UNIVERSITY OF KWAZULU-NATAL

MAPPING THE READINESS OF THE SOUTH AFRICAN INSURANCE INSTITUTION IN THE ADOPTION OF THE RETAIL DISTRIBUTION REVIEW LEGISLATION: A CASE STUDY OF ABSA INSURANCE AND FINANCIAL ADVISORY, ABSA BANK

by

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DECLARATION

I, Rosebud Nondumiso Amandah Mchunu, declare that:

(i) The research stated in this dissertation, with the exception of where otherwise specified, is my original research.

(ii) This dissertation has not been submitted for any degree or examination at any other university.

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ABSTRACT

The Retail Distribution Review (RDR) legislation has commanded the attention of insurance institutions globally from the time it was first introduced in countries like the United Kingdom, United States and others in 2006. While the legislation was introduced with good intentions, the new regulatory atmosphere is likely to modify the distribution setting considerably; an outcome for which all insurers must adequately prepare for. With the introduction of the RDR legislation it is hoped that a refined new world of financial advice would prevail. This study focuses on the readiness towards the implementation of the RDR legislation in South Africa. The research was conducted within ABSA in KwaZulu-Natal Province. A case study of an ABSA division, namely Absa Insurance and Financial Advisory (AIFA) was investigated using a quantitative research method. The population of the study was made up of 96 advisers and they were all expected to attend the quarterly provincial meetings.

The questionnaire was used as the data collection technique for this study. The study was conducted during the quarterly provincial meetings in order to access all company advisers in one setting. A total of 73 advisers attended the meeting and all of them participated in the study. The findings from the study revealed that a significant number of advisers are aware of the RDR legislation and what it entails. Based on the findings, the study concluded that, to a large extent, advisers with ABSA are not adequately prepared or ready for the implementation of RDR changes. Furthermore, the study concluded that those advisers who are aware and prepared for the RDR changes achieved this through their individual efforts. The main recommendation of the study is that, there must be a deliberate effort by AIFA not only to make the advisers aware, but to also prepare and make them ready for the RDR changes. To that extent, AIFA must therefore provide a change leader whose main task will be to drive the readiness of advisers for this change.

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CHAPTER 1: BACKGROUND AND OVERVIEW OF THE STUDY

1.1 Introduction

This chapter presents the background of the study. It also introduces the problem statement, the aim of the study as well as the research objectives and questions. The significance of the study will be clarified and lastly this chapter will present the scope of the study indicating what each of the subsequent chapters entail.

1.2 Background

South African Insurance institutions have employed different strategies informed by the enhancement of the legislation as well as changes in the economy. The Financial Services Board (FSB) regulates the activities and practices of the financial industry by introducing certain legislations that continuously regulate the activities of the banking and insurance industries. It is important that financial institutions are able to anticipate the implications which could be brought about by the enhancement in legislation, and be able to prepare accordingly, guided by the requirements that are governing that change. What normally encourages changes or enhancement of the legislation is the practices and the behaviours which are viewed by the authorities to be a disadvantage to clients while the adviser gains or vice versa.

The Retail Distribution Review (RDR) legislation is about to be introduced to insurers and it is left to be tested whether they are taking the warning of the FSB seriously in reaction to this new regulation. The RDR Legislation came into being in 2006 in the United Kingdom (UK), United States (US) and Australia but the actual implementation started years later in 2013.

A study conducted by Core Data in South Africa titled “Adapt or Die “is of relevance to this study. The research findings from that study revealed that despite the obvious concerns brought about by the requirements of the legislation, it seems many South African intermediaries are not completing the necessary adjustments to their business model in anticipation of the far-reaching changes in the industry globally (Core Data, 2013). Furthermore, the study revealed that there is a general absence of preparation ahead of the RDR in South Africa, which could leave many advisers lacking when the legislation comes into effect (Core Data, 2013). It is therefore imperative that a test is done following the latter study to see if institutions like Absa Insurance and Financial Advice (AIFA), an insurance division of Absa bank are prepared to embrace the RDR regulation requirements.

In 2006, the Financial Services Authority (FSA) publicized the RDR for the first time. The review was initiated by the FSA to address the existing challenges within the retail investment and advisory industries which have affected the value of advice and consumer effects (FSB, 2014). The financial service sector in South Africa is expected to be preparing for the RDR legislation. The RDR aims to make sure that customers are treated fairly when purchasing financial products, specifically, the insurance products. This is an initiative of the Financial Services Board (FSB). This legislation, already implemented fully in countries like the UK, US and Australia, has been found to create anomalies resulting in benefits as well as disadvantages to some firms and advisers. On that basis, this study will refer to the experiences in these countries. It has been stated that in the UK, the number of advisers reduced from 47000 in the year 2010 to 32000 in 2014. Due to this, some South African advisers have raised concerns regarding the possibility of advisers leaving the industry (Burns, 2015)

The legislation aims to ensure that financial advisers are transparent when offering advice in terms of how they will be charging their customers and what services will be included in their fees. This model will provide customers with a clear understanding of the fees that they pay, and the value derived from paying those fees for the services and products offered to them. There is also an emphasis on the high level of professionalism received from respective advisers (FSB, 2014).

The current remuneration model in most insurance institutions is commission based and some service providers pay commission to advisers upfront. Most advisers would sell products which will pay them the highest commission, a product which may not necessarily address the needs of customer/s entirely. The UK regulator's focus was on investment products only, whereas the South African regulator which is the Financial Services Board (FSB) has proposed RDR regulation which includes advice on investment, risk as well as short term insurance products (Burns, 2015).

This goes to show that the South African regulator wants to leave no stone unturned. This could also mean an impact in the South African insurance industry compared to UK and other foreign countries; hence, the South African insurance industry needs to check their strategic intent and activities if it is to build up towards the RDR proposed legislation requirements. The structure of the financial services distribution landscape in South Africa is categorized by a broad range of distribution models. These are made up of various types of services delivered by intermediaries, relationships amongst product suppliers and intermediaries and intermediary remuneration models (FSB, 2014). Absa is one of many financial service institutions that distribute insurance products through financial advisers and financial planners. The financial advisers are intermediaries who are allowed to carry and sell products from more than one approved service provider, referred to as Multi-tied, whereas financial planners are allowed to carry and sell products for Absa bank only, referred to as Tied.

In June 2012, AIFA, an insurance division for Absa bank, started an Adviser Target Operating Model (ATOM) journey. The ATOM is aimed at transforming the business, which was governed by the Independent Financial Adviser (IFA), into an institutionalized model (AIFA Executive, 2014). Before the introduction of the ATOM, the IFA model was characterised by the absence of a central hub and brokers solely controlled and managed their operations and the client's fate. In addition, client' views and perspectives were missing and there were low levels of trust amongst brokers and between brokers and bankers. There was very little training provided for brokers, hence, an inadequate level of professionalism which resulted in numerous losses due to claims for compensation. It is necessary therefore to look at the main building blocks of the RDR legislation as far as its expected outcomes are concerned and establish if the ATOM journey is in line with the RDR legislation requirements.

1.3 Problem Statement

The implementation of the RDR legislation is aimed at changing the distribution setting of the insurance industry in South Africa. A study conducted by Core Data (2013) in South Africa titled "Adapt or Die" revealed that despite the obvious concerns brought about the requirements of the legislation, it seems many South

African intermediaries are not making required groundwork to their business model in anticipation of the winds of revolution which are far-reaching in the industry globally (Core Data, 2013). Furthermore, the study revealed that there is a general absence of preparation ahead of the RDR under way in South Africa, which is possible to leave many advisers caught short when the legislation comes into effect (Core Data, 2013). The latter revelation by Core Data implies that ABSA as one of the financial institution which has an insurance division, may be ready for this change brought about by RDR legislation.

Another study, conducted by Clare, Thomas, Walgama & Makris (2013) in the United Kingdom (UK), revealed that, the number of UK advisors dwindled down from 40 000 in 2011 to around 20 000 in 2013 following the implementation of RDR. Other challenges noted by the firm (Clare et al. 2013) included:

a. determining the cost of servicing clients,
b. setting up new client servicing propositions,
c. establishing the potential revenue scenarios, and
d. considering the various operational changes that were necessary such as transitioning clients to new unit classes

According to EPL (2011), a central theme in all the FSA's RDR consultancy papers, is that all parties that come under the radar of the RDR (Banks, IFAs, WMCs, Product Providers) must make sure that their prices for products and services are reasonable, understood and clear to the consumer (EPL, 2011). This should be a stark reminder to the South African industry and in particular ABSA insurance and financial advisory to prepare for RDR. Recent findings by Core Data Research South Africa (2013) showed that less than half of South African financial advisors are prepared for changes that are likely to come from the RDR. Of those surveyed, only 12.8% currently work on a fee-based model that would require no adjustment post-RDR (Core Data, 2013). Several authors such as Nagendran, Parkes and Vincent (2015) and Blackrock (2012) are of the opinion that these issues will be just as pertinent in South Africa; hence, readiness for change is tested at ABSA which is one of the South African insurance distributions.

1.4 Justification of the Study

The claim made by Core Data (2013) indicated that the introduction of the RDR legislation in South Africa could be problematic since some insurance institutions may have failed to prepare adequately, hence creating a need to investigate an untested theory. While the study is based on a case study of Absa's division, its findings will benefit other financial service providers as well, since the legislation may be applied across the board. It must be noted that some of the financial advisers that participated in the study provide services to more than one financial institution. With particular reference to Absa, its leadership may make use of the knowledge and recommendations made in the study to shape the strategy and close the gaps which may still exist.

1.5 Aim of Study

The purpose of this study is to determine the extent to which Absa's division, AIFA, is ready to implement the Retail Distribution Review (RDR) legislation. This will be done by examining the objectives of the study as stated below (section 1.6.). Furthermore, the aim of the study will be achieved by focusing on how AIFA has been able to implement the components of its Advisor Targeting Operating Model (ATOM). The main goal of the model is to transform the business in preparation for the implementation of the RDR changes.

1.6 Objectives of the Study

This study will:

a. Identify the level of awareness of Absa financial advisers on the changes brought about by the RDR legislation.
b. Establish if the AIFA strategy mitigates the consequence of implementing RDR's key components.
c. Find out the impact of the RDR legislation to financial advisers
d. Make recommendations that could help address the gaps identified by the previous objectives.

1.7 Research Questions

The following research questions will be explored by this study:

a. To what extent are financial advisers at Absa aware of the changes brought about by the RDR legislation?
b. Does the AIFA strategy mitigate the consequence of implementing RDR's key components?
c. What impact do ABSA financial advisers believe the RDR changes will have on their work?
d. What gaps exist in the AIFA strategy and what recommendations can be proposed to address them?

1.8 Significance of the Study

This study conducts an analytical investigation into the readiness of South African insurance institutions for the RDR Legislation. The investigation will create an opportunity to explore the core requirements of the RDR legislation. The current ATOM journey which AIFA is embarking on will also be investigated in line with the requirements of the legislation. The knowledge acquired during the investigation will be applied when AIFA'S ATOM journey is examined. The knowledge gained will be applied to AIFA, an insurance division of Absa bank. This will provide in depth insight which can be beneficial to the bank.

The opportunities which the legislation brings will be identified, for example, there might be a need for advisers to deepen their knowledge through studying towards acquiring relevant qualifications. This new knowledge, gained through a combination of theory and practice, may improve the level of professionalism in the institution. Identifying the gaps of the ATOM could give Absa's senior management an opportunity to review and address the identified gaps sooner than later. The results may therefore influence the application of the ATOM and be used to plan interventions that are beneficial to AIFA.

The findings of the outcome may also be used as the building blocks of the strategic objectives of AIFA prior and post RDR implementation, for example, the remuneration model of AIFA would need to be shifted away from commission to fees if not done already. This change may challenge the status quo of the current policy and may call for a review of current strategies. It is expected that problems will be identified and will require solutions in view of the need to change in line with the requirements of the RDR. The result of this research will provide an opportunity to explore different solutions and start change management initiatives so as to thoroughly prepare for the realities of the RDR legislation.

1.9 Scope of the Study

The total population of AIFA advisers in South Africa is approximately 774, all of whom could not participate in the study due to time and budgetary constraints. In addition, the researcher is based in the province of KwaZulu-Natal (KZN), thus it was convenient to conduct the study there. As a result, the 96 financial advisors based in KZN made up the population of the study. The researcher’s timing of data collection was aligned with the quarterly meeting that all the 96 financial advisers had to attend. Of the 96 only 73 advisers attended and participated in the study. It must be stated that all regional branches in the province were represented therefore the scope of the study could be deemed as covering the entire province. The study was of an exploratory nature since there was little information on the actual readiness of financial advisers and AIFA for the changes the RDR will bring.

1.10 Definition of Key Terms

a. Advisory Intermediary Financial Advice (AIFA): a division of wealth, investment and insurance (WIMI) distribution at ABSA (AIFA Executive, 2014).

b. Adviser Target Operating Model (ATOM): an institutionalized model of AIFA. (AIFA Executive, 2014)

c. Financial Services Authority (FSA): an independent, non-governmental entity that receives its statutory powers through the Financial Services and Markets Act of 2000. (Investopedia, n.d.).

d. Financial Services Board (FSB): an independent institution established by statute to oversee the South African Non-Banking Financial Services Industry for the interest of the public. Its mission and vision are to promote and maintain a sound financial investment in South Africa (FSB, 2014).

e. Intermediary: a firm or person who acts as a mediator or a link between parties to a business deal, investment decision or negotiation (Investopedia, n.d.).
f. QCF4 Qualification: a new qualification and credit framework which has replaced the National Qualification Framework (NQF) (Investopedia, n.d.).
g. Retail Distribution Review: a new set of rules that were enforced in the UK in early 2013. The rules were aimed at introducing more transparency and fairness in the investment industry (Financial Times, n.d.)

1.11 Chapter Overview

This dissertation is divided into five chapters. The outline of each chapter is presented below:

a. Chapter 2: Literature Review and Theoretical Framework

This chapter starts by introducing the current distribution landscape of financial insurance in South Africa, explaining how the current set-up looks like coupled with current practices in the insurance industry. The researcher highlights the Treating Customer Fairly (TCF) Framework as the origin of the RDR and other legislation under the TCF umbrella before unpacking the proposed Retail Distribution Review (RDR) legislation and the change that is expected in the South African insurance sector. This change which is still in the proposal stage in SA, has already been implemented in foreign countries like the UK, thus, the researcher discusses its impact on these countries. The researcher further introduces the research model used in this study to establish the readiness of South African insurance institutions in implementing the RDR legislation. Lastly the researcher unpacks the strategy for AIFA to test the readiness of insurance companies in implementing this change.

b. Chapter 3: Research Methodology

In this chapter, the researcher presents the research design and research methods used in this study. This includes a brief discussion of the different types of research methodologies, namely: qualitative, quantitative and mixed methods. Subsequently, the chapter examines the selected research methodology and the rationale for its selection. The chapter also focuses on the location of the study, the population and sampling strategy; the application of the data collection instrument; the pilot study; issues of validity and reliability; and lastly ethical issues in relation to the study.

c. Chapter 4: Data Presentation and Analysis

The researcher introduces and presents the data using frequency tables, pie charts and bar charts. The first section of the chapter presents the reliability test, which is presented in the form of frequency tables. This is then followed by the presentation of the demographic information namely, age, gender, occupation, marital status and level of academic qualification. Demographic information spread is shown in both the frequency tables and pie charts. The last section of the chapter presents and categorizes the responses of participants in terms of their level of agreement and disagreement.

d. Chapter 5: Discussion on the research findings and recommendations

In this chapter, the researcher responds to the research questions outlined in Chapter One. These responses are based on the literature reviewed in this dissertation and the findings emerging from the data obtained from respondents. This is followed by discussions and a conclusion drawn from a holistic view of the study. The recommendations and further studies are proposed in the last two sections of this chapter.

1.12 Pilot Study

A pilot study was conducted by selecting 4 employees in the office and giving them questionnaires to complete. This was done to determine the level of effort in completing the questionnaire and to assess if there would be issues when a larger group of respondents complete the questionnaire.

1.13 Conclusion

This chapter has been able to provide the background and overview of the study. It clearly indicated the aim, objectives and research questions that inform the study. More importantly the chapter provided the problem statement, the selected population, and the significance of the study to Absa and its employees. Furthermore, the researcher indicated the type of research instrument that was employed and how it was tested.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

In this chapter, the researcher introduces and discusses key theories, models and frameworks on readiness and organizational change. The organizational change management methodology which is used to establish the readiness of South African insurance institutions in the implementation of the RDR legislation is introduced in this chapter. To that extent, the researcher introduces the pillars of organizational change management as the cornerstone that guides readiness to change. The researcher further unpacks the proposed Retail Distribution Review legislation (RDR) as the change that is expected in the South African insurance sector. This is achieved by firstly highlighting the Treating Customer Fairly Framework (TCF) as the origin of the RDR legislation. This change, which is still in the proposal stage in South Africa, has already been implemented in foreign countries such as the United Kingdom and the United States of America, thus, the researcher displayed how those countries have been impacted by this change brought by the RDR legislation. The researcher also highlights potential impacts on South African firms and financial advisers and concludes the chapter by identifying the lessons to be learned from other countries who have implemented this change.

2.2 Theories, Models and Frameworks on Readiness and Organizational Change

As stated in Chapter One, the main focus of this study is the readiness of AIFA for the implementation of the RDR legislation. In view of this, the researcher examined a number of theories that are relevant to the subject matter and chose the most suitable for the scope of the study. Similarly, the researcher had to look at a number of models and frameworks on readiness and organizational change and selected the most suitable while noting the existence of such models and frameworks. The researcher gives an example of these theories, models and frameworks.

2.3 Why the need for Organisational Readiness?

Various authors such as Grady and Grady (2012), Weiner (2009), and Werkman (2009) argue that many organisations fail due to implementing change programs when they are not actually ready to implement such change. Authors such as Armenakis and Harris (2012) and Self and Schraeder argue that there is no need for an organization to embark on a change program unless it is ready and able to implement the change. Furthermore, authors such as Blackman (2014), Burnes and Jackson (2011) argue that readiness does not encompass only the readiness in terms of the change itself but requires that the organization is capacitated to work across organisations. Authors such as Beer and Nohria (2000) and Weiner and (2009) indicate that change has always been there and has been evolving so much that one would have imagined that organisations would be familiar with it by now, yet 70% of change initiatives still fail.

Grady & Grady (2012) and Burnes and Jackson (2011) also support this view and statistic. The authors argue that the main cause for such a high level of failure is lack of readiness hence a need for readiness. Other authors such as Morrisson and Miliken (2000), Wnberg and Banas (2000), Attaran (2000) and others argue that employees generally resist change and view it with cynicism and as a tool that organisations use to lay off employees. Readiness for change is viewed by these authors as “the necessity of overcoming potential disinterest, resistance or inability to change on the part of those involved” (Blackman, Flynn, and Ugyel, 2013:3). The authors go further to suggest that the first step towards achieving the readiness for implementing a change program is change management. As argued by Bourda (2013) managing change is essential since it is inevitable as our environment keeps on evolving.

2.4 Change Management Defined

Bourda (2013:4) defines change management as “a structured approach for ensuring that changes are thoroughly and smoothly implemented and for achieving lasting benefits of change”. Furthermore, the author indicates that change management is not synonymous to project management. In the view of the author, project management focuses on the application of set tools and processes whereas change management focuses on the people side of change and targets everybody within the organization. Bourda (2013) further argues that when scholars talk about change management they talk about the change in people within the organisation not the change in the organization itself.

2.5 Theories on Change Management

As stated above, the researcher identified various models in the quest to understanding change management. These include the Adkar model; Kotter's 8-step model; Lewin's 3- stage model of change; Koberg, Uhlenbruck, and Sarason's Life-cycle stage; product innovation model and others. These theories can be put into four broad categories namely: life-cycle theories, teleological theories, dialectical theory and evolutionary theories. Van den Ven (1995) provides a useful distinction between these theories. According to Van den Ven (1995) life cycle theories are characterized by change that is imminent and the manner in which the organization expresses itself is influenced by its external environment events and processes. Teleological theories on the other hand argue that development in the organization occurs because there is a goal or an end state (Van den Ven, 1995).

In other words, the theory argues that development happens because there is a purpose. According to Van den Ven (1995), the dialectical theory assumes that an organisation exists in a world that is pluralistic with colliding events, forces or values. The author also argues that since the organization exists in a world characterised by opposing interests, balance is a product of how these opposing forces engage the status quo. The author warns though that there is no assurance that the opposing interests always produce positive outcomes. Lastly Van den Ven (1995:518) states that the evolutionary theory assumes that "as in biological evolution, change proceeds through a continuous cycle of variations, selection, and retention". Each of the models discussed below will fall in one of the four categories.

2.5.1 The ADKAR model

This model was developed by Prosci, one of the world's leaders in research on change management and content creation. According to Prosci (2012), the starting point in change management is to be able to understand how to manage change in a single person. The author argued that for an individual to support the change program that individual must be aware that there is indeed a need for change. The author further states that not only does the individual need to be aware of the need for change but must also desire to be a participant in that change process and support it.

Prosci (2013) goes on to argue that the individual must obtain knowledge of how to change. Thus the author is of the opinion that the individual needs to know, to a certain extent, what aspects of their behavioural attributes need to change. The author also argues that it is not enough for an individual to know the skills and behavioural changes that are needed for change but must also be able to implement these attributes. Lastly, Prosci argues that there is a need to reinforce change so that it can be sustained. According to Bourda (2013), Prosci took these five attributes: Awareness, Desire, Knowledge, Ability, and Reinforcement to form the acronym ADKAR hence the name ADKAR model.

2.5.2 The Kotter's 8-step model

Kotter (1995) argued that 8 steps need to be followed to manage change within an organization. He further argued that there has to be a sense of urgency where the organization examines market realities ranging from assessing the marker right up to assessing the competitors. The author argues that the organisation, informed by market realities, must then assemble a powerful group whose members would act as a coalition. This group, Kotter argues, must be empowered to lead the change while ensuring teamwork. As step number three, Kotter argues that the organization must then create a vision and come up with strategies to realize this vision. As a fourth step, the organisation must communicate the vision to other stakeholders, with the coalition group leading by example in terms of behaviour.

Step five focuses on empowering others within the organization by removing possible obstacles and where necessary changing systems or structures that could obstruct the realization of the vision (Kotter, 2013). Kotter, then suggests that the next step is to plan for short term wins and ensuring that these wins happen. At step seven, Kotter suggests that the improvements that have been made and the wins gained thus far must now be consolidated while continuing to produce more change. According to Kotter the last step is to institutionalize new approaches giving staff an understanding of how the new behaviours have brought about corporate success. In short Kotter's model suggests that most organisations do not succeed because they:

a. fail to establish a great sense of urgency outlined in the model
b. fail to establish a powerful coalition or group empowered to make decisions and drive change
c. do not have a clear achievable vision
d. they fail to communicate the vision if it does exist
e. they fail to remove obstacles to the new vision
f. they fail to systematically plan for and create short-term wins
g. they declare victories too soon instead of first consolidating the gains and successes achieved
h. they fail to implement changes in the organisations' culture

2.5.3 Herscovitch and Meyers' commitment to organizational change model

Herscovitch and Meyer (2002) based their model on the individual employee's commitment to change. The authors defined commitment to change as "a mind-set that binds an individual to a course of action deemed necessary for the successful implementation of a change initiative" (Herscovitch and Meyer, 2002: 186). The authors argue that the employee's desire to participate in a change program emanates from a belief that there would be a benefit from the change process. Furthermore, they argue that the desire by the employee to participate in the change program also emanates from a belief that there may be costs or negative consequences to those who do not support the change program. Thirdly, the authors argue that there may just be a sense of obligation on the part of an employee to support the change program. Herscovitch and Meyer's model (2002) identifies three types of commitments to organizational change namely affective commitment (AC), normative commitment (NC), and continuance commitment (CC). In terms of this model the authors argue that there is a positive relationship between all the three forms of commitment and the compliance with the requirements for organizational change.

2.5.4 Lewin's 3-Stage model of change

According to Bourda (2013), Lewin's model was developed many years ago in 1947. While this is an old model, Bourda (2013) argues that it is still relevant even today. Lewin's model has three stages namely the unfreeze stage, the change stage, and the refreeze stage. Each stage has about five main components. According to Bourda (2013) the model works as follows:

a. **Unfreeze stage:** In the unfreeze stage the change agent has to provide justification that change is necessary. The next step is to look at the existing status quo and break it down so that new ways of driving operations are established. Once that has been completed, the change agent has to provide a compelling reason why the old way of doing things is no longer feasible and viable and why the new one is. There could be organizational beliefs, values, attitudes, and behaviours that need to be challenged for the new direction to be implemented. These must be challenged at this stage. Lastly, the unfreeze stage requires the change agent to appreciate the fact that there could be uncertainties going forward. Once these steps within the unfreeze stage have been carried out, the change agent must then move to the next stage, the change stage.

b. **Change stage:** According to Bourda (2013) at this stage people are starting to be certain of what is happening and employees are beginning to embrace the change i.e. new ways of doing things. Embracing the change in this stage involves people starting to act in ways that indicate support of the change process and participating proactively in change activities. It is in this stage that the change agent must make the people understand the benefit of embracing the change process; must appreciate the fact that not everyone will embrace the change process and its benefits. At this stage, the change agent is about to enter the last stage which is the refreeze stage.

- **Refreeze stage:** Bourda (2013) presents Lewin's argument that at this stage changes start to shape up and people embrace them. Furthermore, job descriptions are beginning to be more precise and consistent. A lot seems to start working as planned and people who contributed immensely towards the change process are being acknowledged culminating in the celebration of successes.

The models discussed above are not the only ones and there are others such as Werkman's pluralistic approach and five patterns; Koberg's life-cycle model; and Mckinsey's 7-S model; but for the purposes of this study these are examples of a few that AIFA would have to consider when embarking on their change program.

2.6 Approaches to Change Management

There are a number of approaches that change agents need to bear in mind or consider when embarking on change management. One of the approaches is advocated by Gustavsen (1992). This approach encourages dialogue among employees so that different ideas and opinions which otherwise could not be attained are attained. Gustavsen (1992) is of the view that, since change is a joint process, then different actors must be brought together and exchange views resulting in the development of new values. In terms of this approach success is viewed as a product of the working together of managers and employees.

There is also an approach called a programmatic change approach advocated by authors such as Beer and Nohria (2000) and Boonstra (2004). This approach views change as a process that is iterate. These authors argue that change will only take place if there is a deliberate effort to change old patterns and normative orientations concerning such old patterns. In terms of this approach, change managers are expected to play a major role by creating support for change, encouraging the participation of employees in the change process, doing this in a step by step manner and providing e[illegible] each step. Th[illegible]ches that are viewed as systematic. With these approaches, as argued by Vermaak (2002), change managers are unilateral in terms of designing, planning, and formulating the procedures to be followed in the change process.

	ENABLERS	**BARRIERS**
Organisational Level	1. Central Leadership 2. Clear Mandate 3. Pattern-breaking Behaviour 4. Shared Understanding	1. Programmatic Focus & Core Business 2. Decision-making 3. Operational Structure 4. Capability to work across boundaries 5. Ministerial Constraints 6. Staff Turnover 7. Misalignment of Evaluation & Accountability
Individual Level	Readiness for Organizational Change (Holt *et al*. 2007): 1. Self-Efficacy 2. Personal Valence 3. Senior Leader Support 4. Organizational Valence 5. Discrepancy Commitment to Organizational Change (Herscovitch & Meyer 2002): 1. Affective Commitment Continuance 2. Commitment 3. Normative Commitment	Resistance to Change Oreg, 2003): 1. Routine Seeking 2. Emotional Reaction 3. Short-term Thinking

Figure 2: A Multi-Level Readiness Model reflecting Barriers and Enablers

2.7 Research Model Underpinning the Study

The researcher uses the “Readiness model” which was established in June 1993 by Armenakis, Harris and Mossholder (1993). This has since been reviewed by Armenakis, Field, Harris & Holt (2007). According to these authors, this theory indicates that, employee readiness is stimulated by the message conveyed via the strategies, the change agent qualities, and the interactive and collective dynamics of organisational members. The authors go further to argue that in accumulation to these planned efforts, employee readiness may also be influenced by at least three other factors, viz., unplanned media information, existing organisational circumstances, and implication of the change determination.

It is the view of Armenakis *et al.,* (2007) that sometimes organisational changes are urgently desirable and need speedy implementation. In such cases, the authors argue that a readiness program that employs the most efficient and effective strategies have to be implemented, and in such cases the change agent may only apply a persuasive communication strategy. Armenikas *et al.,* (2007) further argued that in other circumstances the required change may perhaps not be so urgent, allowing for a comprehensive and in-depth execution of readiness efforts. The authors argue that in such cases the change agent requires a program which may encompass persuasive communication as well as active partaking. Such programs among others include distance learning and the management of external information for example, press releases (Armenakis, *et al* 2007).

2.8 Organisational Change Management

Rajput (2013) argued that change starts from the level of the organisation, therefore organisational change can be influenced by a number of external and internal forces. Rajput (2013) further explains that the macro-environmental forces such as political (which includes legislation), economical, technological and socio-cultural sources can explain the change that influences the organisation externally (Rajput, 2013).

According to the readiness guide of the Information Technology Leadership Academy (ITLA), Organizational Change Management (OCM) is referred to as a methodology of evolution for an institution and its cohorts that moves them from their present way of doing things into new ways of doing things (ITLA, 2014). The author argues that it helps an institution to embrace change while aligning people, processes, culture and strategy. The author refers to the 5 pillars of change that prepares an organization to transition during the expected change. The author argued that these pillars are communication, sponsorship, readiness, stakeholder management and training. It has been said that when the organization is able to handle change in a mature manner, change implementation becomes strategically and vigorously more effective (ITLA, 2014).

The researcher considered the first three pillars because they are most relevant to the study. These are communication, sponsorship and readiness. This theory suggests that readiness cannot be measured when communication to stakeholders and sponsorship by leadership has not been taken care of. To that extent the researcher prepared questions in the questionnaire that focused on establishing the quality of communication and the change agent as important factors in contributing to employee readiness. The author concludes that awareness and sponsored leadership both shape the level of readiness in the employees of the organization (ITLA, 2014).

2.8.1 Communication creates Awareness and Insight

Garvin and Roberto (2005) suggested that before the announcement of a policy or delivering a set of orders, it is imperative that leaders set the stage for acceptance. The authors argue further that at the time of delivery, the leaders must create the framework through which information and messages are interpreted. They also argue that as time passes, the leaders must manage the mood so that employees' emotional state supports implementation and follow-through. They also maintain that at critical intervals, leaders must provide support to ensure that the desired changes take hold without regressing. By implication the authors are saying that leaders are expected to demonstrate this support by developing a bold message that provides compelling reasons to do things differently and then cast that message in capital letters to signal the arrival of a new order (Garvin & Roberto, 2005).

ITLA (2014) agreed with the aforementioned principle that communication is the fundamental pillar of change. The author argued that people crave information and want to know what is going to happen, how, when and why it is the engagement mechanism for change. The author, further advocates that communication helps leaders frame how stakeholders are exposed to the change and thereby gives them the avenue for influencing how they view it. ITLA (2014) further argued that without quality communication the change participants will not have the awareness and understanding which they need to commit to and implement change successfully. The author suggest that by formally setting expectations, employing tools to improve communication and proactively seeking ways to reduce misinformation, stakeholders are more likely to buy into a change initially. Further, they will also stay more committed to the change, ultimately resulting in a successful transformation. Good communication should be deliberate and well thought out. Communication strategy should be developed in the early stages of planning the change itself. Communicate early, openly, often, through multiple methods and allow for feedback (ITLA, 2014).

The theory that communication creates awareness has also been explained by Northup (2007), who suggested that awareness is the significant insight of organisational change. Northup (2007) further advocates that revolution begins with awareness and cannot take place without insight. The author suggested that the most important factor in managing pre-emptive change is individual and directorial awareness (Northup, 2007). The author further suggested that awareness conveys insights that alter "worthy" consequences into "pronounced" outcomes. Further to this, Northup argued that, dedicated awareness crafts competitive advantage and creates dependable outcomes, together with enhanced income and profitability. This is agreed by the authors' argument that, genuine understanding as a result of awareness is the initiator for transformation. Insight carries attentive leadership. Further, focus leads to performance. Performance leads to results (Northup, 2007).

Kim and Mauborgne (2003) in the Tipping Point leadership argued that alerting employees to the need for change and identifying how it can be achieved with limited resources is necessary for reaching an organization's inclining point. If a new strategy is to become a movement, employees must not only recognize what needs to be done, they must also want to do it (Kim and Mauborgne, 2003). In a nutshell the authors are suggesting that, change messages should reach the organizational groups first through communication with the aim of creating awareness, alertness and insight (Kim, Mauborgne, 2003).

2.8.2. Sponsorship and Change Agents

Change agent has been defined by Fred Luneburg (2010:1) as “the individual or group that undertakes the task of initiating and managing change in an organization”. The Pyramid Resource group (2013) agrees with his definition and argues that a change agent is a first line leader whose responsibility is to learn and model change leadership (Pyramid Resource Group, 2013). According to Conner Partners (2004), sponsors (regardless of their level) sanction initiatives through influential communications and meaningful consequences. It must be noted that authors such as Carnal (2008) use change agent and sponsorship synonymously. For the purposes of this study, the word change agent was preferred.

ITLA (2014) suggested that when change transpires, individuals rely on the management of the organization for direction and backing. It is therefore imperative to ensure that there is a sponsorship for change from an executive level within the organization. Different authors such Pyramid Resource Group (2013) and Carnall (2008) agree that a sponsor constructs assurance throughout the organization and predominantly at the senior management level. The authors further agree that the change agent has ultimate responsibility for projects. Further to that the success of a project can be directly linked to an active sponsor who champions the change, mitigates change resistance and builds organizational alliances (ITLA, 2014).

Arsovski1 and Nikezc (2012) refer to leadership communication in the form of a change agent as an effective transfer of knowledge that a leader utilises to influence a person, group, organization or community. The authors further maintain that messages from leadership involve the use of a wide range of communication skills and resources to overcome interference, while creating and delivering information that is direct, motivating, inspiring to the followers while encouraging them to action (Arsovski1, Nikezić, 2012). The afore-mentioned summarised theories suggest that sponsorship through change leaders/agents can either make or break organizational change and form the second phase in the preparation for change in any institution.

In line with this study, these theories suggest that the change which the RDR legislation could bring in the lives of the advisers must be communicated to them to create awareness. Insurance institutions therefore require change leaders/agents to drive this upcoming development. Change has been defined as constantly trendy by many authors like Bourda (2013). The authors argue that there is extensive literature on the process or phases of change. Brodie (2007) acknowledges that while the process is clearly important, it is equally important to be clear about the attributes that are essential to be a successful change agent.

2.8.2.1 The role and responsibilities of the change agent

According to Lunenburg (2010), change agents perform at least three roles which are consulting, training and research. Different authors such as Carnall (2008) and Dawson (2010) agree with the suggestion that the role of a change agent entails the following:

a. Consulting: this is where the change agent keeps in touch with the employees and keeps them informed with data from inside and outside the organisation.
b. Training: The author suggests that this is where the change agent helps the members of the organization learn how to use the data effectively.
c. Research: The author suggests that this is a skill required by the change agent to effectively evaluate and validate information received and solve problems brought to his/her attention (Lunenburg, 2010).

2.8.2.2 The attributes of a successful change agent

Brodie (2007) suggested that everyone must focus on an objective or desired outcome. Thus there is consensus that if you do not know where you are going, you will certainly not get there. Lunenburg (2010) agrees that, while this might appear like declaring the obvious, a lot of organisations start a process of change without total clarity on what they want the organisation to be like when they reach their desired outcome, how it will evolve as a result of the change and what is in it for the different stakeholders (Brodie, 2007).

According to Amernakis *et al* (2007), a change agent has to believe that change is likely because failure to do so will result in conflict and limitations on imagination. Furthermore, the authors suggest that they have to be inspired because motivation is what drives individuals even when things are hard. Brodie (2007) agrees with the author on the need to plan efficiently because while there is a need to be flexible, no real change can materialize unless it is prearranged and well thought-out. The most effective change agents acknowledge that change takes time thus persistence is key. Further to this, the author suggested that change agents do not give up at the beginning even when there are signs that there could be problems. They persevere until they discover a better approach to get the end-results they desire (Brodie, 2007). When these attributes are missing, the change agent's capability to create readiness for change will be from a weak position (Armenakis *et al,* 2007)

2.8.3 Readiness as a measure of reality

Cinite, Duxbury & Higgins (2009) maintained that to overcome employees' anxiety, management and change agents have concentrated widely on variables that predict employee readiness (Cinite, Duxbury and Higgins, 2009). In the literature, they argue that readiness includes employee's opinions, views, and attitudes in giving consent to the requests and ability of an organization. They also state that clashes between organizational leadership and associates may emerge if employees are not prepared for organizational change. Subsequently, they are of the view that for the preferred results to emerge, these clashes have to be resolved so that the employee's opinions and perceptions are in line with those of the organization's leadership (Armenakis, et al, 2007).

Smith (2005) argues that it is people who make up organizations and are the real sources and drivers of change. The author explains that the people are the ones who will either embrace or resist change. Smith (2005) asserts that if organizations need change in order to be established and succeed, then they and the people working in them must be ready for transformation. The author further argues that readiness for transformation is not programmed and cannot be anticipated, therefore, failure to measure organizational and individual change readiness may end in spending substantial time and energy in the wrong direction. A venture in emerging change readiness in the organisational ecosystem level can accomplish and double the value (Smith, 2005).

The OCM guide (2014) further suggests that readiness is a measure of the reality of the present organization relative to the impending state. When determining readiness for change, the change agent should consider the perspectives and history of change in the organization, responsibility, source accessibility, and commitment of staff to transformation management awareness and knowledge (ITLA, 2014). Hallgrimmsson (2008) argues that achieving significant change in an organisation has to start with the employees. Individuals must have a transformed perception and act in a different way. This individual effect for that reason makes organisational change essentially personal (Hallgrimmsson, 2008). As agreed by Armenakis et al., (2007), an employee's readiness is determined by the message communicated, the strategies used to communicate the message, traits of the change agent, and the interpersonal and social dynamics of the organisation (Amenakis et al, 2007).

2.9 Communication Strategies

It has been proposed that the key ingredient for creating a readiness for change among employees of an institution is the content of the message for change. On a broader level, Armenakis et al, (2007) propose that the readiness message should include two themes:

a. the necessity for change, which is, the difference between the preferred end-state (which must be suitable for the organisation) and the current state; and
b. The individual and combined efficiency (i.e., the perceived capacity to change) of groups which are impacted by the transformation effort.

Discrepancy/Necessity for change: The discrepancy part of the message communicates evidence about the necessity for change and should be consistent with significant circumstantial reasons (for example increased opposition, changes in governmental regulations, depressed economic situations. In building the confidence and acceptance that change is crucial, it necessitates displaying how the present performance of the organisation varies from some preferred end-state. The discrepancy message consists of sharing where the organisation is presently, where it desires to be, and why that end-state is applicable (Katz and Kahn, 1978).

The individual and combined efficiency: To reduce the likelihood of a counterproductive response, a change agent should provide the assurance that it carries the ability, competence and skill to rectify the discrepancy. This type of poise has been defined as efficacy and may be regarded as the practical proficiency to overcome the discrepancy. Efficacy has been regularly identified to stimulate different thoughts, activities, and emotions. It has also been reported that individuals will avoid activities that require more than their existing abilities, but will embark on and carry out those which they have the skills to complete. Consequently in creating readiness, one need not only communicate a relevant discrepancy, but also reinforce the efficacy of organisational members concerning the proposed change (Bandura and Adams, 1977).

2.10 Treating Customer Fairly (TCF) Framework

According to the National Treasury (2014), the TCF framework is converting the system in which the supervision of market conduct transpires. Furthermore, the TCF is implemented by the FSB, is action-oriented, cross-cutting and is a result-driven methodology to regulation and supervision, intended to make sure that regulated financial institutions apply detailed standards of justice to all financial customers (National Treasury, 2014). The retail Distribution Review legislation is a proposed legislation to be implemented in South Africa as part of the TCF framework (FSB, 2014). Engage Partnership Limited (2011) argues that RDR, embodied a matchless encounter and prospect for the UK financial service industry and as a consequence the industry had to assume a comprehensive change management programme. The change was perceived to be very large, something which the industry had never seen in the 15-20 years since the previous legislations were introduced (EPL, 2011).

2.10.1. The Retail Distribution Review - RDR Legislation

RDR is the abbreviation of the Retail Distribution Review. Foster (2014) suggests that RDR is an evaluation of the method in which financial advice, products and services are distributed to the general public. Furthermore, the outcome of this evaluation is going to bring major revolution to financial services regulations, and this will have significant bearing on many businesses, together with clients of financial services providers (Foster, 2014). EPL (2011) and Brown and Rice (2012) argue that RDR offer the industry an opportunity where strong resolutions will be made and that will define the form of operations the insurance institutions will practice (EPL, 2011)

According to the Fundscape (2014), the Retail Distribution Review legislation, or RDR, was officially introduced on 1 January 2013 and suggests that this simple statement covers a multiple range of discussions, dialogue papers and other by-laws that have deeply reformed the UK retail financial market over the last few years. The literature further argues that to offer some context, the RDR was originally presented by the chief executive of the Financial Services Authority (FSA) John Tiner, in his dialogue in June 2006, more than six years prior to its introduction (Fundscape, 2014).

An assessment lead by the FSA (2006) established that there were major shortcomings in the marketplace, which a key new review was intended to address. Further to this, the literature (Fundscape, 2014) suggested that, these shortcomings comprised amongst others:

a. low levels of financial competence between consumers;
b. poor designs;
c. unreasonably complex products;
d. absence of persistency for life and pension policies;
e. commission structures that generated product bias, benefactor bias and mix risk; and
f. reduced professionalism in parts of the advice sector and unintentional barriers to amendment created by regulation.

2.10.1.1. The low levels of financial competence among consumers

According to Zakarina and Sabri (2013), financial capability has been thought of and explained as covering four interrelated areas namely: handling money; preparation into the future; selecting products and being informed. It is expected that a variety of these measures can be used to decide consumers’ financial capability (Zakaria and Sabri, 2013).

Hall (n.d) suggested that the roots of financial capability are not so easy to ascertain. Furthermore the author maintains that the Financial Services and Markets Act (2000) states that one of the four legislative objectives of the FSA was to “endorse public understanding of the financial universe”. Hall (n.d), further suggests that, the basics for the national strategy for financial competency went on to be established by the FSA in 2003 with the aim of making education, information and generic advice available to customers so that they can be able to make an informed financial decision with assurance” (Hall, n.d.).

2.10.1.2. Ill designed and unreasonably complex products

Lumpkin (2010) suggested that the idea that financial innovation and consumer protection is mostly about access and appropriateness is not seen as a broad and common issue. The author further suggest that, access is a situation where normal financial products are accessible to all sections of the population across the range of income levels and demographic characteristics. Further, the author argues that appropriateness speaks to the suitability of the products for particular consumer groups (Lumpkin, 2010).

2.10.1.3 Absence of persistency for life and pension policies

According to Capgemini (2011), persistency has been a challenging issue for life insurers around the world, as it can cause an increased burden on income and condensed profitability. The author argues that even though life insurance companies have taken numerous initiatives to decrease lapse rates, customer persistency remains a deep-seated worry with no speedy resolution. Further, the author argues that, it is a multifaceted and complex issue. Some of these complexities include the macroeconomic atmosphere, product design, policy size, age and gender of policyholder at time of buying, system of payment, policy period, communication with the insurer, association with the representative, and present life cost of the policyholder (Capgemini, 2011).

2.10.1.4. Commission structures that generated product bias

A Discussion paper by the Central Bank of Ireland (2016) suggests that commission is the compensation to intermediaries from a producer for marketing a financial product to a buyer. The author argues that commission is usually directly linked to the size or price of the products offered to the client. In addition, the author notes that commission is compensated by suppliers of financial products to intermediaries across the banking, insurance and investment sectors, and contains the compensation of non-financial incentives, such as gifts to marketing budgets, entertainment or other resources, where the amount of the non-financial incentive is reliant on or linked to sales volumes. The discussion paper suggests that the cost of remunerating the commission is built into the total cost of the product (Central Bank of Ireland, 2016).

2.10.1.5. Reduced professionalism in parts of the advice sector

According to the Chartered Insurance Institute (2011), professionalism has been defined by many; nonetheless there is a universal agreement on the elementary characteristics of qualifications, standards, and duty to the public interest. Onaolapo (2006) argues that the integrity of the insurance business within the bigger financial services sector depends on the degree of professionalism. The author also notes that a high degree of accountability and reliability is very vital in the effective completion of this difficult assignment (Onaolapo, 2006).

2.10.2 RDR Objectives and Delivery

Fundscape (2014) argues that the RDR objectives are consistent across the countries where it has been introduced and implemented. This is in agreement with other literature (APFA, 2014; Garner, n.d.; and Blackrock, 2012), which state that the objectives of the RDR are to:

a. Maintain an industry that involves customers in a way that conveys more simplicity for them on products and services;
b. Build a market which permits more customers to have their financial requirements and requests adhered to;
c. Have remuneration schedules that allow competitive forces to work in support of the consumer;
d. Uphold standards of professionalism that encourage consumer assurance and construct reliance;
e. Create an industry where firms are sufficiently able to deliver on their longer-term promises and give fairly to their customers; and
f. Form a regulatory framework that can meet all these goals and does not constrain future revolution where this benefits consumers (Fundscape, 2014)

The researcher will focus on the first three which are most relevant to this study.

2.10.2.1. Improving levels of professionalism amongst financial advisers

As part of the RDR, the levels of training and expertise amongst advisers were fairly low, when matched to other lines of work (Europe Economics, 2014). Further, the author suggested that this might promote poor quality financial guidance and adverse consequences for the consumer, which could possibly weaken confidence in the insurance sector. The report noted that to resolve this, a higher minimum level requirement was announced in December 2012, together with conditions for ongoing professional development and devotion to ethical standards (Europe Economics, 2014).

2.10.2.2. Providing consumers with greater clarity as to the nature of the advice they are receiving and the cost of that advice.

Brown and Rice (2012) suggested that in the RDR world, advisers will have to describe their service as either independent or restricted. Alarms were raised about the level of transparency with which financial advisers disclosed the variety of services they offered (i.e. independent, single- or multi-tied) and the charges linked with these services (Europe Economics, 2014). The report by Economics Europe (2014), further argues that this could result in buyers making poor selections. Thus, compulsory disclosure requirements on the category of service were announced from December 2012, together with the prerequisite for independent advisers to offer the entire collection of retail investment products. The report also suggest that advisers must also determine their own charges and make these charges clearly known to the customers (Europe Economics, 2014).

2.10.2.3. Changing remuneration arrangements between providers, advisers and platforms to better align with the interests of consumer

Both the report by Europe Economics (2014) and authors such as Brown and Rice (2012), note that the RDR established that commissions, rewarded to advisers by product providers, were used as incentives for advisers in endorsing retail investment products to clients. According to Brown and Rice (2012), adviser payments and product charges were also combined such that there was poor transparency concerning the cost; without reservation many customers supposed that the advice was free and never realized the bearing that commissions would finally have on their investment product yields. In agreement with Brown and Rice (2012), the report by Europe Economics (2014) suggested that to try and correct this, commissions to advisers were forbidden from December 2012 and advisers were obliged to develop, have a conversation and agree with the customer regarding their own costs for advice. Further, the report (Europe Economics, 2014) stated that expenses by providers to platforms and cash returns by providers to customers were barred from April 2014 for new businesses.

2.11. The Necessity for South African Insurance to Change

2.11.1 Alignment with RDR

According to EPL (2011), a central theme in all the FSA's RDR consultancy papers, is that all parties that come under the radar of the RDR (Banks, IFAs, WMCs, Product Providers) must make sure that their prices for products and services are reasonable, understood and clear to the consumer (EPL, 2011). The National Treasury in their 2014 annual report noted that financial customers are not safe in South Africa, and that a lot is required to make sure that the suppliers of financial products and services are Treating Customers Fairly (TCF).

The report also noted several instances of mistreatment in the financial sector where the reasons for exorbitant fees and high charges were not clear to the client. The report stated that this was followed by the proposal and sale of unsuitable products, and irresponsible loaning often combined with scandalous (and unlawful) debt-collection. In addition, the report also stated that, there was poor market conduct, which emerged when financial institutions continued with their businesses in an environment that was impartial to customers. The report further stated that this act intensified challenges concerning little savings and over-commitment, and weakened the steps proposed to shape the financial sector, making it more reachable to South Africans so as to improve financial inclusion (National Treasury, 2014).

2.11.2. Awareness and Insight

According to the National Treasury (2014) even though South Africa has made advanced in market conduct within the existing legal framework, these advantages can be reinforced with structural transformation. It points out that flaws in the existing framework consist of disintegration, irregularities and unclear regulation across the sector, which compromises the capability of the supervisory body to take action against law-breakers. The report argues that this has resulted in unsatisfied customers. Further to this, the report notes that in many occasions inappropriate market conduct practices are driven by inapt incentives and this is suitably demonstrated by the significantly diverse financial advisory industry. Since financial advice is usually linked to commissions, compensated by product suppliers once products are sold, this brings up the question about whose interests are being served (National Treasury, 2014). EPL (2011) suggests that the most important changes crafts a necessity for pronounced insights about the environment after change and only those with a comprehensive understanding of the complete value chain can bring truly appreciated awareness (EPL, 2011).

2.11.3. Increase Readiness

According to the National Treasury (2014), the FSB is entrenching TCF in its governing and supervisory frameworks on an on-going basis, and the methodology will constitute an integral part of groundwork for the new Financial Sector Conduct Authority (FSCA). For regulated bodies, the general philosophies of TCF have been regularly communicated for a numerous years, and the FSB expects that these entities are practicing these rules in their day to day business proceedings (National Treasury, 2014). The author further suggests that the FSB is initiating a programme to identify potentials to improve and support existing legislation to further support TCF delivery; and that there are on-going dedicated efforts to make sure that sales and distribution put into practise work to benefit financial customers. Such efforts take into account, 1) applying a coherent disclosure framework; 2) refining internal complaints mechanisms and a reviewed proficiency framework for intermediaries and the Retail Distribution Review legislation (National Treasury, 2014). Blackrock (2012) is of the opinion that these issues will be just as pertinent in South Africa, hence, readiness for change is required in the South African insurance distribution sector.

2.12. IMPACT OF THE RDR IN OTHER COUNTRIES

2.12.1. The Scope and Size of the advisers and Firms

According to Clare et al (2013) the industry was already deteriorating pre-RDR. Further the authors argue that since January 2006; the year where the City supervisory body exposed its ideas for the RDR; there were 875 sole traders. Clare et al argues that this quantity has since dropped to 779 as at 31st December 2011. Furthermore the authors point out that the estimations from consultancy Ernst & Young's industry research in 2010 predicted that the number of registered individuals would fall from 30,000 to 20,000 within the five years APFA (2014) also reported the downward trend in advisers. The report noted that by January 2014, there was a drop from 40 000 to 31000 advisers in countries where RDR was already implemented (APFA, 2014).

According to Clare et al (2013) the number of openly legal firms distributing financial advice dropped from a high of 5,584 in September 2008 to 5,482 at the end of 2011.

In addition, the authors point out that the number of employed representatives fell from a high of 9,372 in September 2008 to 8,590 at the end of 2011 (Clare, et al, 2013). According to APFA (2014), some firms began their exit from the market, and smaller firms merged with bigger firms as they perceived that the costs of running their businesses would be high (APFA, 2014). According to Fundscape (2014), countries like Holland and other countries in Europe experienced a drop in Independent or tied advisers by about 20%, while wealth managers were much less affected, with numbers staying fairly stable (Fundscape, 2014).

2.12.2. Adviser fees versus alternative and Affordable Platforms for Customers

Fundscape (2014) and other authors such as APFA (2014) and Clare et al (2013) observed that direct to customer (D2C) platforms have taken advantage of the number of clients abandoned by their advisers. They argue that, only banks failed to meet the cost of making advice available. The reasons for this vary, but a significant reason that banks have not been able to meet the cost of making the advice available, proceeding with the sale and broad financial needs analysis in a lucrative proposal that would be enticing to ordinary investors. Fundscape (2014) further argue that, after its wrists were wracked over the financial crisis, the banking sector was also apprehensive regarding the threat of further miss-selling indignities in the future. The author therefore advocates that, this resulted in a lot of banks deciding to pull out from mainstream advice and only focussed their drives over their private banking units or wealth divisions (Fundscape, 2014).

KPMG's July 2010 YouGov survey of above 3,000 consumers recognised that fewer than a third would be prepared to pay for a one hour specialized financial advice, and that of individuals who would pay more than half would only be ready to pay £50 or less while only one out of a hundred would be eager to pay over £200 (KPMG, 2010). According to Fundscape (2014), the year of putting RDR into practice, unfolded in 2013. The author argue that the first quarter of RDR, there were some vigorous changes with D2C business shooting by 41%, while adviser operation fell by 5%. Further the author argues that the unembellished change was through the bank distribution which saw sales flows drop by 19% comparative to the same quarter in 2012 (Fundscape, 2014).

APFA (2014) agrees and further argue that the major difficulty with the RDR legislation is that irrespective of whether you deal independent or restricted advice, and irrespective of whether the client has a R1million or R10, 000 in assets, the needs and affordability analysis and regulatory necessities are the identical and the asking price of carrying them out are for that reason high. Further, the author predicts that the advice market will be basically persuaded towards wealthier clients who will be less unsettled by the high fees (APFA, 2014). Fundscape (2014) argues that the main concern for most advisers in UK is that they unexpectedly started to make loss and it was not practical for them to service customers with smaller amounts of investments. Further, the author argued that all was not lost while, there was also an opportunity for non-traditional advice ways that could have reached a new audience set off by the high fee of a high-touch model (Fundscape, 2014).

2.12.3. Adviser Professionalism

According to EPL (2011), RDR imposed proficiency through all financial adviser activities (EPL, 2011). The while noting the need for specialist departments in adviser with increased professionalism in their respective areas of skills. Further to this, the enlarged ‘professionalism’ may result in an increase in the overall price of advice (EPL, 2011)

2.13. Impact of RDR on South African Institutions

2.13.1. Emotional Impact

According to Foster (2014), the RDR will have an emotional impact on everybody involved in financial services, but it will most likely be felt by businesses providing financial advice. The author argues that for advisers in the firms, the effect could be the results between enduring and avoiding the ups and downs. Further, the author argued that, if firms in South Africa, decide to be or cannot, be unaffected by these changes, they are going to be taken out of business, since with these firms, RDR embodies a significant threat to them. Additionally, those firms who are getting ready to abide by the ideas and objectives of RDR, this signifies a major breakthrough for them (Foster, 2014).

The study conducted by FCA (2014) also revealed that RDR is likely to have significant effect on smaller independent Financial Advisers (IFA's) who do not have the required setup to fund the requirements laid out in the RDR, and may be impacted greatly by the cash-flow restrictive of the exclusion of primary commission and the eventual decrease in recurrent trail income (Financial Conduct Authority, 2014).

2.13.2. Impact on Business models

According to FSB(2014), it is expected that many of these structural modifications will necessitate extensive alterations to business models and systems, and for that reason an execution period of almost 12 months will be given from the date of completion of proposals (FSB, 2014). Further to this, the report highlights that the product suppliers and intermediaries will have to put strategies in place to adapt business relationships, business models and charging structures to be in a position to adopt the changes with effect from the implementation date. FSB (2014) advocates that, changeover measures will need to be put in place with regards to the execution of some proposals, together with changes to the structure and the amount of commission for long-term insurance risk products, and compensation of on-going commission on legacy products (FSB, 2014).

2.14. Potential Impact of RDR on South African Advisers

According to Kruger (2014), the multi-tied adviser will be obligated to hold onto records of businesses placed with different product suppliers, with reasons behind the choice and the backing of certain providers (Kruger, 2014). The following potential impacts have been identified based on arguments from different authors:

2.14.1. Independent versus Restricted

The Financial Conduct Authority (2014) stated that one of the key outcomes of the study is that the advisory market is likely to become divided. First, there will be face-to-face, personalised advice for each individual customer and secondly, there will be restricted advice, distributing a partial range of products to those who require individual guidance and a developing market with limited engagement with the client (Financial Conduct Authority, 2014).

2.14.2. Client Size

According to Financial Conduct Authority (2014), the financial advisers share the view that they may have to manage around 150 clients in their portfolios. This conclusion suggested that rivalry for clients with large assets will be ferocious, together with clients from Private Banks. The author suggested that, there will be a large number of frustrated intermediaries who will be left with no option but to vacate the industry. Interviewees in the study conducted by FCA proposed that some results of the RDR implementation would lead to a drop in the number of advisers. The interviewees further suggested that, itis clear that a lot of advisers will find it challenging to shift from a commission-based way of remunerating to one based on fees (Financial Conduct Authority, 2014).

2.14.3. Adviser Numbers

Clare et al (2013) advocates that there are several reasons of probable RDR-related dynamics that could result in a drop in adviser numbers. The authors suggest that some advisers found it challenging to complete the exams while managing their practices (Clare et al, 2013). However, the author maintained that some advisers have been able to pass the minimum requirements, accomplishing a Level 6 qualification and the grade of Chartered Financial Planner. The failure or reluctance of advisers to attain the professional qualifications needed to carry on with operating in the ecosystem is by no means the only probable reason for the exodus of advisers (Financial Conduct Authority, 2014). Previous research by Clare et al (2013) has previously acknowledged that a quantity of the UK’s population would be prepared to use a ‘financial guidance service’ accessible online (as an auxiliary for a financial adviser) to support them so they can determine their savings and investment selections. Clare et al (2013) agreed that this virtual advice-giver was accessed openly by over 6.5 million private investors in the UK (Clare, et al., 2013).

2.14.4. Qualifications

According to the Financial Conduct Authority (2014), while a larger number of advisers have acknowledged the necessity to conform to the RDR prerequisite requirements, some interviewees in the study agreed that some advisers may continue to advise clients without the necessary qualifications. The study notes that these advisers have been branded as ‘ghost advisers’. The report however, suggests that they could work like that for a short period of time, before they are brought to the attention of the supervisory body (Financial Conduct Authority, 2014).

2.14.5. Adviser Remuneration

Financial Conduct Authority (2014) argued that clients and their financial consultants are not agreeing with one another. This in turn means that the role of financial advisers may also be changing from the role of ‘fund selector’ in the distribution process to one of ‘financial planner’. Indeed, the author suggested that their interviewees stated that the traditional ‘IFA’ label would become redundant in time as the focus of the role changes. The study revealed further that these advisers could be faced with a specific challenge emanating from the fact that those that had a long list of ‘low value’ clients pre-RDR may not be able to survive with the income generated from those clients. This then raises a question on affordability from this group of clients (Financial Conduct Authority, 2014).

2.15. Lessons Learnt from other countries

A study titled “Retail Distribution Review: Looking Ahead” conducted by Blackrock (2012) in UK before the implementation of the RDR implementation revealed that 61% of advisers did not prepare in advance for RDR. The study also discovered that 87% had not finalised future client propositions. The study further revealed that 57% of advisers were uncertain of how their adviser position (being ‘independent’ or ‘restricted’) would impact their practices (Blackrock, 2012).

Nagendran, Parkes and Vincent (2015) in their response to FSB, shared some significant interpretations regarding the lessons learnt from the execution of the UK Retail Distribution Review and the Dutch inducements endorsement. Nagendran et al., (2015) suggested to the FSB that, many of their equals in the United Kingdom and South African work in IFA- controlled delivery environments. The author argued that advisers, in the pre-RDR phase in the UK, faced numerous encounters as they adjusted to a fee built model. These included defining the charge of servicing customers; initiating new client servicing proposals; launching the probable revenue circumstances, and bearing in mind the various functioning changes that were required such as moving clients to new unit classes (Nagendran et al, 2015).

2.15.1. Costs of servicing the client

According to Power et al (2014), under RDR, banks will have to determine the specific advisory fee to customers. The authors debated that this could have an impact on the business model of the firms in various ways:

a. The new payment structure may lead to fewer advisors as clients may not be prepared to pay these advisory fees. Further, the clients may skip the advisors and go straight to online platforms.
b. Some clients may still want face-to-face engagement with financial advisers; however, the client base may be very small.
c. The novel bottom costs approach will have to be established where a lower number of affluent clients could still acquire guidance on their investment in the place of holistic financial planning (Power et al, 2014).

2.15.2. New client servicing propositions: Client segmentation

According to Schwab Advisor Services (2010), client segmentation is by design meant to provide strategies to access the masses in an effective and beneficial manner (Schwab, 2010). Power et al (2014) contended that client segmentation is of extreme importance in the RDR world. Clare, Thomas, Walgama & Makris (2013) also agree that RDR will in accumulation encourage the subdivision of clients.

2.16 CONCLUSION

In this Chapter, the researcher was able to bring attention to the core fundamentals of the study. Conclusions can now be drawn from this chapter with inference to the next chapter which will focus on a reflection of whether intermediaries are ready to embrace the implementation of the RDR based on the data collected in this study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research design and as well as selected research methods. It also gives an overview of the research methodology and the different types which include qualitative, quantitative and mixed methods. The mixed methods is discussed further as it was selected for this study. The researcher also outlines the location of the study, the population and sample strategy used and discusses how the data collection instrument was applied and how the pilot study was conducted. Issues of validity and reliability as well as ethical issues related to the study.

3.2 Research Design

It is said that every type of pragmatic research has a definite, if not implied, research design. According to Yin (1994), the research design directs individuals from one position to the other, from dealing with an original set of questions to conclusions that respond to these original set of questions.

Sekaran and Bougie (2013) describe research design as the plan for the gathering, measurement and investigation of data, on the basis of the research questions of the study. This definition is in line with the view that the research design is the framework within which the research will be conducted. There are numerous subjects involved in the research design, including the purpose of the study; the research approach; the location of the study; the scope (determined by the researcher) and the process of analysing data. All these issues are central to the research design (Sekaran and Bougie, 2013).

There are different types of research designs that were considered by the researcher. According to Kothari (1985), different research designs can be appropriately defined if we classify them as follows: (1) exploratory research studies; (2) descriptive and diagnostic research studies, and (3) hypothesis-testing research or casual studies. Each category can be explained separately as follows:

Exploratory research studies are also called formative research studies (Kothari, 1985). The main purpose of this type of study is expressing a problem for a more defined study. The most important factor in such studies is relates to philosophies and awareness. As such the research design suitable for this type of study must be flexible enough to provide space to examine different facets of a problem under study (Kothari, 1985). Descriptive research studies has been explained as those that address the features of a particular individual, or of a group, whereas diagnostic research studies determine the regularity with which something takes place or its relationship with something else. The investigations regarding whether certain variables are related are examples of diagnostic research studies (Kothari, 1985). Hypothesis-testing research studies (commonly known as experimental studies) are those where the researcher examines the hypotheses of causal connections between variables. Such studies call for measures that will not only minimise preconceptions and raise reliability, but outline conclusions about causality (Kothari, 1985).

3.2.1 Selected research design

The research design used in this investigation by the researcher was exploratory because the researcher wanted to conduct a formative study that expresses the problem in a more defined manner. The RDR legislation is a fairly new proposed legislation and most of the insurance industry players are still adhering to the important factors that influence the implementation of this legislation.

After considering a few research strategies which amongst others were experiments, survey research, grounded theory as well as action research, the case study of AIFA, a division of Absa bank was selected as the research strategy. According to (Sekaran and Bougie, 2013), case studies focus on collecting information about a specific object, event, and activity, such as a particular business unit or organisation which in this case study will be Absa and the activity is the implementation of the RDR legislation. While key scholars such as Yin (1994) indicated that, a case study normally uses qualitative approaches, the researcher opted for a quantitative approach because the views of all the advisers within the ABSA group in KZN, were required. The researcher will be exploring different types of research methodologies in the next subsection of this chapter.

3.3. The Research Methodology

The research methodologies are referred to in different literature as research paradigms or research approaches (Creswell, 2014). The approach in this study was selected from three types of research methodologies. The three different types of research paradigms that were considered by the researcher in this study are, qualitative, quantitative as well as mixed research method (Creswell, 2014). These research approaches, which have been examined and discussed by different authors are briefly outlined below.

3.3.1. The Qualitative research methodology

The qualitative method has been defined by Babbie (2010) as a system for investigating social research without translating them to a number. This is mostly typical in field and historical research (Babbie, 2010). It is also used when a thorough understanding of a particular problem is necessary. It is used to understand behaviour, opinions and priorities of affected communities (ACAPS, 2012).

3.3.2. Quantitative research Methodology

The quantitative approach has been described by Babbie (2010) as the statistical illustration and employment of observations in order to define and clarify the phenomena that those opinions mirror. It is said that quantitative data analysis is a research form originating from the positivist custom. It is mostly related to large scale research; however, it could also function in a reduced scale of study, with case studies, action research, correlational research and experiments (Cohen, Manion and Morrison, 2007).

3.3.3. Mixed research Methodology

The mixed method is the combination of both quantitative and qualitative research and includes the collection of both closed and open ended questions (Creswell, 2014).

3.3.4. Selected Research Methodology for this study

The researcher selected the quantitative research approach in order to explore the newly proposed RDR legislation, its impact as well as the preparedness of insurance companies in South Africa to face this proposed change. As a result, the researcher seeks to find evidence that insurances companies are ready for its implementation.

The quantitative approach presents two types of approaches amongst others which were considered by the researcher, namely, survey and experimental research approach. Survey research has been described by Cresswell (2014) as the approach that provides quantitative or numerical description of trends, attitudes and opinions of a population by studying a sample. The experimental research approach is a quantitative approach intended to discover the effects of alleged causes. The main feature of this method is that one thing is purposely varied to see what emerges from something, and the other to ascertain the impact of assumed causes (Barlow and Hersen, 1984).

Testing the readiness of institutions in the implementation of RDR legislation is based on trends, attitudes and opinions which were thereafter translated into numbers. The researcher chose to use a survey research approach in the form of a questionnaire.

3.4. Location of the Study

The study was conducted in South Africa in the province of KwaZulu-Natal with Absa bank employees in its insurance and financial advisory division. The target population included financial planners (referred to as tied advisers), financial advisors (referred to multi-tied advisors) and as well as short term advisers.

3.5. Population and Sample of the Study

According to Sekaran and Bougie (2013); and Mouton (2009), the population of a study is referred to as the total group of individuals the researcher will study or survey. In the population there is an element. An element is said to be the individual or item of the population. A sample therefore is reflective and representative of the population. A subject is explained as the single member of the sample while the element is a single member of the population (Sekaran and Bougie, 2013).

3.6. Sampling Strategy

It is said that there is no sufficient; time, vigour, cash, effort, man power, tools, to measure every single element or location within the entire population or group setting. Therefore a suitable sampling tactic is used to achieve a representative and statistically true sample of the population (Royal Geography Society, n.d.). Sampling is explained by researchers like Rule & John (2011); and Sekaran & Bougie (2013) as the method of choosing an adequate figure of the right components from the population, so that the sample and the understanding of its properties or features makes it probable to obtain a view that is representative of the broader population.

According to a number of research authors such as Sutton (1998) and more recently Sekaran and Bougie (2013), there are several steps that are included in sampling, namely, defining the population, outlining the sample frame, determining the sample proposal, choosing the appropriate sample and performing the sampling process.

3.6.1. Defining the Population

Sampling starts with choosing the target population. Sekaran and Bougie (2013) and other authors such as Singleton and Straits (1999), argue that the target population must be chosen in terms of its properties, geographical restrictions and the timeframe. Furthermore the research objective and the scope of the study play a fundamental role in choosing the target population.

In this study, the advisers of Absa Insurance and Financial Advisory (AIFA) in Kwa - Zulu Natal (KZN) mirror the chosen population for this study. The population chosen for the study were short term and life advisers at AIFA, a division of Absa in South Africa. The short term and life adviser model was chosen because it was viewed by the researcher as providing an appropriate sample that was representative of all advisers that could be impacted by the changes in the RDR. This population was also selected because it was viewed by the researcher as representative of the entire adviser workforce within the Absa group in KwaZulu-Natal. KwaZulu-Natal has about 96 advisers which made up the sample for this study. Due to unforeseen circumstances such as resignations, absenteeism and others; only 73 advisers participated in the study.

3.6.2 Determining the Sample frame

The sampling frame is described as the representation of all components in the population from which the sample is drawn (Sekaran and Bougie, 2013). This view is widely accepted by many authors like de Vos, Strydom, Fouche' and Delport (2005), and Mouton (2009).The sampling frame in the case of this study is the register that was signed by all the advisers who attended the regional meeting and completed the questionnaire.

3.6.3 Determining the sampling design

It is said that there are two types of sampling design, namely, probability sampling and nonprobability sampling. It has also been established that the extent of generalizability desired, the demands of time, other resources and the purpose of the study will determine whether the researcher will chose the probability or nonprobability design (Barlow and Hersen, 1984).

3.6.3.1 Probability Sampling

According to Sekaran and Bougie (2013), when the components of the population have a known, non-zero chance of being selected as subjects in the sample, they then resort to probability sampling design. Probability sampling chosen can be restricted and unrestricted. There are three main types of probability sampling approaches that have been described by the Royal Geographical Society (n.d.); one of this is a random sampling.

3.6.3.2 Simple Random Sampling

Unrestricted random sampling is the least prejudicial technique of all the sampling techniques, and there is no partiality. This is also referred to as a simple random sample. Each representative of the whole population has the same chance of being chosen. It can be achieved by means of random number tables. Microsoft Excel has a facility to create random numbers (Royal Geographical Society, n.d.).

3.6.3.3 Systematic Samplings

The restricted sampling includes systematic samplings. It is said that these types of samples are selected in a logical way. They are equally dispersed in a longitudinal framework. They can be at systematic interludes in a sequential setting (Royal Geographical Society, n.d.). It is further explained that these samples are easy to utilise if the specimen frame is accessible.

3.6.3.4 Stratified Sampling

Stratified sampling is also a restricted sampling method which is described as a technique used when the father populations consist of sub-sets of known size. These sub-sets make up different proportions of the total, and sampling should be stratified to ensure that results are relational and represent a whole (Royal Geographical Society, n.d.). Sekaran & Bougie (2013), stated that this sampling technique is the most resourceful because all groups are sufficiently sampled and links among groups are possible.

3.6.4 Non-probability sampling

It is said that the components in the population of a nonprobability sampling design do not have any probability attached to it. This means therefore that there will be no generalization to the population. There are three types of nonprobability samples that are presented by Sekaran and Bougie (2013), namely, convenience, judgement and quota sampling. These sampling techniques can be unpacked summarily as follows:

3.6.4.1 Convenience sampling

Convenience sampling has been summarized as the technique which has the best easy process in selecting members as study subjects. They further say that it’s fast, opportune and not costly. This sampling technique is viewed as having no generalization (Sekaran and Bougie, 2013).

3.6.4.2 Judgement Sampling

Judgement sampling is explained as a technique where the subjects are nominated on the foundation of their expertise in the subject of focus. They further state that occasionally, this is the only eloquent way to explore. There is also no generalizability to the entire population (Sekaran and Bougie, 2013).

3.6.4.3 Quota sampling

The author explains that the subjects in the sample are appropriately picked from targeted sets according to a scheduled number. This technique is very valuable where less input in a study is critical; and it is not easily generalizable (Royal Geographical Society, n.d.).

3.6.5 Sampling Technique Selected

For the purpose of the study, the researcher selected the simple random sample in order to give each member of the population an equal chance to participate. This sampling design has the smallest preference and suggests the greatest generalizability. The researcher, therefore, wanted to achieve the minimum level of prejudice and generalizability (Sekaran et al, 2013).

3.7 Data Collection Instruments

There are a wide range of data collection instruments that have been explained by various authors including observations, interviews, use of available information and administering written questionnaires, all of which are discussed briefly below.

3.7.1 Observation

It is said that observation is a method of collecting information by witnessing activities, proceedings, or noting physical features in their ordinary location. It can be either direct or indirect. Direct observation is when you observe dealings, procedures, or activities as they occur. Indirect observations are when you look out for the results of interfaces, practices, or activities. Observation is used when you are trying to comprehend an ongoing process or situation, when you are gathering data on individual behaviours or interactions between people. (Department of Health and Human Services, 2008). This type of observation dose not relate to research conducted in this study.

3.7.2 Interviews

An interview has been described as a data collection technique that comprises of verbal inquiry of respondents, both in isolation or as a collective. It responds to the questions posed during interviews and these responses can be documented by writing notes, tape-recording the responses, or a mixture of both (Chaleunvong, 2009).

3.7.3 Use of available information

As for the use of available information, Chaleunvong (2009) indicated that a large amount of data is normally collected by others. Sometimes it is not necessarily scrutinized or circulated. Tracing these sources and recovering the data is a significant feat in any data collection effort (Chaleunvong, 2009). The topic explored in this study is fairly new in South Africa since the legislation has only been implemented in countries abroad, hence, the use of available information is not necessary a practical instrument to use in collecting data to come up with reliable results.

3.7.4. Written Questionnaire

A written questionnaire (also referred to as a self-administered questionnaire) is a data collection instrument where written questions are presented and responded to in written form (Chaleunvong, 2009). The researcher used the administered questionnaire for the following reasons: it is affordable, permits anonymity and may result in more honest responses. It does not necessitate research assistants. It also removes bias in the way questions have been phrased (Chaleunvong, 2009). This type of instrument was the most suitable for this study as it also promotes the highest level of reliability as required by the results of this study.

3.8 Construction of the Research Instrument

A written questionnaire can be administered in many ways, for example by distribution of questionnaires by mail with clear instructions on how to respond to the questions and requesting for mailed answers; bringing together all or part of the respondents in one place at one time, giving verbal or instructions on paper, and allowing the respondents complete the questionnaires out; or by hand-delivering questionnaires to respondents and fetching them later (Chaleunvong, 2009).

This study uses survey as a research instrument of choice. The survey was conducted using identified participants to complete a self-administered and controlled questionnaire.

3.9 Administration of the Research Instrument

The research instrument used for this study is a questionnaire. Assistants, on request of regional managers of AIFA in KZN, were used to distribute the research instrument which in this case was the questionnaire to participants. The participants were informed to complete the questionnaire and return it back to assistants once completed. The participants were gathered in one boardroom during the proceedings of the quarterly regional meetings.

3.10 Pilot Study

It is imperative to pilot the instrument to ascertain that the questions can be comprehended by the targeted participants. This is important, whether the set of questions are presented to the participants in a prearranged order or as a questionnaire. Piloting comprises the use of an insignificant amount of participants to experiment the suitability of the questions and their conception. This benefits the researcher by correcting insufficiencies prior to using the instruments orally or through a questionnaire to participants, thereby also lessening prejudice (Sekaran et al, 2013)

A pilot study was conducted with 6 employees including both short term advisers and life advisers. It is important to debrief the results after the pilot. In doing so, the participants in a pilot study can supply valuable information on their experiences when completing the questionnaire (Sekaran and Bougie, 2013).

A debrief was conducted to hear their general views and to also test the time it would require for an adviser to complete the questionnaire. It took a maximum of 7 minutes for an adviser to complete the questionnaire in the pilot study.

3.11 Data Analysis and Interpretation

The researcher structured the questionnaire into two sections. Section A, focused on the Demographics of the participants and Section B presented closed questions with each question allocated a scale of agree, disagree, strongly agree and strongly disagree. The pie chart and frequency tables will be presented in section A and the bar graphs and frequency tables will be used in section B to present the data collected. This type of analysis will be evident in Chapter Four of this study.

3.12 Issues of reliability and validity

According to Yin (1994), four measures have been frequently used to evaluate the quality of research design. This comprises of internal validity, construct validity, external validity and reliability. These four measures have been described by Williams, Rice and Rogers (1988) respectively as follows:

a. Internal validity has been described as the degree to which a measure or research design operationalizes what it implies to study in a manner that avoids another justifications for the results.
b. External validity as the degree to which the research study results are generalizable, expressive, valuable and relevant.

According to Silverman (2002), validity can be used as a substitute meaning of the truth in the research design. Reliability is defined as the witnessing and documentation of scores to determine that it truly matches up to the true score of the object (Churchill, 1999), while Yin (1994) stated that if one more researcher follows a similar trail as illustrated by the previous researcher and carries out the same studies again, the former should come to the same assumption and outcomes.

Reliability shows the measures of quality because it places interest on the effect of discrepancy in the measurement of the results (Churchill 1999). For the validity of this investigation, gathering of data was done by responsible and reliable resources like the regional managers who are employed within Absa. The native language of the respondents was used to evade misapprehension and mistakes. For this study to be reliable it was necessary that respondents know some fundamentals of the RDR legislation. To lessen the mistakes in the research study, modest language and simple wording have been used in the questionnaire. All the philosophies selected for the study are debated plainly and exploration questions were built on prior theories. For the reliability of the studies the purpose was to produce similar outcomes such that if a different researcher examines the research with similar case study, the result generated will be similar.

3.13 Ethical Issues

The researcher ensured that the University of KwaZulu Natal's ethics policy was adhered to. The policy requires the researcher amongst other things, to:

a. ensure that, the respondents are made aware of what the study is all about
b. ensure that, participation in the study is voluntary
c. ensure that, participation in the study has no financial rewards
d. ensure that participants can withdraw at any time without any negative consequences
e. ensure that derogatory language is not used, and
f. ensure that the researcher is not biased

As stated in Section 3.6.5, the researcher used a simple random sampling, which is part of the probability sampling, to ensure that each respondent had an equal chance of participating, and that researcher bias is prevented. This is in line with the suggestion of Singleton and Strait when they stated the advantages of the probability sampling. The authors stated that "the first advantage is that they remove the possibility that investigator biases will affect the selection of cases" (Singleton and Straits, 1999:141). The questions that were asked in the questionnaire were framed such that the different views that advisers had were accommodated. The questionnaire was piloted so that the views of experienced and relatively new advisers were included. It must also be noted that all the respondents who have participated in the study do not necessarily report to the researcher although the researcher is regarded as their senior. The researcher's position therefore did not influence the research process in any way.

As a student of the University of KwaZulu-Natal, the researcher's actions could create a bad image for students and the university. The researcher is fully aware of ethical matters like copying someone else's work without referencing it. The researcher's entire dissertation and the ideas in it have been separated from the work of existing authors. Where the researcher relied on the work of other authors these have been referenced properly, using the Harvard referencing system, as decided by the University.

3.14 Limitations of the study

The researcher would have liked to conduct the study in all the provinces within the Absa group, however, due to time and budgetary constraints, this could not be done. It should be noted that when the permission to do the study was granted by the leadership of Absa, part of their expectation is to receive the copy with the findings after the study has been completed. The findings are therefore limited to the KZN population and not the whole country.

3.15 Conclusion

This chapter explored different research designs and research methodologies. The next chapter focuses on analysing data.

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In this chapter the researcher introduces and presents the data in the form of frequency tables, pie charts and bar charts. The first part of the presentation is the reliability test, which is presented in the form of frequency tables. This is then followed by the presentation of the demographic information covering the age, gender, occupation, marital status and as well as level of academic qualification of the participants. The demographic information is presented in frequency tables and pie charts. The final section of this chapter presents the responses of participants to this study and it is categorised in terms of their levels of agreement and disagreement.

4.2 Cronbach Reliability Test

The overall Cronbach's alpha is .756 which is high and indicates a strong internal consistency among the 24 items. This therefore means that the respondents who happened to select high scores for one item also selected high scores for the others; and respondents who selected low scores for one item, selected low scores for the other items as well. As a result, knowing the response for one item would enable one to predict with some accuracy the possible scores for the other items. If the alpha was low, predicting scores from one item to another would not be possible.

Table 1: Frequency Table showing case processing summary and reliability statistics

Case Processing Summary			
		N	%
Cases	Valid	48	65.8
	Excluded	25	34.2
	Total	73	100.0

Table 2: Reliability statistics

Reliability Statistics	
Cronbach's Alpha	Number of Items
.756	24

4.3 Demographic Information

4.3.1 Gender

This question measured the number of respondents based on gender. The frequency table as shown below reveals that there were 73 respondents in total, including 28 female and 44 males with one participant who did not select a response to the question and therefore, could not be identified as either male or female. The pie chart categorises these numbers in the form of valid percentages of respondents and reveals that 61.1% were male respondents whereas, 38.9% were females. The conclusion drawn here is this organisation is male dominated.

Table 3: Gender of respondents

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	44	60.3	61.1	61.1
Female	28	38.4	38.9	100.0
Total	72	98.6	100.0	
No Response	1	1.4		
Total	73	100.0		

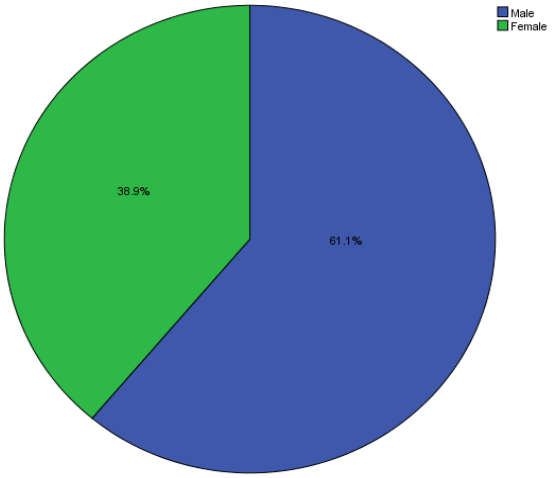

Figure 1: Gender of Respondents

4.3.2 Age

This question was included to establish the age of participants. The results of this question, as shown on the frequency table, 73 responded to the question. It revealed that 4 of the respondents were between the ages of 18- 24 making up 5.5% of the group. In the next group, a total of 26 participants were between the ages of 25 – 34, making up 35.6% of the respondents. The next group of 14 were between the ages of 35 – 44 making up 19.2% of the respondents. The next group of 13 were between the age of 45-54 and made up 17.8% of the respondents. The last group of respondents, 16 in total, were above the age of 55 and contributed to 21.9% of respondents.

Table 4: Age of respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
18 - 24	4	5.5	5.5	5.5
25 - 34	26	35.6	35.6	41.1
35 - 44	14	19.2	19.2	60.3
45 - 54	13	17.8	17.8	78.1
Above 55	16	21.9	21.9	100.0
Total	73	100.0	100.0	

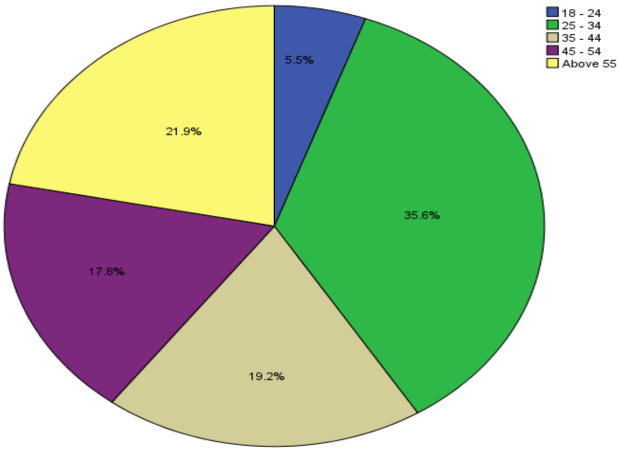

Figure 2: Age of respondents

4.3.3 Occupation

This question was included to establish the occupation of the participants. The frequency table and the pie chart shown below reveal that 21 of the respondents were advisers – Life. These were open architect's advisers or multi-tied advisers, which formed 28.8% of the participants. The next group of 38 participants were planners and formed 52.1% of the respondents. The short term advisers were 14, making up only 17.8% of the respondents and there was one unidentified participant who did not respond. The results revealed that majority of advisers are tied versus multi-tied.

Table 5: Occupation of respondents

Occupation	Frequency	Percent	Valid Percent	Cumulative Percent
Adviser - Life	21	28.8	28.8	28.8
Planner Life	38	52.1	52.1	80.8
Adviser - Short Term	13	17.8	17.8	98.6
Other	1	1.4	1.4	100.0
Total	73	100.0	100.0	

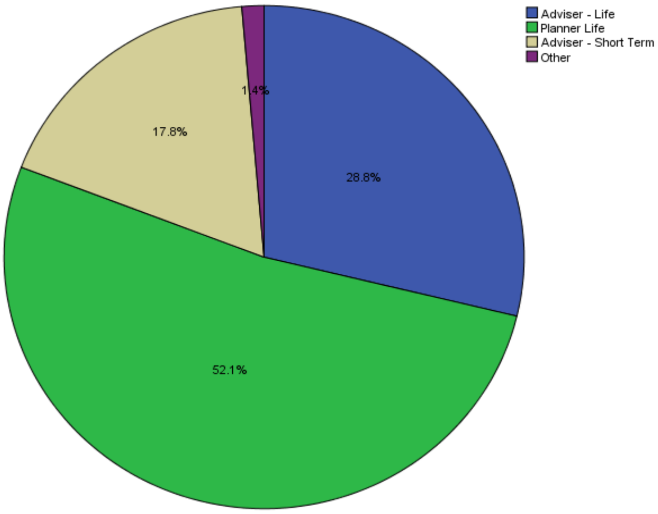

Figure 3: Occupation of Respondents

4.3.4 Marital Status

This question was meant to establish the marital status of the participants. In this question 73 participants were included. Only 72 responded out of 73 participants. The frequency table presents 41 of the respondents as married and 31 as unmarried. This is 56.9% and 43.1% respectively. The study concluded that a significant percentage of advisers are married.

Table 6: Marital status of respondents

Marital Status	Frequency	Percent	Valid Percent	Cumulative Percent
Married	41	56.2	56.9	56.9
Unmarried	31	42.5	43.1	100.0
Total	72	98.6	100.0	
No Response	1	1.4		
Total	73	100.0		

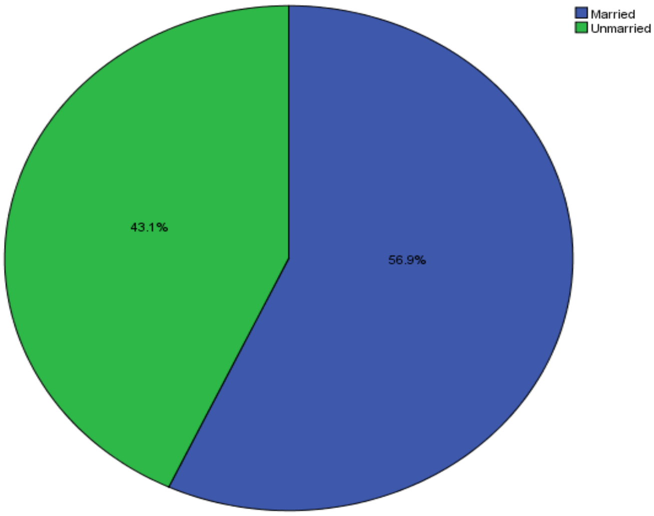

Figure 4: Marital status of respondents

4.3.5 Academic Qualifications

This question was included to establish the level of education or academic qualifications of participants. The frequency table and the pie chart shows that 73 responded to this question. The respondents who indicated to have only high school qualification were 26 forming 35.6%. The next group of 29 were graduates contributing to 39.7% of respondents. The last group of 18 were post-graduates who contributed to 24.7% of respondents. A large number of advisers are qualified as per this study.

Table 7: Academic qualifications of respondents

Academic Qualifications	Frequency	Percent	Valid Percent	Cumulative Percent
High School	26	35.6	35.6	35.6
Graduate	29	39.7	39.7	75.3
Post Graduate	18	24.7	24.7	100.0
Total	73	100.0	100.0	

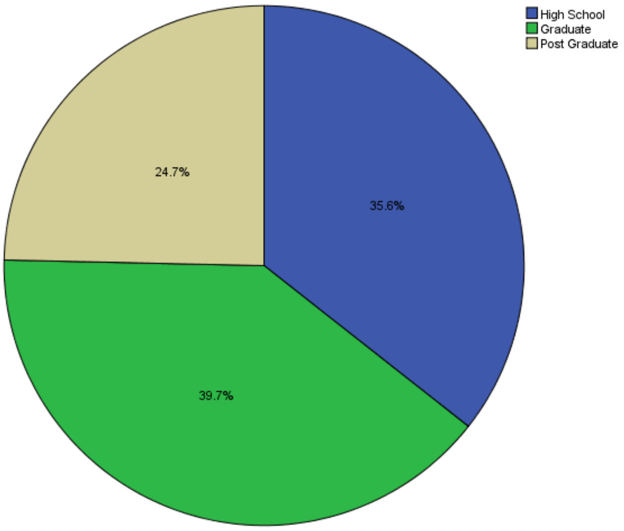

Figure 5: Academic qualifications of respondents

4.4 Responses to Questionnaire

4.4.1 Knowledge of RDR Legislation

In this question, a researcher was testing whether respondents know the rules of the RDR legislation, 4 of the respondents strongly agreed, 57 of the respondents agreed, 1 of the respondents strongly disagreed, 10 disagreed and 1 did not respond. This is presented as percentages in the frequency table and bar chart as follows: 5.6% strongly disagree, 79.2% agreed, 1.4% strongly disagreed and 13.9% disagreed. A large number of advisers know the RDR rules as per this study.

Table 8: Frequency table showing whether or not respondents have knowledge of the rules proposed by RDR Legislation

Knowledge of RDR Legislation rules	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	4	5.5	5.6	5.6
Agree	57	78.1	79.2	84.7
Strongly Disagree	1	1.4	1.4	86.1
Disagree	10	13.7	13.9	100.0
Total	72	98.6	100.0	
No Response	1	1.4		

Total	73	100.0		

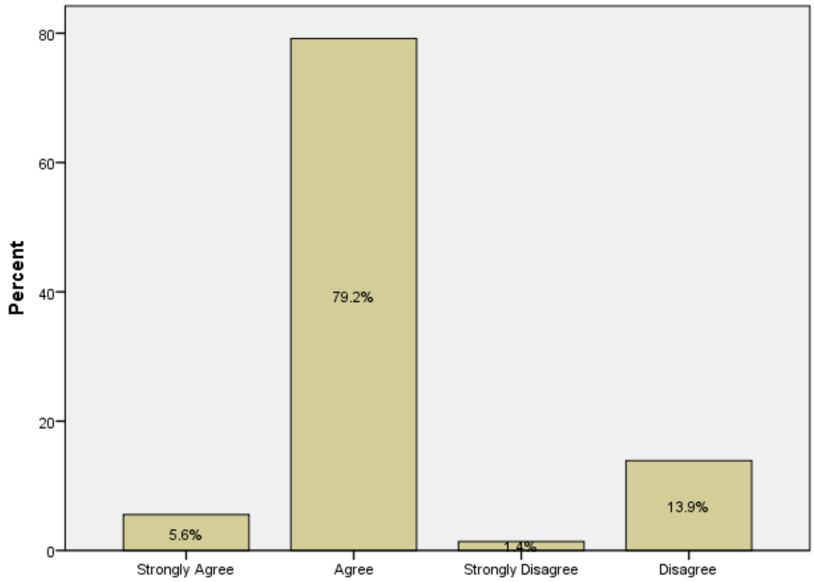

Figure 6: Bar chart showing whether or not respondents have knowledge of the rules proposed by RDR Legislation

4.4.2 RDR Knowledge through Reading

This question was meant to test how participants got to learn about the RDR legislation. Out of the 73 participants, 2 strongly agreed, 50 agreed, 7 strongly disagreed, 12 disagreed and 2 did not respond. This was converted in percentages as follows: 2.8%, 70.4%, 9.9% and 16.9% respectively. Most of the advisers learnt about the RDR through their own reading.

Table 9: Frequency table showing whether or not respondents gained knowledge about RDR through my own reading

RDR knowledge through own reading	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	2	2.7	2.8	2.8
Agree	50	68.5	70.4	73.2
Strongly Disagree	7	9.6	9.9	83.1
Disagree	12	16.4	16.9	100.0

Total	71	97.3	100.0	
No Response	2	2.7		
Total	73	100.0		

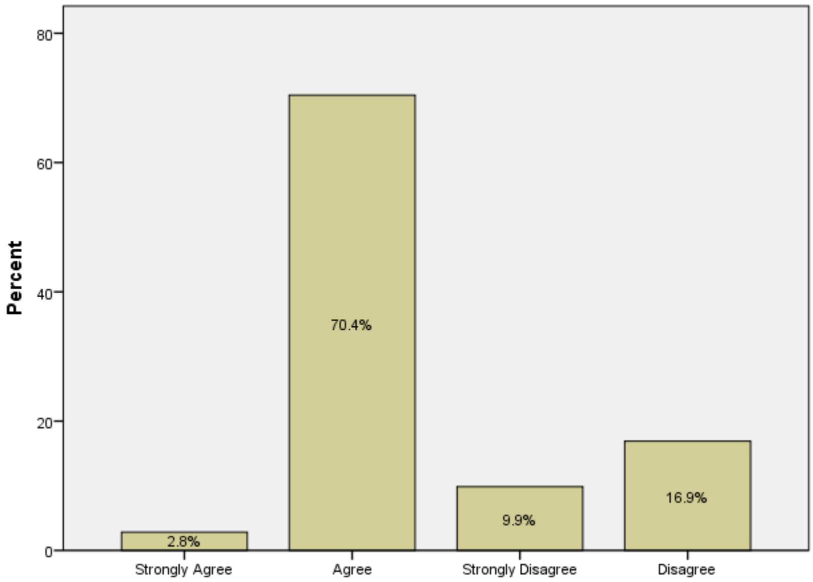

Figure 7: Bar chart showing whether or not respondents gained knowledge about RDR through their own reading

4.4.3 RDR Knowledge through Workshops and Training

This question was testing if the knowledge of RDR was gained through workshops and trainings organized by the organisation. Out of 73 participants, 9 of the respondents (12.3%) agreed strongly. The next group of 38 respondents, who make up 52.1% of the sample, agreed to the statement. The next group of 7, which make up 9.6% of the sample strongly disagreed with the statement. 16 respondents which are 21.9% of the sample disagreed with the statement. 3 participants did not respond and which made up 4.1% of the total group. A less than significant number of advisers learnt about the RDR through workshops and trainings.

Table 10: Frequency table showing whether or not respondents gained knowledge about RDR through workshops and training from their organisation

RDR knowledge through workshops and training	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	9	12.3	12.9	12.9
Agree	38	52.1	54.3	67.1
Strongly Disagree	7	9.6	10.0	77.1
Disagree	16	21.9	22.9	100.0
Total	70	95.9	100.0	
No Response	3	4.1		
Total	73	100.0		

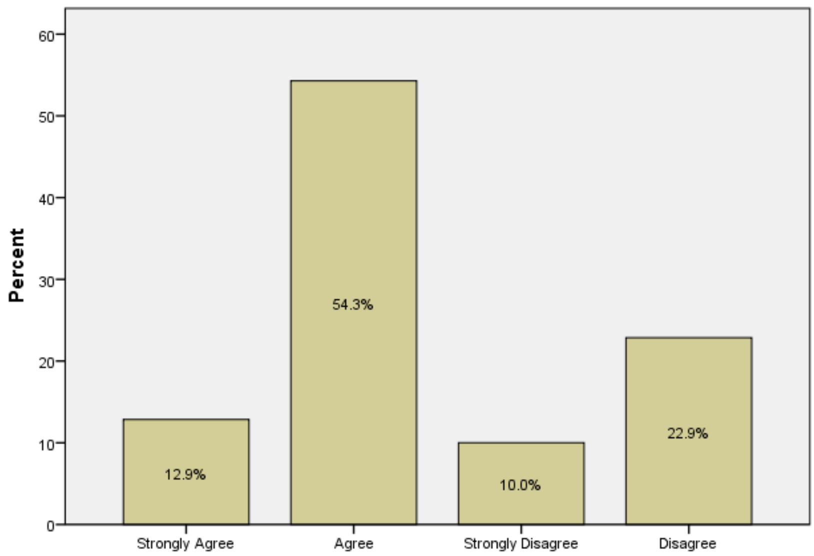

Figure 8: Bar chart showing whether or not respondents gained knowledge about RDR through workshops and training from their organisation

4.4.4 Understanding RDR impact on Remuneration

This question was designed to test if the participants understand how RDRs will impact their remuneration and have a clear distinction on the type of advice. 72 participated on this question, however, only 72 respondents. In the group of 72, only 6 respondents strongly agreed with the statement, 46 agreed with the statement, 7 strongly disagreed with the statement and 13 disagreed with the statement. This makes 8.3%, 63.9%, 9.7% and 18.1% respectively. There is a significant amount of advisers who think that they understand the impact on their remuneration.

Table 11: Frequency table showing whether or not respondents understand how RDR could impact their remuneration model they have knowledge regarding a clear distinction in the type of advice

Understanding RDR impact on remuneration	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	6	8.2	8.3	8.3
Agree	46	63.0	63.9	72.2
Strongly Disagree	7	9.6	9.7	81.9
Disagree	13	17.8	18.1	100.0
Total	72	98.6	100.0	
No Response	1	1.4		
Total	73	100.0		

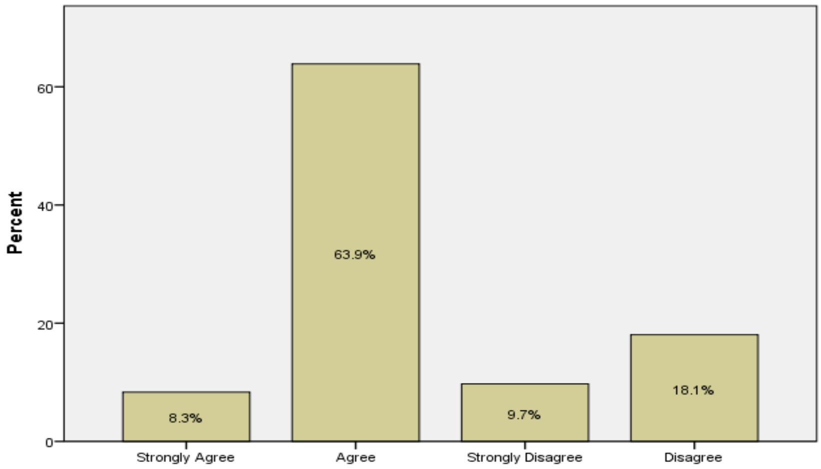

Figure 9: Bar chart showing whether or not respondents understand how RDR could Impact their remuneration model they have knowledge regarding a clear distinction in the type of advice

4.4.5 Awareness on level of education in RDR Legislation

This question as presented in the frequency table and the bar chart below was designed to establish if participants are aware of the level of education required in the RDR proposed rules. There were 73 participants, however, only 68 individuals responded to the question. Eight respondents strongly disagree, 41 respondents agree, 6 respondents strongly disagree and 13 respondents disagree. This is depicted by the bar graph as 11.8%, 60.3%, 8.8% and 19.1% respectively. Advisers to a large extent are aware of the education level required by RDR.

Table 12: Frequency table showing whether or not respondents are aware of the level of education required in the proposed rules of RDR Legislation

Awareness on level of education in RDR Legislation	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	8	11.0	11.8	11.8
Agree	41	56.2	60.3	72.1
Strongly Disagree	6	8.2	8.8	80.9
Disagree	13	17.8	19.1	100.0
Total	68	93.2	100.0	
No Response	5	6.8		
Total	73	100.0		

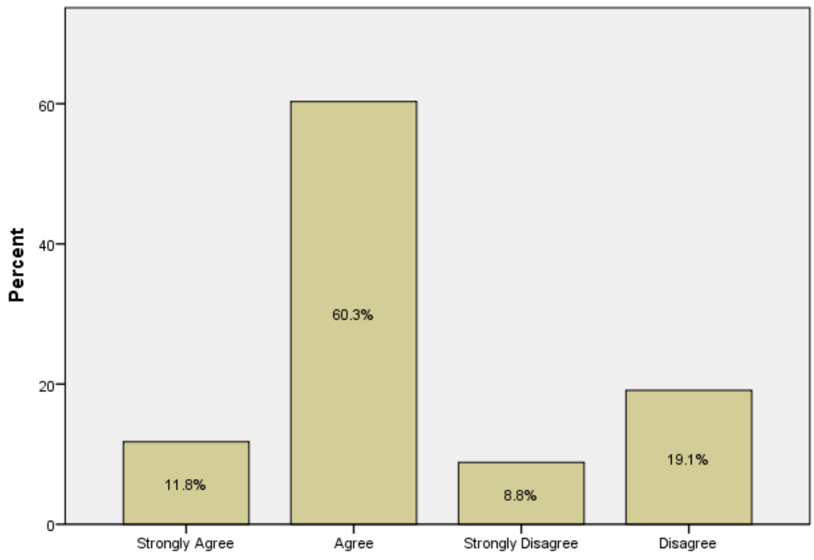

Figure 10: Bar chart showing whether or not respondents are aware of the level of education required in the proposed rules of RDR Legislation

4.4.6 Status on Qualifications required by RDR Legislation

There were 73 participants in question 11, but only 71 responded to the statement which was designed to establish if the participants have the necessary qualifications to practice as financial advisers as outlined in the RDR proposal. In the group of 71, 20 strongly agreed with the statement, 47 agreed with the statement, 2 disagreed and 2 strongly disagreed. This constitutes 28.2%, 68.2%, 2.8% and 2.8% respectively as shown by the bar graph.

Table 13: Frequency table showing whether or not respondents have qualifications necessary to practice as the financial adviser as required by RDR Legislation in the future

Status on qualifications required by the RDR Legislation	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	20	27.4	28.2	28.2
Agree	47	64.4	66.2	94.4
Strongly Disagree	2	2.7	2.8	97.2
Disagree	2	2.7	2.8	100.0
Total	71	97.3	100.0	
No Response	2	2.7		
Total	73	100.0		

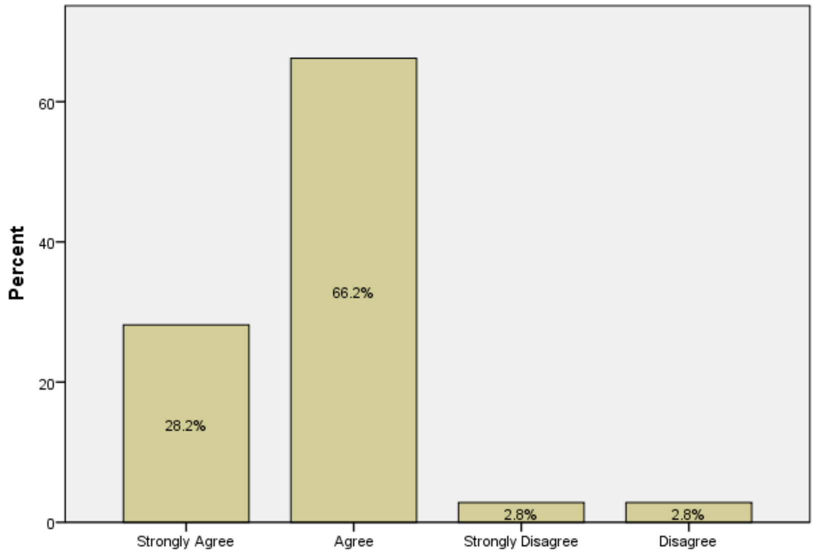

Figure 11: Bar chart showing whether or not respondents have qualifications necessary to practice as the financial adviser as required by RDR Legislation in the future

4.4.7 How Remuneration Model Works

This question as presented in the frequency table and the bar chart below was designed to establish if participants have knowledge of how their current remuneration works. There were 73 participants and all of the 73 responded to the statement. The group of 20 respondents strongly disagreed, 47 respondents agreed, 2 respondents strongly disagreed and 2 respondents disagreed. This makes 17.7%, 64.4%, 8.2% and 9.6% respectively as depicted by the bar graph. To a larger extent, advisers are aware of their current remuneration models.

Table 14: Frequency table showing whether or not respondents know how remuneration model works

How remuneration model works	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	13	17.8	17.8	17.8
Agree	47	64.4	64.4	82.2
Strongly Disagree	6	8.2	8.2	90.4
Disagree	7	9.6	9.6	100.0
Total	73	100.0	100.0	

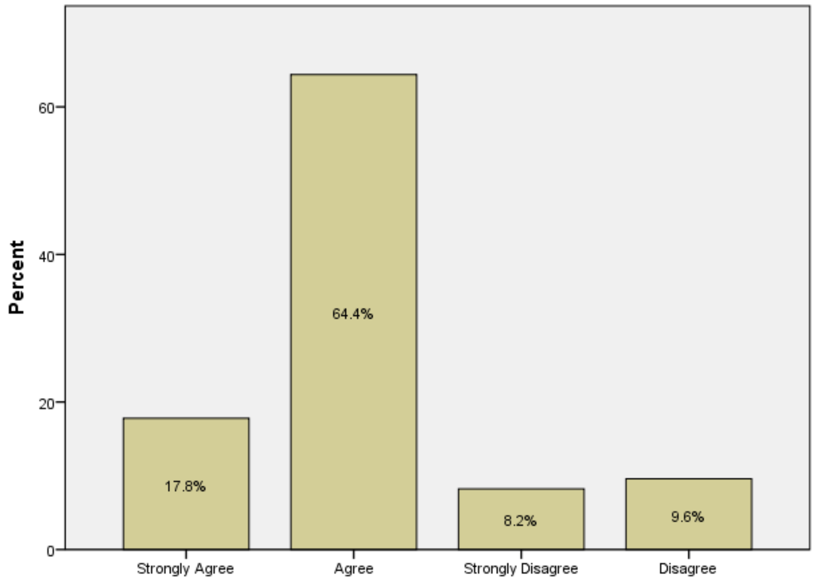

Figure 12: Bar chart showing whether or not respondents know how remuneration model works

4.4.8 Fee Based Remuneration Model

There were 73 participants in question 11, but only 69 responded to the statement which was designed to establish if the participants are on the fee based remuneration model. In the group of 69 who responded, only 4 strongly agreed with the statement, 10 agreed with the statement, 18 disagreed and 37 strongly disagreed. This constitutes 5.8%, 14.5%, 26.1% and 53.6% respectively as shown by the bar graph. To a large extent, advisers are not on fee based remuneration models.

Table 15: Frequency table showing whether or not respondents are on a fee based remuneration model

Fee based remuneration model	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	4	5.5	5.8	5.8
Agree	10	13.7	14.5	20.3
Strongly Disagree	18	24.7	26.1	46.4

Disagree	37	50.7	53.6	100.0
Total	69	94.5	100.0	
No Response	4	5.5		
Total	73	100.0		

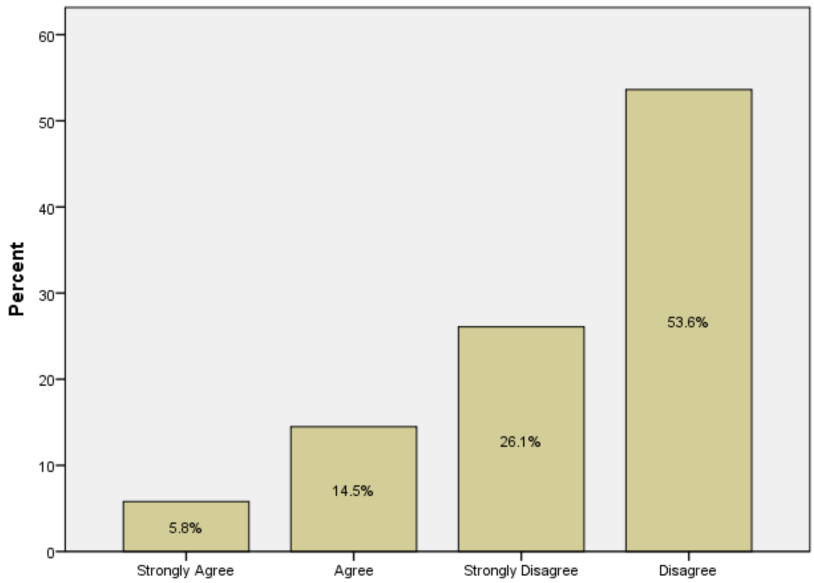

Figure 13: Bar chart showing whether or not respondents are in a fee based remuneration model

4.4.8 Commission based remuneration model

This question as presented in the frequency table and the bar chart below was designed to establish if participants are on the commission based remuneration model. There were 73 participants and 72 responded to the question. The group of 16 respondents strongly disagreed, 46 respondents agreed, 6 respondents strongly disagreed and 4 respondents disagreed. This makes 22.2%, 63.9%, 8.3% and 5.6% respectively as depicted by the bar graph. To a larger extent, AIFA advisers are paid by means of commission.

Table 16: Frequency table showing whether or not respondents are in a commission based remuneration model

Commission based remuneration model	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	16	21.9	22.2	22.2
Agree	46	63.0	63.9	86.1
Strongly Disagree	6	8.2	8.3	94.4
Disagree	4	5.5	5.6	100.0
Total	72	98.6	100.0	
No Response	1	1.4		
Total	73	100.0		

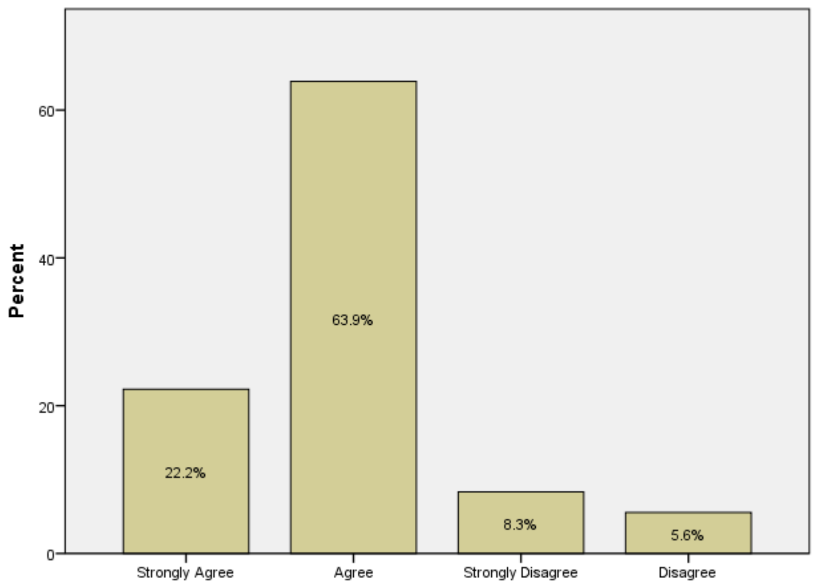

Figure 14: Bar chart showing whether or not respondents are in a commission based remuneration model

4.4.9 Understanding AIFA's Strategy

There were 73 participants in question 15, but only 71 responded to the statement which was designed to establish if the participants understand AIFA's strategy. In the group of 71, 15 strongly agreed with the statement, 46 agreed with the statement, 4 disagreed and 6 strongly disagreed. This constitutes 21.1%, 64.8%, 5.6% and 8.5%

respectively as shown by the bar graph. To a larger extent, advisers have an understanding of AIFA strategy.

Table 17: Frequency table showing whether or not respondents understand AIFA'S strategy

AIFA's strategy understanding	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	15	20.5	21.1	21.1
Agree	46	63.0	64.8	85.9
Strongly Disagree	4	5.5	5.6	91.5
Disagree	6	8.2	8.5	100.0
Total	71	97.3	100.0	
No Response	2	2.7		
Total	73	100.0		

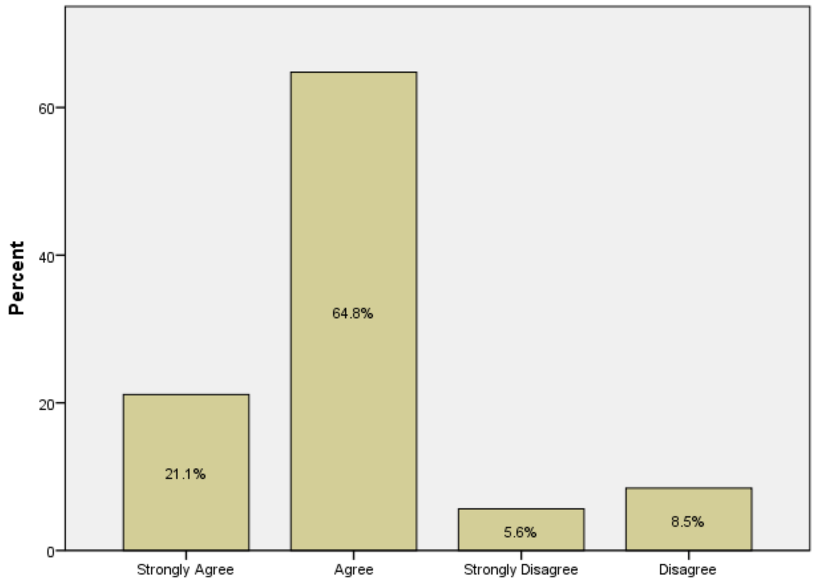

Figure 15: Bar chart showing whether or not respondents understand AIFA'S strategy

4.4.10 Key Components of RDR Legislation

This question as presented in the frequency table and the bar chart below, was designed to establish whether or not respondents think that the AIFA strategy addresses the key components of RDR legislation. There were 73 participants and all of the 73 respondents to the statement. The group of 8 respondents strongly disagreed, 51 respondents agreed, 4 respondents strongly disagreed and 10 respondents disagreed. This makes 11%, 69.9%, 5.5% and 13.7% respectively as depicted by the bar graph. To a larger extent, advisers think that AIFA strategy addresses the key components of RDR.

Table 18: Frequency table showing whether or not respondents think that the AIFA strategy addresses the key components of RDR legislation

AIFA strategy addresses key components of RDR Legislation	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	8	11.0	11.0	11.0
Agree	51	69.9	69.9	80.8
Strongly Disagree	4	5.5	5.5	86.3
Disagree	10	13.7	13.7	100.0
Total	73	100.0	100.0	

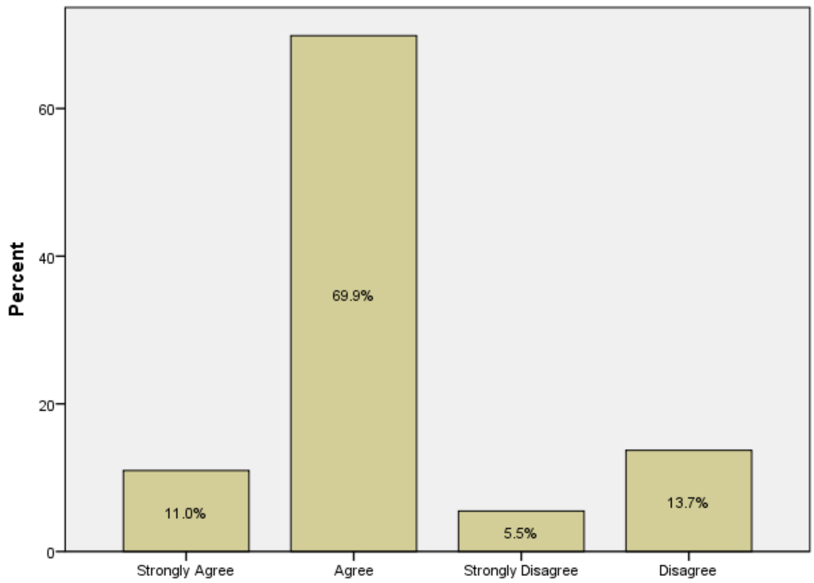

Figure 16: Bar chart showing whether or not respondents think that the AIFA strategy addresses the key components of RDR legislation

4.4.11 RDR Proposal Alignment with Strategic Goals

This question as presented in the frequency table and the bar chart below, was designed to establish whether or not respondents think that RDR proposals are aligned with the strategic goals of their organisation. There were 73 participants and all of the 73 respondents to the statement. The group of 5 respondents strongly disagreed, 51 respondents agreed, 4 respondents strongly disagreed and 8 respondents disagreed. This makes 7.4%, 75%, 5.9% and 11.8% respectively as depicted by the bar graph. To a larger extent the advisers believe that RDR is aligned with the strategic goals of AIFA.

Table 19: Frequency table showing whether or not respondents think that RDR proposals are aligned with the strategic goals of my organisation

RDR proposal alignment with strategic goals	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	5	6.8	7.4	7.4
Agree	51	69.9	75.0	82.4
Strongly Disagree	4	5.5	5.9	88.2
Disagree	8	11.0	11.8	100.0
Total	68	93.2	100.0	
No Response	5	6.8		
Total	73	100.0		

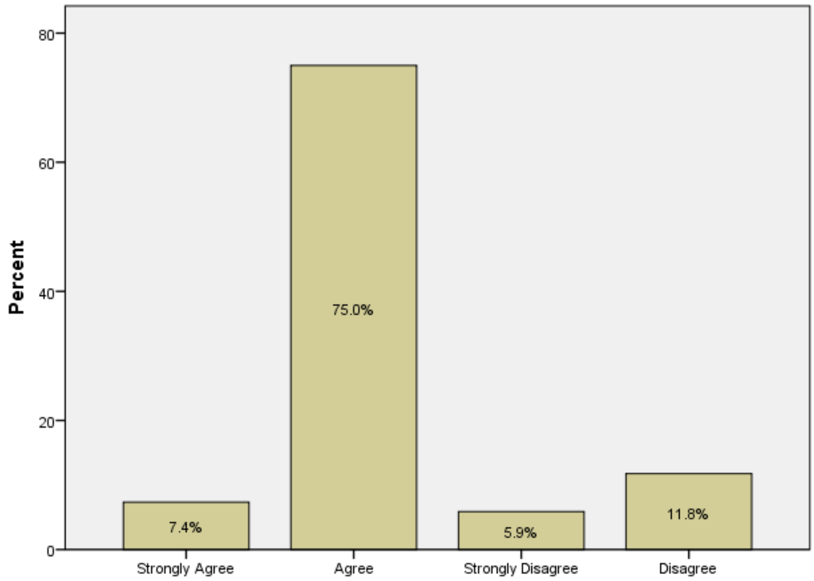

Figure 17: Bar chart showing whether or not respondents think that RDR proposals are aligned with the strategic goals of their organisation

4.4.12 ATOM Journey and Implementation of RDR Legislation

This question as presented in the frequency table and the bar chart below was designed to establish whether or not respondents think that the ATOM journey has been able to mitigate the results of implementing RDR Legislation. There were 73 participants and only 71 respondents to the statement. The group of 7 respondents strongly disagreed, 40 respondents agreed, 4 respondents strongly disagreed and 20 respondents disagreed. This makes 9.9 %, 56.3%, 5.6% and 28.2% respectively as depicted by the bar graph. To a large extent, advisers think that the ATOM journey is able to mitigate the results of implementing the RDR.

Table 20: Frequency table showing whether or not respondents think that the ATOM journey has been able to mitigate the results of implementing RDR Legislation

Atom journey and implementation of RDR Legislation	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	7	9.6	9.9	9.9
Agree	40	54.8	56.3	66.2
Strongly Disagree	4	5.5	5.6	71.8
Disagree	20	27.4	28.2	100.0

Total	71	97.3	100.0	
No Response	2	2.7		
Total	73	100.0		

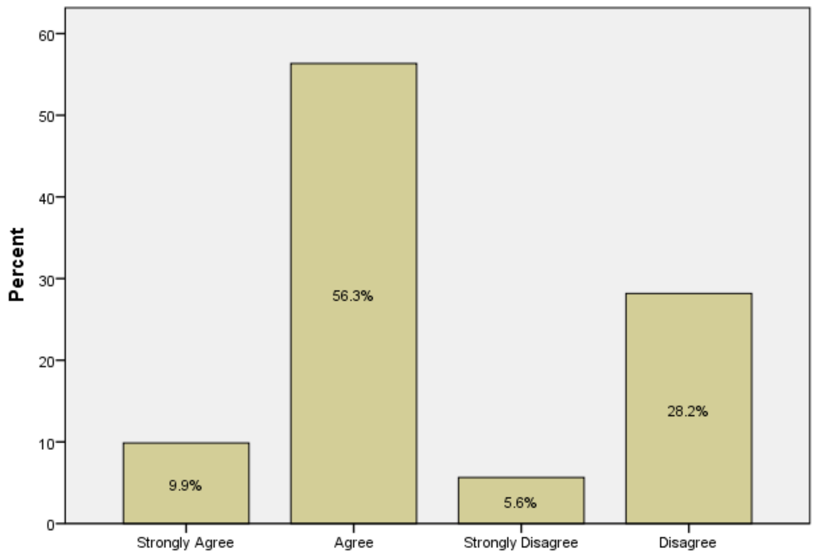

Figure 18: Bar chart showing whether or not respondents think that the ATOM journey has been able to mitigate the results of implementing RDR Legislation

4.4.13 Potential Resistance to the RDR

There were 73 participants in question 19, All of the 73 responded to the statement which was designed to establish whether or not respondents think that there is potential resistance to the RDR that may be experienced in their organisation. In the group of 73, only 5 strongly agreed with the statement, 50 agreed with the statement, 16 disagreed and 2 strongly disagreed. This constitutes 6.8%, 68.5%, 21.9% and 2.7% respectively as shown by the bar graph.

Table 21: Frequency table showing whether or not respondents think that there is potential resistance to the RDR that may be experienced in their Organisation

Potential resistance to the RDR	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	5	6.8	6.8	6.8
Agree	50	68.5	68.5	75.3
Strongly Disagree	2	2.7	2.7	78.1
Disagree	16	21.9	21.9	100.0
Total	73	100.0	100.0	

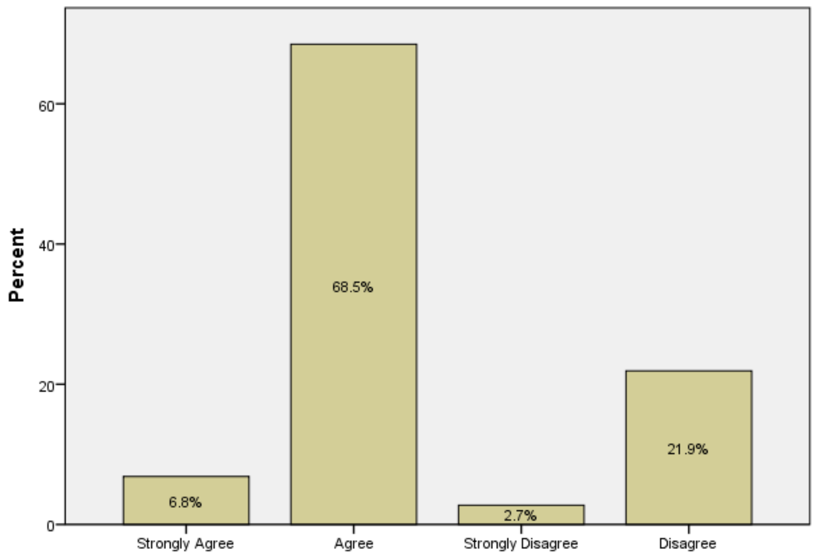

Figure 19: Bar chart showing whether or not respondents think that there is potential resistance to the RDR that may be experienced in their Organisation

4.4.14 Potential system Barriers to the Implementation of the RDR

There were 73 participants in question 20, only 72 responded to the statement which was designed to establish whether or not respondents think that there will be potential system barriers that will hinder the implementation of the RDR in their organisation. In the group of 73, only 8 strongly agreed with the statement, 44 agreed with the statement, 3 disagreed and 17 strongly disagreed. This constitutes 11.1%, 6.1%, 4.2% and 23.6% respectively as shown by the bar graph. To a large extent, advisers think that will be system barriers.

Table 22: Frequency table showing whether or not respondents think that there will be potential system barriers that will hinder the implementation of the RDR in their organisation

Potential system barriers to the implementation of the RDR	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	8	11.0	11.1	11.1
Agree	44	60.3	61.1	72.2
Strongly Disagree	3	4.1	4.2	76.4
Disagree	17	23.3	23.6	100.0
Total	72	98.6	100.0	
No Response	1	1.4		
Total	73	100.0		

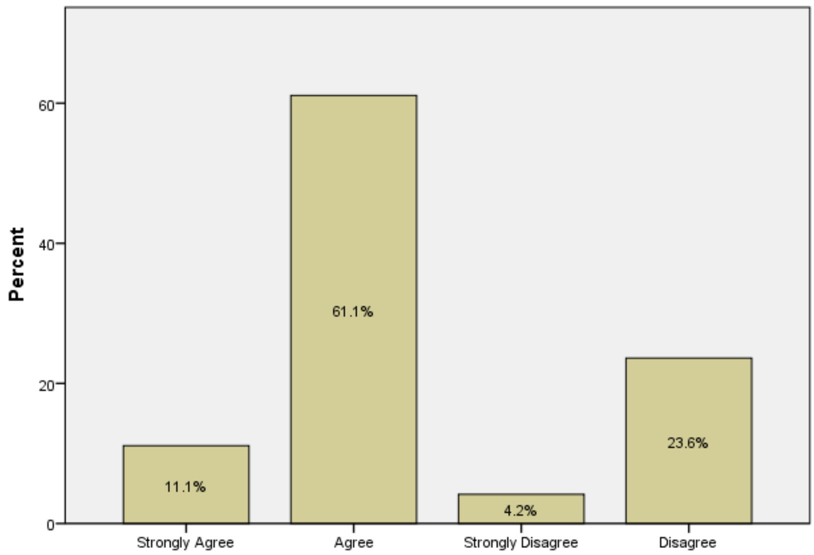

Figure 20: Bar chart showing whether or not respondents think that there will be potential system barriers that will hinder the implementation of the RDR in their organisation

4.4.15 Change Strategy for RDR Implementation

There were 73 participants in question 21, all of the 73 responded to the statement which was designed to establish whether or not respondents are aware of the change strategy or methods which will be used when implementing the RDR to promote ownership in their organisation. In the group of 73, only 3 strongly agreed with the statement, 47 agreed with the statement, 4 disagreed and 19 strongly disagreed. This constitutes 4.1%, 64.4%, 5.5% and 26.0% respectively as shown by the bar graph. To a large extent, advisers seem to think that they are aware of the change strategy or methods which will be used to implement RDR.

Table 23: Frequency table showing whether or not respondents are aware of the change strategy or methods which will be used when implementing the RDR to promote ownership in my organisation

Change strategy for RDR implementation	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	3	4.1	4.1	4.1
Agree	47	64.4	64.4	68.5
Strongly Disagree	4	5.5	5.5	74.0
Disagree	19	26.0	26.0	100.0
Total	73	100.0	100.0	

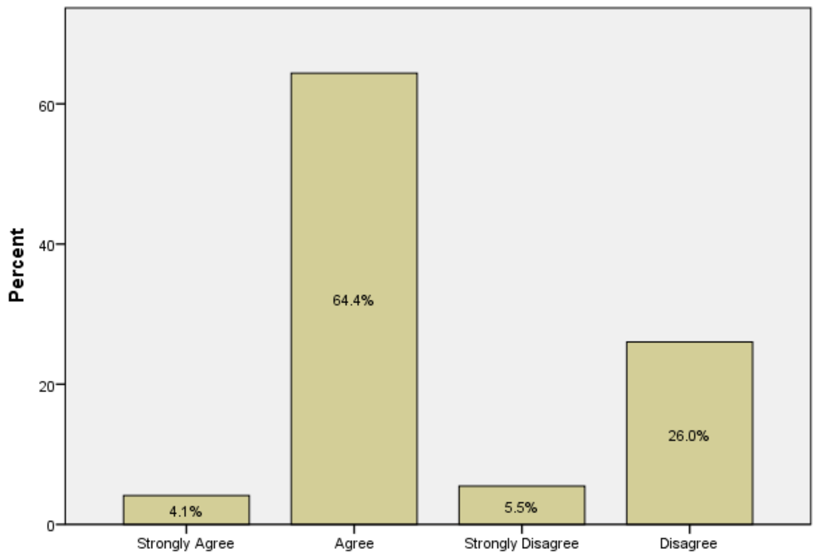

Figure 21: Bar chart showing whether or not respondents are aware of the change strategy or methods which will be used when implementing the RDR to promote ownership in my organisation

4.4.16 AIFA'S Schedule Action Plan

Question 22 as presented in the frequency table and the bar chart was designed to establish whether or not respondents know of AIFA's schedule action plan in preparing for this upcoming RDR change. There were 73 participants and only 72 respondents to the statement. The group of 5 respondents strongly disagreed, 38 respondents agreed, 7 respondents strongly disagreed and 22 respondents disagreed. This makes 6.9%, 52.8%, 9.7% and 30.6% respectively as depicted by the bar graph. There is almost a balance between advisers who are aware of the action plan for preparing for RDR and those who are not aware.

Table 24: Frequency table showing whether or not respondents know of AIFA's schedule action plan in preparing for this upcoming RDR change

AIFA's schedule action plan	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	5	6.8	6.9	6.9
Agree	38	52.1	52.8	59.7
Strongly Disagree	7	9.6	9.7	69.4
Disagree	22	30.1	30.6	100.0
Total	72	98.6	100.0	
No Response	1	1.4		
Total	73	100.0		

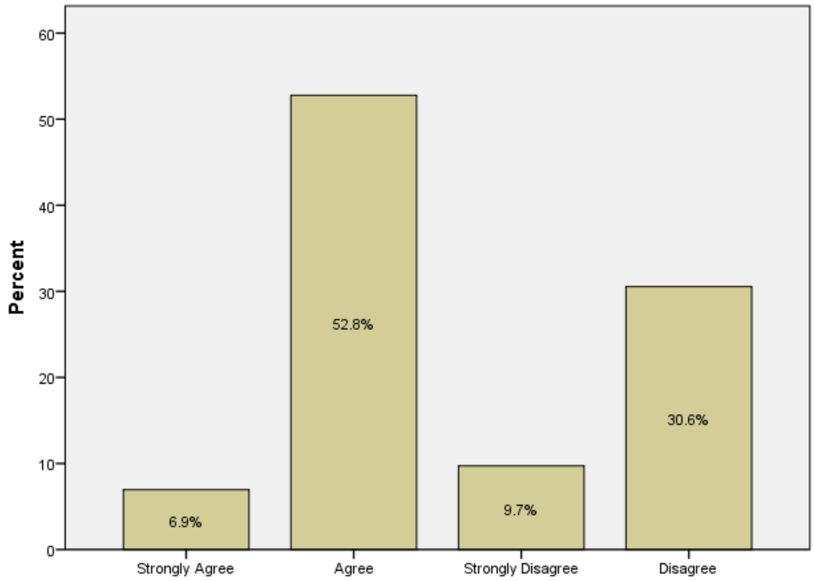

Figure 22: Bar chart showing whether or not respondents know of AIFA's schedule action plan in preparing for this upcoming RDR change

4.4.17 RDR Change Leader

There were 73 participants in question 23, all of the 73 responded to the statement which was designed to establish whether or not respondents are aware of the RDR change leader for their organisation. In the group of 73, only 5 strongly agreed with the statement, 33 agreed with the statement, 9 disagreed and 26 strongly disagreed. This constitutes 6.8%, 45.2%, 12.3% and 35.6% respectively as shown by the bar graph. There is also a balance between advisers who are aware of the change leaders and those who are not aware.

Table 25: Frequency table showing whether or not respondents are aware of the RDR change leader for their organisation

RDR change leader	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	5	6.8	6.8	6.8
Agree	33	45.2	45.2	52.1
Strongly Disagree	9	12.3	12.3	64.4
Disagree	26	35.6	35.6	100.0
Total	73	100.0	100.0	

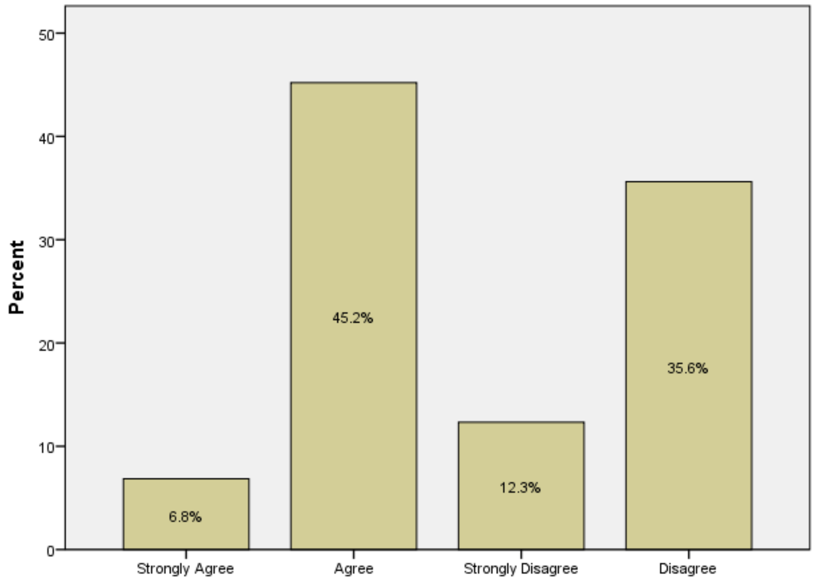

Figure 23: Bar chart showing whether or not respondents are aware of the RDR change leader for their organisation

4.4.18 Leadership for Change

Question 24 as presented in the frequency table and the bar chart was designed to establish whether or not respondents are aware of leadership that will effectively manage the change of the RDR legislation during implementation. There were 73 participants and only 72 respondents to the statement. The group of 3 respondents strongly disagreed, 41 respondents agreed, 12 respondents strongly disagreed and 16 respondents disagreed. This makes 4.2%, 56.9%, 16.7% and 22.2% respectively as depicted by the bar graph. To a larger extent advisers think that they are aware of the leaders who will manage the change.

Table 26: Frequency table showing whether or not respondents are aware of leadership that will effectively manage the change of the RDR legislation during implementation

Leadership for change	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	3	4.1	4.2	4.2
Agree	41	56.2	56.9	61.1
Strongly Disagree	12	16.4	16.7	77.8

Disagree	16	21.9	22.2	100.0
Total	72	98.6	100.0	
No Response	1	1.4		
Total	73	100.0		

4.4.19 Cross-Tabulation

Question 5 vs 11: Academic Qualification vs Status of qualification required by RDR

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Academic Qualification * I have qualifications necessary to practice as the financial adviser as required by RDR Legislation in the future	71	97.3%	2	2.7%	73	100.0%

		I have qualifications necessary to practice as the financial adviser as required by RDR Legislation in the future				
		Strongly Agree	Agree	Strongly Disagree	Disagree	Total
Academic Qualification	High School	6	18	0	1	25
	Graduate	7	20	1	0	28
	Post Graduate	7	9	1	1	18
Total		20	47	2	2	71

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.577[a]	6	.599
Likelihood Ratio	5.831	6	.442

N of Valid Cases	71		

a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .51.

Symmetric Measures[a]	
	Value
N of Valid Cases	71

The results above show that most of the participants agree and/or strongly agree that they have necessary qualifications for them to practice as financial advisers. Out of the 71 respondents, 43 are either graduates or have post graduate qualifications.

The results further show that there is no statistically significant relationship between the two variables. The value of Chi-square with six degrees of freedom = 4.577, and the p value is 0.599. Because P = 0.599 > 0.05, therefore there is no statistically significant association between Q5 and Q11

Question 6 vs 10: Knowledge of the RDR Legislation rule vs Key components of RDR Legislation

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
I have knowledge of the rules proposed by RDR Legislation * I am aware of the level of education required in the proposed rules of RDR Legislation	67	91.8%	6	8.2%	73	100.0%

	I am aware of the level of education required in the proposed rules of RDR Legislation

		Strongly Agree	Agree	Strongly Disagree	Disagree	Total
I have knowledge of the rules proposed by RDR Legislation	Strongly Agree	2	2	0	0	4
	Agree	5	35	5	9	54
	Strongly Disagree	1	0	0	0	1
	Disagree	0	3	1	4	8
Total		8	40	6	13	67

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	19.788[a]	9	.019
Likelihood Ratio	15.526	9	.077
N of Valid Cases	67		

a. 13 cells (81.3%) have expected count less than 5. The minimum expected count is .09.

Symmetric Measures[a]	
	Value
N of Valid Cases	67

The results above show that most of the participants agree and/or strongly agree that they have knowledge of the rules proposed by the RDR legislation versus the awareness of the level of education required in the proposed rules of RDR Legislation.

The results further show that there is no statistically significant relationship between the two variables. The value of Chi-square with six degrees of freedom = 19.788, and the p value is 0.19. Since, P = 0.19 > 0.05, therefore there is no statistically association between Q5 and Q11.

Question 6 vs 19: Knowledge of the RDR Legislation rule vs Potential resistance to RDR

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
I have knowledge of the rules proposed by RDR Legislation * I think that there is potential resistance to the RDR that may be experienced in my Organisation	72	98.6%	1	1.4%	73	100.0%

		I think that there is potential resistance to the RDR that may be experienced in my Organisation				
		Strongly Agree	Agree	Strongly Disagree	Disagree	Total
I have knowledge of the rules proposed by RDR Legislation	Strongly Agree	0	2	0	2	4
	Agree	5	38	2	12	57
	Strongly Disagree	0	1	0	0	1
	Disagree	0	8	0	2	10
Total		5	49	2	16	72

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.078[a]	9	.906
Likelihood Ratio	5.352	9	.803
N of Valid Cases	72		

The above results show that most of the participants agree and/or strongly agree that that there is potential resistance to the RDR that may be experienced in their organisation. The results further show that there is no statistically significant relationship between the two variables. The value of Chi-square with six degrees of freedom = 4.078, and the p value is 0.906. Since, P = 0.906 > 0.05, therefore there is no statistically significant association between Q6 and Q19.

a. 13 cells (81.3%) have expected count less than 5. The minimum expected count is .03.

Symmetric Measures[a]	
	Value
N of Valid Cases	72

Question 17 vs 18: RDR proposal alignment with strategic goal of my organisation vs ATOM Journey and Implementation of the RDR Legislation

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
I think that RDR proposals are aligned with the strategic goals of my organisation * I think that the ATOM journey has been able to mitigate the results of implementing RDR Legislation	66	90.4%	7	9.6%	73	100.0%

		I think that the ATOM journey has been able to mitigate the results of implementing RDR Legislation				
		Strongly Agree	Agree	Strongly Disagree	Disagree	Total
I think that RDR proposals are aligned with the strategic goals of my organisation	Strongly Agree	3	2	0	0	5
	Agree	2	34	2	12	50
	Strongly Disagree	0	1	2	1	4
	Disagree	0	0	0	7	7
Total		5	37	4	20	66

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	53.179[a]	9	.000
Likelihood Ratio	37.538	9	.000
N of Valid Cases	66		

a. 14 cells (87.5%) have expected count less than 5. The minimum expected count is .24.

Symmetric Measures[a]	
	Value
N of Valid Cases	66

The results above show that most of the participants agree and/or strongly agree that RDR proposals are aligned with the strategic goals of their organisation versus the ATOM journey has been able to mitigate the results of implementing RDR Legislation. The results further show that there is statistically significant relationship between the two variables. The value of Chi-square with nine degrees of freedom = 53.179, and the p value is 000. Since, $P = 0.00 < 0.05$, therefore there is statistically significant association between Q17 and Q18

Question 17 vs 21: RDR proposal alignment with strategic goal of my organisation vs Change strategy for RDR Implementation

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
I think that RDR proposals are aligned with the strategic goals of my organisation * I am aware of the change strategy or methods which will be used when implementing the RDR to promote ownership in my organisation	68	93.2%	5	6.8%	73	100.0%

		I am aware of the change strategy or methods which will be used when implementing the RDR to promote ownership in my organisation				
		Strongly Agree	Agree	Strongly Disagree	Disagree	Total
I think that RDR proposals are aligned with the strategic goals of my organisation	Strongly Agree	1	4	0	0	5
	Agree	1	37	2	11	51
	Strongly Disagree	1	2	1	0	4
	Disagree	0	1	1	6	8
Total		3	44	4	17	68

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	26.012[a]	9	.002
Likelihood Ratio	23.429	9	.005
N of Valid Cases	68		

a. 13 cells (81.3%) have expected count less than 5. The minimum expected count is .18.

Symmetric Measures[a]	
	Value
N of Valid Cases	68

The results above show that most of the participants agree and/or strongly agree that RDR proposals are aligned with the strategic goals of their organisation and that they are aware of the change strategy or methods which will be used when implementing the RDR to promote ownership in their organisation. The results further show that there is a statistically significant relationship between the two variables. The value of Chi-square with nine degrees of freedom = 26.012, and the p value is 0.002 Since, P = 0.002 < 0.05, therefore there is a statistically significant association between Q17 and Q21.

Question 17 vs 22: RDR proposal alignment with strategic goal of my organisation vs AIFA's schedule plan

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
I think that RDR proposals are aligned with the strategic goals of my organisation * I know of AIFA's schedule action plan in preparing for this upcoming RDR change	67	91.8%	6	8.2%	73	100.0%

		I know of AIFA's schedule action plan in preparing for this upcoming RDR change				
		Strongly Agree	Agree	Strongly Disagree	Disagree	Total
I think that RDR proposals are aligned with the strategic goals of my organisation	Strongly Agree	2	2	1	0	5
	Agree	2	31	4	13	50
	Strongly Disagree	0	2	0	2	4
	Disagree	0	1	2	5	8
Total		4	36	7	20	67

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	21.998[a]	9	.009
Likelihood Ratio	19.011	9	.025
N of Valid Cases	67		

a. 13 cells (81.3%) have expected count less than 5. The minimum expected count is .24.

Symmetric Measures[a]	
	Value
N of Valid Cases	67

The results above show that most of the participants agree and/or strongly agree that RDR proposals are aligned with the strategic goals of their organisation versus the knowledge of AIFA's schedule action plan in preparing for this upcoming RDR change. The results further show that there is a statistically significant relationship between the two variables. The value of Chi-square with nine degrees of freedom = 21.998, and the p value is 0.009 Since, $P = 0.009 < 0.05$, therefore there is a statistically significant association between Q17 and Q22

Question 17 vs 23: RDR proposal alignment with strategic goal of my organisation vs RDR change leader

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
I think that RDR proposals are aligned with the strategic goals of my organisation * I am aware of the RDR change leader for my organisation	68	93.2%	5	6.8%	73	100.0%

		I am aware of the RDR change leader for my organisation				
		Strongly Agree	Agree	Strongly Disagree	Disagree	Total
I think that RDR proposals are aligned with the strategic goals of my organisation	Strongly Agree	1	2	1	1	5
	Agree	3	27	6	15	51
	Strongly Disagree	0	3	1	0	4
	Disagree	0	0	1	7	8

Total	4	32	9	23	68

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	16.678[a]	9	.054
Likelihood Ratio	19.587	9	.021
N of Valid Cases	68		

a. 13 cells (81.3%) have expected count less than 5. The minimum expected count is .24.

Symmetric Measures[a]	
	Value
N of Valid Cases	68

The results above show that most of the participants agree and/or strongly agree that RDR proposals are aligned with the strategic goals of the organisation versus the knowledge of AIFA's schedule action plan in preparing for this upcoming RDR change. The results further show that there is a statistically significant relationship between the two variables. The value of Chi-square with nine degrees of freedom = 21.998, and the p value is 0.054 Since, $P = 0.054 < 0.05$, therefore there is a statistically association between Q17 and Q23

Question 18 vs 19: ATOM Journey and Implementation of the RDR Legislation vs Potential resistance to RDR

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent

I think that the ATOM journey has been able to mitigate the results of implementing RDR Legislation * I think that there is potential resistance to the RDR that may be experienced in my Organisation	71	97.3%	2	2.7%	73	100.0%

		I think that there is potential resistance to the RDR that may be experienced in my Organisation				
		Strongly Agree	Agree	Strongly Disagree	Disagree	Total
I think that the ATOM journey has been able to mitigate the results of implementing RDR Legislation	Strongly Agree	2	3	0	2	7
	Agree	1	33	0	6	40
	Strongly Disagree	0	2	1	1	4
	Disagree	2	11	0	7	20
Total		5	49	1	16	71

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	28.097[a]	9	.001
Likelihood Ratio	15.761	9	.072
N of Valid Cases	71		

a. 13 cells (81.3%) have expected count less than 5. The minimum expected count is .06.

Symmetric Measures[a]

	Value
N of Valid Cases	71

The results above show that most of the participants agree and/or strongly agree that the ATOM journey has been able to mitigate the results of implementing RDR Legislation and think that there is potential resistance to the RDR that may be experienced in their organisation. The results further show that there is a statistically significant relationship between the two variables. The value of Chi-square with nine degrees of freedom = 28.097, and the p value is 0.001 Since, $P = 0.001 < 0.05$, therefore there is a statistically significant association between Q18 and Q19

4.5 CONCLUSION

The researcher in this chapter has succeeded in introducing and presenting the results of the data collected from the 73 participants. The researcher will be presenting the analysis of the results in the next chapter, drawing conclusions and making recommendations based on the analysis drawn from the results.

CHAPTER 5: DISCUSSION ON THE RESEARCH FINDINGS AND RECOMMENDATIONS

5.1 Introduction

In this chapter the researcher starts by reviewing and discussing the AIFA strategy. The researcher further responded to the research questions as posed in Chapter 1, based on the literature review and the findings from the respondents. This is followed by the discussion and the conclusion drawn from the holistic view of the study. The recommendations and further studies are proposed in the last two sections of this chapter.

5.2 Review OF AIFA's Strategy

By 2011, it is said that it was in an environment of low morale, few controls and a lack of trust, AIFA had become a business in urgent need of change. It is explained that they knew that if the business was going to fulfil its potential, regain its momentum and once again assume a position of leadership, AIFA had to embark on a journey to turn the business around. There was a good understanding that the journey would not be an easy one, but the leadership of AIFA knew that it had to be done (AIFA, 2011).

With the coming into being of the FAIS Act, the regulatory environment had changed. Together with other pieces of legislation that were focused on the customer, it had come to exert significant pressure on the industry. Developing an active, effective framework for treating customers fairly (TCF) was of paramount importance. How the AIFA community conducted themselves was paramount to the success of the business. Customers were articulating increasing demands. They were demanding better protection against unscrupulous advice and miss-selling, and the controls were not enough to provide a satisfactory answer. The result was the repeated pay-out of compensations, which in turn led to a significant increase in the cost of simply doing business (AIFA, 2011).

It was a time when many advisers began leaving the industry. Either they did not have the qualifications demanded by the FAIS Act, or they were not prepared to work within the now highly-sensitive legislative environment. The business was faced with other challenges too. Some advisers were actively poached by competitors, who were able to attract them to the tied-agency models that offered better protection and security for them. For others, it was the feeling that AIFA'S value proposition was simply not good enough and that drove them to leave for competing pastures. Then there was the strong silo mentality that pervaded the business. People had very little perception of being an integral part of a value chain. In the eyes of most advisers management had become irrelevant, as it seemed to have no direct impact on their businesses (AIFA, 2011).

Globally it was evident that the challenging economic climate had made a considerable impact on margins in the financial services industry. Organisations were finding it difficult to derive value from their business models. And AIFA's business was no different. It is said that it was obvious that in order to arrest this trend of loss – in people, as much as in profits – AIFA needed to transform the business. It was seen clearly that there was a need to embrace a culture of innovation and sustainable growth. It was also seen, that if AIFA''s business was going to effect that change in the business they were going to have to make a choice based on strength which were facing the business (AIFA, 2011).

5.2.1 AIFA's Strategic Approach

It has been explained that, the first option was to shut down completely, and start afresh with a new model. The disadvantages of this approach were that it would entail a significant disruption and would not be good for internal product providers who depended on AIFA – some of whom may not like the new model. The positives were that a new paradigm would be established from the start, and there would be few legacy issues (AIFA, 2011)

The second option was to change and manage the transformation with the Adviser Targeting Operating Model – ATOM. The disadvantages were that legacy issues would remain, the pain of the transformation would be prolonged, with the process generating enormous uncertainty. The advantages of this approach were that as the preferred choice for internal product providers, it would not be as disruptive and would require an effective change-management process, which we believe AIFA believed had designed in ATOM (AIFA, 2011).

A choice was made to go with ATOM in June 2012. To ensure that that there would be new ideas and fresh thinking, a new management team was appointed to lead the way, and ambitious plans were developed to change the way things were done. The leadership designed ATOM to be a transition from the old AIFA model to a new and progressive one. The leadership had to ensure that the business would attain sustainable growth, and that meant they would have to transform it from its core. The leadership acknowledged that to build a better value proposition for both advisers and customers, they would have to construct it block by block (AIFA, 2011).

5.2.3 AIFA's Business before the Formulation of ATOM Strategy

Before ATOM there was no central advice, and consequently no House solution. The broker was the manager, and the sole master of the client's destiny. The leads flow was not optimal; there was no single view of the client, there was no socialisation and little training was provided. There was a low level of trust between the adviser and the banker. Advisers were independent and as result regarded as lone rangers who are in control of the business. If the adviser decided to leave AIFA, they took the book with portfolio of clients with them. There was no central middle office and therefore, there were no central promises (AIFA, 2011).

5.2.4 AIFA's goal of Implementing ATOM

There was a view that after ATOM there will be a centrally-generated House solution. The adviser would have to apply the Absa recipe of optimising leads-flow and utilisation. Everyone in the business was included in the strategy and perceived as team players with a single view of the client, strong socialisation and training, and increased collaboration. A central middle office (Distribution Administration Capability- DAC) was formed, and a strong institutionalised client-service model, together contributed to an optimal footprint of advisers and the roll-out of an effective tied-planner model. A new remuneration model for advisers was also implemented, with Practice Management being finalised and implemented in 2015. In addition, this constituted a win-win partnership with external product providers such as Sanlam, Momentum and Liberty. There is the launch of AIFA suites, as well as the realisation of employee benefits and a fully-embedded Business Architecture Roadmap (BAR) (AIFA, 2011).

5.2.5 AIFA's House Solution

House solution was launched in in Quota 4 of 2014 within the Business of AIFA. House solution is a trusted investment framework that governs all advice in the face-to-face channels, using the skills of AIFA's Global Investments & Solutions (GI&S).

The leadership was committed to the overriding principle of: Best for client, best for Group. There was a strong belief from the leadership perspective of AIFA that, in future, there will be relentless downward pressure on the fees and costs that clients pay for investment solutions. There was a view that AIFA's businesses will not be able to survive if they do not own most of the value chain. The adviser was encouraged to focus on advising the client to save more and to cover themselves against risk and not to function like asset managers. Advisers focus on wealth management, and have the responsibility for guiding the client on budgeting, saving, preserving and investing wealth, and on how best to protect against risk, as well as on which tax structures and risk buckets to use. Asset managers duty is focusing on asset management, are responsible for the make-up and management of a particular bucket (AIFA, 2011)

A House solution was necessary for a number of reasons amongst which were, firstly, Consistency – a House solution enables similar advice from any of AIFA's advisers, should something happen to a client's existing adviser. Secondly, Efficiency – the role played by GI&S will put more hours into the diaries of advisers. Thirdly, Effectiveness – a team of GI&S people who focus on research and following the markets all day, every day, is always going to be more effective in advising than a single person. Lastly, Leverage – the more AIFA is able to pool and concentrate funds, the better they can negotiate rates. There is no question that a House solution channels more money into the value chain (AIFA, 2011)

5.2.5.1 Why house solution?

It provides the best possible end client solutions. AIFA can target particular risk-return trade-offs for their clients. It provides an adviser, with the best possible value proposition in monetary terms. When the bulk of business lands in in-house solutions, a richer value proposition can be provided to advisers, and generally, much of the value for the whole ecosystem is generated in the investment funds. It saves advisers time, and allows them to be more efficient because the House solution provides the general narrative to be discussed with clients. It also ensures easier reporting, commentary and provides both a positive and negative perspective. A good House solution will be able to give the adviser all this at a push of a button. A narrow fund panel ensures bulk negotiation power, providing more clout to help drive costs down on behalf of clients (AIFA, 2011).

If something goes wrong with a particular House solution product or fund, it becomes the problem of the House and not the individual adviser. The adviser has a peace of mind and is able to sleep better. Top clients want a team of experts, and not a one-person show, to sit behind solutions. They want the comfort of knowing that if they shift between advisers, things will not change, and solutions will stay the same. When clients buy into the House solution, it becomes difficult for competitors to poach them. There is less client attrition in businesses which offer strong house solutions

5.2.5.2 House Solution Risk

House solution had its own risks in that Planners can only sell Absa Life products, including All-risks and FMI white-labelled solutions, Advisers are expected to quote Absa Life. If Absa Life compares favourably in benefits and price, and is appropriate for the client, then the client must be offered the Absa Life product. Elite advisers are expected to place 50% of their risk business with Absa Life. Where a policy replacement is applicable, AIFA advisers will only receive commission on the difference between the total premium and the premium that was not written up by an Absa adviser (AIFA, 2011).

5.2.5.3 House solution fees

The standardised fee model will apply to Single and Recurring Premium Investments. It is standardised to ensure that it provides transparent pricing for clients, total expense ratios, including advice, implementation and service charges will be standardised to ensure optimal returns for clients. There is no platform arbitrage due to different remuneration incentives.

5.2.5.4 Optimising leads-flow and utilisation

In 2015, the business continued to build on the success realised in 2013 and 2014, and it was planning to deliver a number of key items. Integrated Master Data was developed with the ability to view, edit and update all information about adviser's profile , client profile and their applicable products while documenting it right on the console. Console was a new central system that was developed for AIFA advisers. Information will be pulled through to point-of-sale systems so that one version of the truth exists on all systems (AIFA, 2011).

5.2.5.5 Strong socialisation and training and increased collaboration

The AIFA Adviser Academy has evolved to form the Business School, and its purpose is to attract, develop and retain talented aspiring entrepreneurs in the financial services industry. At the school, these entrepreneurs are trained, mentored, coached and developed as professional financial advisers or planners. In 2014, There was the highest-ever intake of graduates at the academy. The Academy is an institution where all advisers, both new and experienced, are socialised, with all employees spending a minimum of one week at the school, regardless of whether they are graduates or advisers. After their initial six-month training period, and to ensure their successful transition into the exciting world of financial planning, advisers are placed in Absa branches or AIFA suites for an additional six months. It was proposed that, bankers will have to be socialised at the school as well, to bridge the cultural divide between them and the advisers (AIFA, 2011).

The Business School of AIFA aims to become a Global Learning Organisation (GLO) that places a high premium on the acquisition, creation, transfer and retention of knowledge and skills. It provides continuous professional development, both in the form of macro events such as 'boot camps' and in individually customised developmental training. Everyone joining WIMI will go to the business school. As they go through the socialisation programme, they will spend time learning about the business environment, value chain, House Solution, goals and vision. AIFA have developed what is arguably the best socialisation programme in the country (AIFA, 2011).

AIFA suites were developed in 2014, and there are a number of them across the country. All planners and advisers of AIFA were anchored in a bank branch, bank suite, or AIFA suite. The AIFA suites provided an ideal environment for the mentoring of new planners and advisers. They also provided a home for the experienced advisers of AIFA with big books who seek a professional office where they can maintain and further build their client bases without the constraints of office hours and other rules. There is now the option for the customers of being able to walk into any of AIFA suites, and have their financial services needs catered for independently of the bank.

5.2.5.6 Central middle office (Distribution Administration Capability- DAC)

The DAC comprises of centralised middle offices which provide a service to advisers and planners across the country. The DAC objectives are to deliver efficiencies through better centralised processes that remove certain administration tasks from the front end; to facilitate better compliance (including House Solution compliance), audit and control by focusing on records management and business process reviews, and to provide better client value propositions by ensuring that certain promises to clients are executed centrally (AIFA, 2011).

5.2.5.7 A new remuneration model for advisers

With ATOM AIFA was developing, socialising and implementing a new remuneration model. While before, production was the only driver, now with the new remuneration model, as long as the right agenda is being driven, advisers will be able to earn more. That agenda requires keeping an eye on the Retail Distribution Review (RDR) and treating customers fairly. It means making use of the right behavioural levers of mentoring and leads conversion, and of course, fully subscribing to the Barclays values in everything they do (AIFA, 2011).

5.2.5.8 AIFA Bancassurance Model

Bancassurance is the partnership between AIFA and Retail and Business Bank (RBB) that provides complete and holistic solutions to banking customers. The importance of bancassurance to the bank is amongst other things the Stickiness which means that the more AIFA and RBB are able to cement their relationships with their customers through many different products, the more they will retain their customer. It has been proven in many studies that attrition is much lower in clients with Bancassurance relationships in addition to their transactional or borrowing products. In today's world of multi-banked customers and consumerism in which customers find it easy to move elsewhere because of the smallest service failure, a low rate of attrition is very important for banks. Banks sit with expensive assets and infrastructure, both bricks and mortar and virtual, and they need to sweat those assets to be able to earn a sufficient return on capital. Banc assurance is one of the best ways to do this because it uses the same infrastructure and channels. The bank needs to protect its assets. Hence it needs insurance on the houses and other assets that act as security for loans. Finally, and most importantly, from a customer perspective it is absolutely the right thing to do. If the business is able to remain true to its mission of helping its clients achieve their ambitions in the right way, they must therefore help them invest for and protect their dreams (AIFA, 2011).

For Bancassurance to work, Collaboration which is cohesion and collaboration will be the name of the game in the future. The biggest competitive advantage at Barclays Africa is their ability to offer a holistic solution to the clients. For this to happen there must be a solid relationship of trust between banker and adviser. Leads management has a huge role to play in this. Socialisation is important of the game, it is important for bankers to be socialised, cross-skilled and up-skilled, so that they can bridge the cultural divide between themselves and the advisers, and in this way support a one-stop, holistic, value proposition for the customers (AIFA, 2011).

5.3. Answers to the Research Questions

5.3.1 To what extent are financial advisers at ABSA aware of the changes brought about by the RDR legislation?

The study revealed that to a significant extent, the advisers are aware of the changes which may be brought about by the RDR legislation. The study further revealed that, most of advisers who are aware, acquired their knowledge on their own effort.

5.3.2 To find out the impact of the RDR legislation to financial advisers

The word impact also mean the effects or consequences, therefore the researcher wanted to establish the effects/consequences or impact of the RDR legislation on ABSA as one of South Africa's insurance institution. The literature has very clear responses to this question.

The implications of the RDR legislations are improving the levels of professionalism amongst financial advisers; providing consumers with greater clarity as to the nature of the advice they are receiving and the cost of that advice; and changing remuneration arrangements between providers, advisers and platforms to better align with the interests of consumers (Europe Economics, 2014) The report also revealed that some advisers who are not yet qualified to act as professionals will be impacted.

The RDR will have an emotional impact on everybody involved in financial services, but will most likely be felt by businesses offering financial advice. For advisers in the firms, the effect could be the result of enduring the ups and downs or avoiding them. If financial advisory firms in South Africa, decide not to, or cannot, become affected by these changes, they are going to be taken out of business. Since with these firms, RDR embodies a significant threat to them. Those firms who are getting ready to hold on to the ideas and objectives of RDR, It is understood that RDR signifies a major breakthrough for them (Foster, 2014). The study revealed that AIFA advisers are still getting paid via commission and are not on fee structures as yet; therefore, they will be impacted.

5.3.3 Does the AIFA strategy mitigate the consequence of implementing RDR's key components?

The literature guides the response to this question. According to the ‘readiness model’, employee readiness is stimulated by the message conveyed via the strategies, the change agent qualities, and the interactive and collective dynamics of organisational members. The study revealed that even though, AIFA has formulated the strategy which is addressing the RDR components, it is not clear to all advisers

The answer to this question has been reinforced by the study. It is said that with the coming into being of the FAIS Act, the regulatory environment had changed globally. Together with other pieces of legislation that were focused on the customer, it had come to exert significant pressure on the industry. Developing an active, effective framework for treating customers fairly (TCF) was of paramount importance. How the AIFA community conducted themselves was integral to the success of the business. Customers were articulating increasing demands. They were demanding better protection against unscrupulous advice and miss-selling, and the controls were not enough to provide a satisfactory answer. The leadership of AIFA designed adviser Targeting Operating Model (ATOM) to be a transition from the old AIFA model to a new and progressive one aligned with treating the customer fairly. The leadership of AIFA had to ensure that the business would attain sustainable growth, and that meant they would have to transform it from its core. (AIFA, 2011).

5.3.4 What gaps exist in the AIFA strategy and what recommendations can be proposed to address them?

A significant number of the respondents believe that there could be potential resistance to the implementation of the RDR in AIFA. A significant number of the respondents also believe that there will be systemic barriers. Even though 53% of the respondents claimed their awareness in terms of an RDR change leader, almost half of the respondents with 47% said that they have not been made aware of the change leader that drives the RDR implementation if AIFA.

5.4 Analysis, Discussion, Implications and Conclusions

The respondents to the questionnaire were employees of ABSA, either short term, life planners or life advisers who will be impacted directly by the change of the legislation. 85% of respondents have knowledge of the RDR legislation. The implication based on the results of the study is that when the time for implementation comes, over 80% percentage of the employees would have passed the stage of trying to understand the rules of the RDR .The remaining 15% indicate that they have no knowledge of the rules proposed by RDR. This also indicates an RDR knowledge gap in the organisation. Those advisers who do not have the knowledge of the RDR legislation pose a risk to the organisation. The lack of knowledge may be due to a number of reasons, which might be given by employees who claim to have no knowledge of RDR rules. This may include employees who may have been absent due to different types of leave which they might have taken during the time when ABSA was engaging the other 85%. It could also be employees who were employed after the engagement took place and may have missed the opportunity to be taken through. It could also be employees who were present during this engagement but require further clarity and further engagement so that they can gain confidence in their understanding of the rules.

There is a suggestion based on the number of the respondents that AIFA has taken an initiative to conduct workshops in trying to inform the employees concerned. There is also a suggestion that some of the employees learnt about the RDR through their own reading. The most important thing is that employees are aware of the legislation and its implication; I personally do not think that it is important how they got to learn about it. The only concern though could be the reliability of the information when it has been obtained from different sources. It is possible that some employees may have left out some important information while their learning on their own.

One of the rules which has been proposed by FSB regarding RDR and which will have impact on the insurance companies like Absa has to do with the remuneration model. As explained in the literature review, this rule will have a significant impact on the income of the financial advisers and hence, it is very important for intermediaries to understand the impact. Based on the frequency table results, 63.9% and 8.3% agreed and strongly agreed respectively with the statement that claims that they understand the rules, but, 9.7% and 18.1% strongly disagreed and disagreed which means they are against this claim.

It is common practice that individuals wake up in the morning to go to work because they want to get paid. Most of the individuals prefer to know upfront what their remuneration is before they can sign the employment contract. Remuneration therefore becomes one of the core determinants whether they will accept the job offer and sign the contract or not. When an employee's remuneration is impacted negatively, my experience has shown that, employees do not stick around that job but if remuneration is in line with an individual's effort then, they tend to put in more effort. In the literature review it was established that FSB has proposed to ban the existing commission model. This is the current type of remuneration which will be replaced by fees, as and when the client visits, just like in the doctor's practice. The total amount of 72.2% of respondents understands the impact of the remuneration, whereas 27.8% claim not to understand the impact of the remuneration.

The other revelation which was established from the literature review was that in UK, most of the banks were forced to let go of their clients in the retail segment, purely because, customers could not afford the amount of fees which they were expected to pay for the advice given. They then opted to use other platforms. The latter result poses risks in the organisation in terms of loss of employees that might occur if the fees remuneration proposal is implemented. The usage of other platforms by customers who could not afford the advice fees also speaks volumes about the number of advisers who could be reduced drastically in this segment.

This is a significant percentage and one may therefore conclude that AIFA has managed to prepare a significant number of advisers to change their mind-set as far as their future remuneration requirement is concerned. I have worked in the insurance industry for over 10 years and my experience and level of expertise tells me that the insurance industry is a specialist environment. It takes time to replace an experienced and skilled adviser who has left the organisation. AIFA would not want to lose the 27.8% of the employees who do not have an understanding of remuneration impact because it might take time to replace them. In the process they might be losing income. Therefore, an action will be required to diminish or minimize this percentage.

Most of the insurance companies including AIFA have not yet changed their remuneration model. In the literature review, when reviewing AIFA strategy, it was established that AIFA is still on a commission based model; however, the organisation structured the model based on behaviours, purely because they wanted to enforce the correct behaviours when advisers are dealing with clients. This basically means that as long as advisers were behaving in a certain way then they will be remunerated accordingly. As a manager AIFA, one has knowledge that AIFA is still in a commission based remuneration model and not in the fee based remuneration. This is backed by a significant number of respondents when answering this questionnaire who agree with the statement that AIFA is not fee based but rather commission based. An indication that some of the employees think that their remuneration is fee based raises a concern and may imply that there is lack of knowledge on how the two remuneration models operate.

In the literature review, it was also established that the government wants to set a high standard in terms of the level of professionalism, hence, the level of education. This would mean that clients can be protected in terms of the advice that they receive from the insurance intermediaries. From the literature review it was established that we still have clients who require a lot of handholding since they may not be experts when it comes to product knowledge. Therefore the level of professionalism will be highly commendable such that the fees expected to be paid by clients to advisers are justified. My experience informs me that it takes at least up to 3 years for an individual to acquire the relevant qualifications required to practice in the insurance environment. In Chapter Four, the bar graph presented 11.8% respondents who strongly agreed and 60.8% respondents who agreed with the statement in this category. This makes a total of 72.1% of respondents who are aware of the level of education required. The other 27.9% are respondents who indicated that they are not aware of this level of education required in the RDR legislation. Being aware might not necessarily mean that respondents are in possession of these qualifications but may trigger some action from the respondents to start the process of acquiring them.

The implications to the latter analysis is that respondents who indicated that they are not aware does not mean that they do not possess the required level of qualification, however, if they do not have it, they may also not be preparing to acquire these qualifications, since they are not aware of its importance in the future. The organisation may not be able to remove these employees from the Financial Intermediary services (FAIS) register immediately if it is established that they did not qualify to be advisers and were not aware. They might have to be given some time to qualify and be supervised during that period. AIFA has a gap of the remaining 27.9% of employees who still need to be informed. This means that, should the second group of employees fail to acquire the required qualification in the set period of time, they may be debarred and removed from the financial advisory register.

The integrity of insurance businesses within the bigger financial services sector depends on the degree to which professionalism is shown in its behaviour. There is a high degree of accountability placed on those belonging to this field and reliability is very vital in the effective implementation of this difficult assignment. As far as the respondents that answered this question, only 5, 8% claimed not to have qualifications required in the RDR world. This claim may not necessarily be true since 35.6% of the respondents indicated earlier in the demographic question regarding qualification that they only have a high school qualification. As per the study undertaken in Chapter Two, the RDR's minimal requirement is NQF level 5 in a South African language. The high school qualification is only matric and that is definitely not a minimum qualification required for RDR.

This is therefore suggesting that respondents may not have complete knowledge of the required level of qualification in the RDR legislation, as some claim that they have the qualifications when they only have high school qualifications. This further implies that the level of professionalism may therefore be compromised when intermediaries are offering advice to the customers and as result compromise the company's image or even place the organisation into disrepute.

A conclusion can therefore be drawn that re-enforcement will also be required so as to get everyone to strongly agree that they are aware if in case further research is done. The contradiction that one established when viewing all questions related to this statement lead to one's conclusion that AIFA as one of South Africa's financial institution has not taken time to prepare and invest in their employees who do not have qualifications required by the RDR legislation. It is clear from the latter discussion and implication that this aspect of the RDR calls for the insurance institution to pay attention to it.

With regards to AIFA strategy, a total of 85.9% indicated that they understand AIFA strategy, whereas only 14.1% claim that they do not understand AIFA strategy. This is a positive indication that AIFA has driven their employees to understand the strategy for the organisation. It is not very clear how the AIFA strategy was communicated to employees. One may think that if the strategy was communicated in writing via e-mail, the 14.1% who still do not have a clue what the strategy entails, may have missed this type of communication or chose not read or listen to it. When taken through the Strategy as the one of the modules that I acquired in the last two years, I learnt that there are steps that the organisation follows to make sure that everyone is engaged and understands the strategy. This includes debriefing which helps in reviewing the business strategy and in a way brings everyone on board. There are a significant number of employees who understand the AIFA strategy. This is very positive for the organisation because when employees do not have an insight of what the organisational strategy entails, it means that they are not sharing the same vision as the leadership and as a result, they may not achieve the desired outcomes which are expected from them but this is not the case with AIFA employees.

In the literature review the key components of the AIFA strategy were amongst others, the Remuneration model, the training and development of staff, the compliance which addresses the advice given to the client. These are in line with the RDR legislation key components as, mentioned in the literature review.

The researcher wanted to further establish whether or not respondents think that the AIFA strategy addresses the key components of RDR legislation. A total of 80.9% agree that the AIFA strategy addresses key components of the RDR, whereas the remaining 19.2% disagree with this claim. A number of respondents who understand the AIFA strategy also believe that it addresses the key components of the RDR legislation. This implies that there is very little to be done by AIFA in terms of formulating a strategy that speaks to the components of the RDR legislation. The ATOM journey is the current AIFA strategy which has been put in place to mitigate the results of implementing the RDR. It is expected that since some 14.1% of the respondents indicated earlier that they are not aware of the AIFA strategy, they might also not agree with the statement at hand. This may be due to the fact that they may not have taken the time to understand the ATOM journey as part of the AIFA strategy. This is an indication that the portion of the respondents who disagree have not bought into the AIFA strategy and the ATOM journey. This is also an indication that employees who are not aware of the RDR legislation and its content cannot make sense of the ATOM journey and view this strategy as an initiative that prepares for the RDR.

One may therefore conclude that AIFA has the strategy in place which is seen by majority of the respondents to be aligned to the RDR legislation. There is evidence based on the results of the question that there is no scheduled action plan to engage with and prepare for the RDR legislation. It can therefore be concluded that the organisation is therefore aligned in some areas of the strategy.

With regards to the AIFA schedule plans to prepare for the adoption of the RDR, over 40% of the respondents are not aware of the schedule plans. Almost the same percentage but higher are also not aware of the RDR change leader in the organisation. This implies that there is no change leader or that there is no visibility of the change leader as he/she has not touched base with all employees concerned.

5.5 Recommendations

The solution to deal with every huge or small gap that was established in the analysis and findings will be:

a. To review the strategy, identify change agents who will communicate the message of change via the reviewed strategy and have a schedule plan to interact with the employees, manage FSB information and all other external communication, keeping everyone concerned abreast of the developments regarding the RDR legislation.
b. The leadership of AIFA should be responsible in reviewing the strategy and identifying the change leaders. It is recommended that the change leaders should have a scheduled plan to convey the readiness message.
c. A readiness program will have to be implemented which employs strategies which are most efficient and effective. A program may encompass persuasive communication as well as active partaking (e.g., distance learning) and the management of external information for example, press releases which in case may be information released from the FSB (Armenakis, et al, 1993).

d. The proposal is that the readiness message ought to include two issues: (a) the necessity for change, which is, the difference between the preferred end-state (which must be suitable for the organisation) and the current state; and, (b) the individual and combined efficiency (i.e., the perceived capacity to change) of groups which are impacted by the transformation effort (Armenakis, Harris and Mossholder, 1993).
e. The researcher further recommends that the appointment of the change agent must be guided by the following attributes: inspirational; motivated to keep the drive going even when the process becomes difficult. Brodie (2007) suggests that they must be able to plan efficiently because while there is a need to be flexible, no real change can materialize provided it is prearranged and well-thought out.

5.6 Future Research Direction

Further research is essential and needed so as to monitor further progresses and evolution in terms of the implementation of the RDR legislation. The current scope of the research could be extended to other provinces so that a higher number of more than 73 participants could be involved. More research still needs to be done to investigate implementation in Africa pre-implementation and post implementation.

5.7 Conclusion

The researcher was able to answer the research questions by referring to the literature review to reinforce the responses to the questions. The discussion, implications and findings indicates that Absa as one of South Africa's insurance institution has to a certain extent been able to prepare for the implementation of the RDR legislation; however, recommendations were made to contribute to the gaps identified. Further investigations were proposed and the field of those investigations highlighted.

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APPENDICES

APPENDIX 1: LETTER OF INFORMED CONSENT

Informed Consent Letter 3C

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

MBA Research Project
Researcher: Rosebud Mchunu (0825071541)
Supervisor: Dr Welington Bonginkosi Zondi (0312608318)
Research Office: Mariette Snyman (0312603587)

Dear Respondent,

I, Rosebud Mchunu am a Postgraduate Diploma in Leadership and Management student, at the Graduate School of Business and Leadership, of the University of KwaZulu-Natal. You are invited to participate in a research project entitled: “Mapping the readiness of the South African Insurance institutions in the adoption of Retail Distribution Review legislation: A case study of AIFA, Absa Bank”.

The aim of this study is to found out the readiness of South African insurance institution in the adoption of RDR legislation.

Through your participation I hope to understand if South African insurance companies are prepared for the RDR legislation. The results of the survey are intended to contribute to the community of AIFA, Absa bank.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this interview. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about participating in the interview or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take about 5 minutes to an hour. I hope you will take the time to participate.

Sincerely

Investigator’s signature_________________________ Date_________________

UNIVERSITY OF KWAZULU-NATAL

GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

MBA Research Project

Researcher: Rosebud NA Mchunu

Supervisor: Dr Welington Bonginkosi Zondi (0312608318)

Research Office: Mariette Snyman (0312603587)

CONSENT

I………………………………………………………………………. (Full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

I hereby consent/do not consent to record the interview.

SIGNATURE OF PARTICIPANT DATE

………………………………………………………………………………………………

This page is to be retained by the researcher

APPENDIX 2: ETHICAL CLEARANCE

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

26 October 2016

Mrs Rosebud Mchunu (9408185)
Graduate School of Business & Leadership
Westville Campus

Dear Mrs Mchunu,

Protocol reference number: HSS/0344/016M
Project title: Mapping the readiness of the South African Insurance institutions in the adoption of Retail Distribution Review Legislation: A case study AIFA, Absa Bank

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 21 October 2016 has now been approved as follows:

- Change in Supervisor
- Amendment to Research Instrument (Questionnaire)

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for period of 3 years from the date of original issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully

[redacted]

Dr Shamila Naidoo (Deputy Chair)

/ms

Cc Supervisor: Dr Benginkosi Zondi
Cc Academic Leader Research: Dr Muhammad Hoque
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee
Dr Shenuka Singh (Chair)
Westville Campus, Govan Mbeki Building
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APPENDIX 3: GATEKEEPERS LETTER

ABSA

Insurance and Financial Advisers

3rd Floor Absa Towers North
Absa Campus 180 Commissioner Street
Johannesburg Central 2000
PO Box 7735 Absa Campus
Johannesburg 2000

Tel +27 11 350 4000
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Swift Address: ABSA ZA JJ
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Swift-Adres: ABSA ZA JJ
http://www.absa.co.za

Mrs. Rosebud Mchunu
University Of KwaZulu-Natal
Westville Campus
Durban
3630

7th March 2016

Dear Mrs. Mchunu

RE: PERMISSION TO CONDUCT RESEARCH IN THE INSURANCE SECTOR

This letter serves to confirm that I, Sibusiso Ntonga, Head of AIFA hereby acknowledge, approve and support the intention of Rosebud Mchunu to conduct an academic research/case study within Absa Insurance and Financial Advisers for the completion of her MBA Programme.

We wish you success in your research project.

Yours faithfully

[redacted]

Head of AIFA

APPENDIX 4: RESEARCH INSTRUMENT

Provisional questionnaire for data collection

Estimated time to complete is 5 minutes

Please cross or tick the relevant information

Question one: Demographic Information		
Name: (Optional)		
Contact:		
Gender	Female	
	Male	
Age		
Occupation		
Marital status		
Academic qualification		

To what extent do you agree or disagree with the following statement/s:				
Statements	Strongly agree	Agree	Strongly disagree	Disagree
I have knowledge of the rules proposed by RDR Legislation				
I have gained knowledge about RDR through my own reading				
I have gained knowledge about RDR through workshops and training from my organisation				
I understand how RDR could impact my remuneration model I have knowledge regarding a clear distinction in the type of advice				
I am aware of the level of education required in the proposed rules of RDR Legislation				
I have qualifications necessary to practice as the financial adviser as required by RDR Legislation in the future				
I know how my remuneration model works				
I am in a fee based remuneration model				
I am in a commission based remuneration model				
I understand AIFA'S Strategy				
I think that the AIFA strategy addresses the key components of RDR legislation				
I think that RDR proposals are aligned with the strategic goals of my organisation				
I think that the ATOM journey has been able to mitigate the results of implementing RDR Legislation				
I think that there is potential resistance to the RDR that may be experienced in my Organisation				
I think that there will be potential system barriers that will hinder the implementation of the RDR in my				

organisation				
I am aware of the change strategy or methods which will be used when implementing the RDR to promote ownership in my organisation				
I know of AIFA’s schedule action plan in preparing for this upcoming RDR change				
I am aware of the RDR change leader for my organisation				
I am aware of leadership that will effectively manage the change of the RDR legislation during implementation.				