests that certain problems areas were forthcoming in realising the opportunity, as depicted in Table 4.73.

Table 4.73 Problematic factors – Structure (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Structure	<i>“The biggest problem we had; I thought it was very interesting. Let me tell you why; Xxxxx Global was a very...was a German company, but it was a huge international reinsurance company, okay. In that, there were a lot of protocols, in that there was a lot of structure”</i>	IG
	<i>“You had to do certain things, etc, etc, etc, and they had to be done in a certain way, by a certain time”</i>	IG
	<i>“This blasé...this attitude of, tomorrow’s another day, and all that type of stuff did not exist. You didn’t have that choice. It was very structured, very demanding, and very professional”</i>	IG

- **Entrepreneurial boundaries**

The interview subjects noted that there was a downside to obtaining new business as one had individual entrepreneurs who formed the entrepreneurial entity, who were shareholders and became operating directors of the company. The interview subjected noted that this caused those boundaries to be crossed at the detriment of the company as a whole, as benefits to the shareholders were not allocated through structured channels. The interview subjects noted that this behaviour impacted negatively on relationship between the shareholders, as greed impacted on the shareholders.

The interview subjects noted that this was an incredible learning curve for the organisation and the entrepreneurial entity members, of how to reward themselves through correct channels that did not affect the rest of the organisation in a negative way. The evidence presented suggests that certain problems areas were forthcoming in realising the opportunity, as depicted in Table 4.74.

Table 4.74 Problematic factors – Entrepreneurial boundaries (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Entrepreneurial Boundaries	<i>“Okay, the appetite they had for trying to get new business that was very interesting. There were also downsides. I think the...and I’ll say it again; the biggest downfall is the fact that you’ve got entrepreneurs who are shareholders, who are also directors of a company”</i>	IG
	<i>“Those boundaries have been merged and blurred, and a lot of greed has come into it, which has not been to the benefit of the company. And I’ve told them to their face, and...that’s why I say, what I say here is in confidence, but I do believe that. I think that it is their money as shareholder. I lose no sight of that whatsoever, and they must get the reward, but I think it could have been done in a better and more structured way”</i>	IG
	<i>“Do you know what I mean? Greed also influenced and impacted on relationships, between the shareholders, which influenced staff, so we have lost a lot of good staff that would have been prepared to stay here, if the behaviour and the attitude of the shareholders, amongst themselves, and towards the staff and the company had been better”</i>	IG
	<i>“That, for me, has been the most...or the biggest learning curve I’ve ever learnt. And the fact that we still have shareholders in executive director and non-executive director levels is a big, big, big, big, concern going forward, because we’ll never be successful”</i>	IG
	<i>“A shareholder, should be, as I say, should reap the rewards from their dividends. They shouldn’t be influencing the operational decisions of the company, even if it is such a small company. We have enough people here who can do that”</i>	IG

- **Retrenchment**

The interview subjects noted that retrenchment was a difficult aspect to deal with when the company entered into a run-off position, as employees lost friends, work had to remain at high standards while getting additional responsibilities. The interview subjects also noted that other companies tried to take advantage of this situation.

The evidence presented suggests that certain problems areas were forthcoming in realising the opportunity, as depicted in Table 4.75.

Table 4.75 Problematic factors – Retrenchment (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Retrenchment	<i>“We had a lot of retrenchments because what was happening with the book running down and with us cleaning up the book, there wasn’t a necessity to have as many people, we could run it with less people. We still had to have a skills base that could cover it”</i>	IE
	<i>“So that’s impacted us quite a lot and that was quite a difficult thing because, you know, when people are going, the business is running down and you’ve still got to maintain the quality of business, you can’t just suddenly let go whereas, you know, the cedence would have problems”</i>	IE
	<i>“You can’t stop being the claims, you’ve still got to make sure that, because you’re in run-off, that, one, they don’t take advantage of you, so you still have to ensure that they, you know, they’re checking and ensuring that everything is 100%”</i>	IE
	<i>“So you can’t just suddenly go into a, oh, we’re in run-off mode, because it could cost the company quite a lot of money and some of the companies have tried to take advantage because they know that we’re in run-off”</i>	IE

4.5 FUTURE BEHAVIOUR

During the conceptualisation of the study, it was also important to gain insight into how the entrepreneurial entity planned to improve current operations and realise future opportunities. In doing so, the interview subjects shared insight as to how to realise future opportunities. Individuals’ reactions and feelings were shared about the organisation, where they would like to see the organisation in the future, and what would be needed to achieve this. This was insightful in terms of understanding the entrepreneurial entities’ behaviours and actions towards future prospects.

The data analysis identified five categories, 14 properties, and 19 dimensions relevant to the origins of the entrepreneurial entity, its opportunities and the context within it occurred. These findings are grouped under the theme of futuristic behaviour. The identified categories and their underlying dimensions of futuristic behaviour can be stated and discussed as follows:

4.5.1 Strategic pillars

The entrepreneurial entity members had identified strategic pillars as part of their future planning. In order to summarise the evidence presented by the interviewee subjects surrounding its reflections on acquisitions as means of realising an opportunity, Figure 4.15 is constructed.

Figure 4.15 Strategic pillars – Future behaviour

Futuristic Behaviour		
Category	Property	Dimension
Strategic pillars	Acquisitions	<ul style="list-style-type: none"> Looking for additional run-off portfolio's Have adequate skill in doing so
	Strengthening current ventures	<ul style="list-style-type: none"> Adding more profitable lines of business Cover operational expenses Obtain higher profit margins Entrepreneurial entity members as shareholders need to be removed from operational management
	Specialised product offerings	<ul style="list-style-type: none"> Offer differentiated products to the market Obtain line of business that is more profitable
	New ventures	<ul style="list-style-type: none"> International partnership agreements Reduce risk exposure Increase capital base to grow the business

Source: Researcher's own construct

The strategic pillars of the organisation can be stated as follows:

- **Acquisitions**

The interview subjects noted they would always be looking for another run-off portfolio to acquire, as they had done this before, and had confidence in doing so.

The evidence presented suggests that the company was focusing its attention on strategic pillars to grow the organisation, as is evident from the following opinions depicted in Table 4.76.

Table 4.76 Strategic pillars – Acquisitions (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Acquisitions	<i>“Look, I think we would always like to look at opportunities to buy another run-off portfolio company and that is something we can do easily, and we have done this twice before, and we know how to do it, and it’s a way of making a little bit of money if you get your settings right”</i>	IB
	<i>“We will always be on the lookout for such opportunities, but they are far and few in between in South Africa. But if they come along, we will always be on the lookout for them”</i>	IB
	<i>“We have maintained our status on the one side as doing run-off and active business and we all have identified if there would ever be a run-off that we could do, that would actually be the ideal scenario, but unfortunately that is not the case”</i>	IA

- **Strengthening current ventures**

The interview subjects stated that their strategic focus was on strengthening XXXXX Insurance, the short-term insurance company, to make its operations more sustainable by adding more profitable lines of business as to cover all operational expenses. The interviewee subjects stated, they would have liked to write annual premiums of R300 million a year, in order to obtain higher profit margin.

The interview subjects noted, they believed the organisation had the right skill sets within the organisation, but that the shareholders needed to remove themselves from running the organisation.

The interviewees also noted that they would like to see the organisation become a bigger player within the insurance market. The interview subjects stated that the organisation had a sufficient capital base to support growth activities, but the company would need to focus attention on acquiring additional UMAs that could underwrite for the company, while increasing claims handling staff to effectively mitigate large claim losses.

The evidence presented suggests that the company was focusing its attention on strategic pillars to grow the organisation, as is evident from the following opinions depicted in Table 4.77.

Table 4.77 Strategic pillars – Strengthening current ventures (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Strengthening current ventures	<i>“One of our strategic pillars that we say we look at is that we look for opportunities that may come our way. But actively now we are focusing on building XXXXX Insurance, that is our short-term insurance company”</i>	IB
	<i>“So our focus is to grow the short term insurance company to make the whole operation more sustainable, and to make it still profitable to cover your expenses. We wrote in 2011, I think it was about 100 million worth of premium for the year with which you probably break even or may cover your expenses”</i>	IB
	<i>“So we really need make this, to go forward with need get to stage where we write 200 or even 300 million a year to make some more profits”</i>	IB
	<i>“By default we would have to focus our attention on XXXXX Insurance as the only remaining entity that we can work on and put effort in at the moment, and here my vision is clearly to add more profitable lines of business to the company”</i>	IA
	<i>“So I think that’s essential. Secondly, is to focus on the active company, which is XXXXX Insurance. Here’s a company that must take us forward, that has the opportunities. I do believe that we have the right skill set to do that, but the most important thing for me that has to happen is that shareholders have to remove themselves from the management and the operational aspect of the company”</i>	IG

- **Specialised product offerings**

The interview subjects noted the need to add specialised insurance product offering as a mean of differentiation within the market, and also to obtain lines of business that had higher profit margins.

The evidence presented suggests that the company was focusing its attention on strategic pillars to grow the organisation, as is evident from the following opinions depicted in Table 4.78.

Table 4.78 Strategic pillars – Specialised product offerings (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Specialised product offerings	<i>“We got to work this thing very cleverly, and to that extent we are always looking to specialised or niche products that we can add to the market, where we can be a bit more inventive than the normal guy, more quickly”</i>	IB
	<i>“And we are looking at getting more business from the Infinity business and those types of things”</i>	IB
	<i>“We need to add lines of business where we either have higher profit margins or where we take business where we do not own the risk. We basically only administrate the execution thereof”</i>	IA

- **New ventures**

The interview subjects noted that the organisation would like to enter into partnership agreements with multinational insurance companies that would like to enter the South African market whereby the current organisation would be responsible for the operational side of the agreement, but the multinational organisation would ultimately take the risk and profit. The current organisation would be receiving a fee for rendering these services. The evidence presented suggests that the company was focusing its attention on strategic pillars to grow the organisation, as is evident from the following opinions depicted in Table 4.79.

Table 4.79 Strategic pillars – New ventures (Interviewee opinions)

Properties	Dimension(s)	Interview Number
New Ventures	<i>“We need to add lines of business where we either have higher profit margins or where we take business where we do not own the risk. We basically only administrate the execution their off”</i>	IA
	<i>“And that could for instance be, I am only giving an example, there are others, but corporate business could be one example of where we work with and for an international insurer, who can write huge capacities in large industrial risks, but has no representation in South Africa”</i>	IA
	<i>“Because we have skills here in XXXXX Insurance who could do that and the international partner would not have the need to set up a whole infrastructure to do so over here, and we could do that for a fee. We could so buy for something that constantly generates fees for us”</i>	IA

4.5.2 Market scanning

Continued market scanning is extremely important for the entrepreneurial entity as this action will allow the organisation to identify future business possibilities. In order to summarise the evidence presented by the interview subjects surrounding its reflections on market scanning as means of realising an opportunity, Figure 4.16 is constructed.

Figure 4.16 Market scanning – Future behaviour

Futuristic Behaviour		
Category	Property	Dimension
Market scanning	Identify suitable targets	<ul style="list-style-type: none"> Need ongoing strategy to identify future run-off portfolios
	Continuity	<ul style="list-style-type: none"> Maintaining momentum and creating a sustainable run-off business

Source: Researcher's own construct

The following aspects can be noted as important:

- **Identify suitable targets**

The interview subjects stated that the company did not have an ongoing strategy to identify future run-off portfolio, both nationally or internationally.

The evidence presented suggests that the company was not focusing its attention on growing the organisation by acquiring additional run-off portfolios in order to increase profitability, as is evident from the following opinions as depicted in Table 4.80.

Table 4.80 Market scanning - Identify suitable targets (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Identify suitable targets	<i>“You know, in order to achieve, they would really need to be much more actively involved in trying to identify businesses that become suitable targets, and I think the insurance run-off, there’s a series of related businesses that they could administer, which fall into similar categories, but I think that they haven’t truly been active within that market, that when things have really been brought to their attention, then they’ve dealt with them, but I don’t think there’s been an ongoing strategy to identify, both nationally and internationally, to look at run-off targets”</i>	IA

- **Continuity**

The interview subject stated that there were many run-off portfolio opportunities within the international market since 2003, but the organisation was not able to maintain the momentum of continuing to acquire run-off portfolios as a means of creating a sustainable organisation that deals with run-off portfolios.

The evidence presented suggests that the company was not focusing its attention of growing the organisation by acquiring additional run-off portfolios in order to increase profitability, as is evident from the following opinions as depicted in Table 4.81.

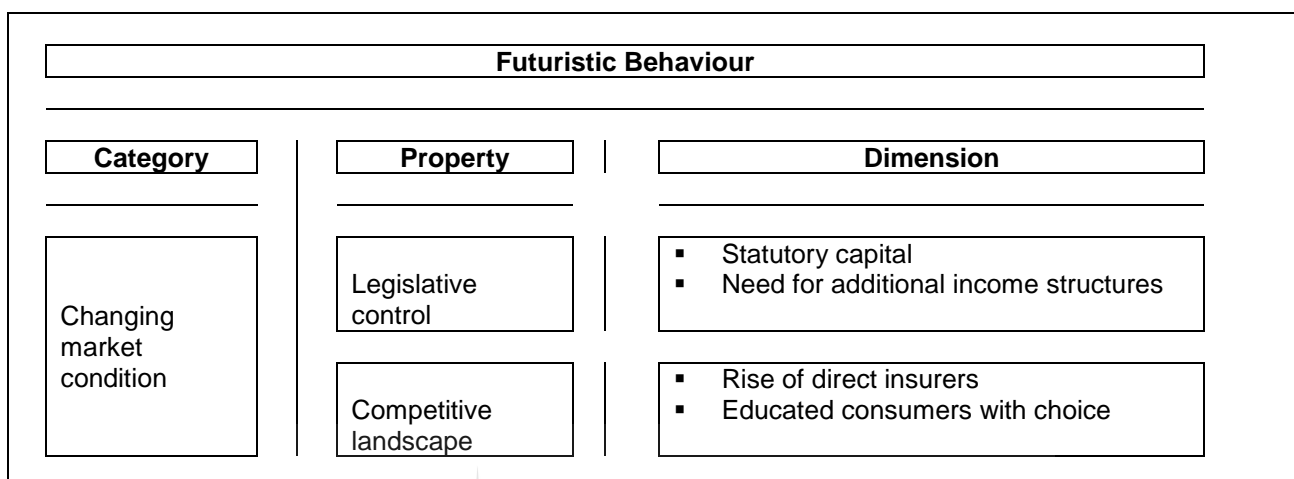
Table 4.81 Market scanning - Continuity (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Continuity	<i>You know, I think that... that where maybe as entrepreneurs, there’s been a lack of momentum, is firstly to truly crystallise, or truly facilitate the creation of a real run-off business, I think that what they’ve done in the runoff business is opportunistic, but at only one or two points in time.</i>	II
	<i>There has been no continuity.</i>	II
	<i>There’ve been a series of runoff opportunities that have presented themselves, with fluctuations in world markets, since 2003, and I think that part of their failure has been the inability to actually create a sustainable run-off business</i>	II
	<i>You know, and that relies upon, at more frequent intervals, to acquire additional portfolios so that you keep your staff base, that you can keep them busy and retain appropriate skills internally.</i>	II

4.5.3 Changing market conditions

The future behaviour of the entrepreneurial entity will shape the changing market conditions of the insurance industry. In order to summarise the evidence presented by the interview subjects surrounding their reflections on changing market conditions as means of realising an opportunity, Figure 4.17 is constructed.

Figure 4.17 Changing market conditions – Future behaviour



Source: Researcher's own construct

The following aspects are noted:

- **Legislative control**

The interview subject stated that the regulatory environment would continue to change for insurance companies due to increased holding capital requirements. Small insurance companies will have to find ways to obtain additional income structures, that do not have to be converted into statutory capital.

The evidence presented suggests that the company was facing a changing competitive landscape, as is evident from the following opinions depicted in Table 4.82.

Table 4.82 Changing market conditions - Legislative control (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Legislative control	<i>“This I think it is key for us and also driven by the whole change in legislative and regulatory environment and this will go even further into the market as we become more capital intensive”</i>	IA
	<i>“The big ones have it easier to survive than the small companies. We are a small company and so we need to find income structures that take us a little bit out of the spotlight of always having to support capital, otherwise what happens is that you make profit and you need to convert capital, statutory capital, so it is not available to be taken out”</i>	IA
	<i>“In fact it disappears into the system, because the regulator says you need to withhold more capital if you want to do business. This is a trap that we have to avoid, and it would be a challenge to do that”</i>	IA

- **Competitive landscape**

The interview subjects also noted that the competitive landscape is changing, and that it is becoming difficult to compete with the direct insurers. Also, consumers are more educated with greater choice of insurance products. The evidence presented suggests that the company was facing a changing competitive landscape, as is evident from the following opinions depicted in Table 4.83.

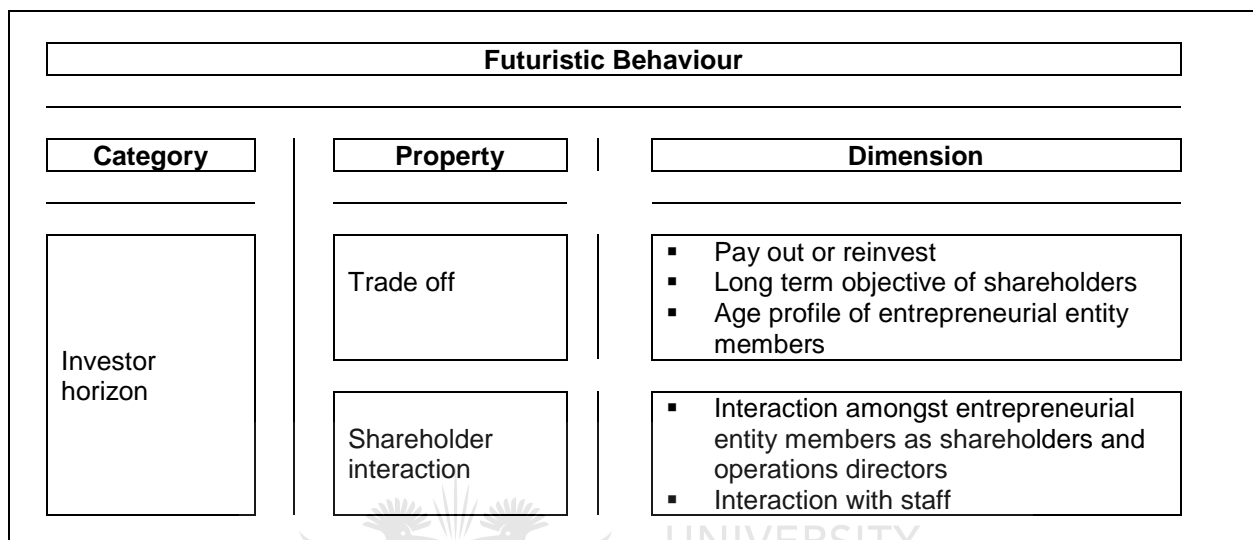
Table 4.83 Changing market conditions – Competitive landscape (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Competitive Landscape	<i>“In the market it is very difficult, as we are not trying to compete with the direct insurers, we don’t have the infrastructure, we don’t have the capital available”</i>	IB
	<i>“At the moment we are in a slightly overtraded personal lines market and I personally do not ever see that we can make huge profits out of this. It would always be turning money excursive”</i>	IA

4.5.4 Investor horizon

The investor horizon of the entrepreneurial entity members is extremely important as it determines the future behaviour of its members. In order to summarise the evidence presented by the interviewee subjects surrounding their reflections on the investor horizon as means of realising opportunity, Figure 4.18 is constructed.

Figure 4.18 Investor horizon – Future behaviour



Source: Researcher's own construct

The following aspects are noted:

- **Trade-off**

The interview subject noted that the entrepreneurial entity members, as shareholders of the company had to make a trade-off decision. This decision was either to live off profits from the current business operation obtained for the successful runoff portfolio management, or to recapitalisation the organisation as to create a business venture that would generate future profits by expanding the operations of the business.

The interview subjects noted that the investor horizon depends on the personal long-term objectives and age profile of each individual entrepreneurial entity member.

The evidence presented suggests that a company is dependent on the investor horizon of its shareholders, as is evident from the following opinions, depicted in Table 4.84.

Table 4.84 Investor horizon – Trade off (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Trade off	<i>“Yes, that’s a good question. I think there’s always a trade-off between whether you are truly, if there’s a point in time where you’ve been successful with a series of businesses, and you want to live off that success, or you want to create something truly sustainable, it just depends on what your investment horizon is, and what your long-term objective is, and maybe I see that long-term objective differently from the way that the existing shareholders do”</i>	IA
	<i>“Their age profile or whatever may say that they rather wish to be less actively involved in business, to live off the fruits of what they’ve achieved so far, rather than to keep investing in the business”</i>	IA

- **Shareholder interaction**

The interview subjects noted that the shareholders as entrepreneurial entity members were too involved in running the operational side of the organisation and needed to withdraw to some extent, as this interaction amongst the shareholders and the staff had negative implications for the current state and future of the organisation.

The evidence presented suggests that the company is dependent on the investor horizon of its shareholders, as is evident from the following opinions, depicted in Table 4.85.

Table 4.85 Investor horizon – Shareholder interaction (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Shareholder Interaction	<i>“We can’t continue where certain of the shareholders are interacting to the detriment of the company and the staff. We can’t do that. It’s...they’ve got to be removed so it’s not just about them and what they can take home anymore”</i>	IG
	<i>“We’ve got to take this company and make it a player in the insurance industry, and forget about whether somebody’s going to have a new car, or the holidays, or how much foreign exchange they can take on in their next thing”</i>	IG

4.5.5 Organisational structures

The organisational structure of the organisation is important for the operational management of the organisation. In order to summarise the evidence presented by the interview subjects surrounding their reflections on organisational structure as means of realising an opportunity, Figure 4.19 is constructed.

Table 4.19 Organisational structure – Future behaviour

Futuristic Behaviour		
Category	Property	Dimension
Organisational structures	Organisational organogram	<ul style="list-style-type: none"> ▪ Focus on core aspects ▪ Reduce expenses
	Controls	<ul style="list-style-type: none"> ▪ Accountability, responsibility, forums for communication, benefit channels
	Staff with skills	<ul style="list-style-type: none"> ▪ Key performance areas ▪ Measurement
	Employee communication	<ul style="list-style-type: none"> ▪ Confidentiality ▪ Continuous feedback ▪ Future communication

Source: Researcher's own construct

The following are actions proposed by the organisation to improve its operation:

- **Organisational organogram**

The interview subjects noted that the organisation needed to streamline activities by not having numerous holding companies within the group as this detracts focus, and has additional cost expenses attached to them.

The evidence presented suggests that the company is aiming to make changes to its organisational structures, as was evident from the following opinions, depicted in Table 4.86.

Table 4.86 Organisational structure – Organogram (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Organisational organogram	<i>“Well, the first thing I’d like to do, I do believe the potential exists... Okay, let me go back to the beginning. Le Roi, you’re 100% aware that we’ve got this very, very, very complex organogram of the XXXXX Group, okay, numerous companies, holding companies and that”</i>	IG
	<i>“The intention is to do exactly that, and I believe it’s the best way forward, is to streamline that organogram, the processes already in place”</i>	IG

- **Controls**

The interview subjects stated that the organisation should create control within the organisation that allocates responsibilities to the correct people, create a forum for feedback and information sharing with the shareholders, and allow for the shareholders to receive their benefits through the appropriate channels. The interview subjects stated that a clear strategic plan would benefit the organisation.

The evidence presented suggests that the company is aiming to make changes to its organisational structures, as is evident from the following opinions, depicted in Table 4.87.

Table 4.87 Organisational structure – Controls (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Controls	<i>“That has to be managed, and the controls have to be in place, and it’s only once that is in place, and these people can be removed in the true sense... They must get their benefits”</i>	IG
	<i>“They’re shareholders. I’m not saying they mustn’t get their benefits, but it must be through the right channels and processes”</i>	IG
	<i>“And they must all come into meetings, get the information they want”</i>	IG
	<i>“They must question, they must demand, they must do what they want, but at the right forums, at the right times”</i>	IG
	<i>“And give the responsibility to the people who should be managing the company. Then I believe it will succeed”</i>	IG

- **Staff and skills**

The interview subject stated that employees are needed with the correct skill set, and responsibility needs to be given to employees to keep them accountable for their actions. The interview subject stated that this can be done by formulating key performance areas for each person so as to measure their performance.

The evidence presented suggests that the company was aiming to make changes to its organisational structures, as is evident from the following opinions, depicted in Table 4.88.

Table 4.88 Organisational structure – Staff and Skills (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Organisational organogram	<i>“Well, the first thing I’d like to do, I do believe the potential exists... Okay, let me go back to the beginning. Le Roi, you’re 100% aware that we’ve got this very, very, very complex organogram of the XXXXX Group, okay, numerous companies, holding companies and that”</i>	IG
	<i>“The intention is to do exactly, and I believe it’s the best way forward, is to streamline that organogram, the processes already in place”</i>	IG
Focus on core	<i>“That’s going to allow people to focus on what’s core to the company, not waste expenses on companies that are just holding companies”</i>	IG

- **Employee communication**

The interview subjects stated that employee communication and notification had been a problem in the past. The interview subject also stated that the feedback, even regarding a change had not occurred and was vital for employees

The evidence presented suggests that the company was aiming to make changes to its organisational structures, as is evident from the following opinions, depicted in Table 4.89.

Table 4.89 Organisational structure – Employee communication (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Employee communication	<i>"I think communication is a problem, in the sense that sometimes...I mean, last year, we had...there was talk that somebody was interested in buying us"</i>	IC
	<i>"I mean, we had all these meetings and all these follow-up sessions, and eventually, when the whole thing fell through, I mean, we weren't even notified, as employees, that it's fallen through, you got to hear in the passage ways"</i>	IC
	<i>"So I think communication is a key thing, and from the Xxxxx setup, and even when we were being bought over by XXXXX, as much as the MD at that time, because of confidentiality, he couldn't disclose who the buyers were, but he would...he would call a meeting and he would say, it's a meeting that I don't have anything to tell you, but I'm having a meeting"</i>	IC
	<i>"So it was that continuous feedback, and I think that's important, as an employee"</i>	IC
	<i>"Also, you know, if I think of...and these are things that no matter how much we say, you know, it doesn't affect the employees, it does affect them"</i>	IC



4.6 REFLECTIVE BEHAVIOUR

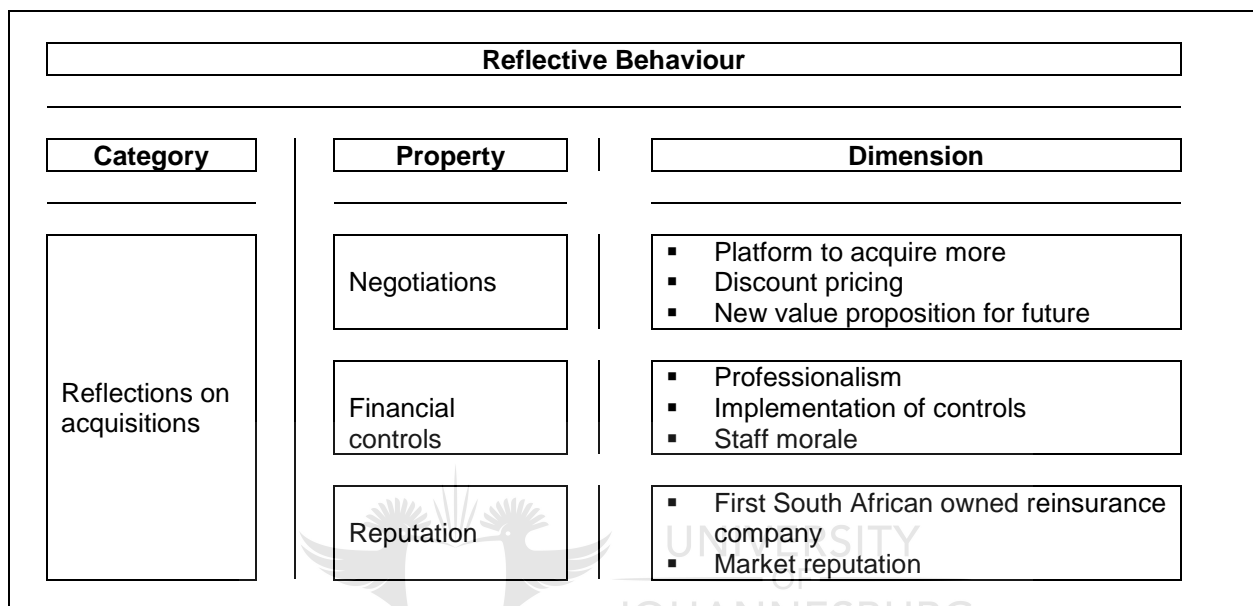
It was important to gain insight into the entrepreneurial entity’s experience, as this could indicate valuable insight into specific areas of importance. In doing so, the interview subjects shared insight as to what they would have done differently and the reason for that behaviour. Individuals’ reactions and feelings were shared about the organisation. This was insightful in terms of understanding the entrepreneurial entity’s behaviours and actions towards opportunity realisation.

The data analysis identified four categories, 21 properties, and 51 dimensions relevant to the origins of the entrepreneurial entity, its opportunities and the context within which it occurred. These findings are grouped under the theme of reflective behaviour. The identified categories and their underlying dimensions of reflective behaviour can be stated and discussed as follows:

4.6.1 Reflections on acquisitions

The interview subjects, as entrepreneurial entity members reflected on the acquisition of Xxxxx South Africa and XXxxxx Insurance. In order to summarise the evidence presented by the interview subjects surrounding their reflections on acquisitions as a means of realising an opportunity, Figure 4.20 is constructed.

Figure 4.20 Acquisitions – Reflective behaviour



Source: Researcher’s own construct

The following insight was shared:

- **Negotiations**

By having made a successful acquisition of the first company, the entity was able to prove competence, and hence acquire a second run-off portfolio based on the success of the first acquisition. Based on the lessons learned from the first acquisition, the entity members realised one should negotiate harder to obtain a better discounted price. The interview subjects noted that during the first acquisition, they should have negotiated “a bit harder”.

Also, by having skills in acquisitions, one is able to quickly take advantage of opportunities should they arise, but the interview subjects noted that it is very difficult to sell a group such of company that is constructed out of various acquisitions, as questions arise regarding the true competitive nature and innovation of the newly integrated company.

The evidence presented leads one to believe that pre and post-acquisition planning is crucial for an organisation to achieve a sustained competitive advantage and to realise future profits, as is evident from the following opinions, depicted in Table 4.90.

Table 4.90 Reflections on acquisitions – Negotiations (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Negotiations	<i>“So I think we got it for a good price, but I think we could have negotiated a little bit harder. But this gave us the platform to acquire the second run-off business which was XXxxxx for a very good discounted price, and we did very well there”</i>	IB
	<i>“Look, it’s difficult to say how we might have done it differently, because they’ve done well out of it, as individuals, but I think that they’ve failed to...I think that XXXXX itself, I think that ultimately it now becomes a business that you can sell piecemeal but you can’t sell as a true business, or it becomes very difficult to sell, so I mean, the steps that, I’ve spoken about, to create real run-off business, to see the business model as being something different than simply opportunistically grabbing one or two opportunities and see what you can make of them”</i>	II

- **Financial controls**

The interview subjects noted that post-acquisition one should maintain or increase the financial controls of the organisation. The interview subjects noted that it is harder to re-establish such controls again, once you have let them go. Without well established control, the organisation is bound to lose its professionalism and this will result in reputational loss, both inside and outside of the organisation.

The evidence presented leads one to believe that pre and post acquisition planning is crucial for an organisation to achieve a sustained competitive advantage and to realise future profits, as is evident from the following opinions, depicted in Table 4.91.

Table 4.91 Reflections on acquisitions – Financial controls (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Financial controls	<i>"I wouldn't have relaxed certain of the financial controls and staff controls that were relaxed. Because now that we're wanting to implement them again, it's twice as hard to do it"</i>	IG
	<i>"I said, no, no, no. I'm not saying we need to ensure that we do these things to be popular to the staff, or just to do it, but there's certain controls that staff have to have in order to maintain a certain level of professionalism, which we did"</i>	IG

- **Reputation**

It is evident, the pre and post-acquisition planning had significant implications for the organisation. The interview subjects noted that the acquisition allowed the entity members to be the first South African owned reinsurance company.

The evidence presented leads one to believe that pre and post-acquisition planning is crucial for an organisation to achieve a sustained competitive advantage and to realise future profits, as is evident from the following opinions, depicted in Table 4.92.

Table 4.92 Reflections on acquisitions – Reputation (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Reputation	<i>"We had a very, very, very good name in the market, in XXXXX...Xxxxx. We don't have that name, now, with our staff and our controls. They've been relaxed. They've been thrown away"</i>	IG
	<i>"So I think I would have insured that we maintained those...that very good reputation in the market, and that goes not only from a marketing point of view, but that also goes from a staff, and a...and a financial basis"</i>	IG
	<i>"Well, you know, I think...you know, now thinking back, if I was the shareholders, I would be very proud to have acquired a reinsurance company, because if I look at the reinsurance companies at the moment, there's not a local one. They're all foreign, and they're either German, American or what... Yes, they...or French"</i>	IC
	<i>"There's no... So as much as I know their focus has been on insurance, it's just a pity that they didn't decide to continue the reinsurance side, because it would be, then, the first South African reinsurance company"</i>	IC

4.6.2 Reflections on corporate venturing

The interview subjects reflected on corporate venturing. In order to summarise the evidence presented by the interviewee subjects surrounding their reflections on corporate venturing as means of realising an opportunity, Figure 4.21 is constructed.

Figure 4.21 Corporate venturing – Reflective behaviour

Reflective Behaviour		
Category	Property	Dimension
Reflections on corporate venturing	Know your market	<ul style="list-style-type: none"> ▪ Market research ▪ Identify gaps ▪ Adaption of brands
	Increased market competition	<ul style="list-style-type: none"> ▪ Extremely competitive market ▪ Commoditised price sensitive products ▪ Need for good customer service ▪ Focus through the tough times
	Changing business models	<ul style="list-style-type: none"> ▪ Insurer controlled ▪ Barriers to entry ▪ Cooperative agreements ▪ Changes to internal structures of the organisation
	Financial controls	<ul style="list-style-type: none"> ▪ Improve financial control measures of the organisation ▪ Staff assurances ▪ Company reputation ▪ Good leadership practices
	Staff focus	<ul style="list-style-type: none"> ▪ Balance between marketing, underwriting and staff ▪ Good team spirit ▪ Better senior management support needed
	Regulatory requirements	<ul style="list-style-type: none"> ▪ Statutory and regulatory requirements ▪ Market entry barriers ▪ Intermediary driven entrepreneurship

Source: Researcher's own construct

The following insight was shared:

- **Know your market**

The interview subjects stated that market research, and knowing your market is key for finding a gap to start a new business. The interview subjects noted that an organisation needs to be aware of its changing environment in order to adapt its business models so as to sustain the company and its reputation.

The evidence presented leads one to believe corporate venturing is extremely dependant on the internal mechanisms of the organisation and external pressures from the industry regulator, as is evident from the following opinions, depicted in Table 4.93.

Table 4.93 Reflections of corporate venturing – Know your market (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Know your market	<i>“Before you start something, research. Be sure of your market. You can never be really sure but look at the market first and see if there’s a gap for a new business and then, that’s number one. That requires a lot of research”</i>	IH
	<i>“I read and it was only over the last weekend that I read a German news paper that an article about brand, big brands and big names that have disappeared over the past year because the entrepreneur was too narrow minded and did not see the change in the environment”</i>	IA
	<i>“They had a product and they had a business model, and worked it and worked it and all of a sudden it did not work anymore so well. But they didn’t realise that they had made a mistake, they just didn’t adapt to the changing environment. Basically, out of business ten years later and not in business any more. And this is basically very sad”</i>	IA
	<i>“I believe to build up a brand is extremely fun, but you have to constantly think of to do that and how to adapt to a changing environment”</i>	IA

- **Increased market competition**

The interview subjects noted that the current insurance market is extremely competitive with heavily commoditised product offerings that are extremely price sensitive. One interviewee stated that to be competitive, one must have a differentiated product offering from competitors.

The interviewee subjects stated that one should be focused; have a competitive product offering, offer good service to customers, and stay focused through the tough times in order to stay competitive within this market.

The evidence presented leads one to believe corporate venturing is extremely dependant on the internal mechanisms of the organisation and external pressures from the industry regulator, as is evident from the following opinions, depicted in Table 4.94.

Table 4.94 Reflections of corporate venturing – Increased market competition (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Increased market competition	<i>“The other main thing, is that the insurance industry is very competitive at the moment , and commoditised, and what I mean by that you can just listen to the radio, and just about everybody is trying to sell insurance, and it is price sensitive. But if you go to the corporate or the commercial market it is a different story”</i>	IB
	<i>“But it is very competitive at the moment, and if you want to go into this field, you really have to have a different offering, and differentiate yourself from your competitors, and have a offering that is unique and quite different, and to that extent, I am not too sure to what extent you package household insurance differently at the moment”</i>	IB
	<i>“It is difficult, but if you are focused, and you believe you have a competitive offering, you can offer good service to your customers, and you can stay focused through the tough times and you will have a time”</i>	IB

- **Changing business models**

The interview subjects noted that the insurance industry has changed over the past 15 years from being a heavily intermediary driven market to a more insurer controlled market, whereby insurers indicate the terms and conditions of business. The interviewees also noted that entrepreneurship at an entry level is difficult for someone wanting to enter this industry. The insurance industry is also heavily investment dependant and greater need is being placed on third party administrators’ skills to administrate the operational aspects of insurance companies. The interview subjects noted a need for business growth, and a suggestion was made for better relationship building with other insurance companies in this market.

Cooperation within the South African insurance market is a common occurrence, and corporate risk underwriting is usually shared amongst a couple of insurance companies, as to protect them against future cash flow problems should big losses occur. The interview subjects also noted that they would like changes within the internal structure of the organisation by replacing staff in senior positions of the organisation held by shareholders to that of non-shareholding senior managers.

The interview subjects noted that the shareholders are too involved in the running of the business that had negative long-term effects on the organisation, such as not employing the best possible person for the job, but rather a shareholder. The evidence presented leads one to believe corporate venturing is extremely dependant on the internal mechanisms of the organisation and external pressures from the industry regulator, as is evident from the following opinions, depicted in Table 4.95.

Table 4.95 Reflections of corporate venturing – Changing business models (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Changing Business Models	<i>"I think that we've changed over the last 15 years in this country, from being a heavily intermediary driven market to something that has become much more insurer controlled, and I'm not sure that's always a good thing, because it is increasingly difficult for somebody to just, at an entrepreneurial level, to just establish a business and say, look, I want to become a service provider to an insurer, because the insurers can increasingly dictate terms"</i>	II
	<i>"I think we were too involved as shareholders, and that created its own set of problems where we would not necessarily appoint the right person to do the right jobs, cause we all sort off looked towards each other, and we should have looked at the right person to do the job, and provide help where needed"</i>	IB
	<i>"We have now changed it, where we have appointed the insurance person to be the MD of XXXXX Insurance company"</i>	IB
	<i>"I think that it may have been investment in, or the identification of what the real business is, and that's why I honestly, you know, if your real business is going to be almost third party administration, that you're now saying, we have skills, we can administer, is to set up entities that really become focused on that sort of thing"</i>	II
	<i>"If you've got claim skills internally, people who can administer claims, then you may make those services available, even to other insurers. It's not necessarily run-off business. You have skills internally that you need to retain, to manage the run-off business, but you can use those same skills elsewhere"</i>	II

	<i>“Long-term, if you wanted to create a different business, then you may have to create different relationships, with your fellow insurers. Insurance is a very cooperative business”</i>	II
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- **Financial controls**

The interview subjects also noted that they would like to improve the financial control measures as part of the internal improvements of the business model. The interviewee subjects noted that this is extremely important for both a company’s reputation and staff assurances as for how to conduct their work, and manage them appropriately. The interview subjects also noted that good financial control allowed staff members to obtain good external audit reports.

The interview subjects noted that this gives a good company reputation within the market, and is viewed as good financial leadership practices as it helps to build good relationships with clients’ within the context of the financial services industry, as issues can be resolved quickly, and do not become stumbling blocks.

The evidence presented leads one to believe corporate venturing is extremely dependant on the internal mechanisms of the organisation and external pressures from the industry regulator, as is evident from the following opinions, depicted in Table 4.96.

Table 4.96 Reflections of corporate venturing – Financial controls (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Financial Controls	<i>“I wouldn’t have relaxed certain of the financial controls and staff controls that were relaxed. Because now that we wanted to implement them again, it’s twice as hard to do it. Do you know what I mean?”</i>	IG
	<i>“I said, no, no, no. I’m not saying we need to ensure that we do these things to be popular with the staff, or just to do it, but there’s certain controls that staff have to have in order to maintain a certain level of professionalism, which we did”</i>	IG
	<i>“We had a very, very, very good name in the market, in XXXXX...Xxxxx. We don’t have that name, now, with our staff and our controls. They’ve been relaxed. They’ve been thrown away”</i>	IG

	<i>“All that’s history, now. Now those people who are really, really, really working hard, are getting the same bonuses and increases as those people that are continually sick...not...poor attendance, poor delivery; how is that possible? Do you know what I mean?”</i>	IG
	<i>“So I think I would have insured that we maintained those...that very good reputation in the market, and that goes not only from a marketing point of view, but that also goes from a staff, and a...and a financial basis”</i>	IG

- **Staff focus**

The interview subjects noted that a balance should be obtained between marketing, underwriting and staff. The interviewees noted that the previous organisational culture when still owned by German group had a very good culture that comprised of team building, personal performance appraisals, staff were well informed of financial bonuses and the bases for awarding such bonuses, and good interaction amongst employees and senior managers.

The interview subjects explained the above as ensuring good team spirit and also mentioned the results of the company were much better then. The interview subjects noted that more staff were needed to administer the claims operations of the organisation, and that better support needed to be provided from senior managers as this would allow for better customer service and improve the overall company reputation.

The evidence presented leads one to believe that corporate venturing is extremely dependant on the internal mechanisms of the organisation and external pressures from the industry regulator, as is evident from the following opinions, depicted in Table 4.97.

Table 4.97 Reflections of corporate venturing – Staff focus (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Staff focus	<i>"I think there should... Yes, I think there should be a balance between the marketing side of underwriting, as well as in terms of the staff. You know, look at...I think, look at looking after the staff..."</i>	IC
	<i>"So that's why it stayed in run-off. I can't really... I just think, the...coming from the Xxxx culture, which was, they focussed on the business, but they also focused on the staff... I'll give you some examples where... And I'm not saying the current shareholders have to go that route, but I think when you come out of an environment of that, then obviously, you are going to compare"</i>	IC
	<i>"I mean, the bonuses and increases were always done based on performance appraisal, so it was based on performance and we knew, like, bonuses would only be paid out in April because after year-end, financial year-end would be December, and then obviously, it had to be audited. So based on the results for the year, we were...bonuses would be linked, right"</i>	IC
	<i>"I can't remember, I think salary increases were done in the beginning of the year, but it was...we knew when to expect that. it wasn't like, this thing was hanging in your head, and you're wondering now, is it going to happen? Isn't it going to happen, that kind of thing"</i>	IC
	<i>"They always had a year-end function that was very well done. Either it was a whole day event, or... And it was just nice because you could interact with the shareholders on a different level, where here, we don't really have much of that, because you... I mean, some of...some of the functions, also, some of the shareholders haven't been available, or that kind of thing"</i>	IC

- **Regulatory requirements**

The interview subjects noted that smaller insurance companies will have difficulty to survive in the changing insurance industry as statutory and regulatory requirements that are onerous, expensive, and a large amount of capital is needed to support such actions to enable a FSB accreditation.

The interview subjects also noted that this will cause a greater need for intermediary level entrepreneurship activity that needs to be supported by multiple skills and compliances. The interview subjects also noted that the insurance market was becoming a very difficult market to enter into.

The evidence presented leads one to believe corporate venturing is extremely dependant on the internal mechanisms of the organisation and external pressures from the industry regulator, as is evident from the following opinions, depicted in Table 4.98.

Table 4.98 Reflections of corporate venturing – Regularity requirements (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Regularity requirement	<i>“Real insurers in this country need very large capital bases, and for a small insurer to survive here, is very difficult. On top of that, the regulatory requirement, the whole framework is onerous from a reporting perspective, so it’s very expensive to run an insurer”</i>	II
	<i>“I think the entrepreneurial opportunities that get created are really at the intermediary level, or the service provider to insurers”</i>	II
	<i>“At the intermediary level, it’s largely, I mean, it’s really a selling type business. Increasingly, the insurers are providing the framework and an intermediary, sort of, hooks into that framework”</i>	II
	<i>“I think there is a series of opportunities there, but even that, with our changes in phase and so on, to become an intermediary these days is also not easy, because you need accreditation”</i>	II
	<i>“You need a series of skills, compliance, offices and all those sorts of things, so that even for intermediaries, there are barriers to entry there, so it’s not the easiest market to become involved in”</i>	II

4.6.3 Reflections on the organisational culture

The interview subjects reflected on various aspects relating to the organisational culture of the entrepreneurial entity and its members. In order to summarise the evidence presented by the interviewee subjects surrounding their reflections on organisational culture as means of realising an opportunity, Figure 4.22 is constructed.

Figure 4.22 Organisational culture – Reflective behaviour

Reflective Behaviour		
Category	Property	Dimension
Reflections on organisational culture	Business ethics	<ul style="list-style-type: none"> ▪ Good skills ▪ Good work ethic ▪ Deadline driven ▪ Need for accurate information
	Communication	<ul style="list-style-type: none"> ▪ Communication to staff ▪ Communication to customers
	Human resource management	<ul style="list-style-type: none"> ▪ Need for a human resource department ▪ Positive organisational culture
	Employee development	<ul style="list-style-type: none"> ▪ Need for employee development and training ▪ Exposure to different business operations
	The challenge	<ul style="list-style-type: none"> ▪ Enjoyment of turning things around
	Personal contact	<ul style="list-style-type: none"> ▪ Need for contact
	Internal support	<ul style="list-style-type: none"> ▪ Good cross-organisational department relationships

Source: Researcher's own construct

The following factors were forthcoming:

- **Business ethics**

The interviewee subjects noted that work ethic is extremely important so is a clear distinction between having a good skill set and a good work ethic was made. When work ethic is lacking, future problems will arise. Good work ethic takes the form of hard work, attention to detail, and being meticulous.

The interview subject also noted being deadline driven is also very important, so is the need for accurate information. The evidence presented leads one to believe that organisational culture is a key driver for operation efficiency, as is evident from the following opinions, depicted in Table 4.99.

Table 4.99 Reflections of organisational culture – Business ethics (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Business Ethics	<i>“I’m just trying...I’m just trying to think. I mean one... You know, I think...I think when you start off, as any employee, I think you...you know, all the necessary ethics are important, things like hard work, attention to detail, being meticulous, timekeeping, you know, all those are important. You must have a good work ethic. And I think that would take you a long way, in your career. If you start off, no matter whether you’ve got the product knowledge or not, but if your work ethic is not correct, then somewhere along the line, there’s going to be a problem”</i>	IC
	<i>“If it’s deadline driven, you need to be...you know, you need to look at those deadlines, and if you can’t meet them, then advise somebody prior, that, look, I can’t meet them, or that kind of thing. But I think a work ethic is a key to your success”</i>	IC
	<i>“Well, just in terms of how you produce whatever work is necessary, is it...is it done in a proper manner? If it’s a report, are you...are you making sure that the information on that report is correct, you’re not just giving rubbish to somebody else to look at? Then just making sure that, like I said, if you can’t meet a deadline, informing somebody that you can’t meet it”</i>	IC
	<i>“My concern, again, is the underwriting, the marketing, we need the new business”</i>	IC

- **Communication**

The interview subjects noted that communication is very important to both internal staff and to external consumers. This allows for all parties to know what is going on.

The evidence presented leads one to believe that organisational culture is a key driver for operation efficiency, as is evident from the following opinions, depicted in Table 4.100.

Table 4.100 Reflections of organisational culture – Communication (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Communication	<i>“So be proactive and always communicate. Communication is also a huge thing for me”</i>	ID
	<i>“Communicate to the customer so that the customer knows exactly what’s going on all the time. Don’t let them just hang there, don’t know what’s going on, because they will come back and bite you in the arse”</i>	ID

- **Human resources management**

The interview subjects noted that the organisation had no human resource department, and the interviewee felt that this resulted in a lack of positive organisational culture. The evidence presented leads one to believe that the organisational culture is a key driver for operation efficiency, as is evident from the following opinions, depicted in Table 4.101.

Table 4.101 Reflections of organisational culture – Human resource management (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Human resources	<i>“Yes, a little bit to the...to the...some kind of employee culture, I don’t know...I don’t know how that is possible because they don’t have an HR department, so it’s a bit difficult. You know, when I spoke about bonuses and increases and that, it’s just not bonuses and increases”</i>	IC

- **Employee development**

The interview subjects expressed a need for employee development and training. The interview subjects noted that within the past seven years there has been no formal development or training. The interview subject noted that although formal employee development was lacking, she had gained experience from the many different business functions of the organisation.

The evidence presented leads one to believe the organisational culture is a key driver for operation efficiency, as is evident from the following opinions, depicted in Table 4.102.

**Table 4.102 Reflections of organisational culture – Employee development
(Interviewee opinions)**

Properties	Dimension(s)	Interview Number
Employee development	<i>“Those do impact on an employee, but not always. Just in terms of development, training, you know, if you leave here... If I look at myself, I’m back, now, seven years, and if you ask me, in the seven years, what training or development has the company offered me in the seven years? There’s nothing”</i>	IC
	<i>“Whatever development there’s been has been the opportunity to sort of assist in doing the solvency, and doing the quarterlies and the LTs, but in terms of, like...like I said, footprint training, or Excel training, or that kind of thing, I think those are important tools for an employee to be able to do their job”</i>	IC
	<i>“But I’ve got offices that have become a jack-of-all-trades, so, I mean, where I was in an area that was really skilled with under-18s in claims, I, you know, you got exposed to doing a lot more and you got exposed to a lot more of the, that was going on in the business, so you could see from the financial side; you could see from the insurance side; you could see from the life side”</i>	IE
	<i>“So I think I’ve had a lot of exposure in all the different areas, so I’ve got something like that from there, but looking back on it I think, I wish... I might have got a bit more, you know...”</i>	IE

- **The Challenge**

The interview subjects noted that job satisfaction had been achieved and derived from turning things around, and things are running smoothly now.

The evidence presented leads one to believe that the organisational culture is a key driver for operational efficiency, as is evident from the following opinions, depicted in Table 4.103.

Table 4.103 Reflections of organisational culture – The challenge (Interviewee opinions)

Properties	Dimension(s)	Interview Number
The challenge	<i>“In a [overtalking], nothing, nothing. No, I... I don’t think I’ve enjoyed... I’ve enjoyed being in the position where we’ve taken a lot and we’ve turned it round and we’ve got it as close to, shall we say, perfect, if you like”</i>	IE
	<i>“I don’t think it’s a case of really enjoying it; I think you’ve got a lot of job satisfaction and now it’s sort of running, it’s running so smoothly”</i>	IE

- **Personal contact**

The interview subjects expressed a lack of contact with other employees, as an external service provider to the company.

The evidence presented leads one to believe that the organisational culture is a key driver for operation efficiency, as is evident from the following opinions, depicted in Table 4.104.

Table 4.104 Reflections of organisational culture – Personal contact (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Personal contact	<i>“Yes, I mean, that is how good it is. So, yes, I think we were quite pleased that we managed to do what we did. I do miss the contact with people because I had a lot more contact with people, but I think you get into a situation where you just do your job and I think I’m getting a bit older, my... I don’t know, direction ...”</i>	IE

- **Internal support**

The interview subjects noted that good partnerships within the organisation and across departments existed due to having the right people in the right places, prior to the acquisition of Xxxxx South Africa.

The evidence presented leads one to believe that the organisational culture is a key driver for operation efficiency, as is evident from the following opinions, depicted in Table 4.105.

Table 4.105 Reflections of organisational culture – Internal support (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Internal support	<i>“So I think in terms of the group, they had the right people, you know, in those places, and then also, we had good support from finance, people like Leith and Rudi, Anna. I mean, Anna’s been with us, and Ernestine, for a very long time, so we’ve had that good... So the auxiliary areas have also been strong to support the, you know, that...the unit”</i>	IC
	<i>“So I think...and it’s been a good partnership between the two departments. I think that has been the strength, is that on the Life side, I can’t speak, really, for non-Life and for insurance, but on the life side, I think the people... Because any company, the people make the company. The people were strong enough to take it through”</i>	IC
	<i>“You know, from a work perspective, in terms of the business, I mean, we’ve been very successful in Life, and I think it’s been managed very well. I would have loved for them to have reactivated it, but obviously their interest was rather to focus on insurance”</i>	IC

4.6.4 Reflection on investor horizon

The interview subjects reflected on the investor horizon of the entrepreneurial entity’s members. In order to summarise the evidence presented by the interview subjects surrounding their reflections on investor horizon as means of realising an opportunity, Figure 4.23 is constructed.

Figure 4.23 Investor horizon – Reflective behaviour

Reflective Behaviour		
Category	Property	Dimension
Reflections on investor horizon	Decrease in shareholder involvement	<ul style="list-style-type: none"> ▪ Appointing the right person ▪ Less managerial input from shareholders
	Convincing shareholders	<ul style="list-style-type: none"> ▪ Agreement by consensus ▪ Shareholding splits ▪ Industry reputation
	Breaking even	<ul style="list-style-type: none"> ▪ Continues capital requirements ▪ Payback periods
	Dilemma	<ul style="list-style-type: none"> ▪ Entrepreneur vs. manager
	Structure	<ul style="list-style-type: none"> ▪ Sustainable opportunity realisation

Source: Researcher's own construct

The following important aspects were noted:

- ***Decrease in shareholder involvement***

The interview subject noted that as shareholders and entrepreneurial entity members, they were too involved in the running of the business. The interview subjects noted that this caused them not to appoint the correct person for the job of running the company, and instead of advising the new person to run the company, the shareholders looked at each other, and this caused its own set of problems.

The evidence presented leads one to believe investor horizons are vital for sustainable opportunity realisation, as is evident from the following opinions, depicted in Table 4.106.

Table 4.106 Reflections on investor horizon – Decreased shareholder involvement (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Decreased shareholder involvement	<i>“I think we were too involved as shareholders, and that created its own set of problems where we would not necessarily appoint the right person to do the right jobs, cause we all sort off looked towards each other, and we should have looked at the right person to do the job, and provided help where needed.</i>	IB
	<i>“So that I would have probably done a little bit earlier, and take a step back as a shareholder given more advice to someone who can run with the operation and those kind of things if I can summarise”</i>	IB

- **Convincing shareholders**

The interview subjects noted that on big decisions such as to continue with its current business venture, the shareholders and entrepreneurial entity members had to convince each other on the reason for doing so. The interview subjects noted that this was a very difficult decision to make, as you have to convince each other, and with disagreement comes confusion and divide.

The interview subjects noted that where consensus is not reached amongst shareholders regarding big decisions, a shareholder split is evident. The interview subjects noted that such a condition is not perceived good in the market, and the company ends up losing employees and reputation.

The evidence presented leads one to believe that agreed investor horizons are vital for sustainable opportunity realisation, as is evident from the following opinions, depicted in Table 4.107.

**Table 4.107 Reflections on investor horizon – Convincing shareholders
(Interviewee opinions)**

Properties	Dimension(s)	Interview Number
Convincing shareholders	<i>“If we at some stage had a serious discussion, for example we needed to decide if we are going to go forward with XXXXX Insurance, as it was taking a lot of our time, and we were not sure if we are going to get the return we needed, and we needed to decide if we are going to put another 10 million into the business, and it was quite a thorough decision to make whether we ought to close down the company”</i>	IB
	<i>“I’ve always had the feeling that we have put so much effort into the company that we should keep going and we can recover our money with the business model, but some of the shareholders weren’t of the same opinion, and I had to convince these guys that we should continue, and not pull out. It’s not easy and we talked about this, and we talk until we all compromised to carry on or to stop”</i>	IB
	<i>“We keep talking, and you have to convince the other person. If you can’t convince the other person, you are going to lose, and that was the rule”</i>	IB
	<i>“Differently? Hmm, I think when these shareholders split up, I think that did a lot of, it was quite detrimental to the group as a whole, well, certainly to the insurance side”</i>	IE
	<i>“But to grow an insurance company, I think that was probably one of the worse things that could have happened, you know. Because the market sees this type of thing and if they see it’s splitting, then coming back together again, and then, you know, staff leaving, because a lot of the staff have left, I think that...”</i>	IE

- **Break-even**

The interview subjects noted, that to start a company like the current operation they have, they would need about R30 million and be realistic about the break-even point and plan for the changing future. One would need to have a substantial capital base that can support the organisation for about four to five years before seeing any profits, or to be able take out some sort of cash dividend. The interview subjects noted that a need for capital contributions will always exist in order to grow an organisation.

The evidence presented leads one to believe investor horizons are vital for sustainable opportunity realisation, as is evident from the following opinions, depicted in Table 4.108.

Table 4.108 Reflections on investor horizon – Breaking even (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Breaking even	<i>“If you talk specifically on the insurance industry, I think if you have be realistic, is would be very difficult for a group of individuals to do what we have done as four shareholders to form a short-term insurance company as we did with 10 million rand, where the minimum was 3 million rand”</i>	IB
	<i>“I would say at the moment, you have to have really deep pockets, at the moment you would probably need to require 20 to 30 million to set up a similar company. So my advice would be to make sure you have enough capital to keep you going, at least for three to four years for your company”</i>	IB
	<i>“ think in depends a lot on the industry you are in, if we look at the financial industry we are in, the more forward thinking and planning for future changes in that segment I think is key, so a little foresight and attempt to look to the future of what is ahead, and what the currently situation is to be in the future...”</i>	IA
	<i>“Look, the irony is the insurance industry at the, I mean, the insurance market is vast. But, at the real insurer level, everything, much of our regulation has been geared towards chasing away entrepreneurs, in my opinion, so it’s a very, very difficult...I mean, our regulators require insurers to be heavily capitalised, to be able to get going. So, there’s a large contribution required, and on an ongoing basis, that if an insurer ever wants to grow, then heneeds to keep adding to that capital base”</i>	II

- **Dilemma**

The interview subjects noted that in order to be a successful entrepreneur one needs to find opportunities. The interview subjects noted that being a successful entrepreneur and being a successful CEO require a complete different skills set, and also that if you are successful entrepreneur at findings opportunity, you might not be a successful manager, as the skills set requirements are completely different.

The evidence presented leads one to believe investor horizons are vital for sustainable opportunity realisation, as is evident from the following opinions, depicted in Table 4.109.

Table 4.109 Reflections on investor horizon – Dilemma (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Dilemma	<i>“Okay. An entrepreneur, it doesn’t...being a good entrepreneur means that you’re going to fail quite often before you are successful. That’s not unusual, to find an idea, an opportunity, chase after it, and it doesn’t come to the fore. That doesn’t mean that you did a bad job. Do you know what I mean being an Entrepreneur doesn’t mean finding the right opportunity and managing it, and being successful each and every time. We all know that, okay”</i>	IG
	<i>“Secondly, being an entrepreneur does not make you a good businessman, or a good CEO of a company. Understand that. Okay, they’re two totally different sets of skills”</i>	IG
	<i>“I believe both are uniquely different. A CEO has got to... First of all, the entrepreneur finds the opportunity, okay, to actually be successful, to do something different in the market, whether it’s a product, whether it is acquiring acquisitions and doing run-off companies, whatever it may be. Being an entrepreneur is finding an opportunity”</i>	IG
	<i>“Being a CEO is taking that opportunity, or what has been discovered, and putting in what is necessary to make it successful. Do you know what I’m trying to say? There’s a big...there are different skill sets here. That entrepreneur, once it’s all...and I’m shooting it down as if it’s one simple thing; I know it’s a lot more than that, but I’m just saying”</i>	IG
	<i>“Once he’s found it, and it’s decided to happen, he should put in place the right people that will take that idea, that product, whatever it may be, and make it successful, and he should be looking at the next one”</i>	IG

- **Structure**

The interview subjects noted the importance of structure in order to follow the opportunities. The interview subjects also noted that a lack of structure could prevent one from obtaining future opportunities as the company has a negative reputation when realising opportunities.

The evidence presented leads one to believe investor horizons are vital for sustainable opportunity realisation, as is evident from the following opinions, depicted in Table 4.110.

Table 4.110 Reflections on investor horizon – Structure (Interviewee opinions)

Properties	Dimension(s)	Interview Number
Structure	<i>“They had the advantage of having a very structured, very professional German reinsurance company, that they bought, so you came in and everything was working. You didn’t have to touch anything. Do you see what I’m trying to say? They weren’t starting from scratch...”</i>	IG
	<i>“So you should be looking at, how could they go from something that was so successful and flying so well, crumble to the point where it has to now be rebuilt totally? And I’m talking fundamentals within that, okay”</i>	IG
	<i>“So it’s no longer just about the entrepreneurial, and this alludes to what I’m saying to you; they are definitely entrepreneurs, 100% entrepreneurs, each and every one of them, and I take my hat off to them, but isn’t it interesting that they couldn’t manage to keep such a successful well-oiled machine going...”</i>	IG
	<i>“I’m talking staff, I’m talking every aspect in that, okay, every aspect, HR, or IT, whatever it may be. Do you know what I mean? And certainly, in some areas they were very successful, do you know what I mean, and other areas just crumbled totally”</i>	IG
	<i>“And that comes from not the entrepreneurial skill looking at opportunities, but the involvement in the organisation itself. So maybe more South African companies weren’t prepared to give it to them, because of their name in the market, and what they were seeing being done. And that the opportunities that they got, and rightly saw to take as entrepreneurs, weren’t South African, and they haven’t managed to get another...to get a South African one”</i>	IG

4.7 LOOKING BACK ON THE CHAPTER

This chapter portrayed the labelled categories, as well as the underlying dimensions that comprise each of the categories. Each of the broad categories was delineated by properties and dimensions and can presented as follows:

- (i) Categories identified from the entrepreneurial behaviour grouping:
 - Market conditions
 - Opportunity identification
 - Technology
 - Business model
 - Individual background
 - Individual networking ability of the entrepreneurial entity members

- Entrepreneurial entity formation
 - Entrepreneurial entity characteristics
- (ii) Categories identified from strategic behaviour grouping:
- Market growth actions
 - Changing market conditions
 - Competitive advantages
 - Motivational factors
 - Problematic factors
- (iii) Categories identified from future behaviour grouping:
- Strategic pillars
 - Market scanning
 - Changing market conditions
 - Investment horizon
 - Organisational structures
- (iv) Categories identified from reflective behaviour grouping:
- Reflections on acquisitions
 - Reflections on corporate ventures
 - Reflections on organisational culture
 - Reflections on investor horizons

In order to conceptualise the data findings from the open and axial coding, Figure 4.24 is constructed in order to summarise the grouping areas and their underlying categories:

Figure 4.24 Findings from the open and axial coding

Areas of group/in	Entrepreneurial behaviour	Strategic behaviour	Futuristic behaviour	Reflective behaviour
Categories	<ul style="list-style-type: none"> ▪ Market conditions ▪ Opportunity identification ▪ Technology ▪ Business model ▪ Individual background ▪ Individual networking ability of entrepreneurial entity members ▪ Entrepreneurial entity formation ▪ Entrepreneurial entity characteristics 	<ul style="list-style-type: none"> ▪ Market growth actions ▪ Changing market conditions ▪ Competitive advantage ▪ Motivational factors ▪ Problematic factors 	<ul style="list-style-type: none"> ▪ Strategic pillars ▪ Market scanning ▪ Changing market conditions ▪ Investment horizon ▪ Organisational structures 	<ul style="list-style-type: none"> ▪ Reflections on acquisitions ▪ Reflections on corporate ventures ▪ Reflections on organisational culture ▪ Reflections on investor horizon

Source: Researcher's own construct

4.8 CONCLUSION

The categories identified portray a picture of opportunity realisation within the South African insurance industry. The findings indicate the importance of entrepreneurial entity behaviours as this strongly influences the direction of an organisation, its competitive actions and the interaction amongst its stakeholders.

Importantly, the findings indicate the importance of constantly establishing a common vision amongst entrepreneurial entity members regarding their investor horizons, and the need for the separation of the entrepreneurial agent to that of the managing agent. Also, the findings indicate the importance of guarding against deconstructive entrepreneurial entity behaviour. The four grouping areas present a summary of the open and axial coding process of the data by depicting the labelled categories, properties and dimensions. Chapter 5 will present the findings of the selective coding process as a narrative is derived in the form of theory building as the “cross-cutting” categories from the four themes that are explored so as to describe an entrepreneurial entity’s experience with opportunity realisation within the South African insurance industry.

CHAPTER 5

DISCUSSION AND THEORY EMERGENT FROM THE STUDY

5.1 INTRODUCTION

In Chapter 4, the findings of the study were presented according to four areas of grouping so as to simplify the open coding and to provide much needed structure for the findings. The findings in Chapter 4 were conceptualised by constructing Figure 4.24 and are depicted as follows.

Figure 5.1 Summary of data findings in from the open and axial coding

Area of grouping	<i>Entrepreneurial behaviour (Section 4.3)</i>	<i>Strategic behaviour (Section 4.4)</i>	<i>Futuristic behaviour (Section 4.5)</i>	<i>Reflective behaviour (Section 4.6)</i>
Categories	<ul style="list-style-type: none"> ▪ Market conditions ▪ Opportunity identification ▪ Technology ▪ Business model ▪ Individual background of entrepreneurial entity members ▪ Individual characteristics of entrepreneurial entity members ▪ Individual networking ability of entrepreneurial entity members ▪ Entrepreneurial entity formation ▪ Entrepreneurial entity characteristics 	<ul style="list-style-type: none"> ▪ Market growth actions ▪ Changing market conditions ▪ Competitive factors ▪ Motivational factors ▪ Problematic factors 	<ul style="list-style-type: none"> ▪ Strategic pillars ▪ Market scanning ▪ Changing market conditions ▪ Investment horizon ▪ Organisational structures 	<ul style="list-style-type: none"> ▪ Reflections on acquisitions ▪ Reflections on corporate ventures ▪ Reflections on organisational culture ▪ Reflections on investor horizon

Source: Researcher's own construct

This chapter will elaborate on the findings described in Chapter 4 by investigating the linkages between the identified categories as stated in Figure 4.24, as to conclude the axial coding process of the data. Attention will be given to the linkages, connections and relationships between the categories to present a framework and emerging theory from the data that represents the selective coding stage of the Grounded Theory based on the research.

After the theory has been presented, it will be compared to other theoretical frameworks and disciplines such as entrepreneurial management, strategic management, and organisational behavioural management sciences. This chapter presents the outcome of the open, axial, and selective coding process of the Grounded Theory to answer the research question posed in Chapter 1. A conclusion is drawn at the end of this chapter.

5.2 DISCUSSION RESULTING FROM THE FINDINGS

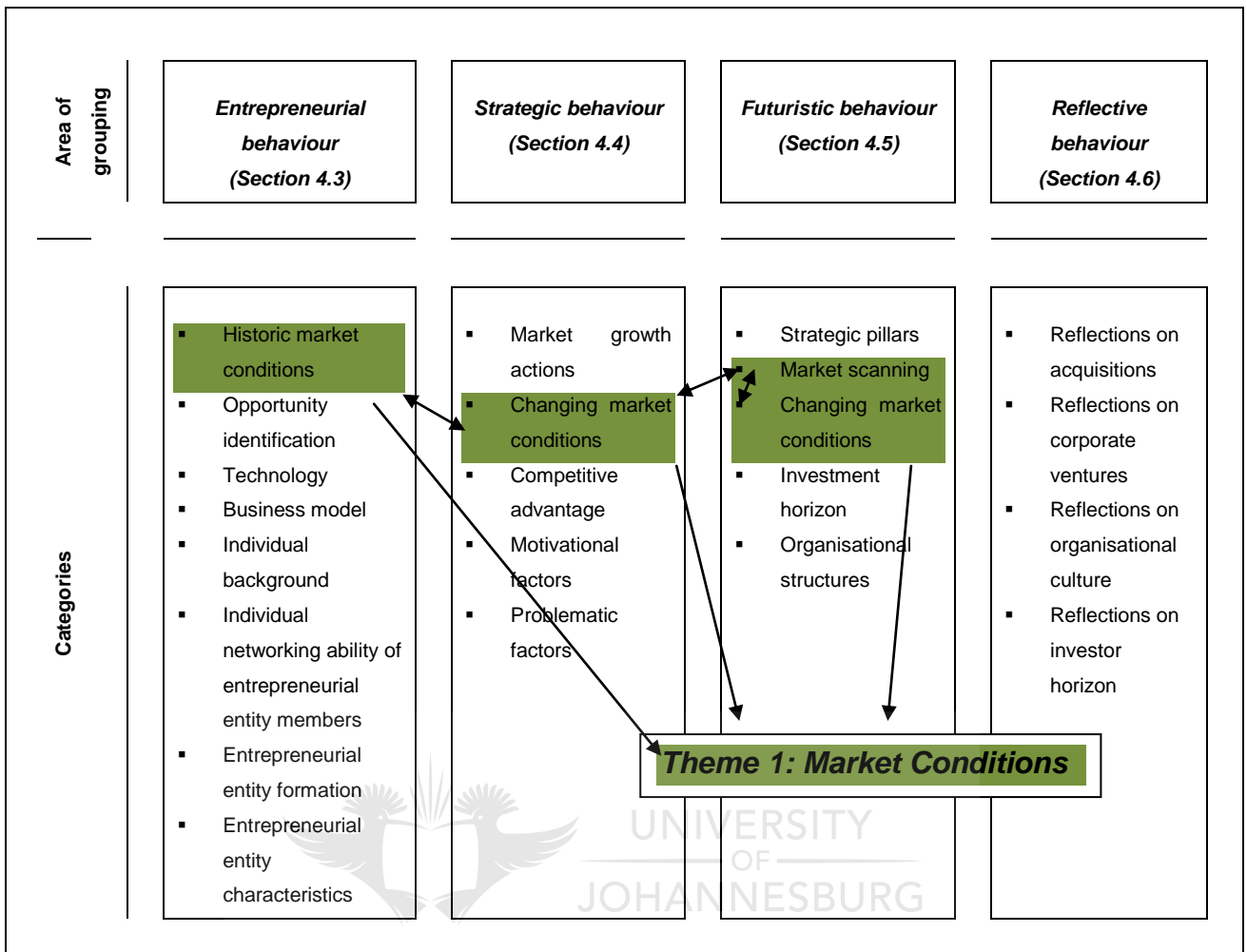
This section presents the selective coding process that is concerned with investigating the linkages between the categories, as to derive a theory depicting an entrepreneurial entity's experience with opportunity realisation in the South African insurance industry.

The following discussion will revolve around linking the categories depicted in Figure 4. 24 as to establish themes that are consistently present throughout the data. This is also known as finding the "golden thread" that runs through the data or identifying patterns that run through the data as presented in Chapter 4.

5.2.1 Key observation 1 – Market conditions

From the findings presented in Chapter 4, the market conditions appeared to be a dominant theme throughout the different categories, and can be illustrated by the construction of Figure 5.2.

Figure 5.2 Market conditions



Source: Researcher's own construct

Figure 5.2 illustrates the selective coding process whereby the different categories are linked as to derive market conditions as a main theme and observation.

The findings suggest that the market conditions are shaped by the following variables:

i. **Run-off markets**

Findings suggest that insurance run-off markets are often forced into existence by the withdrawal of a multinational insurance firm from a certain market due to the risk associated with conducting business within such a market, and/or the need to repatriate funds from that country to the multinational insurance firm. Fund repatriation from smaller markets by a multinational insurance firm is most likely caused by the need to actualise capital to pay accumulated catastrophic losses in core insurance markets such as Europe and America (See sections 4.3.1; 4.4.2; 4.5.2).

ii. **Equity markets**

Findings indicate that the profitability of an insurance firm is proposed to be heavily dependent on investment income generated on equity markets due to IBNR funds and accumulated profits invested in equity markets to actualise additional income for the organisation. (See sections 4.3.1; 4.4.2).

iii. **Industry regulations**

Findings describe that the South African insurance industry is becoming increasingly regulated by the SASFB with respect to minimum capital holding requirements and onerous reporting standards. Entrepreneurial activity is most likely to be hampered on an insurer level due to less capital available for corporate venturing. A market entry barrier is also possibly being created by the SAFSB, which would result in the diminishment of smaller insurance companies and the growth of few large insurance firms with possible future monopolistic behavioural implications to consumers. (See sections 4.4.2; 4.5.2).

iv. **Competition**

Findings propose the South African insurance industry to be mature, highly competitive and excessively regulated. Insurance firms are most likely to increase their product offerings by diversifying into new consumer markets such as lower income households. (See sections 4.4.2; 4.5.2).

▪ **A framework typifying the key variables and findings of insurance market conditions**

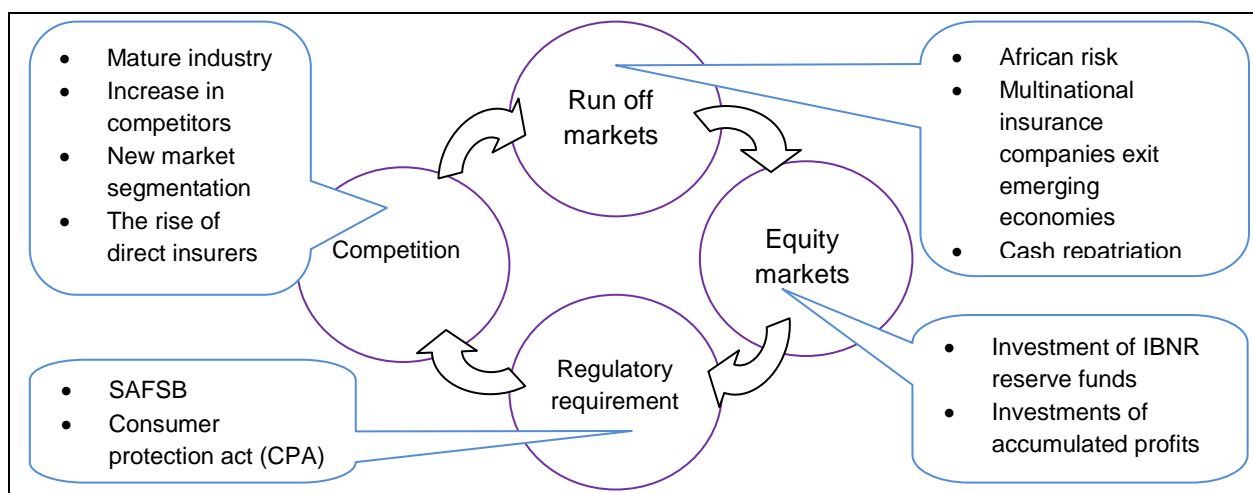
The first major finding of this research is that opportunity realisation for an entrepreneurial entity within the South African insurance industry appears to be strongly influenced by the historical and prevailing market conditions within the insurance industry.

The findings from this study suggest that (a) insurance run-off markets are created when multinational insurance firms withdraw from smaller insurance markets to repatriate funds to their core operations in American or Europe to cover large accumulated catastrophe losses and/or to mitigate risk exposures in smaller markets, (b) equity markets become an important source of additional income for an insurance firm, (c) entrepreneurial activity is most likely hampered on an insurer level due to the SASFB’s minimum capital holding requirements and onerous reporting standards, (d) the South African insurance industry is mature, highly competitive and excessively regulated which causes an increase in product offerings by insurance firms by diversifying into new consumer markets such as lower income households.

Run-off markets create opportunities for entrepreneurial behaviour within such markets as new companies are formed to purchase the run-off companies to create wealth by managing the IBNR reserves and reinvesting accumulated profits to obtain additional income streams. Industry regulations through the SAFB and consumer protection act (CPA) determine the level of entrepreneurial behaviour within the industry. Competition within the industry leads to new product development and market segmentation.

The historical and prevailing market conditions within the insurance industry impact greatly on opportunity realisation by an entrepreneurial entity as the market conditions dictate the entrepreneurial behaviour to follow. Figure 5.3 is constructed to provide a framework depicting the interaction of the market conditions as they appear to be a key observation to this study.

Figure 5.3 Insurance market conditions framework (Key observation 1)

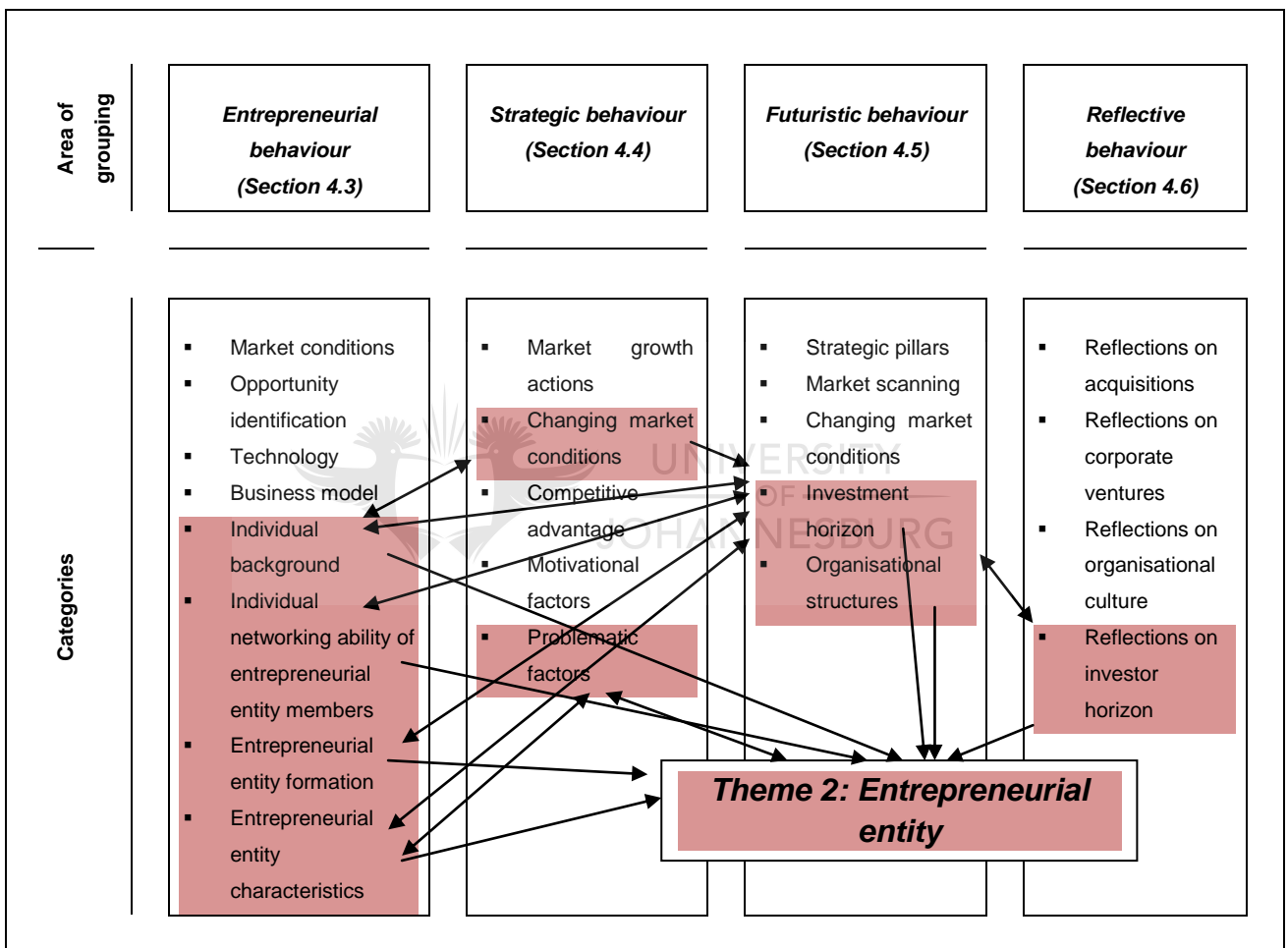


Source: Researcher's own construct

5.2.2 Key observation 2 – Entrepreneurial entity

From the findings presented in Chapter 4, the entrepreneurial entity appeared to be a dominant theme throughout the different categories. The following categories were linked as to derive the entrepreneurial entity as a main theme and can be illustrated by the construction of Figure 5.4.

Figure 5.4 Entrepreneurial entity



Source: Researcher's own construct

The findings suggest an entrepreneurial entity is shaped by the following variables:

i. Individual backgrounds of the entrepreneurial entity members

The findings indicate that all of the entrepreneurial entity members had formal university education with at least 20 years experience within the South African insurance industry prior to the opportunity realisations, and also each with specialised skills that no other entity member had.

Of the original four entrepreneurial entity members, two had their own independent consulting companies, which can possibly confirm the imbedded entrepreneurial ability of the individual. All of the entrepreneurial entity members were reported to have a very good industry reputation, credibility, and a positive individual working experience with each other prior to the opportunity. The two entrepreneurial entity members who had previously owned their own consulting organisation had a strong desire for new challenges and change within their own lives. These two entrepreneurial entity members described themselves as calculated risk takers, and persons who can deal with uncertainty. (See section 4.3.5).

It would appear that the imbedded entrepreneurial ability of the entrepreneurs within a mature and regulated industry rests upon the skills, education, experience and self-awareness of entrepreneurs. The findings also suggest entrepreneurial self-awareness is most likely to be found in entrepreneurs who can identify their own need for change and also the need for new challenges.

ii. Individual characteristics of the entrepreneurial entity members

The individual entrepreneurial entity members appeared to be always looking for new opportunities, change and challenges. The risk appetite and the ability to deal with uncertainty within the insurance market by the entrepreneurial entity members were divided, and this most likely caused conflict and erosion of emotional capital amongst the entrepreneurial entity members. (See section 4.4.5).

Findings indicate that the entrepreneurial ability of the individual entrepreneurial entity members were not fully developed when they started the firm, even though the individual entrepreneurial entity members were considered to be extremely talented, eager and experienced. (See section 4.4.5).

All of the individual entrepreneurial entity members appeared to have high levels of self-confidence and a positive self-image projection. All of the entrepreneurial entity members were considered to be open and approachable by the staff members but quite forceful and exact in their decision-making. (See section 4.4.5).

The findings suggest that trust amongst the members of the entrepreneurial entity was and still is a significant issue of importance, as this guides the direction of the organisation through the goals, abilities and skills processed of the entrepreneurial entity members. The entrepreneurial entity members were reported to be extremely focused on constantly seeking information before making decisions. (See section 4.4.5).

iii. Informal entrepreneurial entity formation

The findings indicate that the informal entrepreneurial entity formation is most likely to be based on the need to evaluate, brainstorm and explore an identified opportunity by making use of a combined skills set of a group of entrepreneurs, where none of the partakers have the same technical expertise. It would also appear that informal entrepreneurial entity members are mostly likely to have strong cultural familiarity within the industry it's planning to operate it, and the relationship of the entity members has its origins in the individual networking ability, past friendships, positive working experience and reputable individual reputations of the individual partakers. (See sections 4.3.7; 4.3.8).

The communication and conflict-handling style of the informal entrepreneurial entity members is considered to be crucial, as these behaviours impact directly on the organisational culture of the firm. (See sections 4.3.7; 4.4.5)

iv. Formal entrepreneurial entity formation

Formal entrepreneurial entity formations were noted as the time when the informal entrepreneurial entity members became the buying consortium and/or legal shareholders of the firm. (See section 4.3.7).

Changes within an entrepreneurial entity membership or shareholding were reported to occur post the formal formation stages of the entity and were proposed to be based on differences in risk, uncertainty, goals, trust and personal future plans of the entity members. Changes in the formal entrepreneurial entity membership are most likely to impact directly on the strategic objectives and organisational culture of a company. (See sections 4.3.7; 4.4.5; 4.6.3; 4.6.4).

v. Entrepreneurial entity characteristics

Findings suggest that an entrepreneurial entity is a unit of entrepreneurs who identifies opportunities, forms a firm and becomes responsible for managing the firm operationally. The entrepreneurial entity members were reported to be very strong willed individuals with varying perspectives on managing the firm. Non-uniformity in decision making was most likely the result in the compromise of decision-making by the entrepreneurial entity members, and a strong need for constant relationship management also occurred to resolve difficult situations amongst entity members. (See sections 4.3.9; 4.4.5).

Findings suggest that a poor performing organisation culture was most likely the result of high levels of uncertainty, staff turnover, and low staff morale. Destructive entrepreneurial behaviour was described as non-uniformity in decision making by the entrepreneurial entity members. (See sections 4.3.9; 4.4.5).

vi. Investor horizon

The success of the entrepreneurial entity was reported to be influenced by the funds available of the firm for future corporate venturing and the collective investor expectations of the entrepreneurial entity. (See section 4.5.4).

The individual investor expectations of the entrepreneurial entity members are determined by the risk appetite, life stage, age and background of the individual entity members. Most likely, a key issue for the entrepreneurial entity members is deciding on when to “cash out” or reinvest the funds for future profits while considering the impact for the organisational culture. (See sections 4.3.9; 4.4.5; 4.5.4; 4.6.3).

The findings suggest that some members of the entrepreneurial entity are moving into a mature stage of their life cycle and the issue of shareholder involvement in the operational management of the firm is increasingly becoming an issue. Managing shareholders were reported to make decisions in their own personal interest that most likely lead to premature dividend payouts at the future expense of developing the firm. Most likely, a lack of entrepreneurial leadership renewal forces stagnation of organisational innovation and effectiveness (See sections 4.6.3).

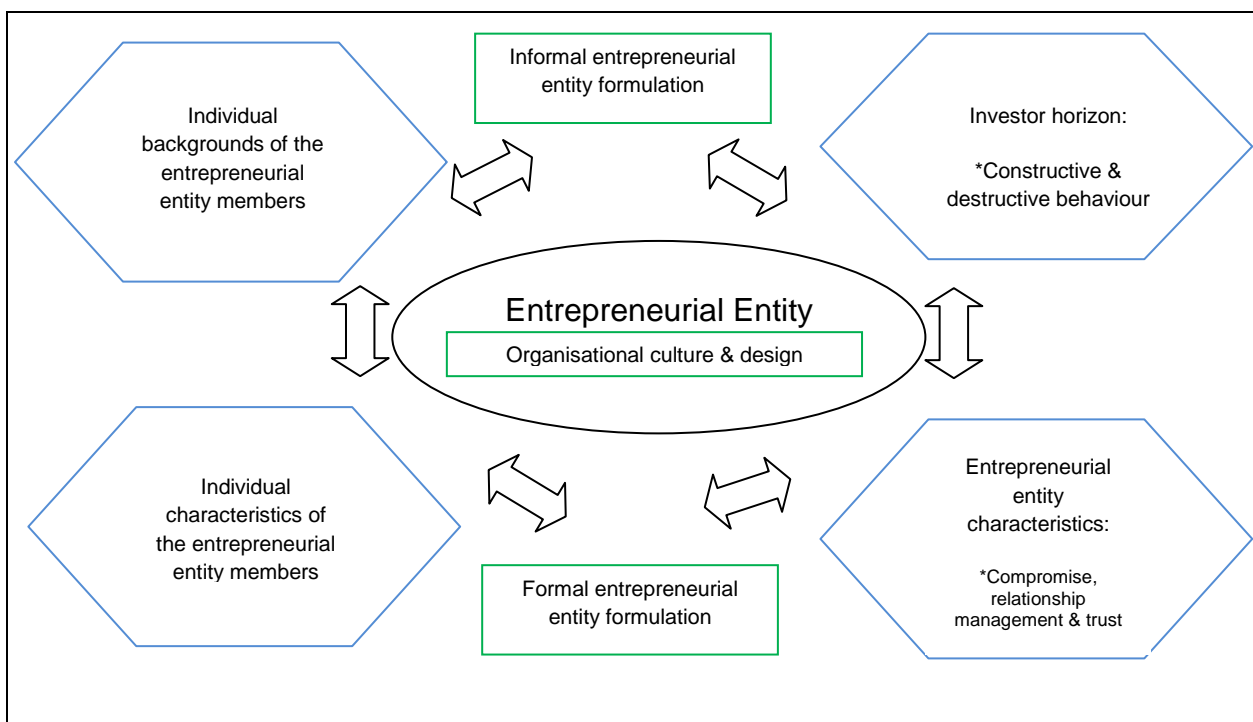
- **A framework typifying the key variables and findings of the entrepreneurial entity**

Opportunity realisation for an entrepreneurial entity within the South African insurance market appears to be strongly influenced by its own formation and behaviour. The findings from this study relating to the entrepreneurial entity suggest that (a) it would appear that the imbedded entrepreneurial ability of the entrepreneurs within a mature and regulated industry rests upon skills, education, experience and self-awareness of entrepreneurs, (b) the entrepreneurial ability of the individual entrepreneurial entity members were not fully developed when they started the firm even though the individual entrepreneurial entity members were considered to be extremely talented, eager, and well experienced, (c) the communication and conflict handling style of the informal entrepreneurial entity members is considered to be crucial as these behaviours appeared to have impacted directly on the organisational culture of the firm, (d) destructive entrepreneurial behaviour occurred due to non-uniformity in decision-making by the entrepreneurial entity members, (e) a lack of entrepreneurial leadership renewal forces was responsible for the stagnation of organisational innovation and effectiveness.

The formation of an entrepreneurial entity is greatly impacted by individual background and characteristics of the entity members, as this determines the behaviour of the entrepreneurial entity as it moves from an informal to a formal entity that shapes the organisational design and culture of the firm in an ongoing manner. The evolving of the entrepreneurial entity is influenced by the investor horizon of the entrepreneurial entity members as this determines the funding for corporate venturing. The entrepreneurial entity needs to continuously deal with issues of compromise, relationship management and trust when consensus is not reached on decision-making.

The entrepreneurial entity's behaviour is greatly impacted on by its formation process, investor horizon, the individual background and the characteristics of its members as these impact on the organisational culture and design. Figure 5.5 is constructed to illustrate the behaviour of the entrepreneurial entity.

Figure 5.5 Entrepreneurial entity framework (Key observation 2)



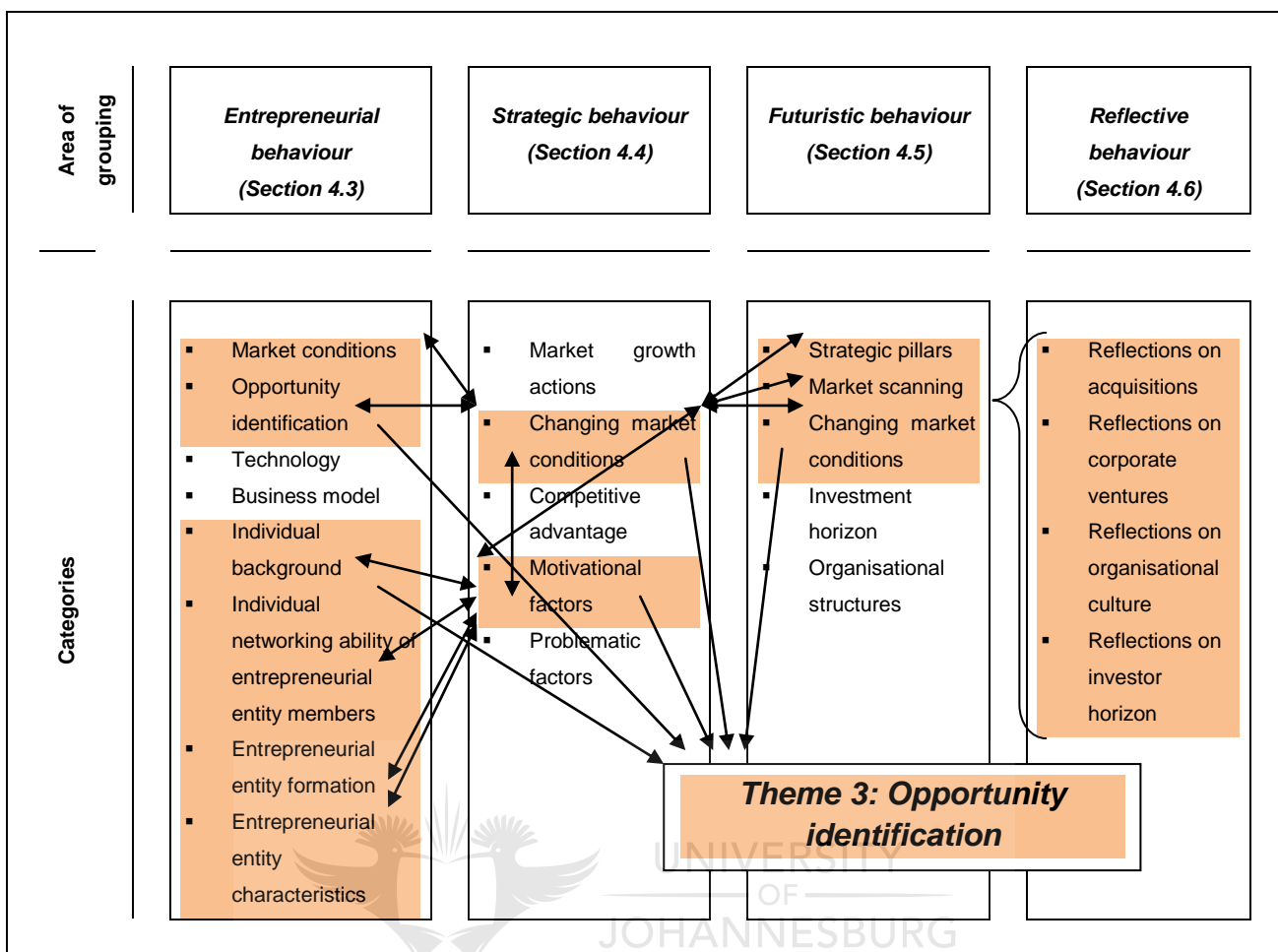
Source: Researcher’s own construct

5.2.3 Key observation 3 – Opportunity identification

From the findings presented in Chapter 4, the opportunity identification appeared to be a dominant factor. The following categories were linked as to derive opportunity identification as a main theme for the data coding.

This process can be illustrated by the construction of Figure 5.6.

Figure 5.6 Opportunity identification



Source: Researcher’s own construct

Figure 5.6 illustrates the selective coding process, whereby the different categories are linked as to derive opportunity identification as a main theme and observation.

The findings suggest opportunity identification is influenced by the following variables:

i. Market conditions

The opportunities within the South African insurance industry are affected by condition of equity markets, regulatory and statutory requirements of SAFSB, industry competition and increased insurance knowledge of consumers. Findings indicate that large capital requirements and increased statutory requirements of the SAFSB have created a high market entry barrier for South African entrepreneurial activity within the insurance industry. (See sections 4.3.1; 4.4.2; 4.4.3; 4.5.2).

The South African insurance industry is proposed to be mature, highly competitive, and increasingly more regulated by the SAFSB, which poses a unique challenge to entrepreneurs. Entrepreneurial behaviour is possibly hampered by onerous capital and statutory requirements which inhibit capital and time availability for corporate venturing projects. Market competition and increased insurance knowledge by consumers are likely to force greater competition and the products differentiation within the insurance market. (See sections 4.3.1; 4.4.2; 4.4.3; 4.5.2).

Entrepreneurial behaviour within the South African insurance industry is likely to be seen at an intermediary level and broker level, rather than at the actual insurance company level. Ultimately, this will possibly cause an insurance company's value chain to increase in size and additional cost, which will deter the long-term profitability of the insurance firm. The prevailing conditions within the insurance industry are likely to force mergers within this market, as insurance firms need to increase statutory capital and grow their gain market shares while lowering operational costs to enable sustained profitability. (See sections 4.3.1; 4.4.2; 4.4.3; 4.5.2).

The competitive landscape within the insurance industry is more likely to move towards direct insurance companies, whereby insurance firms are shortening their value chain activities to save costs and to enable quicker responses to customers' needs. This could allow for the insurance firms to produce a more standardised product offering to customers and reduce complexity associated with a differentiated product. (See sections 4.3.1; 4.4.2; 4.4.3; 4.5.2).

ii. Individual entrepreneurial entity members

The individual risk appetite, industry experience, networking ability and skills of the entrepreneurial entity members were reported as the main factors responsible for the founding of the firm. Importantly, the findings indicate that the entrepreneurial ability and mindset of the entrepreneurial entity members were constantly being developed and were not fully developed at the founding of the firm. The constant development of entrepreneurial ability is most likely to result in specialised skills for the entrepreneurial entity members in structuring run-off insurance portfolio deals and the management thereof.

This specialised skill can possibly be described as confidence and “learned know-how” which allowed the entrepreneurial entity to pursue similar opportunities within the South African insurance industry successfully. (See section 4.3.2; 4.3.5; 4.3.6; 4.6.2).

iii. Entrepreneurial entity

The entrepreneurial entity constantly reviewed and analysed the business model it was using to actualise opportunities with the South African insurance industry and also adapt to changes within the insurance market, and evolving business models place stress on the organisation, as employees relate constant change to uncertainty. The organisational design, structure and culture of the organisation were reported to be negatively influenced as the employee perception was not dealt with. The findings also suggested that responsibility and accountability roles of employees needs to be clearly defined with evolving business models as to maintain structure and focus, as this could mitigate against employee uncertainty and deconstructive organisational behaviour. (See sections 4.3.2; 4.3.4; 4.5.4).

The findings suggest that opportunity exploitation by the entrepreneurial entity was greatly impacted on by the individual expectations of the individual entrepreneurial entity members as a choice between existing dividend payout and future corporate venturing projects. (See sections 4.3.4; 4.3.5; 4.6.3).

▪ A framework typifying they key variables and findings of opportunity identification

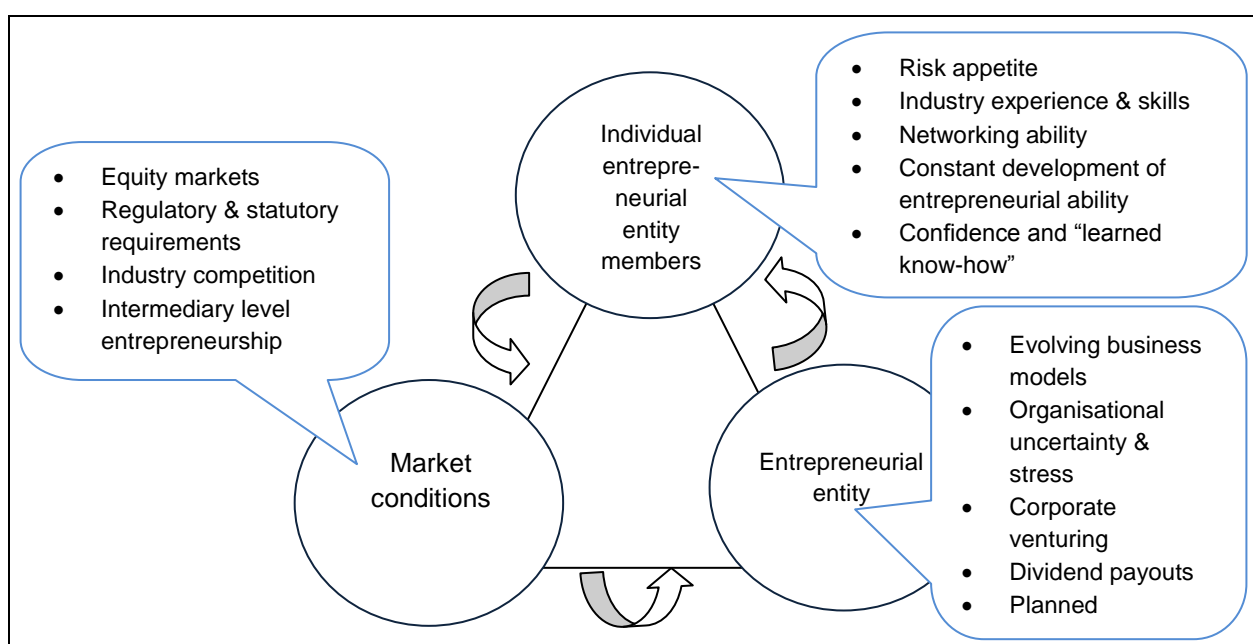
The opportunity identification of the firm was dependent on the market conditions, abilities of individual entrepreneurial entity members, and the entrepreneurial entity itself.

The findings from this study relating to opportunity identification suggest that (a) increased statutory requirements of the SAFSB create a high market entry barrier for entrepreneurial activity within the South African insurance industry and insurance firms are likely to shift more towards direct insurance whereby insurance firms are shortening their value chain activities to save costs and to enable quicker responses to customers' needs, (b) the entrepreneurial ability and mindset of the entrepreneurial entity members were constantly being developed and not fully developed at the founding of the firm, (c) evolving business models place stress on the organisation as employees relate constant change to uncertainty and the entrepreneurial entity was greatly impacted upon by the individual expectations of the individual entrepreneurial entity members.

Opportunity identification is dependent on the interaction between the market conditions, the entrepreneurial entity members and the entrepreneurial entity itself. The market conditions create the environment in which an opportunity occurs, while the entrepreneurial entity members identify such opportunities. As a unit, the entrepreneurial entity exploits such opportunities.

Opportunity identification is influenced by the market conditions, the ability of the individual entrepreneurial entity members and the entrepreneurial entity itself. Figure 5.7 is constructed to illustrate the interaction of opportunity identification.

Figure 5.7 Opportunity identification (Key observation 3)



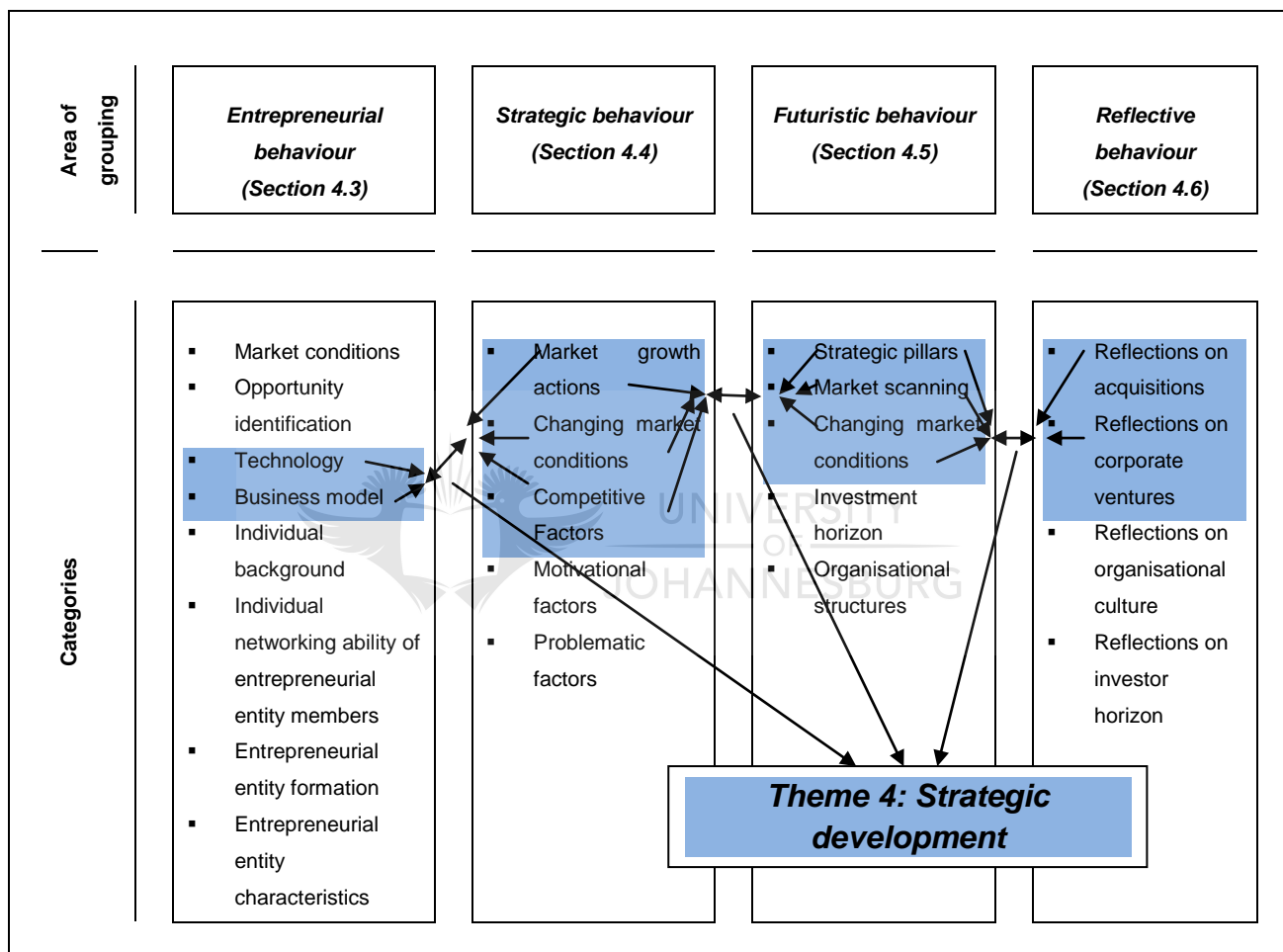
Source: Researcher's own construct

5.2.4 Key observation 4 – Strategic development

From the findings presented in Chapter 4, strategic development appeared to be a dominant factor. The following categories were linked as to derive strategic development as a main theme for the data coding.

This process can be illustrated by the construction Figure 5.8.

Figure 5.8 Strategic development



Source: Researcher’s own construct

The findings suggest that strategic development is shaped by the following variables:

i. Strategic pillars

Findings suggest that the firm is increasing its product portfolio following a product differentiation strategy with the goal of achieving higher profit margins to cover operational expenses.

Also, the firm is increasing its South African insurance market knowledge by reviewing its competitors' products, competitors' financial position and future outlook as to establish possible future acquisition opportunities. (See section 4.4.1; 4.5.2).

Acquisition appeared to be the entrepreneurial entity's first choice for market growth option, but findings suggest all acquisitions were done at a discounted price of the firm value as to ensure future value extraction. The acquisitions were reported to require strong negotiation and financial skill. The findings suggested that the firm should maintain or increase the financial controls post acquisitions and consider the firm's reputation before restructuring the organisation internally. (See section 4.4).

ii. Competitive advantage

The findings suggest that the firm had a competitive advantage in its employees' skill, the existing organisational technology platform, organisational infrastructure, and the entrepreneurial entity members' expertise in structuring international insurance acquisitions. (See sections 4.4.1; 4.3.3; 4.3.4).

The entrepreneurial entity also appeared to have a competitive advantage in its ability to manage international run-off portfolio companies successfully within the South African insurance market as they were able to maximise operational cost savings, economically settle outstanding claims, while increasing the investment return of the organisation. (See section 4.3.4).

iii. Market scanning and conditions

The findings suggest that the large capital requirement of the SAFSB was forcing the firm to look for international partners with multinational insurance companies as to increase the capital base of the organisation and to reduce the risk exposure associated with growing the firm. A possible implication is always greater cost expenses with regard to reporting, audit and data storage cost. (See section 4.4.1; 4.5.2).

iv. Business model and technology

The findings suggest that the entrepreneurial entity members needed to remove themselves from the operations management side of the firm. Most likely, the acting management shareholders had a conflicting position within the value creation of the organisation, as the role of a shareholder is to extract value in the form of dividends, while a pure manager would focus attention on creating additional value to the future benefit to the organisation. The findings suggest that the acting management shareholders needed to allow for entrepreneurial leadership renewal as to allow for the organisation to find new innovative ways of managing and growing the organisation. (See section 4.4.1).

The firm reported to be focusing attention on the underwriting of new business, economical settling of claims, but a great deal of attention should also be given to protection of available funds within the organisation, as this is a vital source of investment income for an organisation. (See section 4.3.4).

The findings suggest that technology does not play a determining role in the decision to acquire an international run-off portfolio, but technology does become an increasing important factor for insurance firms wanting to grow their business. Technology was also reported as an enabler and key internal and external communication tool. (See section 4.3.3).

▪ A framework typifying they key variables and findings of strategic development

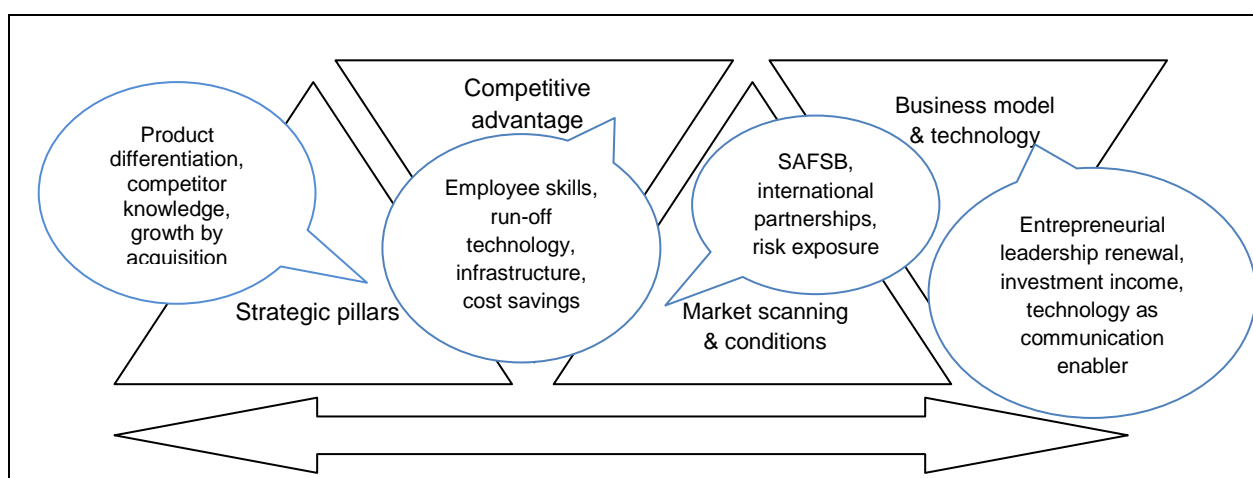
Opportunity realisation for an entrepreneurial entity within the South African insurance market appears to be influenced by strategic development activities.

The findings from this study relating to strategic development suggest that (a) acquisitions is the main choice for market growth actions by the entrepreneurial entity and this requires strong negotiation and financial skill, (b) competitive advantages can be found in employee skills, organisational technology platforms, organisational infrastructure, and entrepreneurial entity members' expert skills in international run-off portfolios, (c) the entrepreneurial entity is to look for international partners with multinational insurance companies as to increase the capital base of the organisation and to reduce the risk exposure associated with growing the firm, (d) entrepreneurial leadership renewal becomes necessary with conflicting roles of shareholders and operational management.

The strategic development of an entrepreneurial entity is based upon its insurance product differentiation, competitor knowledge and growth through acquisitions to create a competitive advantage within the South African insurance market. Such a competitive advantage is usually embedded within its employee skills, run-off technology, organisational infrastructure and its ability to save cost for the firm. The strategic development is also influenced by the market scanning ability of the entrepreneurial entity members and the evolving business model of the firm.

The strategic development of an entrepreneurial entity is thus embedded in its market scanning and conditions, business model and technology, strategic pillars and competitive advantage. Figure 5.9 is constructed to illustrate the strategic development interaction of an entrepreneurial entity.

Figure 5.9 Strategic development (Key observation 4)



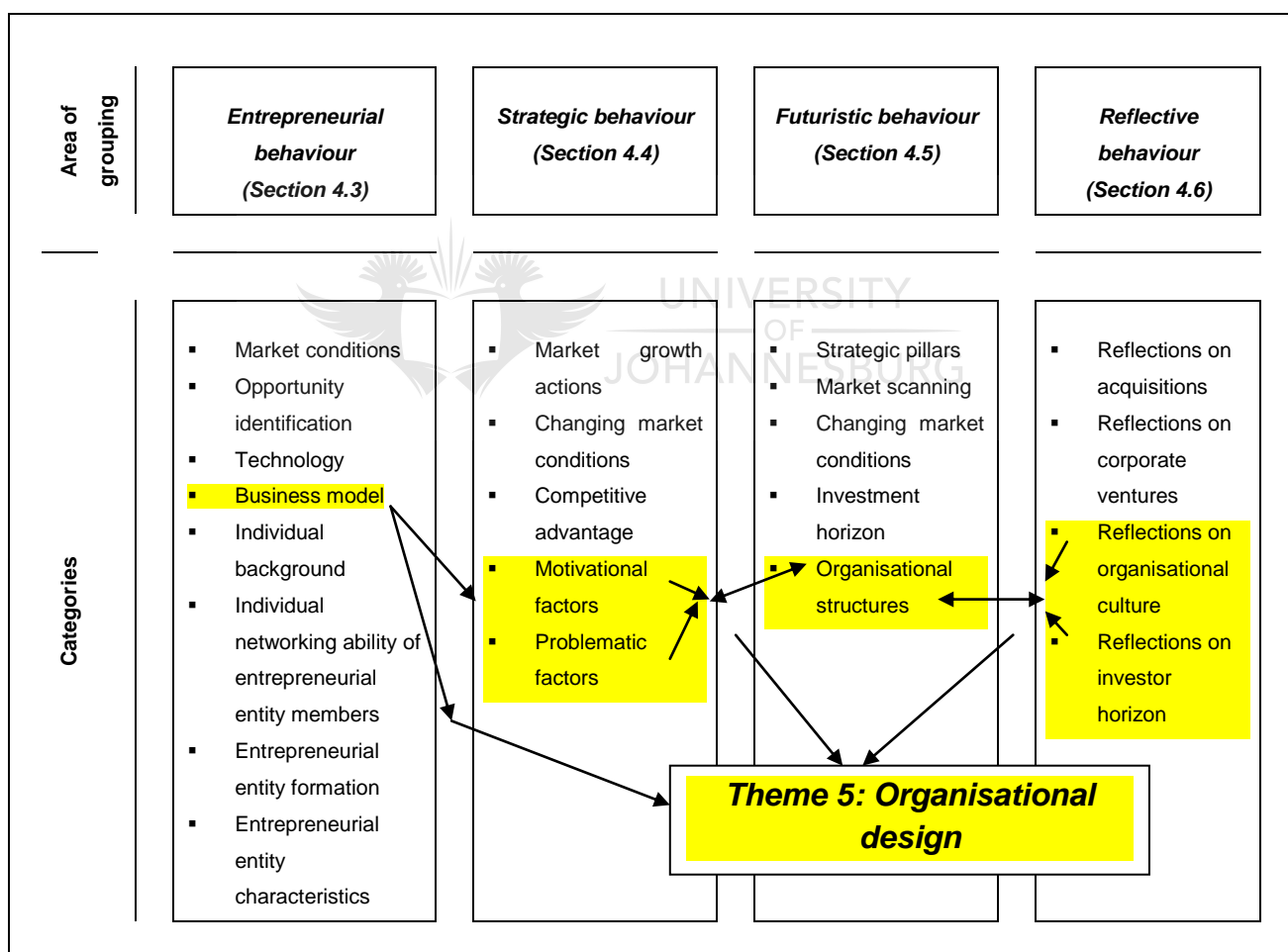
Source: Researcher's own construct

5.2.5 Key observation 5 – Organisational design

From the findings presented in Chapter 4, the organisational design appeared to be a dominant factor throughout the data coding process, and hence the emergence of organisational design as a theme.

The organisational design theme cut across several categories including the motivational factors, problematic factors, organisational structures, reflections on organisational cultures, and reflections on investor horizon categories. The linking process of the identified categories that constitute organisational design is illustrated in Figure 5.10.

Figure 5.10 Organisational design



Source: Researcher’s own construct

Five variables have been identified that influence the organisational design, and they can be discussed as follows:

i. Investor horizon

The firms' design and culture appeared to be impacted by the investor horizon of the entrepreneurial entity members, as this determined the funding available for new projects, the type of people employed within the firm and the value chain activities of the firm. The future vision, management style and leadership requirements of the firm are most likely dependent on the investor horizon of the entrepreneurial entity. (See sections 4.2.2; 4.4.5).

ii. Business model of the organisation

The findings suggest that the organisational design allowed for the exploration of new opportunities through its developed infrastructure and capabilities. (See section 4.3.4).

iii. Motivational and problematic factors

The findings suggest that the entrepreneurial entity leveraged specialised skills while engaging in corporate venturing activities. When leveraging existing staff members in new corporate venturing activities, it was reported to provide structure for these employees as to prevent uncertainty and stress for such employees. Most likely, the provision and alignment of motivational factors for increased staff morale should be a high priority, as such behaviour will result in a dynamic and learning organisation culture that that can become a true source of competitive advantage to the organisation. (See section 4.3.4; 4.4.4).

The findings suggest that the leveraging of existing capabilities within the firm allows for quick-decision making and personal employee development factors that are vital for successful organisational design. (See section 4.4).

iv. Organisational structure

The findings suggest that the entrepreneurial entity moved through various stages in its development and opportunity realisation. It appeared that the entrepreneurial entity had to "keep things simple" by focusing on the core aspects of the business, while reducing the operational expenses of the organisation by having strong accountability and responsibility forums.

Most likely, an organisational structure that engages in constructive entrepreneurial behaviour has well defined key performance areas with a measurement tools for its employees while creating a safe communication process. (See sections 4.5.5).

v. Organisational culture

Internal firm communication, cross departmental relationships and strong business ethics were noted as vital components for a positive and effective organisational culture. The findings indicated that some employees within the firm had a strong need to feel connected with other people and departments within the organisation. (See section 4.5.5).

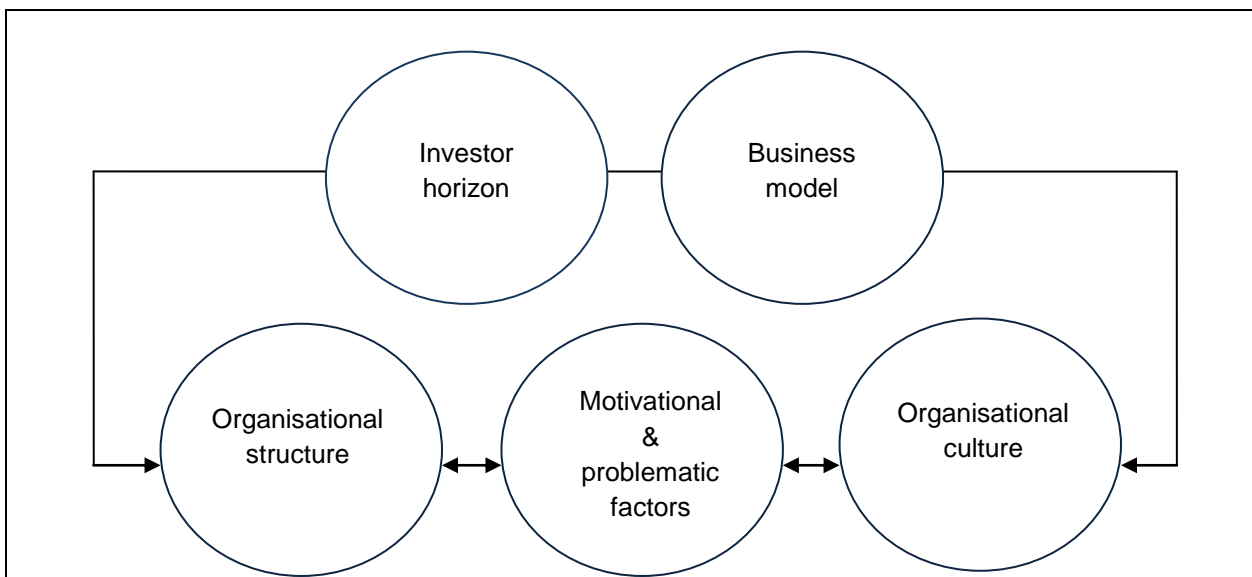
▪ **A framework typifying the key variables and findings of organisational design**

Opportunity realisation for an entrepreneurial entity within the South African insurance market appears to be influenced by the organisational design. The findings from this study suggest that relating to the organisational design (a) the firm's design and culture appeared to be impacted upon by the investor horizon of the entrepreneurial entity members as this determined the funding available for new projects, the type of people employed within the firm and value chain activities of the firm, (b) existing organisational design allows for new opportunities to be explored, (c) entrepreneurial entity leveraging of specialised skills while engaging in corporate venturing activities, (d) an entrepreneurial entity moves through various stages in its development and opportunity realisation and has clear key performance areas, (e) internal firm communication, cross departmental relationships and strong business ethics were noted as vital components for a positive and effective organisational culture.

The business model and the investor horizon of the entrepreneurial entity members directly influenced the organisational design by impacting on the structure and culture of the firm. Within this dynamic, an entrepreneurial entity creates motivational and problematic factors that either lead to constructive or destructive behaviour.

The organisational design of the firm was impacted by the interaction between the investor horizon, business model, motivational and problematic, organisational structure and culture. Figure 5.11 is constructed to illustrate this interaction of the organisational design.

Figure 5.11 Organisational design (Key observation 5)



Source: Researcher's own construct

Section 5.2 investigated the findings of the selective coding process in this grounded theory analysis part of the study as to reach the key observations of this study. The following section will integrate the 5 frameworks presented as to arrive at a theory depicting an entrepreneurial entity's experience with opportunity realisation.

5.3 AN INTEGRATED FRAMEWORK: AN ENTREPRENEURIAL ENTITY'S EXPERIENCE OF OPPORTUNITY REALISATION WITHIN THE SOUTH AFRICAN INSURANCE INDUSTRY: *Inductive Opportunity Realisation (IOR) theory.*

Section 5.2 explored the conclusion resultant from the findings of the selective coding process in this grounded theory analysis part of the study. The findings firstly present the market conditions, secondly the entrepreneurial entity, thirdly opportunity identification, fourthly strategic development, and lastly as the organisational design.

However, the five findings represent the different time periods and moments in the opportunity realisation of the XXXXX Group of Companies, and many of the findings occur simultaneously. Therefore, the key findings need to be drawn together in a collective framework to view opportunity realisation through the eyes of the people involved. Thus, by integrating the key findings and figures 5.3, 5.7, 5.9, 5.11 together, a theory emerges with regard to an entrepreneurial entity's experience of opportunity realisation within the South African insurance industry.

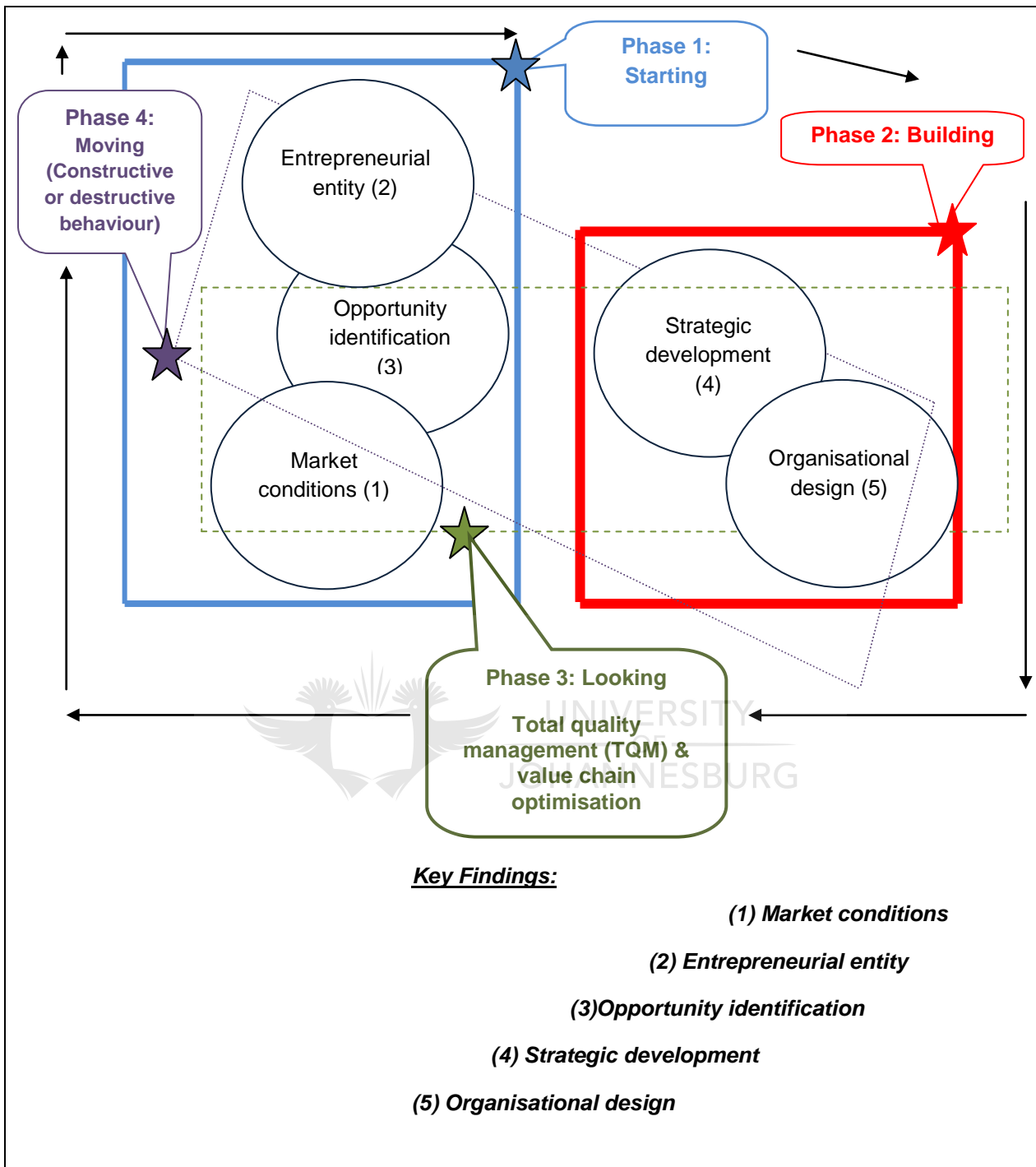
For ease of reference, this theory will be referred to as the ***Inductive Opportunity Realisation Theory***, or IOR Theory. This integrated theory of an entrepreneurial entity's experience with opportunity realisation within the South African insurance industry is depicted in Figure 5.12. The IOR - Theory views four phases from the initial starting point through to the current point in time, and into the future.

The first phase – ***Starting***, comprises of three distinct factors, namely market conditions, opportunity identification and entrepreneurial entity. The market conditions depict how events unfold that are often unforeseen and unplanned. Such unique situation creates opportunities. As depicted in section 5.2.1, the market condition gives rise to opportunities, and is shaped by the following four variables:

- Equity markets
- Run-off markets
- Industry regulations
- Competition



Figure 5.12 Inductive opportunity realisation theory



Source: Researcher's own construct

The entrepreneurial entity depicts a group of entrepreneurs who came together, and collectively reviewed and pursued an opportunity for financial benefit. It is important to note that the opportunity would not have been exploited had it not been for the combined skill and expertise of group entity as a whole, as discussed in section 5.2.2.

The entrepreneurial entity is shaped by the following 6 variables:

- Individual backgrounds of the entrepreneurial entity members
- Individual characteristics of the entrepreneurial entity members
- Informal entrepreneurial entity formation
- Formal entrepreneurial entity formation
- Entrepreneurial entity formation
- Investor horizon

The actual identification of opportunity is dependent on an entrepreneurial experience, skill and learned “know-how”. Entrepreneurial opportunity identification is not an independent activity, but is supported and influenced by the following three variables, as explained in section 5.2.3:

- Market condition
- Individual entrepreneurial entity members
- Entrepreneurial entity members as group

The second phase – **Building**, comprises of two distinct factors, namely strategic development and organisational design. The strategic development of an organisation investigates all the activities that an established organisation needs to consider in order become sustainable and exploit future opportunities as discussed in section 5.2.5.

The organisational development is dependent of the following four variables:

- Strategic pillars
- Competitive advantage
- Market scanning and conditions
- Business model and technology

The organisational design reviews the internal ‘make-up’ of an organisation and investigates actions that determine the daily activities of the employees, as discussed in section 5.2.5.

The organisational development is influenced by the following five variables:

- Investor horizon
- Business model
- Organisational structure
- Motivational and problematic factors
- Organisational factors

The third phase - **Looking**, investigates the internal value chain optimisation of the organisation. These actions occur simultaneously with the aforementioned factors as to ensure that the organisation remains operationally efficient. This phase is not necessarily a next step in the opportunity realisation process, but rather a 'measuring stick' for the organisation to constantly evaluate its operational efficiency. Constant internal changes within the organisation can give way to uncertainty and perceived stress to employees, but if changes can be communicated correctly, communication becomes a vital part of total quality management, and is as such imbedded in the organisational culture.

The following five variables influence imbedded internal value creation within the organisation as discussed in sections 5.2.2, 5.2.3, 5.2.4 and 5.2.5:

- Industry regulation
- Competition
- Individual entrepreneurial entity membership
- Business model and technology
- Strategic pillars

The fourth phase - **Moving**, investigates the constructive and deconstructive behaviour of the organisation. Constructive and deconstructive behaviour refers to situations and incidents where the behaviour of the entrepreneurial entity members directly influences the morale of the staff members, as well as the organisational performance.

The following variables influence constructive and deconstructive behaviour within the organisation as discussed in sections 5.2.2, 5.2.3, 5.2.4 and 5.2.5:

- Run-off markets
- Entrepreneurial entity characteristics
- Investor horizon
- Competitive advantage
- Strategic pillars
- Business model and technology

As the organisation moves through the four phases over time, the behaviour of the entrepreneurial entity becomes increasingly important as this leads and directs the organisation.

5.4 CONTEXTUALISATION OF THE IOR THEORY IN TERMS OF RELEVANT KNOWLEDGE BASES

The preceding section presented the IOR theory grounded in the experience of an entrepreneurial entity with opportunity realisation within the South African insurance industry. This section related the (grounded) IOR - theory to current literature on the subject. As theory developed from the case study of the XXXXX Group of Companies, it will be constituted as a multidisciplinary grounding.

5.4.1 Contextualisation of entrepreneurial opportunity frameworks

The field of entrepreneurship is typified by one dominant paradigm, which is the basic process of creating value. The fundamental nature of entrepreneurship is the process of creating value by bringing together a unique combination of resources to exploit opportunities (Groenewald, 2010:35). Entrepreneurship rests upon five key elements, and as can be elaborated on as follows (Groenewald, 2010:36; Vaghely & Julien, 2010:110):

- **Process:** Entrepreneurship involves a process, which means it is manageable and can be broken down into steps or stages, is ongoing, and can be applied in any organisational context.
- **Value:** Entrepreneurship creates value where there was none before within business and in the market place.

- **Combinations:** Entrepreneurship puts resources together in unique combinations of money, people, procedures, technologies, materials, faculties, packaging, distinction channels and other resources representing the means by which entrepreneurs create value and differentiate their efforts.
- **Individual or team:** Entrepreneurial opportunity is a chance for an individual (or team) to offer some new value to society, often by introducing innovative and novel products or series by creating a nascent firm.
- **Opportunity driven behaviour:** Entrepreneurship is opportunity driven behaviour in which new goods, services, raw materials, markets and organising methods can be introduced through the formation of new means, ends or ends-means relationships.

▪ ***Investigation of entrepreneurship to the application of the IOR theory***

From the preceding discussion, it appears the IOR theory falls within the entrepreneurial opportunity framework. To my knowledge, literature does not specifically address the behavioural action of informal entrepreneurial entities, its formation process or the future impact of the behaviour actions. Literature does provide insightful information regarding organisational entrepreneurial behaviour.

The IOA theory seems to have an application within the realm of entrepreneurial opportunities. The IOA theory is grounded in the experiences of an entrepreneurial entity within the South African insurance industry and the IOA theory is extremely contextualised as it depicts the experiences thereof. When specifically looking at entrepreneurial opportunity realisation in a longitudinal fashion, the IOR theory becomes an incredibly valuable tool as it indicates key activities, events and processes that occur simultaneously.

5.4.2 Contextualisation of corporate entrepreneurship frameworks

The field of corporate entrepreneurship typifies the use of knowledge by all employees to engage in entrepreneurial behaviour for the continued success of the organisation (Ireland, Kuratko & Morris, 2006:10).

The specific components of corporate entrepreneurship will be discussed based on the “triggers” of corporate entrepreneurship and the characteristics of an internal work environment that support corporate entrepreneurship. “Triggers” can be defined as the events and conditions that give rise to corporate entrepreneurship within an organisation (Ireland *et al.*, 2006:10). Each of these triggers will be elaborated upon:

- **Developments in the external environment:** According to this perspective events outside of the control of the organisation such as rapid changes in technology, aggressive competitor moves and changes in industry regulations provide multiple opportunities and challenges for an organisation to explore new ways for competitive advantages (Ireland *et al.*, 2006:10).
- **Factors inside the firm:** Factors inside the organisation “trigger” and shape entrepreneurial behaviour within an organisation and can be listed as follows (Ireland *et al.*, 2006:10):
 - Directives from top level-managers
 - Employee rewards
 - Slack resources
 - Abrasion or tension between two competing sets of interests
 - Problems with quality
 - Cost controls

“Triggers” internal or external to the organisation have different effects in terms of stimulating entrepreneurship and entrepreneurial behaviour, and can best be identified by reviewing the characteristics of an internal work environment of an organisation that supports corporate entrepreneurship (Ireland *et al.*, 2006:10). Each of the internal work environment characteristics will be explained:

- **Structure:** Corporate entrepreneurship is effective when the organisation has relatively small number of layers to allow employees a broader span of control which in turn creates opportunities for employees to act more entrepreneurially (Ireland *et al.*, 2006:10). Decentralised authority and responsibility are likely to increase the effectiveness and frequency of employee communication and idea generation at lower levels of the organisation, which will facilitate knowledge sharing in ways that promote innovation, risk-taking, and proactive behaviour (Ireland *et al.*, 2006:10).

Entrepreneurial friendly organisations are respective of continuous changes and employee job roles tend to change over time (Ireland *et al.*, 2006:11).

- **Controls:** Organisational controls create value when they simultaneously provide the stability a firm needs to exploit current competitive advantages and the flexibility for employees to have entrepreneurship (Ireland *et al.*, 2006:15). Positive control allows for employee discretion, generating and sharing of knowledge that allows for problems and opportunities to surface, while negative control prevents any type of positive and beneficial behaviour (Ireland *et al.*, 2006:15). Strategic controls in the form of verifying that the organisation is performing the correct actions should be emphasised more than financial controls, as this will encourage employees to take risks and responsibilities associated with entrepreneurial behaviour (Ireland *et al.*, 2006:15).
- **Human resource management:** A firm's human resource management systems are an important enabler of entrepreneurial behaviour through its encouragement and reinforcement (Ireland *et al.*, 2006:15). Effective human resource management approaches focus attention on empowering employees in the following ways (Ireland *et al.*, 2006:15):
 - Assume responsibility for change
 - Tolerate ambiguity
 - Work cooperatively
 - Focus on results
 - Take reasonable risk levels
 - Embrace innovation and create entrepreneurial behaviour

To encourage entrepreneurial behaviour and knowledge sharing, the human resource department needs to recruit individuals who are flexible, willing to take risks, and constantly committed to innovations and the changes that may follow (Ireland *et al.*, 2006:15). Employees should be exposed to opportunities for development in the form of continuous, less structured or standardised training with the focus on the individual knowledge requirements (Ireland *et al.*, 2006:16).

- **Culture:** Organisational culture is the social energy that drives or fails an organisation, and entrepreneurial culture specifically focuses attention on the future rather than the past and the ability to develop and transfer knowledge is extremely important (Ireland *et al.*, 2006:16).

With this in mind, organisations realise that a high degree of entrepreneurial intensity is often associated with a great deal of uncertainty and a constant need for change (Ireland *et al.*, 2006:16).

▪ ***Investigation of corporate entrepreneurship to the application of the IOR theory***

From the preceding discussion it would seem as though the IOR theory strongly supports the corporate entrepreneurial framework (CEF). The term triggers” of the CEF relates strongly to the market conditions and Moving Phase of the IOR theory depicting constructive and deconstructive organisational behaviour. The structure, controls, human resource management and culture factors of the CEF compliment the Building Phase of the IOR theory.

Interestingly, the Moving Phase of the IOR theory relates strongly to the CEF factors of the entrepreneurial performance, and the designs of CE strategy. Arguably, a lack of formal corporate entrepreneurial (CE) strategy could lead to deconstructive entrepreneurial behaviour within an organisation resulting in sustained business stagnation and a negative organisational culture.

Entrepreneurial entity members are by proposition also shareholders of the organisation and hold managing director positions within the organisation which presents a conflicting situation for the organisation. To my knowledge, literature on CEF framework does provides a dominant perspective on the best or even the appropriate time for entrepreneurial entity members to exit the managing position of the organisation and allow for much needed entrepreneurial leadership renewal that could facilitate the approval and implementation of a CE strategy.

5.4.3 Contextualisation of strategic management frameworks

Theories and perspectives abound on the field of strategic management, but a dominant paradigm exists, which can be stated as the basic process of the strategic management (Goldman, 2007:345). Three main perspectives can be noted within the field of strategic management process, namely, the rational planning perspective, the instrumentalist perspective, and the learning perspective (Goldman, 2007:345).

Each of these perspectives can be explained as follows:

- **The rational planning perspective:** The strategic management process is a series of sequential steps whereby the external environment of the organisation is predictable, and events are controllable, a situation which facilitates ease of formal planning and analysis (Goldman, 2007:346).
- **The instrumentalist perspective:** The strategic management process cannot be planned and managed with certainty as the business environment does not allow intended plans to be executed, but rather focuses on emergent strategies as the evolving external environment unfolds (Goldman, 2007:346).
- **The learning perspective:** Strategic management is a mixture of deliberate, well planned strategies and emergent theories to be followed for the organisation to be adaptive and responsive (Goldman, 2007:346). Organisational learning is highly important as the organisation learns what works for them, and what does not in its strategy execution (Goldman, 2007:346).

▪ ***Investigation of strategic management to the application of the IOR theory***

From the preceding discussion, it would seem that the IOR theory fits the learning perspective. The entrepreneurial entity is forced into constant change by industry regulations, while a tremendous need exists for the organisation to be adaptive and differentiate within the insurance market. The IOR theory seems to have an application within the realms of strategic management as this model indicates four areas that can produce a competitive advantage to the firm.

Interestingly, when reviewing the strategic management process, the IOR theory provides incredible clarity on the process of continuous and imbedded competitive advantage within an organisation.

5.4.4 Contextualisation of total quality management (TQM) and value chain optimisation frameworks

Total quality management (TQM) is a strategic business improvement approach within organisations on an operational level with the goal of assisting organisations in formulating strategy, and translating this strategy into business and operational level plans (McAdam, Leonard, Henderson & Hazlett, 2008:826).

TQM rests upon two important factors, namely formulation and translation, and are explained as follows:

- **Formulation:** Strategic TQM views approaches for environmental scanning and organisational capability assessment to determine if the organisational strategies are variable and sustainable (McAdam *et al.*, 2008:826).
- **Translation:** Strategic TQM views are concerned with the approaches the organisation uses for the development, involvement, empowerment and communication across different levels and departments within the organisation (McAdam *et al.*, 2008:826).

Organisation which focus attention on optimising and integrating value chain activities are more likely to gain a superior and sustained competitive advantage over rivals (Prajogo, McDermott & Goh, 2008:618). The value chain concept states that competitive advantage is achieved by developing expertise in performing competitively critical value chain activities better than rivals (Prajogo *et al.*, 2008:618). Such capabilities become the strategic cornerstones or strategic pillars of the organisation's strategy and more resources are applied in building these capabilities until they become a sustainable core competency for the organisation (Prajogo *et al.*, 2008:618). In order for a value chain approach to be efficient in creating a sustained competitive advantage, the organisation needs to identify and define the elements of the value chain associated with specific outcomes (Prajogo *et al.*, 2008:618). These specific outcomes can be listed as follows:

- **Customer focus:** Better customer focus leads to better product quality and innovation performance (Prajogo *et al.*, 2008:618).
- **Research and development:** Better research and development management leads to better product innovation performance (Prajogo *et al.*, 2008:618).
- **Process management:** Better process management leads to better product quality performance and supplier relationships (Prajogo *et al.*, 2008:618).

- ***Investigation of TQM and value chain optimisation to the application of the IOR theory***

The IOR theory seems to have an application within the TQM and value chain optimisation framework. The IOR theory provides context for TQM activities by grouping key success factors in a systemic manner to be evaluated and transcended in appropriated manner through the organisation, as they reduce organisational stress and uncertainly by communicating and translating possible new organisational strategies in a constructive manner.

The four distinct phases of the IOR theory relate positively to value chain optimisation frameworks, as the phases indicate the systemic nature and trade-off when altering the value chain for achieving greater effectiveness of organisational capabilities to achieve a sustained competitive advantage.

5.5 ANSWERING THE RESEARCH QUESTIONS

This study was interested in investigating and understanding opportunity realisation through the eyes of people who were involved. In order to answer the main research question proposed in Chapter 3, the objectives of research are answered.

The first objective of this study can be stated and explained as follows:

To understanding and describe the formation behaviour of an entrepreneurial entity

- The formation behaviour of the entrepreneurial entity consisted of an information and formal formation part. The informal formation began with the reviewing of an opportunity with one entrepreneur. Based on the need for additional skill and experience, the entrepreneurial participants increased until all the information needs and questions were satisfied. This informal group interaction was dynamic, free thinking and problem solving orientated, and lead to the generation of further idea generation. This group interaction was incredible, as this “set the stage” for future entity behaviour in its manner of decision-making, future planning and conflict management.

- The informal entity members were all related towards each other separately based on prior work experience and industry reputation within the insurance industry. The formal entrepreneurial entity was constituted when this group of entrepreneurs became the planned buying consortium, which later became legal with shareholding and formal directorship.

The second objective of this study can be stated and discussed as follows:

Understanding the key success factors during opportunity realisation for an entrepreneurial entity within the South African insurance industry

The key success factors during the opportunity realisation of the entrepreneurial entity were imbedded in a four-phase IOR theory.

- 1st Phase – Starting: The key success factors during this stage were the knowledge and market scanning ability of an entrepreneur(s), and the ability to identify suitable entrepreneurs to assist in the exploitation thereof. Underlying this factor was the ability to successfully network and build trust in relationships, based on an entrepreneur's skill, knowledge, experience and industry reputation. The entrepreneurial mindset of the individuals was crucial for engaging in the process as starting point to engaging in opportunistic behaviour.
- 2nd Phase – Building: The key success factors during this stage were in transforming the opportunity into a viable new business venture which took the form of the XXXXX Group of Companies. The ability to create a business model capable of constant change was extremely important. This created a tremendous amount of stress and uncertainty internally with the organisation. This phase also saw the organisation engaging in remarkable cost-saving initiatives by deducing its technological need from European design and maintenance companies.
- 3rd Phase – Looking: The focus of this stage was to reconcile the activities of the organisation by reviewing its leadership, organisational design and related value chain activities to meet customer needs.
- 4th Phase – Moving: The organisation stayed committed to protecting available investment. However, this created future problems with the entrepreneurial entity of not having a clear budget and vision for future corporate venturing projects.

This unclear vision caused division amongst the shareholders, and subsequent deconstructive behaviour unfolded with the erosion of emotional capital and effectiveness of the organisational culture.

The third objective of this study can be stated and discussed as follows:

Understanding the future key success factors for opportunity realisation of an entrepreneurial entity within the South African Insurance industry

The future key success factors for the opportunity realisation of an established entrepreneurial entity are found in its leadership perspective and engagement. A strong need exists for entrepreneurial leadership renewal within the group of companies as to reduce the friction of constant shareholder-managerial conflict of interest.

The future investment horizon of the entity needs to be clarified internally, as to achieve common vision and planning. This then needs to be communicated to all staff in an effective manner as to enhance the outcome and reduce organisational stress.

5.6 CONCLUSION

This chapter provided key findings to the research conducted through selective coding as consistent with the Grounded Theory methodology. The key findings were used to arrive at theory emergent from the selective doing and memo writing. The IOR theory was proposed so as to provide a clear description and framework for opportunity realisation within the South African insurance industry. The IOR theory was reviewed against corporate entrepreneurship, strategic management, TQM and value chain optimisation frameworks. The IOR theory was proposed to be a much needed tool that would provide context for the application of such frameworks as TQM, value chain optimisation and corporate entrepreneurial strategies to improve the competitive advantage of an organisation.

This study concluded with answering the main research objectives of this study, so as to answer the main research question posed. The following chapter will provide recommendations resultant from this study. Specific recommendations will be made to current knowledge, methodology and practicability.

CHAPTER 6

RECOMMENDATIONS AND CONCLUSIONS FROM THE STUDY

6.1 INTRODUCTION

The purpose of this case study was to explore with a sample of 12 entrepreneurs and entrepreneurial related participants their experiences and perceptions of how the entrepreneurial entity realised opportunities within the South African insurance industry due to changing market conditions following the withdrawal of multinational insurance firms from the South African insurance market. The conclusions from this study follow the research objectives and the findings, and therefore address five areas as depicted in the IOR Theory: (a) insurance market conditions, (b) entrepreneurial entity, (c) opportunity identification, (d) strategic development, (e) organisational design. Chapter 5 provided the key observations of this study and derived the IOR Theory from the emerging findings. The IOR Theory is considered valuable as it provides context and structure for a South African insurance organisation engaging in entrepreneurial activities.

6.2 MAIN FINDINGS FROM THIS STUDY

The first finding of this study suggests that opportunity realisation within the insurance industry is strongly driven by the historical and prevailing market conditions. A conclusion to be drawn from this finding is that entrepreneurial behaviour within the South African insurance industry increases with the exit of multinational insurance firms whereby the insurance industry is considered to be high risk, mature and excessively regulated. A further and related conclusion to be drawn is that competition within this market will be monopolistic in nature due to the facts that few firms will be able to comply with the changing regulatory environment, and that the products of these firms will be highly differentiated and aimed at lower income households.

The second finding of this study proposes that opportunity realisation for an entrepreneurial entity within the South African insurance market appears to be strongly influenced by its own formation and behaviour. There are three primary conclusions that can be drawn from this finding.

Firstly, entrepreneurial ability develops over time and is not fully developed at the point of opportunity identification, but rather a specialised skill that develops as the opportunity identification develops into opportunity realisations upon which further opportunities can be identified and realised due to the new specialised skill. Secondly, the sustainability behaviour of an entrepreneurial entity rests upon the self awareness of its members, uniformity in decision making, and the ability of the entity members to effectively communicate with each other and manage conflict. Thirdly, shareholding and managing roles become conflicting in nature post opportunity realisation, and the need for leadership renewal arises so as to rejuvenate entrepreneurial activity.

The third finding of this study proposes opportunity identification to be dependent on the insurance market conditions, the abilities of individual entrepreneurial entity members, and the entrepreneurial entity. A conclusion to be drawn from this finding is that opportunity identification is the interaction between the entrepreneur and his environment. Constant interaction and change between the entrepreneurial entity and the environment are encapsulated through evolving business models. Although evolving business models allow the entrepreneurial entity to be adaptive to change within the environments, organisational stress arises due to uncertainty and ineffective communications.

The fourth finding of this study suggests that opportunity realisation for an entrepreneurial entity within the South African insurance market appears to be influenced by strategic development activities. A conclusion to be drawn from this finding is that acquisitions are the main choice for market growth actions by the entrepreneurial entity within the South African insurance industry, and this requires strong negotiation and financial skills. Although competitive advantages can be found in employee skills, organisational technology platforms and organisational infrastructure, a sustained competitive advantage is found in strategic entrepreneurial development activities that allow for specialised and rare skills to emerge. Entrepreneurial leadership renewal also becomes necessary with conflicting roles of shareholders and operational management.

The fifth finding of opportunity realisation for an entrepreneurial entity within the South African insurance market appears to be influenced by the organisational design. Three conclusions can be drawn from this finding.

Firstly, firms' design and culture appear to be impacted by the investor horizon of the entrepreneurial entity members as this determines the funding available for new projects.

Secondly, current organisational design allows new opportunities to be explored by an entrepreneurial entity through leveraging of specialised skills within the firm. Thirdly, an entrepreneurial entity moves through various stages in its development and opportunity realisation, and clear key performance areas were identified as internal firm communication, cross departmental relationships and strong business ethics for a positive and effective organisational culture.

This chapter provides recommendation on the study. Specific recommendations will be made to the current knowledge base of literature, methodology and practical managerial applications of the findings. This chapter draws to a close by reviewing the limitations of this study, the future studies to be conducted, and with a short description on my final thoughts on the study.

6.3 RECOMMENDATIONS RESULTANT FROM THE STUDY

The recommendations that follow are based on the findings, analysis and conclusion of this study. Recommendations are made towards the current knowledge base of academic literature, qualitative research methodology, and practical recommendations based on the key findings of this study.

6.3.1 Recommendations to academic literature

Multiple factors have been noted to affect opportunity realisation as is evident from Chapter 2 and Chapter 5 from this study. These findings are synthesised and the following recommendations are posed to current academic literature:

I. Market conditions

Finding of this research affirms the notion that opportunity realisation is strongly driven by the historical and prevailing market conditions such as changes in technology, process, and markets (Shane, 2000; Echardt & Shane, 2003). Specifically, the findings suggest that changes in the market can cause increased entrepreneurial activity multinational firms withdraw from the host country.

This study also suggests that insurance run-off markets are created when multinational insurance firms withdraw from smaller insurance markets to repatriate funds to its core operations in American or Europe to cover large accumulated catastrophe losses and/or to mitigate its risk exposure in smaller markets, resulting in equity markets becoming an important source of additional income for an insurance firm.

II. Entrepreneurial entity

This study supports the notion that the imbedded entrepreneurial ability of an entrepreneur rests upon skills, education and experience (Westhead *et al.*, 2009), but this study also proposes the self-awareness of an entrepreneur to be vital for successful entrepreneurial behaviour as the entrepreneur would be able to identify his own-short comings and most importantly, the need to obtain additional skill. This is evident through the formation of an entrepreneurial entity to exploit opportunities.

Past research has found self-efficacy, personal initiatives, internal locus of control, risk taking and responsibility relevant to and important for firm creation and success by entrepreneurs (Lukes & Ute, 2012). This study also suggests the need for further entrepreneurial development in forming communication skills and conflict handling, as a group of entrepreneurs need to arrive at derive a common vision and leadership for the firm. This will also prevent deconstructive behaviour from the entrepreneurial entity members.

III. Opportunity identification

Past has research stated that opportunity is driven by technological chances, product and service offerings, and innovation (Short *et al.*, 2010), but this study also provides examples of opportunity to present itself along dimensions of market crisis or instabilities, whereby firms withdraw from a certain market leaving supply gaps to be filled within that market.

This study affirms the notion that changing market conditions bring about opportunities (Eckhardt & Shane, 2003), but changes such as strict industry regulation inhibit individual entrepreneurial behaviour and force monopolistic competition within a market, thus driving corporate entrepreneurship at the expense of individual level entrepreneurship.

Research indicates that opportunity identification is dependent on the market conditions, the experience and personality of an entrepreneur (Short *et al.*, 2010), but this study also suggests the need for a firm to cope with a changing business model as part of continuous opportunity seeking behaviour. By reducing organisational stress in the form of uncertainty due to constant changing business models, the firm can enhance opportunity seeking behaviour.

IV. Strategic development:

Acquisition is widely known for its use to acquire market share by acquiring related firms within its market (Thompson, Strickland & Gamble, 2007), but this study also found acquisitions to be the dominant tool used to realise opportunities within the South African insurance market. Acquisitions were found to be successful where the entrepreneurs had vast knowledge of financial and negotiation skills as the aim is to buy a firm at a discounted value so as to extract value over time, rather than from a cultural familiarity with its customers and environment as to obtain a cultural strategic fit as suggested by most literature dealing with acquisitions.

The study affirms the notion that competitive advantage can be found in a firm's existing resources such as employee skill, technology platforms and firm infrastructure (Thompson *et al.*, 2007), but a true source of sustained competitive advantage is to be found in the entrepreneurial entity's learning ability over time that allows them to obtain a specialised skill in structuring run-off portfolios. This entrepreneurial ability is not instant, but gradually develops over time into a specialised skill. This study proposes entrepreneurial entity learning to be a true source of sustained future competitive advantage for opportunity realisation within the South African insurance market.

V. Organisational design

Research by Puhaka (2007) indicates that new venture development by firms is strongly dependent on the proactive opportunity seeking behaviours of its entrepreneurs, and proactive opportunity seeking strategies have brought attention to scanning of the competitive environment and envisioning future trends. Although important, this study suggests proactive opportunity seeking behaviours to be directly determined by the personal investor horizon of the entrepreneurs, as personal feelings towards risk, uncertainty and the future guide entrepreneurial behaviour.

As such, a firm planning new venture development should also employ strategies aimed towards developing the individual investor expectations of its members so as to optimise proactive opportunity seeking strategies.

The decision to exploit opportunities within a firm will be impacted upon by the resource base of the entrepreneur, and this is stated to be the knowledge of customers demand, the development of enabling technologies, managerial capabilities and lead time (Choi & Shepherd, 2004). This study supports this notion, but proposes for imbedded managerial capabilities to be further defined according to key performance areas which can be stated as internal firm communication skills, cross-department relationship management, and business ethics development.

Gruber (2010) describes new firm creation as the identification of opportunities and the establishment of a successful firm through entrepreneurial processes. De Tienne (2010) brought attention to the fact that the entrepreneurial process is only complete once the founders of a privately held firm leave or remove themselves from the primary decision-making structure of the firm. Although important, literature does not address the appropriate time that the entrepreneurial entities exit. This study found entrepreneurial activity to become deconstructive post successful firm creation when operational management and shareholding roles overlap, resulting in conflicting interest. This interaction signals the need for strategic entrepreneurial leadership renewal whereby the founders of the firm withdraw and leave the primary decision-making structure of the firm.

6.3.2 Recommendations regarding the application of the methodology

The application of the Grounded Theory in the field of management and in this study has been significant in its application of better understanding the implementation of grounded methodology as a means to determine how an entrepreneurial entity experienced opportunity realisation with in the South African insurance industry, and determining its key success factors by stabling main themes, properties and specific dimensions as opposed to quantitative research approaches that are generally more associated with business management studies.

The XXXXX Group of Companies provided a well suited case study analysis for the inductive Grounded Theory application as to gain new viewpoints and understanding of the contexts and behavioural aspects of the entrepreneurial entity.

The Grounded Theory analysis also allowed for a way to generate theory from practice by studying the natural setting, nature and complexity of the entrepreneurial entity, a process that ultimately makes the application of this theory more workable and useable. The Grounded Theory approach also allowed for a detailed account of how the South African insurance industry is forced into regulatory changes aimed at solving the European debt crises at the expense of South African entrepreneurship in the South African insurance market.

As proposed by Douglas (2004), Grounded Theory analysis provides a systemic audit trail for the research conducted and the key findings represented with regard to market conditions, entrepreneurial entity, opportunity identification, strategic development, and organisational development to be verified. This also provides the opportunity for external researchers to interpret the data based on their specific choice of epistemological position and to compare the data with similar studies conducted.

Douglas (2004) notes that Grounded Theory methodology confronts two particular risks. Firstly, the risk of not having practical experience and only learning from books, and secondly, that the Grounded Theory seems easier when having professional knowledge and experience about the study area.

The study overcame these problems, firstly, by having the guidance and mentorship of a supervisor who is well equipped in Grounded Theory studies, and who has the practical knowledge of conducting such studies.

My supervisor provided tremendous support and tolerance during the initial stages of the data analysis, and also much needed advice on how to stay focused and deal with large volumes of data, with a basic phrase posed to me as the researcher: "What are you trying to do here?" As the researcher, I was also provided with incredible freedoms as to decide on how to conduct the axial and selective coding, which led me to the use of an Excel spreadsheet rather than electronic coding equipment. The Excel spreadsheet allowed me to experiment with different properties and dimensions as to best construct themes that are validated with the responses of the interviewees. This also forced constant idea generation and stimulation, which is evident in the memo writing.

This study also provided insight into the effectiveness of word choice when conducting semi-structured interviews in order to make the question “stress free” to the interview subjects and to obtain answers that contain the “lived experience” and not the “believed to be correct” answer, as to what one would typically get in an academic textbook.

As the researcher, I was able to provide an insider perspective, as I work for the organisation, and am closely related to one of the entrepreneurial entity members. As the researcher, I was able to understand some of the deeper issues within the organisation which aided tremendously in the axial coding process of the data.

6.3.3 Recommendations and practical implications for the organisation

The following practical recommendations can be made to the entrepreneurial entity members, the firm and aspiring entrepreneurs:

I. Recommendations to the entrepreneurial entity

The entrepreneurial entity should establish and encourage employee commitment to the firm by creating an organisational culture that is innovative by nature and encourages employees to enjoy solving difficult problems. Acquisitions are a good way to grow quick market share, but value creation and competitive advantage do not become sustainable unless imbedded in the firm’s culture. Culture should come from the top, as to imbed it from bottom up. The following recommendations can be made towards leadership development, work discretion and autonomy, rewards and reinforcement for the entrepreneurial entity:

- *Leadership development*

The behaviour of the entrepreneurial entity and its members is extremely important for the sustained success and effectiveness of the firm. The deconstructive behaviour by the entrepreneurial entity members can be improved by (a) the implementation of a structured forum facilitated by an industrial psychologist to deal with issues of trust in order as to reduce conflict by building common vision and goals for the future of the organisation, and (b) implementing stakeholder management initiatives to improve the perceived internal and external reputation of the firm and its owners.

- *Work discretion and autonomy*

The organisation can create an innovative organisational culture by employing the following principles: (a) The human resource department of the organisation should only employ highly skilled and motivated employees, (b) continuous training should be made compulsory to employees as to ensure continuous self-development, (c) employees should be empowered within the organisation by having access to funding and senior management to discuss ideas and obtain feedback.

- *Rewards and reinforcement*

The organisational leadership and especially the chosen supervisors of the organisation should consistently find ways to reinforce entrepreneurial behaviour within the organisation. This can be done in the following ways: (a) Organisational support for creativity and innovation can be accomplished by establishing an innovation team within the organisation, (b) the organisation could make innovation part of an employee's work appraisal for promotions and salary increases, (c) tangible quality of work should be evaluated and promotions should be based on performance, (c) successful entrepreneurial actions should be rewarded with benefits other than salary increases or bonuses. This could be in the form of overseas holidays, gift vouchers and awards.

II. Recommendations to the firm

The entrepreneurial entity should focus attention on creating value within the firm and not only consider it, or outsourced parties to create such value. Outsourced actions do create value, but are not dynamic as they follow market trends, and do not provide a sustained competitive advantage. The organisation needs to look internally for sources of competitive advantages. Suggestions are made with regard to managerial support, formal innovation management, time availability and organisational boundaries as true sources of sustained competitive advantage.

- *Managerial support*

Entrepreneurial actions by top managers need to be made more visible to operational level employees, as this would promote entrepreneurial behaviours within the firm.

It is of vital importance that the firm improves the effectiveness of its managerial leadership as to enhance innovation processes by implementing the following initiatives: (a) create safe communication channels to facilitate continuous feedback that enables support and performance development of all employees within the organisation, (b) allocate sufficient time to get to know all employees as to establish internal motivational practices that facilitate increased worker productivity, (c) focus attention to openly rewarding strong performing individuals by aligning rewards systems to direct performance output.

- *Formal innovation management*

The entrepreneurial entity will benefit greatly by implementing formal innovation management processes. The entrepreneurial entity should establish the following determinants as to manage innovation effectively within the firm: (a) establish formal processes and procedures to manage innovation from idea generation through the exploitation to the development and implementation by establishing small innovation teams within the existing firm, (b) employees are still responsible for their core business roles and responsibilities, but form part of an innovation team that is coordinated by senior leadership within the organisation, (c) the entrepreneurial entity should ensure that sufficient funding, time and managerial support are available to support the establishing of innovation teams within the organisation, (d) establish effective ways to store knowledge, information, and know-how that is generated within the innovation teams, (e) rewarding for innovation should take place on continuous bases and can be done by means of monetary and non-monetary benefits to innovation initiatives.

- *Time availability*

The firm should consider reviewing the current organisational structure and work allocations to its employees. Recommendations are made with regard to improving time efficiency within the firm by using an industrial psychologist to re-engineer the current workflow of the organisation and to make this transition a positive experience.

- *Organisational boundaries*

The entrepreneurial entity needs to support newly established innovative structures in order to promote entrepreneurial behaviour.

It is important that the firm focus on the following factors: (a) adapting a total quality management philosophy within the firm, (b) supporting of ongoing research and development into key business areas such as product development and process reengineering, (c) establishing performance criteria for approving entrepreneurial product or process proposals, (d) innovation teams need to receive immediate recognition and corresponding rewards on acceptance of a new product or process.

III. Recommendations to aspiring entrepreneurs

Successful entrepreneurial behaviour was found to be dependent on an entrepreneur's ability to continuously develop and learn. Recommendations are made towards aspiring entrepreneurs by improving their personal networking ability, skills and experience, as well as market scanning and knowledge.

- *Personal networking ability*

The personal networking ability of the entrepreneurial can be improved by focusing attention on improving projected images of self, and building sustainable networks with other entrepreneurs to build on trust and professional conduct. Networks of informal collaboration should be established alongside value chain activities that correspond with the entrepreneurial interest. The entrepreneur should also predefine his investment expectations before engaging in networking activities, as this will help focus attention.

- *Skills and experience*

The interaction between the entrepreneur and his environment is of vital importance for successful entrepreneurial activity. Aspiring entrepreneurs should further grow in critical entrepreneurial skill by developing in effective communications techniques, financial skills and negotiations skills.

- *Market scanning and knowledge*

Market scanning and knowledge should be imbedded within an entrepreneur. The following recommendations are made to aspiring entrepreneurs in order to improve their market scanning and knowledge ability: (a) consider new and emerging trends in consumer markets, (b) apply planned networking with industry stakeholders in order to be up to date with possible opportunities, and (C) establish an understanding of how business modes adapt to changing environments.

6.4 LIMITATIONS OF THE STUDY

This study contains certain limitations, some of which are related to the Grounded Theory methodology and some to the research design of this study. Careful thought has been given to ways in which to minimise their impact.

Because the entrepreneurial entity behavioural framework was limited to only one case study, the empirical validity and generalisation were a concern. One of the key limitations of this interpretative case study analysis was the data, based on the self-reporting of the interview subjects and the potential for biases and selective memory to realise, resulting in the outcome of certain events to be more significant than other events.

A related limitation was that interviewees had difficulty adjusting to the researcher taking the role of interviewer, as I as the researcher, was a family member of one of the entrepreneurial entity members, and I currently work for the XXXXX Group of Companies. This might have caused some of the interviewees to be tentative with their responses during the interviews. Also, a lack of sufficient research on South African entrepreneurial entity behaviour within insurance markets was a limitation to the study as no clear themes were available within literature to construct the question agenda for this inquiry. As such, this study proposed 12 semi-structured interviews, which became problematic as the experiences of the entrepreneurial entity members were only shared amongst four entrepreneurs, while the data saturation point of the study occurred during the seventh interview.

Recognising these limitations, the researcher took precautionary measures. Firstly, detailed descriptions were used to arrive at the themes during the axial coding of the data as to secure sufficient evidence giving rise to the identified theme. This study employed purposive sampling as a tool to obtain specific content-related information regarding the entrepreneurial experience of opportunity realisation.

Secondly, to address the problem of interviewee biases, the researcher followed a strict procedure protocol as prescribed in Grounded Theory analysis of the data with the constant reviewing of identified themes and their dimensions. Memo writing also provided a structured way of interpreting the data in tentative ways until a main theme became apparent through various validations of interviewee opinions.

Thirdly, to overcome the guardedness of the interview subjects, the researcher created an open and comfortable environment for the interviewee by obtaining permission for the research by the entrepreneurial entity members. A consent letter was sent prior to the interviewee stating the purpose of the interview, and also the ethical considerations that the researcher had described to. The objective of this study was stated again prior to the interviews as a way to build confidence with the interview subjects.

Fourthly, due to limited empirical information available on opportunity realisation within the South African insurance industry with the exit of multinational insurance firms, this study adapted an exploratory research methodology. Grounded Theory methodology provided a systemic approach to actualising the research, as thick description was generated from the vast amount of data so as to describe the phenomena in great detail.

Fifthly, Grounded Theory analysis of the data provided a systemic approach to coding the data, and verifying the identified themes. By employing purposive sampling, the data was verified in a much quicker way than initially anticipated.

6.5 AREAS FOR FURTHER RESEARCH

The South African financial services industry and especially the South African insurance industry have never been required to make as many changes as they have been forced to make at the current time. These changes include legal, statutory and corporate governance, all which need to occur simultaneous. Future research should be conducted to establish a best-practice framework that could provide guidance on coping with and implementing legal, statutory and corporate governance simultaneous with the ever-changing financial services industry. Such a framework could be valuable in predicting employee and entrepreneurial behaviour as input for planned change management.

The need for entrepreneurial leadership renewal within mature industries has been identified as important. From the empirical data of this study further research is suggested into the area of entrepreneur leadership renewal in order to develop a framework for analysis for the opportune time for such behaviour. Research in this area could be beneficial.

6.6 FINAL THOUGHTS ON THE STUDY

On an applied level, the IOR Theory can be used as a tool to conduct a competitor analysis for emerging private equity firms within the South African insurance industry. The key success factor can be identified according to categories presented in Chapter 4 and evaluated for their current performance or future need.



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Annexure A:

Questioning agenda



MCom Business Management: Research Paper – Individual Interviewee Questioning Agenda

Interview Detail: Voice Recording Number -		Demographic Information of Interviewee	
Date of Interview:		Male or Female:	
Person being Interviewed:		Qualification:	
Value add of the Interview:		Work and Industry Experience:	
Place of Interview:		Personal Characteristics:	
Research Questioning Sheet: An entrepreneurial Entity's experience with opportunity realisation within the South African insurance industry			
<p><i>"The Saxum Group is privately held equity firm, which focuses on three different but related insurance businesses namely, Short-Term Insurance, Reinsurance and Run-Off Portfolio Management and Acquisitions".</i></p>			
Statement:		Semi Structured Questions	Observation
THEME 1: Entrepreneurial Behaviour		<ul style="list-style-type: none"> ▪ The Saxum group is quite unique: <ul style="list-style-type: none"> ◦ How did all of this start? – (How was the opportunity identified) ◦ How did you put the organisation together? ▪ Just for interest sake - How did you all meet? ▪ On a very personal level: <ul style="list-style-type: none"> ◦ What personal characteristics or self-beliefs do you think allowed you to pursue the opportunity of acquiring a run-off insurance company? ▪ The interaction of between the co founders during this time would have been very interesting. When you look back: <ul style="list-style-type: none"> ◦ How do believe this interaction shaped the success of the organisation? ◦ How did you guys deal with conflict or finding solutions to problems during the early stages of the opportunity? ▪ What was the Insurance market like when this started? 	
Opportunity Identification		<p>Origins</p> <p>Personal Characteristics</p> <p>Group Characteristics</p> <p>Market Conditions</p> <p>Technology</p>	
		<ul style="list-style-type: none"> ▪ Did technology play a part in the decision to acquire the organisation? - Yes ▪ How did this impact your decision to pursue the opportunity? 	

<p>“The Saxum Group acquired Gerling Global Re SA from Gerling Konzern based in Cologne, Germany, effective January 2003 and renamed the business Saxum Re. In 2005, the Saxum group established Saxum Insurance Limited which focused on short term insurance, and in 2006 acquired the St Paul Insurance Co (SA).”</p>			Observation
<p>Statement:</p> <p>THEME 2: strategic Behaviour</p>	<p>SUBTHEME</p>	<p>Semi Structured Questions</p>	
<p>Opportunity Exploitation</p>	<p>Strategic</p>	<ul style="list-style-type: none"> ▪ The Group went through a tremendous amount of growth and changes to where it is today: <ul style="list-style-type: none"> ○ How did you build a competitive advantage in the market? - (What was the focus) ○ How has the market conditions changed to where the company is now, compared to where you started? 	
	<p>Transition</p>	<ul style="list-style-type: none"> ▪ Was the transition from buying a company to growing and managing it very challenging: <ul style="list-style-type: none"> ○ What areas would you describe as difficult? ○ What did you enjoy about the process? – (Motivational factors) 	
<p>“The Saxum Group has come a very far way with its achievements”</p>			
<p>Statement:</p> <p>THEME 3: Reflection</p>	<p>SUBTHEME</p>	<p>Semi Structured Questions</p>	Observation
<p>Entrepreneurial Exit</p>	<p>Future</p>	<ul style="list-style-type: none"> ▪ How would you like to see the future of the group? 	
	<p>Leadership</p>	<ul style="list-style-type: none"> ▪ What do you think is needed to achieve this? 	
	<p>Changes</p>	<ul style="list-style-type: none"> ▪ When thinking where the organization started and where it is today: <ul style="list-style-type: none"> ○ What would you have done differently? ○ Why do you say that? 	
	<p>Individual and organisation Learning</p>	<ul style="list-style-type: none"> ▪ As an entrepreneur within the South African Insurance Industry: <ul style="list-style-type: none"> ○ What has been your experience and what would you recommend to young expiring entrepreneurs? 	

Annexure B:

Data set: Open coding



IA

"What does this indicate"

↓
"What is the data a study of"

A) The Saxum group is quite unique: How did all of this start? - (How was the opportunity identified); How did you put the organisation together?

Background / Experience ✓

A) *Okay this is quite a long story but I will try to keep it short you know, what basically happened is that I have a financial background, in others work I did my [BCom, BCom Houns and an MBA], so I always was keen to explore opportunities if they were to come along.

Formal Education ✓

Desire to explore ✓

A) But I basically did a lot my work previously to this that I will talk about knows. I did a lot of work in the financial services industry and especially in the insurance companies where I started off working off with President Insurance company, and from there on to Alliance insurance company, I did some work at Guardian National Insurance company.

Personal Experience
Financial / Insurance Industry
3 Previous employers ✓

A) A lot of these companies do not exist anymore, they have sort of been taken over by the bigger companies, but that is basically where I learned, so I did a lot work on the financial management side and focused on the investment side so, I don't know how much you know about the insurance, but you basically make you money from underwriting, you make or lose money, you then ...its then quite an art to protect the money, in other words to make money work for you, that you have managed to make through underwriting. A lot of people in the insurance industry don't focus on the investment, but the financial side, but ...so that is a bit on the back ground.

Personal Experience:
* Learning Financial C Specialised Investment ✓

Business Model
"Understanding of Business Model"
* NB dimension ✓

A) What happened is that I started to consulting work for myself, firstly I joined IBM, and then we did some work for the old First National Company, where the bank wanted to start an insurance company, and I basically helped the guys to set up, and I did some consulting work for them. When I felt, I needed a bit of new challenge, one of my old friends that I use to work for and with at Alliance Insurance, and he needed someone to help him with short term consultancy with a task at a company he was working with, WinterBach ...Africa.

"Working for Self"
* Consulting ✓
* Setting up. ✓

Personal Experience ✓

Desire to explore ✓

"Network"
* old friend ✓
* Use to work for. ✓
* International contacts (company) ✓

A) [What then happened is that we got to know that Reinsurance Company decided to sell the South African operations] [They have already placed the company not in liquidation, but run off.]

Business Model
* Run Off ✓

"More than 1 person"

* Entrepreneurial entity ???

Opportunity identification:

- * Market Scanning
- * Market Knowledge

↳ * How do you improve your Market Knowledge skills? "

Annexure C:

Memo writing process



- **M2; 22 August 2012; Based on interview IB, (Section – Entrepreneurial Behaviour: How did it all start?)**

Important ...to understand each founding member' experience when analysing how this started and the formation of the entrepreneurial entity. Is the entity formation behaviour the same as normal group formation? How are they governed? What are the unspoken rules?

- **M4; 25 August 2012; Based on interview IA, (Section – Entrepreneurial Behaviour: How did it all start?)**

Four individual entrepreneurs got together...based on their skill, understanding, and credibility of the each other in the insurance industry. No one had the same skills, or education, but had worked in the same industry. These entrepreneurs then moved towards a common goal that could not have been achieved individually. *Could this be the formation on an entrepreneurial entity? Is this an informal process? What determines a person to become part of an entrepreneurial entity? Do you pick of each other based on skill?*

When does the entrepreneurial entity become formal? Is this then when you become shareholders? As the entrepreneurial entity moves through shareholdership...what are the process, and the dimensions? Is this the same as normal group dynamics?

- **M7; 25 August 2012; Based on interview IG, (Section – Entrepreneurial Behaviour: How did it all start?)**

The first sign of conflict... the interviewee was part of the '...he believes they could have run the operation better than the current shareholders. He believes current management at that stage were not given a change to do a buyout...but interestingly enough, the current shareholders approached the German company to buy, not the German company the current shareholders. This indicates the fundamental entrepreneurial principle of: "Go getters". You can wait for things to come you...

- **M16; 27 August 2012; Based on interview IA, (Section – Strategic Behaviour: How did it all start?)**

Both interviewee IA, and IB describe the formation of the '...out of a need to create future income. There is no indication of strategic planning for the new venture such as break even, or the market share to be gained?

No indication of competitive advantage is provided... Did the new venture start out of arrogance and ignorance based on previous experience, and could this be an example of entrepreneurial arrogance. The entity went unprepared into a new market...

...Critique the organisation's move to new industry, new business model, and strategic motivation based on strategic and competitive rationale...Why did they have to start a new insurance company in a highly mature over traded market? Could they not just have bought shares in an existing company as someone with capital? Could this allude to entrepreneurial arrogance..."We will show you"...*What is going on here..?*

This also indicates that new venturing requires tremendous planning on strategic and investment levels! Why was this forced by the German national entrepreneurial entity member?

Annexure D:

Axial coding process

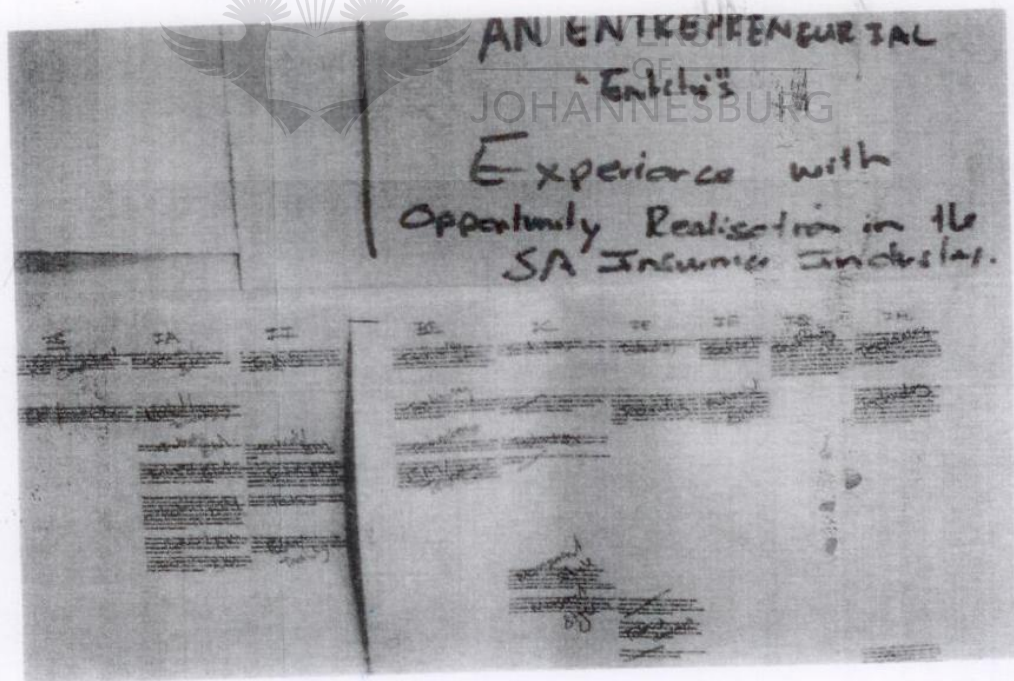
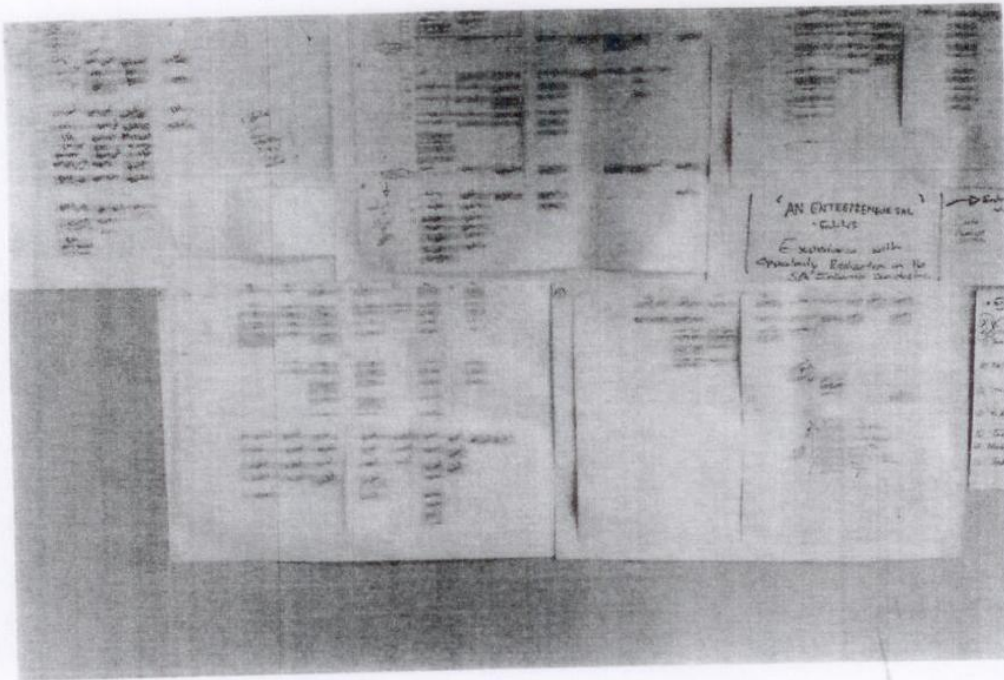


What does this indicate?	What is the data a study of?	What is the main concern forced by participant? What account for the continual resolve of this matter?	Dimension(s) - (IA)	Dimension(s) - (IB)	Dimension(s) - (IC)
Concept	Property	Dimension(s) - (IB)	Dimension(s) - (IA)	Dimension(s) - (IB)	Dimension(s) - (IC)
Opportunity Identification	Background (A1)	<p>"I did my B. Com (Here Accounting), MBA"</p> <p>"I have a financial background"</p> <p>"I did a lot of my previous work in the financial services industry and especially in the insurance companies. I started with President Insurance, then Alliance Insurance company, and I did some work for Guardian National Insurance company"</p> <p>"That is basically where I learned, so I did a lot of my work on the financial management side, and focused on investment side"</p> <p>"I started to do consulting work for myself"</p> <p>"Firstly I joined IBM, and then we did some work for the old First National Company, where the bank wanted to start an insurance company, and I basically helped the guys to set up and I did some consulting work for them"</p> <p>"I was always keen to explore opportunities if they were to come along"</p>	<p>"Working for Self"</p>	<p>"Need for Change" (A2)</p>	<p>And then that was the opening that they needed. The waiter, entrepreneurs enough to see the risk, to understand that they wanted to get rid of the company because of a strategic risk, okay, they saw the opportunities financially to utilise the finance of the company to buy itself, without putting a hand in their pocket. Very, very clever.</p>
Understanding the Business Model (A3)	<p>A3.1 "Insurance gains"</p> <p>A3.2 "Protect the money"</p> <p>A3.3 "Focus on investments"</p>	<p>"When I left, I needed a bit of new challenge"</p> <p>"about the insurance, but you basically make you money from underwriting, you make er lose money, you then"</p> <p>"It's then quite an art to protect the money, in other words to make money work for you, that you have managed to make through underwriting"</p> <p>"A lot of people in the insurance industry don't focus on the investment, but the financial side, but... so that is a bit on the back ground"</p>	<p>It started with a certain awareness that run off can be a very profitable case if it is managed well and the underlying reserves are set adequately</p> <p>I made contact with the German seller, the person who was in charge, and we basically had a very big telephone conversation, that I understood a little better what the financial mechanics of the company was, and I thought could be something we could pursue.</p> <p>We signed confidentiality agreements, we got hold of the due diligence information, and it ended up us getting life negotiations with the seller to take over the company and that how this all started and basically what it still is today the core and the focus of the group</p> <p>Thomas, one of the shareholders then decided there was an opportunity for an insurance business, okay, so using the capital of the run-off company, Gerling [?] that they bought, they started off Savon [?] insurance, okay, and then they saw the opportunity, also, with the other shareholders looking at St Paul and acquiring that, and the old Gerling, which was placed [?] and run-off when they bought it, they saw they had an advantage with the staff, very strong technical, and... technical knowledge, in the company, an old company, they utilised that to then market any other company that needed to be... that was in run-off that needed to be managed, and they looked at that. So they leveraged off the skills from the old staff to do the new company and opportunities going forward</p>	<p>Charles was somebody who had been working for himself for a period of time, and I think that here, the sort of, there was a combination of need, and somebody who just foresaw an opportunity, where the opportunity that a well established insurance company presents, particularly on a run off basis is that it has that regulators force insurers to become almost like investment funds.</p> <p>They have to keep considerable reserves, and I think the opportunity that was seen at that point in time, and I think that if you have some insight into insurers, that you can see that.</p> <p>It worked almost like an investment fund, is that here are equities, and that was the opportunity that they saw at the time. Here were a suite of equities, which were probably priced low, and that world markets were likely to move upwards.</p>	<p>And they realised there was an opportunity to make big money without putting a hand in their pocket. Very clever. And then they also realised leveraging off that, as I said in the merge and acquisition, the third stage, you know what I mean?</p>

Annexure E:

Coding wall





Annexure F:

Typical identified category



Entrepreneurial Behaviour		
Category	Property	Dimension
	"Post 9/11" event	<ul style="list-style-type: none"> • Systemic collapse of equity markets • Under capitalisation of multinational reinsurance organisations • Repatriate funds to home countries • Withdrawal from small markets
	African risk	<ul style="list-style-type: none"> • Great investment risk in Africa • Political uncertainty due to the release of Nelson Mandela, Ambiguity of ANC movement • Awareness of HIV/AIDS on life insurance • Strategic decision to exit the South African market
Historic market condition	Run off markets	<ul style="list-style-type: none"> • Avoid future risks • Market exiting tool • No more underwriting • Settle all outstanding claims from reserve but not outstanding funds (IBNR) • Need specialised skills • Actualise profits • Repatriate funds to home country
	Recovery in equity markets	<ul style="list-style-type: none"> • Recovery of equity markets allows for capital gains from IBNR investment returns

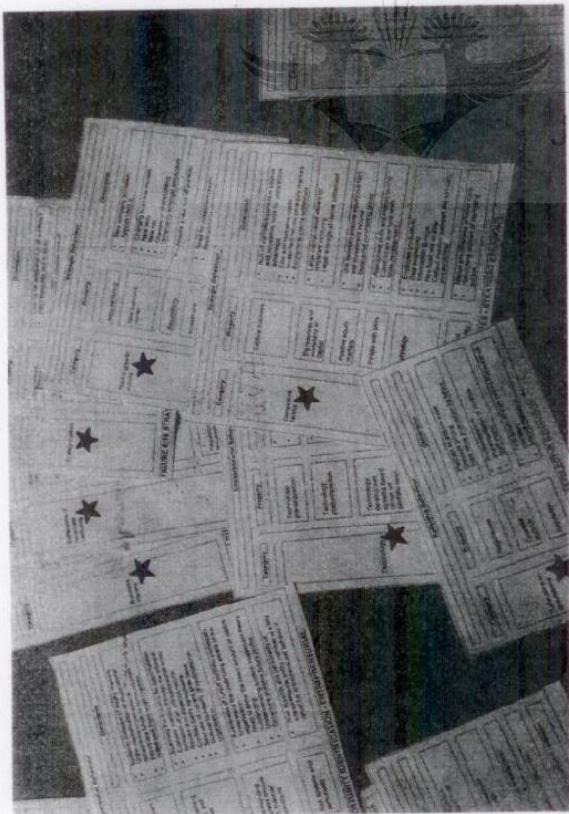
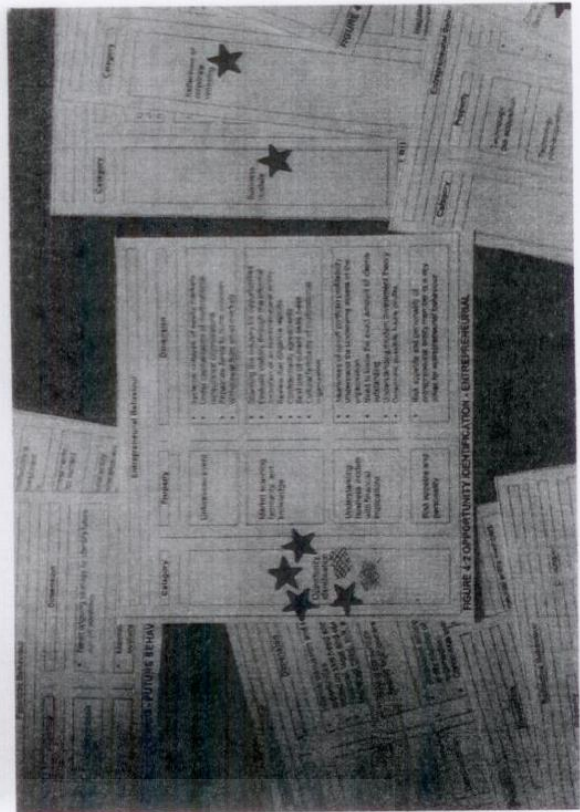
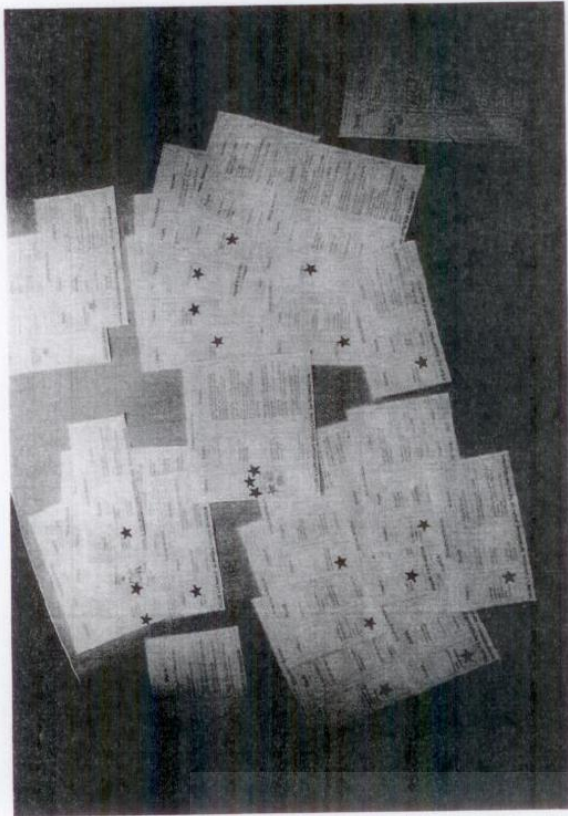


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Annexure G:

Selective coding process





Annexure H:
Letter of consent





Master's Degree in Business Management

27 July 2012

Re: Permission for research

Dear Sir/Madam

The Master's degree in Business Management is a postgraduate programme that is offered by the Department of Business Management, within the faculty of Management, at the University of Johannesburg. The MCom is a part-time course work based master's degree which comprises of 12 modules and a minor dissertation.

I would like to ask permission to conduct a semi-structured interview regarding entrepreneurship within your organisation. The information provided will be strictly confidential. Only the examiner and I will have access to the information provided during the interview.

By agreeing to the interview, you have the right to withdraw from the interview at any stage without providing an explanation.

Thank you for your assistance. If you have any further enquiries you are most welcome to contact Dr. Geoff Goldman at the University of Johannesburg.

**(Dr. Goldman can be contacted at 011 559 3151 or ggoldman@uj.co.za).*

Interviewee Signature: _____

Date: _____

Interviewer Signature: _____

Date: _____