

**The influence of regulatory frameworks on marketing strategies within the
South African Life Insurance industry: A South African Case Study**

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DECLARATION OF AUTHENTICITY

I declare that the research project, The Impact of Regulatory Frameworks on Marketing Strategy in the South African Life Insurance Industry: The Case of a South African Insurer, is my own work and that each source of information used has been acknowledged by means of a complete reference. This dissertation has not been submitted before for any other research project, degree or examination at any university.

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SUMMARY

The financial crisis of 2008 was, amongst other economic factors, brought about by unscrupulous and over-confident lending practices by financial institutions and overzealous lenders. The effects of these behaviours were magnified by a lack of regulation and management discipline and diligence (Grosse, 2012). The recuperation of the global economy and future prevention efforts of another global crisis led to more stringent regulatory controls in the financial services sectors of territories such as Asia, Canada, Latin America, Europe, the US and South Africa (EY, 2014a).

Several years on, regulatory intervention is as strong as ever, with the aim of driving financial education amongst customers in the financial services sector as well as creating standards that all insurers have to adhere to in terms of product design and marketing communications, according to a KPMG (2014) South African Insurance Industry Report. The question that arises is whether all the focus on regulatory compliance is to the detriment of the marketing activities within organisations, or if the role of the marketing function needs to change.

The aim of the study was to determine what challenges the regulations place on marketing strategies in the long term insurance industry in South Africa. A qualitative, and more specifically case study, approach was used to explore the research problem and answer the following research questions:

- i. What challenges arise from the regulations in the long term insurance industry in South Africa, with regards to marketing activities?
- ii. What is the role of leadership in overcoming the challenges identified?
- iii. How can the challenges identified be overcome or the effect thereof minimised?

The case study method used is an embedded single case study design from an intrinsic perspective (Baxter & Jack, 2008). The case for this study can be defined as FNB Life, a life insurance company operating under the umbrella of First National Bank in South Africa.

The study found that the regulatory pressures in the long term insurance industry pose challenges to marketing strategies and activities. These challenges stem from operational, financial and strategic perspectives, and introduce frustration, anxiety and ambiguity to the marketing function. However, there is an overwhelming consensus that the intentions of the regulations are good for the industry which are there to protect customers, which as an ethically sound business is what FNB Life advocates. There is also agreement that the leadership team is steering the organisation in the right direction in order to deal with these regulatory pressures, whilst still supporting an innovative marketing strategy.

However, it has become apparent that a change is needed in how the marketing function is structured and how it performs its day to day tasks in order to overcome these regulatory challenges and perform optimally. Leadership has a responsibility to recognise the challenges faced by the marketing team and to put structures and support systems in place in order to allow the marketing function to deliver great value to the business.

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LIST OF ACRONYMS

AMA	American Marketing Association
ASASA	Advertising Standards Authority of South Africa
ASISA	Association for Savings & Investments South Africa
CEO	Chief Executive Officer
CPA	Consumer Protection Act
EU	European Union
FAIS	Financial Advisory and Intermediary Services
FICA	Financial Intelligence Centre Act
FNB	First National Bank
FSB	Financial Services Board
FSOC	Federal Reserve and the Securities Stock Exchange Commission
GDP	Gross Domestic Product
GLC	Governance, Legal & Compliance
IIF	Irish Insurance Federation
JSE	Johannesburg Stock Exchange
NAIC	National Association of Insurance Commissioners (US)
NIC	National Insurance Commission (Ghana)
NIF	National Insurance Office (US)
PESTLE	Political, Economic, Social, Technological, Legal, Environmental
PLC	Product Life Cycle
POPI	Protection of Personal Information
RDR	Retail Distribution Review
SAM	Solvency and Asset Management
SIFI	Systemically Important Financial Institutions
SWOT	Strengths, Weaknesses, Opportunities, Threats
TCF	Treating Customers Fairly
US	United States

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 Introduction and Background

The global financial and economic crisis of 2008 left a wake of destruction in its path, severely impacting governments, businesses and the average man on the street (Arabia 2000, 2012). The financial crisis of 2008 was, amongst other economic factors, brought about by unscrupulous and over-confident lending practices by financial institutions and overzealous lenders. The effects of these behaviours were magnified by a lack of regulation and management discipline and diligence (Grosse, 2012). The recuperation of the global economy and future prevention efforts of another global crisis led to more stringent regulatory controls in the financial services sectors of territories such as Asia, Canada, Latin America, Europe, the US and South Africa (EY, 2014a).

Increased regulatory pressures have also stemmed from the fact that the world has moved into a digital era of hyper-connectivity with increased levels of information consumption by consumers, which creates vulnerabilities and serious concerns in terms of privacy (Bennett, 2014). All these events have resulted in a movement to protect consumers by empowering them with the support of regulations. This increased regulatory pressure has had a far reaching impact on businesses as a whole in the financial services industry (PWC, 2011).

This amount of change and uncertainty requires strong leaders with clear vision and the ability to positively navigate their employees through the uncertainty to ensure success for their businesses (Manley, 2013; Viljoen, 2015; Wayland, 2015; Magadlela, 2016).

1.2 Research Problem

A 2008 report on Strategic Business Risk by Ernst & Young set out the top 10 risks faced by the insurance industry at that time and that would impact business performance over the next five years. Regulatory intervention was listed at number five (Ernst & Young, 2008).

Several years on, regulatory intervention is as strong as ever, with the aim of driving financial education amongst customers in the financial services sector as well as creating standards that all insurers have to adhere to in terms of product design and marketing communications, according to a KPMG South African Insurance Industry Report (2014). These standards make it difficult to differentiate products based purely on core benefits and features, thus the insurance industry has to overcome this challenge by finding innovative ways of communicating, differentiating value packages, and distributing these products to customers (KPMG, 2014b). However, the question that arises is whether all the focus on regulatory compliance is to the detriment of the marketing activities within organisations, or if the role of the marketing function needs to change.

The insurance business within First National Bank (FNB) has been operating for many years and has undergone a tremendous amount of significant change over the last few years. The most recent change in structure resulted in the life insurance business being split from the short term insurance business, as well as the life business becoming a Long Term Insurance Licence Holder.

These structural changes were a result of a number of business and environmental factors; the most prominent being the emphasis the bank has placed on the insurance business as a differentiator and additional income stream. The licence gives the business the strategic and operational decision making power to achieve the bank's objectives.

Yet a challenge arises from the fact that licence holders in the industry are held to very strict standards in compliance and risk management by the Financial Services Board (FSB). FNB Life had to put in place numerous controls, procedures and policies in order to obtain its licence, and must adhere to these very closely in order to avoid fines, and more importantly to keep its licence and ensure the sustainability of the business. This naturally resulted in management focusing very closely on all activities in the business, including marketing. In addition, all the new regulations pending in the industry mean that, as a new business, it makes economic sense to put measures in place now to pre-empt compliance challenges later on with these laws.

1.3 Aim and Objectives of the Study

The aim of this study is to determine what challenges the regulations that were recently introduced, and those proposed, have on marketing strategies in the long term insurance industry in South Africa.

1.3.1 Research Questions

A research process generally starts due to a researcher's particular interest in a subject, however the purpose of the study and awareness and knowledge of the subject leads to the formulation of specific research questions. More specifically, the questions arise from the perceived knowledge gap between what is known about the subject and what the researcher aims to know (Farrugia, Petrisor, Farrokhyar & Bhandari, 2010). The research questions for this study are defined as follows:

- What challenges have arisen from the regulations in the long term insurance industry in South Africa with regards to marketing activities?
- What is the role of leadership in overcoming the challenges identified?
- How can the challenges identified be overcome or the effect thereof minimised?

The research questions above were determined based on the current lived experience of the researcher, as well as the literature reviewed. The nature of the study was exploratory and these questions guided the study to explore what is known about the regulatory frameworks and marketing strategies within the South African life insurance industry, as well as to discover what is not known.

1.4 Assumptions

According to Patidar (2013), an assumption is a statement that is commonly believed to be true in the absence of scientific evidence. This research is based on the following assumptions:

- Long term insurers in South Africa are all experiencing similar anxieties and pressures due to the regulatory environment.
- There is a need for regulatory review in the long term insurance industry in South Africa.

- Marketing teams across the long term insurance industry in South Africa are finding it difficult to perform their duties effectively in light of the regulatory burden.
- Leadership teams across the industry have similar approaches to dealing with the regulatory environment.

1.5 Theoretical Framework

A layered approach to presenting information was adopted for this study in order to build an understanding of the constructs and assist in identifying the links that exist between the constructs.

To determine the challenge of new regulations on how marketing strategies are implemented in the long term insurance industry in South Africa, the role of marketing and strategy needed to be understood within the context of an organisation, and more specifically a long term insurance business. Further, the role of regulation in an economy needed to be understood as the starting point before the various layers of regulation in the industry could be identified. The challenges that arose when all these constructs were brought together will be made clear.

The overarching theme of leadership encompasses the study in order to understand the role that leaders within the organisation play in easing, or worsening, the effects of the regulatory pressures. Lastly, an international review of other long term insurance industries and companies was conducted to determine similarities, differences and possible best practices, when compared to the South African case study.

Figure 1: Theoretical Research Framework



1.6 Significance of the Research for the Self, Others and Social Context

The study will provide insight into the complexities of the regulatory environment in which the South African insurance industry finds itself, and how this impacts marketing activities specifically. This is significant to the researcher, who is a Marketing Manager at FNB Life, as it has a direct influence on her role and how she performs in the business.

The researcher suggests that other stakeholders in the industry would find value in this research as it provides a consolidated view of the entire regulatory environment affecting the industry. It gives context in a realm that is currently seeking some stability in a tumultuous era of compliance and risk management. It also aims to provide a different way of thinking about the role of marketing in an insurance organisation, which could resolve tensions between the often free-spirited and creative marketing team and the extremely process driven and detail orientated risk and compliance function. This symbiotic relationship should be of great benefit to organisations and ultimately improve their bottom lines.

Furthermore, the researcher proposes that this study provides a framework for future quantitative research on the optimal organisational structure of an insurance business. Empirical and quantitative studies could also be carried out from a regulatory or governmental point of view to assess whether the new laws are effective in the industry, or whether they are hampering economic growth in this sector at no benefit to the consumer or other stakeholders.

1.7 Research Design

1.7.1 Research Philosophy

Johnston (2014) suggested that in order to achieve academic rigour in research, it is important to understand the interplay between theory and research and the influence this relationship has on the approach taken in carrying out research. Further, the process of research can be viewed with ontological and epistemological positions being the core from which the research process evolves (Johnston, 2014).

Mkansi and Acheampong (2012) have, on the other hand, debated that the multitude of differing theories by different researchers creates confusion, and it becomes difficult for students to navigate the research philosophy theories in order to settle on a research methodology. This is due to overlaps, and at other times theories that contradict one another. However, the debate does not discount the relevance of and need for these theories; it simply calls for some clarity and more structure from the various researchers in a collaborative way (Mkansi & Acheampong, 2012). The researcher related to this difficulty in the research process, however some clarity was achieved.

To this end the researcher sets out her position in the next section in order to give the reader an understanding of her reasoning behind the chosen research methodology.

1.7.1.1 Ontological Theory

The concept of ontology has been debated and questioned over the years. Different disciplines use it in different manners and with differing meanings (Busse, Humm, Lübbert, Moelter, Reibold, Rewald, Schlüter, Seiler, Tegtmeier & Zeh, 2015). From a philosophical stand point, ontology refers to the study or science of being (Kruger-Ross, 2015; Busse, et al., 2015). In other words, it is an endeavour

to understand all 'things' and information in a comprehensive enough way in order to classify the 'things' and information in the world around us (Busse, et al., 2015).

Put differently, ontological theory as a concept stems from a paradigm that describes how reality is viewed by a person (Zhu, Kong, Hong, Li & He, 2014). This understanding was used by the researcher for the purposes of this study. To this effect it could be deduced that ontology influences the researcher in terms of identifying the research problem and assessing how to approach the problem (Johnston, 2014). Furthermore, ontological paradigms can be described as realist or relativist. A realist ontology believes that there is a single reality that can be measured objectively and precisely, while a relativist ontology suggests that there can be multiple realities based on the frame of those experiencing said reality (Willig, 2016). The researcher's ontological paradigm is outlined next in order to provide insight into the intent behind the study.

The researcher is a marketer who forms part of the so-called 'instant gratification generation', known as Generation Y. This influences how the researcher performs her daily working activities and makes decisions. The researcher started her career in a fast moving, cutting edge and innovative digital team within a big bank in South Africa. An opportunity for growth presented itself to the researcher and she moved into the insurance area of the bank.

The insurance division has since undergone multiple structural changes, with the most recent seeing the division obtain a Long Term Insurance Licence. This has had a significant impact on the business and its governance and risk structures, which impacted the researcher by introducing more hierarchical layers of approval. This increased the amount of time needed to plan and action marketing initiatives, which could be detrimental to marketing initiatives in the always-on world of today, as marketers need to be flexible and be able to react extremely quickly to the external world. Moreover, the insurance industry has strict regulations in terms of what, how, and why products are sold and marketed to customers.

The researcher views her ontology as relativist because she understands that context and experience determine the reality of a person at any specific point in time. In other words, the researcher does not intend to generalise the findings of the research across businesses in the life insurance industry.

1.7.1.2 Epistemological Theory

Broadly, epistemology deals with knowledge (Stanford Encyclopedia of Philosophy, 2016), the knowledge of reality, and the relationship of that reality and the researcher (Da Vinci, 2016). It concerns what is believed to be sufficient knowledge regarding the reality, what the sources of the knowledge are, and how the knowledge is structured (Gialdino, 2009; Da Vinci, 2016; Stanford Encyclopedia of Philosophy, 2016).

The research problem and the researcher's ontological position suggests that a subjective enquiry is most appropriate in order to understand the phenomena at hand. This denotes a subjective epistemology as the researcher believes that knowledge is collaboratively created between the study subjects, the context and the researcher. This further emphasises the importance of the context and the fact that the phenomena cannot be separated from the context (Asghar, 2013).

Furthermore, the researcher realises that the impact of regulation has a far reaching impact and will differ between and within different insurance businesses in South Africa. For these reasons it can be inferred that an interpretivist position was adopted for this research (Asghar, 2013; Da Vinci, 2016).

1.7.2 Research Approach & Design

The relativist ontological and subjective epistemological positions inform an interpretivist paradigm which motivates for the use of qualitative research (Yilmaz, 2013). The study is therefore qualitative and exploratory in nature.

The research design used for this study was an embedded single case study design from an intrinsic perspective. The case study is intrinsic due to the fact that the purpose is not to generate a theory from the outcomes, but rather a pure attempt to understand the research problem in the particular environment (Baxter & Jack, 2008).

The case for this study can be defined as FNB Life, a life insurance company operating under the umbrella of a bank (FNB) in South Africa. The enquiry can thus be described as a single case study. It can further be described as an embedded single case study because FNB Life is a unit of a larger organisation, as well as the fact that only the marketing department and some executive leaders are studied. The sampling technique used to identify respondents was convenience judgmental sampling (Malhortra, 2007).

Case studies are typically associated with multiple sources of data in order to ensure a thorough understanding of the case, as well as to enhance the reliability of the study (Baxter & Jack, 2008; Becker, et al., 2012; Yin, 2012). Three sources of data were used in this study, namely:

- Direct experience.
- A questionnaire.
- Personal interviews.

1.7.3 Research Credibility

Credibility or rigour of qualitative case studies refers to how believable or trustworthy the data presented are. There have been many concerns regarding the credibility of case study research (Yin, 2012; Hyett, et al., 2014). The flexibility of case study research has given rise to a diverse plethora of published case studies that follow different methodologies and approaches, which perpetuate these concerns (Hyett, et al., 2014).

There are measures that can be taken to ensure the credibility and trustworthiness of case study research (Baxter & Jack, 2008; Yin, 2012; Hyett, et al., 2014). Measures taken for this particular study included:

- providing a clear description of philosophies and methodologies;
- defining the case comprehensively;
- selecting a unique case; and
- triangulating data sources.

The specific applications of the above measures are discussed in Chapter 3 of the research.

1.7.4 Data Analysis

With case study research, data collection and analysis commonly take place at the same time and the analysis can occur in a variety of forms (Baxter & Jack, 2008; Yin, 2012). However, a caveat remains that data sources should not be studied in isolation as independent parts. Rather, a holistic approach should be taken in order to allow for data and findings to converge (Baxter & Jack, 2008; Becker, et al., 2012). This was the approach taken by the researcher for this study. While data from different sources will be presented individually, analysis was done holistically to attempt to gain a complete understanding of the data.

1.8 Limitations and Scope of the Research

The scope of this research will include the evaluation of the current regulatory environment in the long term insurance industry in South Africa and how the marketing function operates within this environment. To complete the evaluation, the researcher believes that it is necessary to have an overview of all the regulations that have a direct and indirect impact on both the industry as well as the activity of marketing.

The limitations of this research lie in the time and detailed analysis that is necessary to determine the actual cost impact of these regulations, as well as the quantifiable effect that regulations have on the functioning and output of the marketing function and strategic process. The scope will thus be limited to a high level qualitative investigation.

1.9 Ethical Considerations

Due to the nature of this study, there was an inherently high possibility of bias and subjectivity. To this end, the researcher ensured to stay mindful of these biases when collecting, analysing and reporting on findings to not unduly skew the results.

Further, to maintain a high standard of ethical behaviour throughout the data collection and analysis phase of this research, the researcher took the following measures:

- Requested permission from the business CEO before questionnaires were distributed.
- Gave respondents a detailed overview of the purpose of the study.
- Requested permission from the respondents upfront to use their responses in the study.
- Made every attempt to keep the respondents' identities anonymous.

Finally, once the entire report was complete, the researcher gave the organisation an opportunity to review and approve the study.

1.10 Structure of the Thesis

- **Chapter 1 – Introduction to the Research**

The first chapter outlined the purpose of the research as well as the general structure it follows.

- **Chapter 2 – Literature Review**

The literature review will detail the various regulatory influences in the long term insurance industry in South Africa, marketing and sales activities as a whole and specific to long term insurers, and the interplay between the functions.

- **Chapter 3 – Research Methodology and Design**

An in-depth description of how the research is to be carried out and how the data is to be analysed will formulate the basis of this chapter.

- **Chapter 4 – Research Results**

This chapter will house the results of the actual research conducted.

- **Chapter 5 – Discussion of the Results and Conclusions**

The final chapter of the thesis will contain a discussion of the results and findings of the research, and the resultant conclusions.

1.11 Conclusion

Regulations in a democratic society are necessary in order to create competitive markets that operate in a manner that is fair to all (BIS, 2011). However, in certain instances, the degree of government interference in a specific industry can be viewed as counterproductive and unnecessary (Benfield, 1999). It thus needs to be determined what the purposes of regulations are and at what point they become a hindrance to competitive markets. The extent of the hindrance also needs to be gauged and solutions for how these challenges can be overcome need to be developed. Furthermore, the role of leadership in supporting and empowering employees to navigate these challenges in a constructive and valuable way needs to be understood.

The next chapter explores the existing literature on marketing strategy and the role of regulations and leadership, and highlights existing regulations in the industry. Further, it provides some international case studies for additional context.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to conduct a critical review of literature, obtained from wide-ranging research, in the fields of marketing strategy, the life insurance industry in South Africa and associated regulatory frameworks, as well as leadership literature. This is to give the reader of this research background to existing schools of thought and concepts related to the variables mentioned, as well as provide direction to the study at hand.

2.2 The role of marketing within an organisation

The definition of marketing has changed and evolved over the years, and generally means different things to different organisations in different contexts. However, the American Marketing Association (AMA) defines marketing as "an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders" (Keefe, 2004; Argawal & Kapoor, 2014; Dibb, Simões & Wensley, 2014).

This definition opens up the ongoing debate between two schools of thought about whether marketing is an organisation function or if it is a management philosophy that should be integrated across the business in all operations. The first school of thought believes that marketing is a specialised function that needs specialist staff in order to deliver on value generating activities for the business. The second school of thought also recognises marketing as an integral part of value creation, however in order to create this value, marketing needs to be ingrained in all operational activities, and the 'siloed' specialist nature of functional departments detracts from that value creation. However, in practice, there is no separation and it is recognised that marketing activities occur both within the department, i.e. no other function performs these activities, as well across the business as a more strategic function (Tapp & Hughes, 2004; Ashill, Davies & Thompson, 2003; Dibb, et al., 2014).

Technological developments in communications, advertising and other industries also shifts the way in which the marketing function operates. It is suggested that the new role of marketing involves being a driver of technological change, while at the same time being the voice of the customer within the business (Tapp & Hughes, 2004; Dibb, et al., 2014).

From the above it is evident that the role of marketing within an organisation is extremely important, and further implies that marketing strategy is vital for organisational success (Argawal & Kapoor, 2014). For this reason marketing strategy as a construct on its own needs to be understood.

2.3 Marketing Strategy

According to Shaw (2012), an appropriate marketing strategy is an imperative for any organisation to realise success, however marketing strategy as it exists today only emerged in academic literature in the 20th century. Before the 1950s, 'marketing strategy' was mentioned in only a handful of sources, however the discussion on marketing strategy as an academic construct was almost non-existent. Research and literature around marketing strategy became more substantial from the mid-1950s.

The most notable strategies and concepts from the time were Borden's marketing mix (1957), Smith's discussion on market segmentation and product differentiation (1956), skimming and penetration strategies from Dean (1951), and the Product Life Cycle (PLC) concept from Forrester (1959) (Shaw, 2012). Although all these concepts are discussed in marketing textbooks as possible strategies, one is most widely used in the definition of marketing strategy. The concept of the marketing mix, better known as the 4Ps of product, price, promotion and place, is used as a point of departure in defining marketing strategy. Marketing strategy can be described as the use of tactical and strategic activities to influence the marketing mix in various combinations to achieve business success (Kotler, 2003; Hsu, 2011).

In addition to the marketing strategy theories described above, corporate management strategy literature, such as Andrew's SWOT Analysis (1965), Ansoff's growth strategies (1957) and Porter's generic strategies matrix (1980), have also been widely used in marketing strategy textbooks and literature over the years (Shaw, 2012). Many of these theories overlap in some way and are used together to a certain degree. In practicality, an organisation needs to assess its internal and external environments and establish what segments make up the market, decide which of these segments they can best serve (targeting), and very importantly, develop a suitable positioning that will relate to that segment (Walker & Mullins, 2011; Husáková, 2012).

2.3.1. Environmental Scanning

In order to develop any strategy within an organisation and undertake informed strategic decision making, regardless of level or function, the environment in which this process occurs needs to be understood. This is where environmental scanning comes into play, which is the process of collecting, analysing and understanding information regarding external forces to the business. This is done to understand the impact these forces currently have on the organisation and how they might change in the future. Furthermore, in the ever changing environment in which organisations operate today, it is a survival necessity to anticipate any changes and external forces that may impact the business in the future (Aldehayyat, 2015; Newton, 2015; Haase & Franco, 2011).

A business tool commonly used to gain an understanding of the external environment is a PESTLE Analysis. This analysis looks at factors affecting the Political, Economic, Social, Technological, Legal and Environmental contexts in which the organisation operates or intends to do business in. The type of organisation and geographical locations in which the business operates will determine which of the contexts have a bigger impact on the organisation. Each context will have a variety of considerations that the organisation needs to take into account (Newton, 2015), i.e.:

- Political context – the business needs to assess government stability, corruption statistics, bureaucracy levels, changing regulations and more, to determine whether they can operate in that particular political environment.
- Economic context – the current, historic and predicted levels of production, inflation, interest rates, market spending power, exchange rates and other economic factors need to be assessed.
- Social context – this context includes aspects such as unemployment, levels of education, demographics, cultures and beliefs, amongst others. This context plays a large role in informing the market segments available to the organisation.

- Technological context – the organisation needs to understand the rate of technological change, the current level of technological sophistication, research and development costs, and intellectual property laws of any market they want to target or enter.
- Legal context – the business needs to assess current legislation as well as future intended changes or additions to legislation in not only the country in which they originate, but also in countries in which they intend to do business or partner with.
- Environmental context – factors to consider in this context include weather patterns, environmental laws, energy availability and cost, and available infrastructure, amongst others.

The above analysis is an iterative process and should be conducted by cross functional teams in the organisation. The process of conducting this analysis will differ amongst organisations, however the intended purpose is more informed strategic decision making (Newton, 2015). Once the organisation understands its external environment, it can then proceed to understanding what market segments are available to them (Walker & Mullins, 2011).

2.3.2. Market Segmentation

When developing the marketing strategy, identifying the potential customer bases accessible in the market is vital for organisational success. The process of identifying these pockets of customers requires an open mind and knowledge that not all customers are the same in terms of needs, wants and buying power (Walker & Mullins, 2011).

According to Walker and Mullins (2011), the most important parts of segmentation are: (i) identifying pockets of customers that share similar characteristics, i.e. homogenous segments; (ii) defining specific criteria that identify each segment; and (iii) evaluating the size of each segment and their potential for growth. Markets can be segmented according to various criteria, including demographic, geographic, behavioural and lifestyle, amongst others. According to Berndt, Grove and Jooste (2006) and Jooste, Strydom, Berndt and du Plessis (2009), for the segment to be of value to the organisation it must be:

- quantifiable – the organisation must be able to measure the size and potential profit offered by the segment;
- sizeable – the segment must be big enough to ensure profitability and justify investment;
- reachable – the organisation must have relatively easy access to the market or be able to find cost effective ways of reaching them;
- actionable – the organisation must be able to cater to the needs of the different segments, using different strategies or products; and
- distinguishable – the differences between the markets must be clearly identifiable and heterogeneous.

This researcher suggests that with the intensification of globalisation, marketers and organisations have access to a multitude of different segments of customers all with different needs. At the same time, these customers also have access to a variety of different products and services they can choose from. It can therefore be argued that no product or service can be manufactured or offered without considering the needs of the customer segment. This makes segmentation a crucial part of

market research, which informs strategic decision making in organising the marketing mix (Kim & Lee, 2011). Once an organisation has identified all available customer segments, a decision as to which segments to target needs to be made (Walker & Mullins, 2011).

2.3.3. Targeting

Once the organisation knows what customer segments make up the market, they need to prioritise which segments they can profitably serve while satisfying customer needs (Cleveland, Papadopoulos & Laroche, 2011). This decision is based on market attractiveness factors such as size, accessibility and potential profitability, as well as organisational capabilities, resources and objectives. The organisation also needs to consider the competitive landscape within the segments and other macro-economic conditions (Berndt, et al., 2006; Walker & Mullins, 2011).

Additionally, it is suggested that the organisation needs to decide on the approach to targeting based on the opportunity presented by the market. An undifferentiated or mass market approach involves the organisation targeting all or the majority of segments identified with a single offering. On the other end of the spectrum, the organisation can choose a single or niche group of segments and offer them a specialised product or service. Lastly, the organisation can target many differentiated segments and offer them each a product or service that meets their needs. This approach is relatively costly, but if economies of scale are achievable and organisational efficiencies are in place, then this can be a profitable approach (Berndt, et al., 2006; Walker & Mullins, 2011). When choosing target markets and aligning strategic objectives and resource allocations, the organisation can plot themselves on a competitive positioning/market attractiveness matrix to determine what course of action to take (see Figure 2).

Market attractiveness criteria could include, but are not limited to, factors such as customer satisfaction in the market. In other words, are customers' needs currently being met? The researcher suggests that another factor to consider is size and the rate of potential growth of the segment. If the size and growth are low then the market would not be attractive. Attractiveness of the market also depends on the macro economic trends and forces present in the market. If these are not favourable then it will be difficult for business to prosper (Walker & Mullins, 2011; Jooste, et al., 2009). Walker and Mullins (2011) and Jooste et al. (2009) further stated that competitive positioning criteria include factors such as the organisation's ability to create and sustain a competitive advantage. This also entails the internal resources, skills and capabilities of the organisation, as well as the industry's health.

Figure 2: Competitive position/market attractiveness matrix

		Competitive Position		
		Weak	Moderate	Strong
Market Attractiveness	High	Build Selectively: <ul style="list-style-type: none"> Specialise around limited strengths Find ways to overcome weaknesses Withdraw if sustainable growth lacks 	Desirable Potential Target Invest to build: <ul style="list-style-type: none"> Challenge for leadership Build on strengths Reinforce vulnerabilities 	Desirable Potential Target Protect position: <ul style="list-style-type: none"> Heavy investment in growth Protect and maintain strengths
	Moderate	Limited expansion/harvest: <ul style="list-style-type: none"> Low risk expansion, or Minimise investment and create efficiencies 	Manage for earnings: <ul style="list-style-type: none"> Protect and maintain strengths Invest for growth in low risk areas 	Desirable Potential Target Build selectively: <ul style="list-style-type: none"> Increase productivity for higher profits Improve/build capability to counter competition
	Low	Divest: <ul style="list-style-type: none"> Sell as early as possible to maximise cash return Stop investment and reduce overheads 	Manage for earnings: <ul style="list-style-type: none"> Protect position Reduce investment 	Protect and refocus: <ul style="list-style-type: none"> Protect and maintain strengths Maximise earnings without depleting the market and accelerating decline

(Adapted from Walker & Mullins, 2011, pp149)

Figure 2 demonstrates that organisations should focus on market segments that present both high market attractiveness and where the organisation has a strong competitive position. This does not say that organisations should completely ignore markets in the middle section of the matrix, however organisations should align this with their objectives and strengths (Walker & Mullins, 2011). The selection of target market segments is followed by strategic positioning of the organisations products, services or brand as a whole to each of these markets.

2.3.4. Positioning

The concept of brand positioning has been, and still is, widely used in the marketing fraternity, and it is recognised that choosing a positioning strategy is an extremely important business decision (Walker & Mullins, 2011; Urde & Koch, 2014; Jalkala & Keränen, 2014).

Positioning, in terms of brands and marketing, was popularised by Al Ries and Jack Trout in the 1970s with their book, *Positioning: The Battle for Your Mind*, in which they debated that in the cluttered world of brand communication, positioning is needed to make an organisation’s offering be perceived as different and even superior to similar brands (Walker & Mullins, 2011; Urde & Koch, 2014). Over the years, many perspectives on what positioning is have emerged, and there are many schools of thought on which positioning strategies to use (Urde & Koch, 2014). In an attempt to reduce complexity and give direction to the positioning discussion in this section, a similar thought process with regards to positioning was adopted to that discussed by Urde and Koch (2014). To this end, positioning is viewed as a strategic choice that the organisation makes to affect certain outcomes in the minds of customers in the market (Urde & Koch, 2014).

Research suggests that human beings are acutely aware of, and relate to, individual characteristics that make them unique when compared to others. This suggests that positioning a brand or an organisation's products or services needs to leverage this observation. If an organisation can relate to, or at least be perceived to relate to, these unique characteristics identifiable within their target segments, then they will be more successful in gaining customers (Meyers & Morgan, 2013).

This brings the discussion back to segmentation; this researcher suggests that proper segmentation will enhance the organisation's ability to successfully position itself within those segments. Furthermore, positioning then also becomes a strategy of identifying and allocating resources and elements of the marketing mix to the proposed target segments (Hassan & Craft, 2012).

2.3.5. Marketing Mix

The marketing mix framework has been a generally accepted and adopted model in the marketing discipline for over 50 years and was popularised as a practical business tool by Borden (1964) (Chikweche & Fletcher, 2012; Riaz & Tanveer, 2012).

This framework is positioned as an instrument of strategy that can be used to communicate and influence customers. The framework, more commonly known as the '4 P's of Marketing', deals with the product or service, the price, place (distribution/accessibility) and promotion of that product or service (Chikweche & Fletcher, 2012; Riaz & Tanveer, 2012). This framework has been challenged due to its inability to take into account the fact the customers are not passive beings that blindly follow or act on the whims of organisations. Furthermore, Kotler was not satisfied that the four elements sufficiently cater for service offerings. He therefore extended the framework to include people (staff who interact with customers), processes (involved with delivering the service), and physical evidence (the place where the service is delivered). This extended version is referred to the '7 P's'. Despite the criticism, the frameworks have been widely trusted and used as a conceptual model by marketers (Chikweche & Fletcher, 2012).

An organisation's ability to effectively deploy the marketing mix will play a vital role in its financial and market success, however this capability depends on the extent of the organisation's market knowledge. Organisations that make better use of their market knowledge in relation to how strategies are developed and executed will be more successful and in a better position to further develop their capabilities (O'Cass & Heirati, 2015; Ngo & O'Cass, 2012). An organisation's capability in terms of marketing mix is defined by the creation of associations between the organisation and its products in the minds of customers. This suggests that organisations need to be intrinsically market orientated in order to have a superior marketing mix capability (O'Cass & Heirati, 2015).

In the researcher's opinion, the elements discussed thus far cover mostly the technical aspects of marketing strategy, with positioning being a slight exception. Positioning of the marketing mix within the customers' minds touches on perceptions and feelings to some degree, as discussed above. The researcher believes that another important aspect to consider when developing a marketing strategy is customer trust towards the brand or company.

2.4 Role of Trust in Marketing

Organisations develop and implement marketing strategies in an attempt to build strong brands that consumers trust (Keller, 2008). The main reason for building a strong brand in economies today is for competitive advantage; there are so many competing products and services that consumers find it difficult to differentiate and choose between them, thus an organisation's strength lies in its brand (Keller, 2008; Kabadayi & Alan, 2012).

In addition to competitive advantage, strong brands deliver economic and financial value to organisations that have a direct impact on the organisation's health and performance (Salinas, 2009; Roberts-Lombard, Strachan & du Plessis, 2013). The question of how strong brands are built then arises. Strong brands that deliver good equity are built through brand loyalty (Keller, 2008; Kabadayi & Alan, 2012), which is achieved through trust. Customers need to develop trust for brands before they become loyal. The relationship between customers and organisations can be likened to any relationship between two people (Kabadayi & Alan, 2012; Hanzaee & Norouzi, 2012); trust is developed over time and if there is no trust, then the relationship never develops or is destroyed (Roberts-Lombard, et al., 2013).

For these reasons, it is important to understand the concept of trust. Trust can be defined as "the willingness of a party to be vulnerable to or dependent on the actions of another party in situations of risk" (Roberts-Lombard, et al., 2013), or "a willingness to rely on an exchange partner in whom one has confidence" (Hanzaee & Norouzi, 2012). From these definitions it is clear that trust involves some sort of exchange between two parties, in other words, a relationship (Hanzaee & Norouzi, 2012). Hanzaee and Norouzi (2012) further divided trust into two parts; the first is cognitive trust, which represents a customer's confidence in the organisation's technical ability or competence, while the second is affective trust, which refers to the assurance the customer places in the organisation based on their beliefs of the level of security the organisation gives to the customer. In other words, their belief in how much the organisation really cares for them. Cognitive trust is a basis for affective trust, so organisations need to ensure that they develop and improve customers' levels of cognitive trust to gain overall trust (Hanzaee & Norouzi, 2012).

This role of trust is particularly important in a life insurance organisation, because these organisations are dealing with the financial matters of the customer, whose objective is to take care of their loved ones when they no longer can (Roberts-Lombard, et al., 2013). The role of trust, specifically within a life insurance business, will be briefly discussed further in the next section. Now that a basis of understanding of marketing strategy has been formulated, it is necessary to review marketing strategy in relation to long term insurance for the purpose of this study.

2.5 Marketing Strategy in the Life Insurance Industry

Globally the life insurance industry is shifting rapidly; customers have unlimited access to information and have more understanding and awareness of the need for insurance. Customers can also easily compare organisations and their offerings, which makes their decisions more informed. In South Africa, the dilemma is that a portion of the market has access to this information, however the majority of the market are low income households with little to no education. This means that South African life insurers still need to find ways to not only educate the majority on the importance of life

insurance, but more importantly develop products that are affordable yet valuable for this market (Pellissier & Kruger, 2011).

Furthermore, the volatility of the life insurance industry in South Africa has been taxing on existing and new organisations over the last few years. This volatility stems from two main areas. The first is the aforementioned globalisation and the need for local organisations to remain competitive in the global landscape. Secondly, and arguably the most significant, is the regulatory environment placing increasing restrictions and demands on life insurers (Pellissier & Kruger, 2011). The regulatory pressure on the financial services sector, including long term insurance, in South Africa and globally, was triggered by the financial crisis experienced in 2008. The unscrupulous lending activities and unethical and sometimes outright criminal practices in insurance and the like was brought to light during the financial crisis, and the realisation of the lack of effective regulation set governments and regulatory bodies across the world into action (Grosse, 2012; Bennett, 2014; KPMG, 2014b).

Unsavory practices, a lack of customer communication and interaction, and negative past experiences has led to a lack of trust between customers and insurance organisations (Damtew & Pagidimarri, 2013; EY, 2014b). This leads to serious consequences, because the nature of life insurance business makes trust an imperative in the relationship with customers (Roberts-Lombard, et al., 2013), as discussed in section 2.4 above. Prior to the motivation of wanting to secure their family's future, a customer first needs to recognise the individual need for life insurance. To this end, a study by Brighetti, Lucarelli and Marinelli (2014) found that contrary to conventional thought, emotion does play a role in the life insurance buying decision. This is because from a customer perspective, the insured event (death, illness, disability etc.) is not necessarily viewed as a risk, but rather as an ambiguity. Ambiguity suggests that there are no data or facts that can be used to make rational decisions, hence customers rely more on emotion to make this decision. The nature of life insurance is a long term relationship with the customer and the benefit of having the product is only realised at a future uncertain date. This highlights that trust in the insurer is immensely important in the buying decision, and more importantly, future loyalty towards the organisation or brand. In addition, the organisation benefits from keeping current customers on the books for longer, because profits on a single policy are only realised after a number of years. This makes gaining new customers more costly for the business (Damtew & Pagidimarri, 2013).

The researcher proposes that life insurance organisations need to take into account this role of trust and emotion when developing marketing strategies. The approach to marketing is an important decision and should always have the customer relationship in mind. This suggests that a better approach would be relationship marketing. This type of marketing places importance on the foundation, preservation and enhancement of customer relationships with the organisation, and further facilitates trust and loyalty which, as mentioned, is beneficial for both the customer and the organisation (Yu & Tung, 2013; Roberts-Lombard, et al., 2013; Fazli & Astaneh, 2013).

As discussed, regulations are having a significant impact on the life insurance industry, but before it can be established what, if any, impact they have on the development of marketing strategies, the role regulation plays in an economy will be explored.

2.6 The Role of Regulation in the Economy

There are varied perspectives in the field of study related to the economics of regulation. On one end of the spectrum is normative theory, which focuses on market flaws and how to develop and introduce optimal regulations to correct these flaws. Positive theory emerges on the opposite end of the spectrum, and recognises that regulations manage intricate relationships between various stakeholders within an economy, and could act as a positive framework within which these stakeholders can interact (Joskow & Rose, 1989; Rose, 2014).

A more practical application on understanding the roles that government and regulations play within an economy states that regulations support growth by enabling and coordinating competitive markets (BIS, 2011). However, excessive regulation can also lead to contradictory economic outcomes by increasing compliance costs and thus effecting competitiveness, as well as creating barriers to entry in some industries (Swedish Agency for Growth Policy Analysis, 2010). Stöhr (2015) cited Churchill, who stated about the risk of over-regulation that, “If you make ten thousand regulations you destroy all respect for the law”.

Specifically looking at the insurance industry globally, the rationale for introducing regulation stems from the industry’s history and is an attempt to reduce the ability to mis-sell and misrepresent product benefits to customers and to reduce the possibility of insurers not being able to honour claims made by customers (Castagnolo & Ferro, 2013). The debate around how these industries regulate themselves becomes relevant. Self-regulation is a framework where industry counterparts come together to form boards to regulate the industry without government intervention and formal regulations. The motivation for this type of regulation is that it may seem more flexible and the vast experience of the board members enable more relevant decision making. However, self-regulation generally only occurs as a reactive response to negative occurrences within the market. Furthermore, these self-regulated boards have no clear legal mandates and often lack the necessary transparency (Stöhr, 2015). These concerns raise the question of whether markets truly have the discipline to regulate themselves in an ethical and customer centric manner (Castagnolo & Ferro, 2013). At the other end of the continuum are state-regulated industries or economies. In the free market system, state regulation may be perceived as restrictive and controlling and creates the risk of more resistance from organisations and industry participants. It is therefore suggested that future industry momentum and success calls for co-regulation. Co-regulation retains elements of self-regulation, but uses supervisory state bodies to guide and consult with businesses to arrive at outcomes that are beneficial to all industry stakeholders, including the protection of customers (Stöhr, 2015).

To provide a consolidated view of all the regulations affecting the insurance industry in South Africa, this review will first briefly discuss specific marketing regulations applicable to all industries in South Africa, and then focus will be given to financial and life insurance industry specific laws, in force and pending.

2.7 Overview of the South African Regulatory Environment

This section briefly discusses the South African regulatory environment in the life insurance industry in order to create a shared understanding of the level of compliance required in the insurance industry. It is important to note that the discussion is not comprehensive in terms of all South African regulations, but rather specific to marketing, financial services and life insurance.

2.7.1. Omni-industry Marketing Regulatory Environment

All businesses in South Africa are regulated by various pieces of legislation and regulatory bodies that drive consumer protection and uphold the integrity of advertising within the country. The most notable will be highlighted.

- **The Advertising Standards Authority of South Africa (ASASA)**

The ASASA is an independent regulatory body in the Marketing and Communication Industry, which aims to uphold the integrity of the industry by ensuring that advertising is “honest, decent and can be trusted”. ASASA is informed by the Code of Advertising Practice, which is based on similar codes developed by the International Chamber of Commerce (ASASA, 2015). This includes the Direct Marketing Association of South Africa (DMSA), which deals specifically with direct marketing and interactive technologies (DMSA, 2015).

- **Consumer Protection Act (CPA)**

The South African National Consumer Protection Act (Act 68 of 2009) deals with the rights of the consumer and the responsibilities of suppliers of goods or services. This Act deals with a variety of topics in relation to the protection of consumers, including, but not limited to, direct marketing practices, terms of contracts, warranties, product labelling and information disclosure (SAICA, 2008).

- **Protection of Personal Information Act (POPI)**

The extensive technological progression of the information and communication realms over the last few decades has resulted in information gaining economic and strategic significance (PWC, 2011). Privacy concerns with resultant legislation originated when technology and information were used in combination with each other, with the first regulations being ratified as early as the 1970s (Bruyn, 2014). The Protection of Personal Information Act (Act 4 of 2013) was formed with close consultation of the Privacy Laws in the European Union (EU), with the aim of allowing the free flow of information between SA and the EU. POPI deals with the “collection, receipt, recording, organization, collation, storage, updating or modification retrieval, alteration, consultation, use, dissemination, distribution, merging, linking, blocking, degradation, erasure or destruction of ‘personal information’, which denotes identifiable information that relates to living natural persons or existing juristic persons” (Protection of Personal Information Act, 2013).

2.7.2. Financial Services Regulatory Environment

The Financial Services Board (FSB) in South Africa was established in 1989 as an independent body to administer and regulate the non-banking Financial Services Industry. The aim of the FSB is to “promote and maintain a sound financial investment environment”. As an independent body, the FSB does not have to consult with government when writing or issuing legislation (FSB, 2015a). The most relevant regulations for the purposes of this study will be briefly discussed below.

- **FAIS and FICA**

The Financial Advisory and Intermediary Services Act (37 of 2002) (FAIS) and the Financial Intelligence Centre Act (38 of 2001) (FICA) are not new pieces of legislation, and the effects of these Acts on the insurance industry have been researched extensively. They are, however,

briefly discussed here for the purposes of this study as they are still relevant to achieve the research objectives.

The main purpose of FAIS is to regulate the sale of financial products in order to protect customers. Regulations within this Act stipulate the extent of advice that can be given to customers by sales people, the qualifications these sales people need in order to offer advice, and the type and detail of information that needs to be given to customers about the financial products (FSB, 2015b). FICA was introduced in 2003 in order to curtail criminal financial activities such as money laundering, tax evasion and the funding of terrorist activities (The Banking Association South Africa, 2015).

- **Treating Customers Fairly (TCF)**

Treating Customers Fairly is a regulatory framework aimed at instilling a culture of customer centric approaches throughout the value chain of the business (The Banking Association South Africa, 2015). It stipulates specific outcomes that financial organisations have to achieve throughout the complete product lifecycle, from design through to sales, communications, servicing and claims. There are six outcomes which firms need to meet to prove compliance, as per the FSB website (FSB, 2015a). Although the implementation of TCF will incur business costs, it is a positive step for consumer protection that looks to instil fairness and a consumer mindset within all financial organisations (Naidoo, 2015).

- **Retail Distribution Review**

In line with the TCF objectives, the FSB has undertaken a Retail Distribution Review (RDR) in the South African financial services industry. The RDR will change the way in which insurance and other financial services products are distributed to consumers, as well as the commission structures of financial advisors selling these products. The aim of the RDR is to ensure that consumers understand what they are buying and that they can access these products in a fair manner (KPMG, 2015).

- **The Association for Savings and Investment South Africa (ASISA)**

ASISA is a membership organisation that represents the majority of South African Savings, Investments and Life Insurance companies. ASISA aims to create sustainability and growth in these industries by building relationships with various stakeholders such as the government, and ensures that industry representatives are present when regulatory and other discussions are taking place. Although not a regulatory body itself, by choosing to be a member, companies are undertaking to run their businesses according to the values of the ASISA fraternity (ASISA, 2015).

2.7.3. Life Insurance Industry Regulatory Environment

The life insurance industry in South Africa is closely regulated by the Financial Services Board (FSB). The role of the FSB within insurance is to ensure the stability of the industry as well as protect policy holder interests. To do this the FSB monitors compliance to the Long Term Insurance Act, and provides directives to companies with the view of enforcing strict corporate governance policies and processes (FSB, 2015c).

- Long Term Insurance Act

The Long Term Insurance Act, 1998 (Act No. 52 of 1998) regulates all aspects of running a long term insurance company. The Act covers the registration of long term insurers, how these businesses are operated and administered, provisions for certain appointments, auditing requirements and premium collections, to name a few (Long Term Insurance Act, 1998). Furthermore, the FSB issues information letters with the purpose of providing more detail around certain sections of the Act. Of interest to this study is a draft information letter that was issued in 2013, which relates to advertisements, brochures and other marketing materials. This letter discusses issues such as factual correctness and misrepresentation in advertisements and communication, white labelling, comparative advertising and endorsement advertising (FSB, 2013).

Another section of particular interest to marketers is section 45 of the Act. This section deals with inducement, and states that “no person shall provide, or offer to provide, directly or indirectly, any valuable consideration as an inducement to a person to enter into, continue, vary or cancel a long-term policy” (Long Term Insurance Act, 1998). In terms of marketing strategy, this severely limits, if not entirely eliminates, the possibility of running consumer competitions that are aimed at lead or sales generation. Competitions are used in marketing and branding strategies because they are an effective tool to engage, excite and involve consumers with the brand or product (Pickering, 2011; Rampton, 2015).

- Solvency Assessment and Management (SAM)

SAM is a framework that was introduced by the FSB in 2010 that has a significant impact on how insurance businesses manage solvency and risk within their businesses. SAM is based on Solvency II, which is the regulating policy for insurers in the European Union. The implementation of this regulation is divided into three pillars. The first pillar deals with asset valuation and capital calculations; the second pillar looks at risk management, governance and group supervision in more detail; and the third pillar, when introduced, will involve the introduction of the Insurance Laws Amendment Bill (ILAB), which will seek to align the current Long and Short Term Insurance Acts with the SAM framework (Accountancy SA, 2014).

2.7.4. King IV Report on Corporate Governance

The purpose of corporate governance is to create business sustainability and shareholder value, using good corporate citizenship practices and complying with all relevant regulations. This is achieved using cross-functional processes and guidelines within the organisation that align and monitor these objectives (Zuckweiler, Rosacker, Hayes, 2016). The current corporate governance regulating structure in South Africa is referred as King III. Although not legally binding, it is the premier code that all organisations, and specifically Johannesburg Stock Exchange (JSE) listed companies, adhere to (Kleitman, 2016). On the horizon is the revision of King III, namely King IV. The main differences that King IV introduces are, firstly, a principled outcomes-based approach rather than a rules-based one, and secondly, a focus on ethical leadership and corporate culture aspects, amongst other things (Deloitte, 2016b).

This description of the South African regulatory environment provided a high level understanding of the level of compliance needed, thus the role of leadership in navigating and supporting employees in this environment will now be focused upon.

2.8 Review of Leadership Literature

The concept of leadership, as a theory and practice, has been explored for many decades by academics, organisations and society in general (Meyer & Boninelli, 2007; Stout-Rostron, 2014). The sheer volume of theories and approaches have seemingly resulted in a lack of clarity about the 'leadership' concept, and has made defining leadership complex (Stout-Rostron, 2014; Iwowo, 2015). Veldsman (2014) defined leadership as a series of acts, within a given context, intended to persuade or influence a set of people with the purpose of attaining a certain outcome with joint action. This alludes to the fact that leaders need a certain set of skills or behavioural characteristics in order to lead people. There are many aspects to the study of leadership, of which the researcher has selected a few, which will be discussed further in order to understand the influence of leadership in dealing with the challenges associated with a highly regulated environment.

2.8.1. Types of Leadership

The literature on, and study of, leadership has generally tried to define what makes a good leader (Ungerer, Herholdt & le Roux, 2013). Theories have included the Great Man theory, as well as trait-based approaches, skills-based approaches, behavioural models, situational theories, transactional versus transformational leadership, servant leadership, and more recently shared/participatory leadership models. The latter approaches are more-value based rather than trait-based (Meyer & Boninelli, 2007; Ngambi, 2011; Ungerer, et al., 2013; Stout-Rostron, 2014; Iwowo, 2015; van Rensburg, 2016). Magadlela (2016, p30) stated that all leaders tend towards a preferred or natural style, however "great leaders know which style of leadership to use, and when to use it". The researcher has selected a few types of leadership to discuss in more detail.

- **Transactional vs. Transformational Leadership**
The naming convention, 'Transactional leader', aptly summarises this approach to leadership. These leaders view a relationship as a transaction and reward followers in return for their efforts. Interactions are thus always viewed as an exchange of some sort (van Rensburg, 2016). In contrast, transformational leadership seeks to gain commitment from followers through connection and alignment with core values and beliefs. The transformational leader will look to inspire others in the way they conduct themselves and communicate with followers (Voon, Lo, Ngui & Ayob, 2011; van Rensburg, 2016).
- **Visionary Leadership**
This leader gives clear direction with a bold vision and mobilises people to work with them towards the vision. This type of leadership can be extremely positive for an organisation during times of change (Goleman, 2000; Magadlela, 2016).
- **Affiliative Leadership**
This type of leader connects with people on an emotional level and seeks to connect people to each other to create a strong team bond. It is rooted in people and places strong emphasis on empathy towards others (Goleman, 2000; Magadlela, 2016).

- **Democratic Leadership**
As the name suggests, a democratic leader seeks consensus and team participation in decision making. Collaboration is the driver for the team and everyone's input is deemed valuable. Although an extremely positive leadership type, it is not always appropriate in highly chaotic environments when quick action and decisions are needed (Goleman, 2000; Magadlela, 2016).
- **Coaching Leadership**
Here the individual's goals are connected to the greater organisation's goals, and there is a direct influence on performance through continual coaching. The leader suggests new or alternative ways of performing tasks in a continuous learning environment (Goleman, 2000; Magadlela, 2016).
- **Pacesetting Leadership**
This type of leadership is prevalent in high performing cultures; the leader sets the standards and pace and the team needs to achieve these standards. Emphasis is placed on output and doing what is expected. This type of leadership becomes negative as people are continuously trying to perform according to someone else's standards (Goleman, 2000; Magadlela, 2016).
- **Commanding Leadership**
Commanding leadership is extremely negative if it is the prevalent leadership type. Here the leader explicitly tells people what to do and how to do it. This can be used for the greater good of the company in times of crisis, but should not be used after the crisis has been dealt with (Goleman, 2000; Magadlela, 2016).
- **Servant Leadership**
This type of leadership has emerged in literature in recent years and can be described as leading from within. The servant leader builds strong foundations by listening to others and humbly working towards the greater good of their followers. They have a true need to serve rather than to gain or use power (Ngambi, 2011; van Rensburg, 2016).

It has been argued that the leadership theories and models developed over the years lack true empirical results that definitely prove the success of one theory or model over another. Historically, focus was placed on what makes good or more effective leaders, however there is a lack of abundant literature and study into the essence of toxic leadership. This is concerning because in the current global environment there is increasing evidence of toxic leadership becoming more prevalent, as well as tenures of leaders becoming shorter (Allio, 2012). From an African perspective, the notion of leadership is further convoluted because the theories and applications are underpinned by Western and Euro-centric concepts and contexts. This has been argued to be one of the biggest influencers in the lack of effective African leadership (Ngambi, 2011; Iwowo, 2015).

However, a point of clarity can be reached in that leadership is the mechanism that drives organisations and nations forward, keeping them focussed and ensuring that goals are met in a given context. Further, leadership is developed and emerges over time; it cannot be labelled after any one

specific event, in other words it is indefinable (Ngambi, 2011; Allio, 2012). This journey of leadership development has an observable effect on employees with regards to involvement and engagement (Timming & Johnstone, 2015).

2.8.2. Employee Voice vs. Silence

The study of employee involvement in organisational decision making began emerging in literature as early as the 1930s (Timming & Johnstone, 2015). In recent years the constructs have been developed and employee 'voice' is now referred to as a means to describe employee willingness to speak up in the organisation. It is believed that employee voice has a direct positive impact on an organisation's performance and employee motivation (Schlosser & Zolin, 2012; Timming & Johnstone, 2015).

In addition to voice, 'employee silence' has also begun emerging in studies. Silence can be defined as the reluctance or unwillingness to express opinions or knowledge related to organisational performance. This can have detrimental effects on the business on all levels (Schlosser & Zolin, 2012). Often mistakenly viewed as the opposite end of the voice continuum, silence is in fact a construct on its own. The decision to not voice opinions is not necessarily a decision to remain silent; it can be argued that the motivation to use one's voice or not can be the same, but the differentiating factor lies in intent. For example, the employee can be motivated by self-preservation in their decision to speak up or remain silent; however the active intent to remain silent results in the phenomenological construct of employee silence (Brinsfield, 2012). Yet it has been suggested that silence is not always a conscious decision; it could be symptomatic of severe disengagement and psychological and emotional withdrawal. This is dangerous territory for any business because the general prevalence of silence amongst employees will alter the culture of the entire organisation to that of silence, leading to ineffective decision making and poor performance (Timming & Johnstone, 2015).

Brinsfield (2012) identified six types of silence. Deviant silence is the intentional failure to provide superiors or colleagues with vital information. Relational silence stems from the inherent need or motivation to protect a relationship with another person. Defensive or quiescent silence deals with deliberate silence due to the fear of consequences of using voice. When a lack of self-confidence is the reason behind silence, it is referred to as diffident silence. This inwardly focussed insecurity inhibits people from voicing their opinions. Ineffectual or acquiescence silence results from the belief, or resignation, that voicing concerns or opinions will not be heard and no change will occur and thus the effort is not worth the trouble. Lastly, silence stems from genuine disengagement with the job and organisation. Studies have shown that the most commonly cited reason for silence is fear of retribution and negative consequences as a result of using voice. This can be related to organisational culture and superiors' attitudes toward voice and silence. Top management and supervisors' attitudes and behaviours in relation to silence are a major influencing factor for employee commitment to the organisation, as well as job satisfaction.

This is important for organisations to take note of, because in times of increased pressure it is often reported that superiors 'shut down' and become deaf to the voices of their employees, starting or even perpetuating the cycle of silence (Schlosser & Zolin, 2012). This is essential to understand in the complex contexts of highly regulated environments.

2.8.3. The Role of Leadership in a Highly Regulated Environment

In general, it can be summarised that the role of a leader is to create a culture that facilitates the uniting of people around a common or shared vision and goal. The leader acts as an inspiration and visionary to assist people in finding meaning and thus value in the work that they do (Allio, 2012).

The researcher believes that achieving the above is challenging at the best of times, however this is even more true in a highly regulated environment. The financial services industry, and more specifically the insurance industry, has been barraged with new regulations over the past five or more years. This is impacting more than just the economy; it is changing the way businesses operate (Moreno, 2014). The pace and level of uncertainty with regards to how and when the regulatory environment will change adds to the complexity for leaders. There is a continuous challenge for leaders to adapt to change in the face of balancing entrepreneurial and innovative business practices with compliance requirements and processes. Thus the role of leadership in a highly regulated environment such as this entails, first and foremost, having an undeniably clear vision and directive in terms of how decision making should be made. In other words, providing the 'rules of the game' and not necessarily taking on the role of sole decision maker (Blessing White, 2015).

Leading in this complex environment means that organisational leaders need to be aware of and understand that the decisions and actions they take in the present have an effect on the industry as a whole. Leaders also need to be open to engaging with various stakeholders, both internally and externally, including the regulators, on business matters in a collaborative approach. They also need to get comfortable enough with change and complexity, both to be able to adapt and to cascade change resilience as a skill throughout the business (Berman & Korsten, 2014; Blessing White, 2015).

If leaders do not adapt and do become overwhelmed and revert to negative behaviours as a result of pressure, it will have a toxic effect on the employees and ultimately the organisation's sustainability (Schlosser & Zolin, 2012).

2.8.4. Global Leadership Trends

It is important to discuss global trends pertaining to leadership because it is a manifestation of the systemic nature of the interconnected economies and people across the globe (Palaima & Skaržauskien, 2010; Magdlela, 2016). Five global trends have been identified and will be discussed in more detail.

- **Embracing Cultural Diversity**

Acknowledging and understanding cultural diversity is not a new business phenomenon. It has been discussed and studied for many years, specifically in the African and South African contexts, given our history. However, the understanding needs to reach a deeper level to that of actual embracement and true acceptance of cultural diversity across the globe, so that people and communities can connect and work towards a greater good despite their differences (Goldsmith, Greenberg, Robertson & Hu-Chan, 2003).

- **Women in Leadership**
The number of women in executive positions is growing and there is a general feeling that organisations and countries need more feminine qualities such as organisation, loyalty and compassion, amongst others. Yet there are still barriers, such as gender roles and bias, that need to be overcome in many countries for women to be accurately represented in terms of leadership (Global Thinkers Forum, 2014).
- **Proliferation of Technology**
Once again, this is a trend that has been included in reports for many years, if not decades. The world is aware of the massive opportunities that advancing technology offers all industries and aspects of life (Goldsmith, et al., 2003). Leaders now need to be acutely aware of the effect that technology has on lives (in terms of data and privacy issues), the environment and on ethical issues, such as the fact that certain technologies have societal benefits that far outweigh the financial benefits and should be made more widely available (Bennett, 2014).
- **Human Capital Development**
Organisations are redesigning themselves in terms of employee engagement structures, communication platforms, culture and leadership, amongst others, in order to meet the needs of the changing workforce (Deloitte, 2016a). Furthermore, there is a trend for organisations to develop the human capital in communities around them in order to uplift and up-skill them for economic opportunity creation (Sutton & Jenkins, 2007).
- **Authenticity and Connectedness**
There is a general lack of connectedness and authenticity amongst global leadership, which has manifested in problematic social and economic issues. However, this being said, there is an emergence of leaders who are open and not afraid to show their vulnerabilities. They connect through their life stories and lead as a member of the community or organisation in which they find themselves. The rise of the authentic and connected leader is a trend that the world desperately needs to catch on to and embrace in order to restore humanness and the spirit of human kind (Leavy, 2015; Magdlela, 2016).

The study of the literature thus far has not included real world case studies in relation to the topic at hand. The next sections will provide international examples and overviews of insurance industries and companies in order to get a wider understanding of the current trends and best practices around the world.

2.9 Ghana

The insurance industry in Ghana has undergone a major transformation in the last decade. With the privatisation of insurance firms, the industry has become market-led instead of state-driven (Akotey, Sackey, Amoah & Manso, 2013). Furthermore, the life insurance industry in Ghana was formed when the Insurance Act 724 (2006) was passed. This Act prescribed the separation of life and non-life businesses, and was needed to align with growing international competition and standards. (Alhassan, Addisson & Asamoah, 2015).

The National Insurance Commission (NIC) is the regulatory body of the Ghanaian insurance industry, which has facilitated, through the Insurance Act (2006), the growth and efficiency of the industry as well as the entrance of foreign competition. However, the increased competition and open borders have resulted in unethical selling and marketing practices and irresponsible business practices. The Complaints and Settlements Bureau of Ghana has received an average of almost 300 complaints a year as a result of these practices (Akotey, et al., 2013). The NIC increased supervision and field visits to remedy the situation, which has had a positive impact on the industry and its future outlook (Akotey, et al., 2013; Alhassan, et al., 2015).

The well-established and healthy regulatory environment has made the industry attractive to investors and new entrants (Alhassan, et al., 2015). The growth experienced (approximately 32%) in the life insurance industry is large due to untapped markets and stability in the macro and political environments. The majority of foreign entrants are from Africa, with European players starting to take interest in the Ghanaian insurance industry. Of interest is that in an industry that is globally notorious for high customer turnover, the Ghanaian life insurance industry enjoys high retention rates, currently at around 97% (KPMG, 2014a). Further research is needed to establish the factors contributing to this.

An example of a life insurer in the above context is Enterprise Life, which is part of the Enterprise Group which is the oldest insurance company in Ghana, having been established in 1924. Enterprise Life was established in 2000 when African Life (now Sanlam) from South Africa was merged with Enterprise Life Assurance Company Limited (Enterprise Group, 2013).

Enterprise Life has had phenomenal success in the Ghanaian market and is currently the second largest life insurer in the country (Enterprise Group, 2013). This organisation has taken full advantage of the immense growth opportunity presented in the market by the change in regulations referred to above. They have worked hard to gain the trust of the country and as a result appeared on the list of top 50 most valuable brands in Ghana in 2014, one of only two insurers on the list (Graphic, 2014). It was further listed as the most trustworthy insurer on a Ghanaian lifestyle website (EnterGhana, 2015). Although not an empirically proven list it speaks to perception, which is important for any business, and trust is particularly important for an insurer as previously discussed. Another indicator of the success that Enterprise Life is experiencing, and more importantly that they are chasing success in the right way, is the fact that they featured at number eight on the list of top 10 employers to work for in Ghana (Obiorah, 2016).

Ghana was used as a case study to provide context from an African perspective of the life insurance industry. The case study to follow will provide a European context.

2.10 Ireland

The global move to eradicate anti-competitive behaviour, open up markets and protect the consumer has also affected the insurance industry in Ireland. The European Union (EU) has a three-tiered regulatory structure. The first is industrial, or sector-based; the second is a consolidated structure, where there is a single regulator for financial services; and lastly there is a holistic structure, with a single regulator that integrates the Central Reserve Bank. Ireland is one of few

European countries that operate under the holistic approach from a regulatory point of view (Brophy, 2012).

The industry was regulated by the Insurance Act of 1936, which stipulated the necessary solvency measures required to cover the liabilities needed to obtain and maintain a licence. However, in the 1980s the industry found itself in major financial trouble, and in an attempt to salvage business and regulate themselves, the industry players came together to form the Irish Insurance Federation (IIF). This representative body acted on behalf of insurers at national and international regulatory bodies and in the media, and formed a code of conduct that member companies had to adhere to. The IIF also formed the Irish Insurance Ombudsman to give customers a channel for dispute settlement. This Ombudsman was established voluntarily and was self-regulated up until the establishment of the financial services regulator and integration with the Central Bank, when the independent Financial Services Ombudsman was created (Brophy, 2012).

The industry experienced more regulatory changes at the start of the 21st century with the revision of the Insurance Act (2000), which aimed to move the industry from self-regulation to a more controlled, state-regulated environment. This is governed by the Central Bank of Ireland which oversees the financial services industry as a whole. The EU also issued numerous directives that insurers needed to comply with. One of these was Solvency I, which introduced the concept of solvency to insurers. Solvency II was subsequently rolled out which took into account other business operations such as risk management, capital requirements and governance. Furthermore, the Insurance Mediation Directive, introduced by the EU in 2002, was enforced in Ireland in 2005. This directive allows insurers to operate anywhere in the EU as long as they comply with the regulations (Brophy, 2012). This opening of markets introduced strong foreign competition, which meant that Irish insurers had to rethink their operating and sales models. The sale of insurance products had previously largely been conducted through the use of intermediaries, however this model was placed under significant strain with new entrants introducing direct channels, telephony and internet-based sales (Brophy, 2012). Additionally, banks have made a large play in the insurance and more specifically life insurance market. The bancassurance model, where the banks own and run their own insurance operations, has become a major competitive threat for traditional insurers in the Irish market (Brophy, 2013).

Yet Irish insurers have flourished in the midst of all the industry change and introduction of stringent regulations. The industry employs a large majority of the Irish nation and has premium income that constitutes 7% of GDP (Deloitte, 2015). Furthermore, more than half of the world's top 20 insurance companies operating in the EU are based in Ireland (Brophy, 2012). This industry growth is acutely evident in one Irish insurer, Irish Life, which was established in 1939 and is the country's biggest life insurer (Hancock, 2015). In 2013 Irish Life incorporated with the Great-West Lifeco group of companies in order to enhance growth and better capitalise market opportunities (Irish Life, 2015a).

From a pure observation perspective of the company information available, it would seem Irish Life's success comes from its continuous endeavour to make insurance accessible and understandable for customers. Their view is that customers are people and have real needs when it comes to life insurance. This is evident in their company website imagery, as well as some product benefits, for example they offer £6000 life cover for children as a standard benefit on their life policy (Irish Life,

2015b). Furthermore, they were awarded 'Best in the world at plain English' in 2015 by the The Plain English Campaign. In an industry notorious for complexity, this is an indication that Irish Life is truly acting in the best interests of their customers. It is evident that they have a good reputation and are trusted by customers because their growth has been exponential. In 2015 they doubled their profits and boasted a 36% market share (Hancock, 2015).

To gain insight into the insurance industry of one of the world's biggest economies, with a GDP of \$17.42 trillion, the US market will now be discussed briefly (The World Bank, 2016).

2.11 The United States

The United States (US) insurance industry is somewhat unique in terms of regulatory structures, due to the size and political structure of the country and individual states. To this end, each state has a Regulatory Commission that oversees insurers operating in that state, with little interference from the federal government (Castagnolo & Ferro, 2013; Marks, 2014). This was written into law by Congress with the McCarran-Ferguson Act of 1945 (Marks, 2014).

The federal government does, however, have some involvement. The first is in the form of capital, risk and reserve requirements, which are standardised across the states and monitored by the National Association of Insurance Commissioners (NAIC) (Castagnolo & Ferro, 2013). The National Insurance Office (NIO) was also established in 2010 with the aim of monitoring and pre-empting all state regulations to ensure that they do not contravene any international trade agreements in place. This has given rise to a debate as to whether the state regulated model is still viable. With more international regulation, such as Solvency II and the move to open up borders for insurers, it is becoming seemingly more logical to have a central regulatory body for the US (Marks, 2014). Additionally, after the 2008 financial crisis, the Dodd-Frank Financial Reform Act was passed with the aim of regulating and overseeing large financial institutions, specifically banks. This is implemented by the Federal Reserve and the Securities & Exchange Commission (SEC). This Commission is mandated to mitigate risk associated with large banks, and determine which institutions meet the requirements to become labelled systemically important financial institutions (SIFI), or 'too big to fail'. These institutions are subject to further scrutiny and stricter controls by the SEC.

The Commission has in recent years begun to shift focus to include the insurance industry as well, with some welcoming the shift and others being strongly against it. The latter's arguments go against the central regulation due to the potential risk associated with the model (Jickling & Murphy, 2010; Shlaes, 2016), however according to EY (2015), the threat of major change in the insurance regulatory environment remains low for the next year or so. The bigger threat at this point in time is the downward trend in the global economic environment (EY, 2015). The scale of insurers, and more specifically life insurers in the US, is significantly large. At the end of 2010, life insurers held approximately \$5 trillion in total assets, and were the single biggest investors in corporate bonds in the US, according to the American Council of Life Insurers (Acharya & Richardson, 2014).

This indicates that major disruption of the regulatory structure and operating models of the industry could have a significant financial impact on not only the industry, but also the entire economy (Marks, 2014). A decision such as this therefore needs serious consideration and a thorough investigation of the risks versus the benefits in order to understand how the system as a whole will

be impacted (Acharya & Richardson, 2014). An organisation performing well in this market is MetLife, which was founded in 1868 and is one of the largest life insurers globally (3BL Media, 2016). MetLife connected with its customers through the use of Snoopy the cartoon character as their mascot for over 30 years. This helped the company relate to the public and brought some warmth and lightness to the industry. The company has, however, recently decided to part ways with the character and re-brand the business in an attempt to refresh and become more relevant to the core business they conduct, as they will be focussing more on business customers and doing away with the retail arm of the business. Some believe that this could spell trouble for the company because it implies that corporate customers are less personable and more rigid (Scism, 2016; Smith, 2016).

At the same time, MetLife is fighting the FSOC decision to label the organisation as an SIFI in court (Finkle, 2016), however the company managed to weather the 2008 financial crisis without a bailout from the federal reserve and in fact was able to make money during this period (Shlaes, 2016). The outcome of the case is yet to be decided and only time will tell what the SIFI status will mean for the organisation, if confirmed.

A world view of the industry would not be complete without considering a local example. For this reason the next section will briefly discuss an established South African player.

2.12 A South African Challenger

The South African life insurance industry is dominated by a few large players that have been in the market for hundreds of years, with a few new entrants over the last decade or so that have tried to change the industry with new business models (Cronjé, 2006).

In the last four years specifically, one small new entrant has started disrupting the industry with new products, processes and a fresh new approach. BrightRock launched in 2012 (Cover, 2012) and has established itself as a flexible, innovative and customer-oriented insurer with its unique needs matched product offerings, digital capabilities and recently shortened underwriting processes (BrightRock, 2016a; Malan, 2016). It is evident from the content available on their website that BrightRock prides itself on developing products that customers actually need, and that can fit into their lives and grow and evolve with them as their needs change (BrightRock, 2016a). The company is still young and does not undertake massive amounts of advertising, however their website design speaks to the fresh, personable and simple to understand goals of the organisation. It is evident that their approach to life insurance is being noticed, with an average year-on-year growth of over 70%, far above the industry standard of around 4% (BrightRock, 2016b).

BrightRock is a leading example of an organisation in an industry that needs to adapt and change not only to consumer demand, but also in terms of regulatory pressures, in order to stay relevant and sustainable. The leading insurers need to take note and accelerate their journey to change as well.

2.13 Conclusion

This chapter discussed the role that marketing plays within an organisation, and provided an overview of the elements of marketing strategy. This was done to set the scene on developing marketing strategies in a life insurance organisation, especially in a time of intense regulatory pressure. To provide context to the regulatory environment, the role that regulation plays in the

economy was discussed. Further, to extend context, an overview of the South African regulatory environment was provided in relation to marketing, financial services and insurance. The role of leadership was also explored in relation to highly regulated environments. Global context was then given through the use of case studies from Africa, Europe and the USA.

Now that a shared understanding of the existing literature has been reached, the next chapter will discuss the research design and methodology used to gain information to answer the research questions.

CHAPTER 3: RESEARCH DESIGN & METHODOLOGY

3.1. Introduction

This chapter will discuss in detail the chosen approach for this research, as well as the design, sampling, data collection and analysis methods. Further, the measures for validity, reliability and ethical considerations will be highlighted. The ongoing debate around the use of qualitative versus quantitative methodologies has popularised the use of mixed approaches (Brannen, 2005), however the reason for selecting a pure qualitative, and more specifically, case study approach, will be discussed further.

3.2. Research Philosophy

Research philosophy is an important consideration before any study can begin, as it informs the research journey in its entirety (Da Vinci, 2016). A research philosophy is shaped by the ontological and epistemological positions of the researcher (Asghar, 2013). Further, it is important to understand the interplay between theory and research, and the influence that this relationship has on the approach taken in carrying out a research study (Johnston, 2014). The researcher's ontological epistemological positions were set out in Chapter 1 of this research paper, however a brief recap is provided next in order to give context to the discussion on the chosen research design.

The research problem, together with the researcher's ontological position, suggests that a subjective enquiry is needed in order to understand the phenomena at hand. This denotes a subjective epistemology as the researcher believes that knowledge is collaboratively created between the study subjects, the context, and the researcher. This further emphasises the importance of the context and the fact that the phenomena cannot be separated from the context when being studied (Asghar, 2013). Furthermore, the researcher realises that the impact of regulation has a far reaching impact and will differ between and within different insurance businesses in South Africa.

The relativist ontological and subjective epistemological positions informed an interpretivist paradigm, which motivated for the use of qualitative research (Yilmaz, 2013). The study is therefore qualitative and exploratory in nature.

3.3. Qualitative Research Approach

Qualitative research, also known as exploratory research, is used when more in-depth information is required in terms of finding meaning from verbal or written language. In this regard it is considered more subjective than quantitative research, however it relies on interactions with people rather than numbers to understand a given context (Taylor, Bogdan & Vault, 2016). Qualitative research is beneficial when more insights are needed in order to truly define a problem and find resolutions to the problem (Malhortra, 2007).

Qualitative researchers have found themselves in constant defence mode over the years as they have had to prove the value of this type of research to detractors (Cousin, 2013). This is due to the perceived subjectivity and non-linear and subsequently unscientific nature of qualitative research. Although these are potential pitfalls that qualitative researchers need to avoid, there is tremendous value that can be gained from qualitative research when conducted properly (Cousin, 2013; Choy,

2014). The true value of qualitative research lies in its ability to gain insight and knowledge of underlying beliefs, values and assumptions in given contexts (Gialdino, 2009; Choy, 2014).

Qualitative research also gains value from its open-ended nature and thus its ability to explore further than a single construct. This, again, is a point that fuels detractors' arguments, however as will be discussed later in this chapter, there are ways of mitigating the risks of this fluid nature (Cousin, 2013; Choy, 2014). This characteristic of qualitative research is the reason that a variety of paradigms, beliefs and philosophical positions inform the choice of this approach. This diversity of positions on being, knowledge and the relationships between them, highlight the fact that there is no single justifiable method of conducting qualitative research (Gialdino, 2009). For this reason, the researcher will further discuss her specific method of qualitative research next.

3.4. Research Design

The research design used for this study is an embedded single case study design from an intrinsic perspective. The case study is intrinsic due to the fact that the purpose is not to generate a theory from the outcomes, but rather a pure attempt to understand the research problem in the particular environment (Baxter & Jack, 2008). Intrinsic studies are also sometimes referred to as descriptive or illustrative case studies (Yin, 2012; Becker, et al., 2012).

A case study can be defined as an attempt or wish to obtain a detailed understanding of a phenomenon in a real world environment (Baxter & Jack, 2008 ; Yin, 2012). Two of the advantages of a case study methodology, which attracted the researcher to this method, are its flexibility and the high regard for context. A case study methodology gives flexibility in that it can begin with broad questions and eventually be narrowed down to a single case, and it is particularly suited to complex organisational environments (Becker, et al., 2012; Yin, 2012; Hakim, 2012). Furthermore, case studies are inherently embedded in the particular contexts of the research problem or question. This places importance on understanding the human element involved in the context (Becker, et al., 2012).

The case study methodology has given rise to some concerns over the years, and for this reason has many detractors. One concern relates to the subjectivity of the method and the lack of scientific data to prove findings. This often leads to the perception that results are inconclusive and not generalisable. Adding to the concern of not being generalisable is the fact that studies only include a small number of cases, if not a singular case (Becker, et al., 2012; Yin, 2012), yet modern case study research is attempting to address these concerns through the use of systematic processes and measures in order to allow analytical generalisations (Yin, 2012). These measures will be discussed later in this chapter.

3.5. Defining the Case Study

When conducting a case study enquiry it is important to define a case, or unit of analysis. This unit of analysis can be defined as a particular event or occurrence in an enclosed context. Further, it can be divided into a single case or a multiple case enquiry. Both of these types of case studies can then be further described as holistic or embedded. Embedded refers to multiple units of analysis within a given case (Baxter & Jack, 2008 ; Yin, 2012; Hyett, et al., 2014).

In this instance, the case can be defined as FNB Life, a life insurance company operating under the umbrella of a bank (FNB) in South Africa. The enquiry can thus be described as a single case study. It can further be described as an embedded single case study because FNB Life is a unit of a larger organisation, and only the marketing department and some executive leaders were studied. This can be likened to the target population and sampling frame (Malhortra, 2007; Da Vinci, 2016). Furthermore, the sampling technique that was used to identify respondents was judgmental sampling. According to Malhorta (2007; 343), this method of sampling is “a form of convenience sampling in which the population elements are selected based on the judgment of the researcher”. This sampling technique was chosen as it allowed the researcher to identify respondents who she believed would be in a position, in terms of current role duties and past experience, to give greater insight to the study.

The sample size includes:

- The FNB Life marketing department (3)
- A FNB Life legal manager
- A FNB Life compliance manager
- A member of the FNB Life Executive team
- A FNB Life risk manager
- Marketing managers from other FNB Business units (5)

This resulted in a sample size of 12 respondents.

3.6. Data Collection Method

Case studies are typically associated with multiple sources of data to ensure a thorough understanding of the case, and it also enhances the reliability of the study (Baxter & Jack, 2008 ; Becker, et al., 2012; Yin, 2012). The use and convergence of multiple sources of data is referred to as data source triangulation. For triangulation to be reliable, at least three sources of data need to be collected and cross referenced in order to find patterns, similarities and possibly opposing information (Hussein, 2009; Yin, 2012). For these reasons, this study used the following data collection methods:

- **Direct Experience**
The researcher is a Marketing Manager within the unit of analysis and has been there since 2013. During this time the entity has gone through multiple changes and received a long term insurance licence. The researcher has experienced the changing regulatory landscape in her daily work in this regard, making her experience important in answering the research questions proposed.
- **Unstructured Questionnaire**
An unstructured questionnaire was used to explore how other people in the business experience the regulatory conditions, what they feel about leadership in this environment, as well as if they feel hampered or helped by the regulatory environment. Unstructured questionnaires are suitable for qualitative research as respondents do not feel restricted in terms of their answers (Malhortra, 2007). The questionnaire was distributed electronically, which was a slight concern as responses to self-administered, open-ended questions

generally tend to be more brief (Malhortra, 2007), however the researcher was comfortable that the respondents chosen would offer adequate information.

- **Semi-Structured Personal Interviews**
Semi-structured personal interviews were conducted with some marketing colleagues from other areas of the bank in order to understand whether they were experiencing similar environments. This gave a different perspective from the life insurance business, while still remaining inside the wider banking organisation. The same questions used in the unstructured questionnaire were posed to these individuals. The reason for conducting interviews with these respondents was due to the researcher not being as familiar to those respondents, and therefore would need to give more context and reassurance to the respondents regarding the process.

Figure 3: Data Collection Process for this study



3.7. Research Instruments

Apart from the researcher's lived experience, the main research instrument for this study consisted of the unstructured questionnaire. This section will give some background to the reasoning behind each question.

Question 1

What is your role within the organisation? (Note: For anonymity purposes, you do not have to provide your designation if you are not comfortable doing so. You can give a brief description, for example, senior manager in the marketing/growth area/risk etc. and my main responsibilities include)

Rationale: This question was asked to gain some context around the respondents' role in the organisation, as the extent and manner of the regulatory environment may differ based on role.

Question 2

Do you have a team that reports to you?

Rationale: It was important to understand whether the respondent plays a formal leadership role within the organisation, because how they respond to the environment has a direct effect on their teams.

Question 3

If yes to the above, how big is your team? If no, please move to question 4.

- a. 1-5*
- b. 6-10*
- c. 11-15*
- d. 15 or more*

Rationale: This question was posed mainly to ascertain the level of responsibility the respondents had in terms of human capital. The bigger the team, the more pressure the respondent might be under, however this was not based on any scientific measures.

Question 4

How would you describe your leadership style?

Rationale: This question was posed to gain some insight into how the respondents viewed leadership and their view of how they lead their teams. This is an important insight due to the fact that, from the literature, leadership style can impact how regulatory pressures are dealt with within the organisation and how teams are impacted in their daily work lives.

Question 5

Have you been exposed to the regulatory compliance requirements of the business? If yes, how has this impacted you and your team (operationally, strategically etc.)?

Rationale: This was one of the most important questions as it gave the respondents a direct opportunity to discuss how they felt they and their teams had been impacted by regulatory requirements. This question was specifically posed after the leadership question to create a link between leadership and the issue at hand in the minds of the respondents. The intent was just a subtle linkage so that the researcher could pick up on patterns, if any existed.

Question 6

Has the increased regulatory pressure in the financial/long term insurance industry presented any opportunities or challenges for your team? Please give an explanation/clarification of your answer.

Rationale: The goal of this question was to determine whether the respondents had a negative or positive frame of mind in terms of the regulatory environment. This might assist in establishing whether answers to other regulatory questions lie in the extremes. This was of interest because it could provide understanding if there was sense of hope or hopelessness in terms of dealing with this environment.

Question 7

In your opinion, what is required of the leadership team in the organisation in order to support the business in dealing with the regulatory pressures of the financial/long term insurance industry?

Rationale: This question highlighted the link that the researcher tried to create with the order of questions 4 and 5, and closed the loop for the respondent in terms of a connection between leadership and the environment.

Question 8

In your experience, is the leadership team steering the organisation in the right direction and in the right manner in terms of your answer to question 7?

Rationale: This question may have caused some introspection for those who were responsible for teams, however the purpose was mainly to get a sense of how the respondents felt their leaders were dealing with the environment described.

3.8. Research Credibility

The credibility or rigour of qualitative case studies refers to how believable or trustworthy the data presented are. As alluded to previously, there have been many concerns regarding the credibility of case study research (Yin, 2012; Hyett, et al., 2014). The flexibility of case study research has given rise to a diverse plethora of published case studies that follow different methodologies and approaches, which perpetuates concerns (Hyett, et al., 2014).

Furthermore, the credibility of case study research has, over the years, been unreasonably diminished due to direct comparisons with statistical research methodologies. Yet the core objective of case study research is not to compare or produce statistical findings that are largely generalisable, but rather to gain an in-depth understanding of a phenomenon in a bounded context. This means that this type of research is best understood by others sharing the interpretivist paradigm (Baxter & Jack, 2008; Hyett, et al., 2014). With this in mind, there are measures that can be taken to ensure the credibility and trustworthiness of case study research (Baxter & Jack, 2008; Yin, 2012; Hyett, et al., 2014). Measures taken for this particular study included:

- providing a clear description of philosophies and methodologies (Baxter & Jack, 2008; Hyett, et al., 2014). This description of the interpretivist philosophy was provided in Chapter 1 and

earlier in Chapter 3. Further, the suitability of the case study methodology to the philosophy, as well as the research problem, was discussed.

- defining the case comprehensively (Baxter & Jack, 2008; Yin, 2012). Background to the research problem, both from a theoretical and practical ontological perspective, was provided.
- identifying a case that is particular (Yin, 2012; Hyett, et al., 2014). The holistic context of increasing regulatory pressures in the insurance industry is not unique any longer. However, the effect of the pace and uncertainty of these changes on marketing strategy has not been explored. It is of particular interest to the researcher as they work in this environment. It is also unique to the organisation as it may lead to strategies that could enhance the effectiveness of marketing, both from a financial and innovation perspective.
- triangulating data sources (Baxter & Jack, 2008; Yin, 2012; Mabuza, Govender, Ogunbanjo & Mash 2014). Triangulation refers to the process of confirming information from different data sources, data collection methods and people. The primary method of data collection for this study was direct lived experience from the researcher, however to try and eliminate bias and subjectivity, other employees within the environment were surveyed. Further, to check whether the larger financial institution is experiencing some of the same challenges, personal interviews were conducted, as discussed in section 3.5 above.

3.9. Data Analysis

With case study research, data collection and analysis commonly take place at the same time and the analysis can occur in a variety of forms (Baxter & Jack, 2008; Yin, 2012), however a caveat remains that data sources should not be studied in isolation as independent parts. Rather a holistic approach should be taken in order to allow for data and findings to converge (Baxter & Jack, 2008; Becker, et al., 2012).

For these reasons and the fact that the researcher was a participant in the study, a direct holistic interpretation method was used to analyse the data (Baxter & Jack, 2008). That is, the researcher's direct lived experience was considered when evaluating the questionnaire responses and the personal interview discussions. Themes were identified after reading the responses from the questionnaires. The major themes were then summarised. The same process was used to interpret the interview responses. The themes from the questionnaires were then compared to the interviews to determine if there were any similarities. These external responses were used to validate or oppose any experiences the researcher may have had whilst documenting the direct lived experience.

3.10. Ethical Considerations

Ethics can be described as standards of behaviour that separate acceptable and unacceptable manners of behaviour in society. Ethical behaviour in qualitative research is important because it touches on emotions of trust and respect, which drives collaboration (Resnik, 2011).

Due to the nature of this study, there was an inherently high possibility of bias and subjectivity. To this end the researcher ensured that she stayed mindful of these biases when collecting, analysing and reporting on the findings, so as not to unduly skew the results.

Further, to maintain a high standard of ethical behaviour throughout the data collection and analysis phase of this research, the researcher took the following measures:

- Requested permission from the business CEO before questionnaires were distributed.
- Gave the respondents a detailed overview of the purpose of the study.
- Requested permission upfront to use their responses in the study.
- Made every attempt to keep the respondents' identities anonymous.

Once the entire report was complete, the researcher gave the organisation an opportunity to review and approve the study.

3.11. Conclusion

This chapter discussed the research philosophy that informed the chosen research approach and design. The approach to the research was detailed and justified, and the design, data collection methods, and research instrument were outlined. Ensuring credibility of the study was of vital importance, hence the measures taken to conduct a trustworthy study were discussed, and ethical considerations highlighted. The next chapter will focus on the reporting of the case and discuss the associated findings.

CHAPTER 4: RESEARCH RESULTS & ANALYSIS

4.1. Introduction

In this chapter the researcher will present all the data collected from the case study. The data will be interpreted in an integrated manner in order to answer the research questions posed in Chapter 1. For reliability purposes and to focus on the results, the research questions are restated below.

- What challenges have arisen from the regulations in the long term insurance industry in South Africa, with regards to marketing activities?
- What is the role of leadership in overcoming the challenges identified?
- How can the challenges identified be overcome or the effect thereof minimised?

For credibility and reliability, as well as holistic interpretation purposes, the results of the questionnaire and interviews will be presented first. Themes will be identified from the questionnaire responses and the interview responses. The major themes identified will be summarised and then the themes will be compared to identify any similarities or differences. The interpretation of these data sources will be integrated with the direct experience narrative at the end in order to support or oppose the direct lived experience of the researcher. Lastly, the research questions will be addressed in light of the data results collected.

4.2. Questionnaire Results

The questionnaire was administered to seven internal participants, however only five responses were received. The below tables illustrate the coding of the questionnaire responses, after which themes are identified.

Table 1: Questionnaire Respondent IDs

Respondent ID	Respondent Role
R1	CEO
R2	Senior Marketing Manager
R3	Risk manager
R4	Compliance Manager
R5	Legal Manager

Table 2: Questionnaire Theme Descriptions

Theme Abbreviation	Description
SL	Single leadership style identified
ADL	Identified leadership style as adaptive
BE	Have been exposed to regulation
NE	Have not been exposed
OP	Regulation has presented opportunities only
CH	Regulation has presented challenges only
OPCH	Regulation has presented both opportunities and challenges
LC	Leadership needs to improve communication
SME	Leaders need to be subject matter experts on regulation

PER	Leaders need to change perception of regulation to positive
CUL	Shift in organisational culture needed to embrace regulation
RD	Leadership is steering the organisation in the right direction
ND	Leadership is not steering the organisation in the right direction (negative)

Table 3: Questionnaire Theme Allocations

ID	Q #	Response	Theme
R1	4	Supportive yet demanding. My view on leadership is that style should adapt to the circumstances that the business is in. If you are in a phase where you do need to make quick decisions and move swiftly you should adopt a commanding leadership style (like if there is a deteriorating market environment or internal risks). When we set up the business I adopted a visionary leadership style coupled with pacesetting as this was consistent with most businesses in that phase. Since then I have been trying to transition towards a transformational/democratic style.	ADL
R2	4	Transformative, I love to grow people and guide them to discover and build on their strengths. My role as a leader is guidance and mentorship and showing them their place in the bigger strategy and goal. Understanding their contribution and getting their buy in is what is important and guarantees success	ADL
R3	4	I focus on providing the team with knowledge and skills and allow them flexibility to execute projects how they think is best. I would say more of a Visionary style.	SL
R4	4	Self-empowering, not a micro-manager, influencer, advising and guiding. In other words, Transformational and Affiliative and Coaching.	ADL
R5	4	Participative and transformative, as well as coaching.	ADL
R1	5	Yes. It has been slow to come and left the business in an angst position.	BE
R2	5	Yes, it affected competition, the way we communicate. The look and feel of marketing material as well as the length of content we have to provide. It goes as far as SMS characters that have been lessened because of the legal requirements. Marketing has become more restricted. On the other end it has forced the business to take the customer's needs into consideration and build value propositions that are best for the customer.	BE
R3	5	Yes. Risk is quite closely involved in some compliance matters. Operationally, we are mainly impacted through the time required to complete compliance training. There is also a risk of compliance breaches which we work with the GLC team to avoid.	BE
R4	5	Yes. Operationally it does per se impact our team as we are employed to ensure we adhere to it, however what it does require from us is to assist business to operationalise the necessary. Strategically we need to always ensure we create a compliance/regulatory culture and obtain business buy-in by assisting and guiding business.	BE

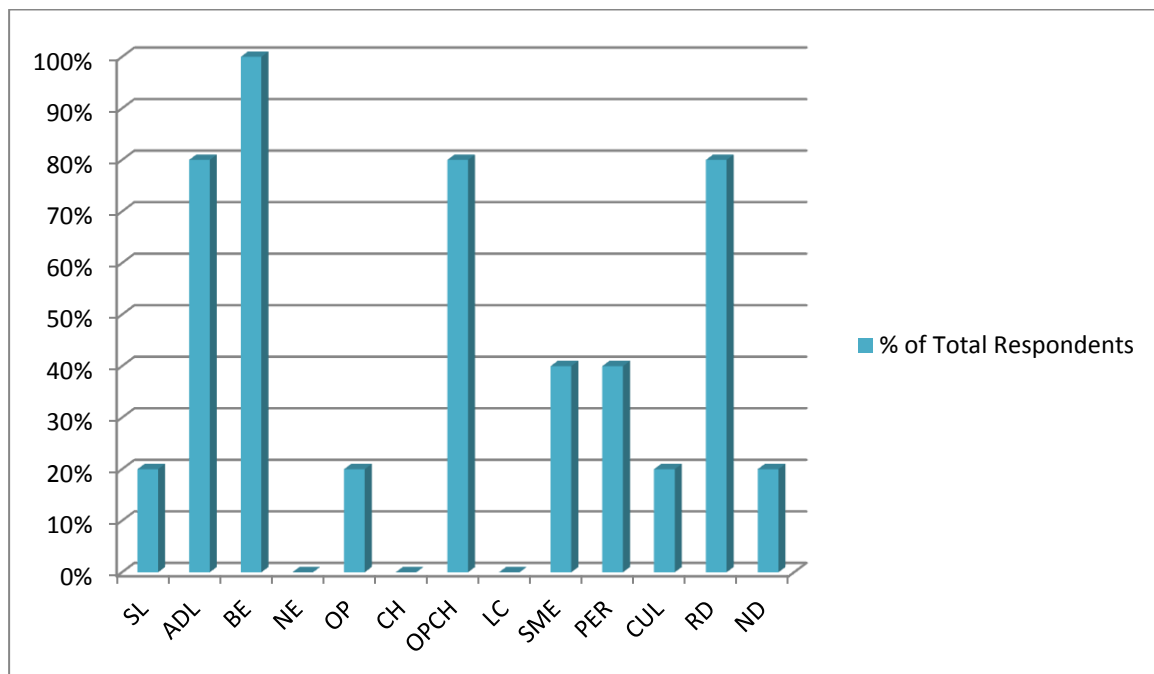
R5	5	Yes, we constantly need to stay abreast of new/upcoming legislation to avoid regulatory scrutiny.	BE
R1	6	There have been opportunities - like building for our future as opposed to trying to rebuild our legacy. However, the slow movement of the regulations have left us in a limbo.	OPCH
R2	6	Definitely both, opportunity and it brings customer focus into all areas of the business and challenge as it affects marketing material and requires us to be extra creative in order not to bore customers with a ton of content that does not make sense.	OPCH
R3	6	Yes. Mainly through our involvement with the product teams in the product development process, both challenges and opportunities.	OPCH
R4	6	There are always opportunities to embrace changing legislation, all changes are not always for the worst. Challenges posed are the number of regulatory instruments that get added to the list on an annual basis. What is also often challenging is the rate of innovation in business versus lack of application of legislation due to change in technology (e.g. provision of financial services through digital channels).	OPCH
R5	6	Yes, the aforementioned pressure has presented the opportunity to overcome these limitations in a creative way such as the industry trend to circumvent the inducement limitation in terms of the long-term insurance act. It has likewise increase the demand of legal advisers with financial sector knowledge.	OP
R1	7	Enough subject matter expertise to make sure the regulations are well debated and the implementation is thoroughly thought through. Enough capacity to do what is needed to be done but also not so much that it slows down the entire organisation.	SME
R2	7	Involvement and education. I think if staff is involved in the process and understand the implications they would be more likely to buy in.	CUL
R3	7	I think that management needs to help to dispel the perception that regulatory requirements are only restrictive. Because many things in the business are still being built, we have a unique opportunity in that if we build the business in the right way, regulatory pressures should not just be randomly arising. Most of the changes to the regulation are with a view to improving the customer's value and experience, and those should be things that we want to do anyway, so leadership can help by encouraging the right culture within the business.	PER
R4	7	I believe our organisation does have the necessary support and buy-in but unfortunately there are often a lack of expertise in relation to relevant subject matter experts and cost of obtaining sound guidance from external experts.	SME
R5	7	Knowledge and the ability to persuade business of the relevance.	PER
R1	8	Yes.	RD
R2	8	No.	ND
R3	8	Right direction - yes, right manner - not necessarily. Regulatory	RD

		requirements/compliance are sometimes resisted and treated as tick-box exercises, instead of trying to optimise the opportunities that they create.	
R4	8	Yes, taking into consideration the constraint of available resources.	RD
R5	8	Yes.	RD

Table 4: Questionnaire Theme Analysis

Theme	Number of Times Theme Appears	% of Total Respondents
SL	1	20%
ADL	4	80%
BE	5	100%
NE	0	0%
OP	1	20%
CH	0	0%
OPCH	4	80%
LC	0	0%
SME	2	40%
PER	2	40%
CUL	1	20%
RD	4	80%
ND	1	20%

Figure 4: Questionnaire Results Graphically Represented



The following major themes were identified from the results above.

Leadership styles are adaptive

Four out of the five respondents listed more than one leadership style that they identified with. They believed that different situations and people require different approaches. One of those four respondents listed their style as transformative and included characteristics of coaching and being visionary. In general, it is the researcher's opinion from the literature reviewed, that transformative leadership is an all-encompassing style and hence labelled the theme of the response accordingly.

This correlates with research provided in Chapter 2, i.e. that leaders need to adapt their styles to the phase the business is in, in order to be most effective. Leaders need to be inherently intuitive and self-aware to be able to adapt their styles in this manner (Magadlela, 2016). The researcher therefore inferred that the participants of the questionnaire were acutely aware of what leadership entails. This had a significant positive impact on the responses regarding the role of leadership, discussed later.

Exposure to regulatory pressure is widespread

All respondents had been directly exposed to regulatory pressure in some form or another. This confirms the notion that the topic of regulation is top of mind and has an impact on the business as whole, rather than just those areas specifically tasked or skilled to deal with the legalities of an insurance business.

Regulation presents both opportunities and challenges

Most of the respondents saw both opportunities and challenges in the regulations. One respondent only mentioned opportunity, so it is inferred that they take an extreme positive stance on the matter.

The researcher deduced from the responses that the biggest opportunity in the regulation lies in the protection of the customer, i.e. the regulations are forcing the business to become more customer centric and create a culture that supports this. It was also evident that the people believe that due to the current development and growth phase that the business is in, the business has the opportunity to build products, systems and procedures correctly and in line with legislation from the start, which presents great advantages.

The challenges lie in the way the legislation is being rolled out by the regulatory bodies and the uncertainty that this creates. It also adds to resourcing costs to deal with the interpretation and implementation of the regulatory requirements. Further, in terms of marketing, it creates restrictions in terms of how and what the business communicates to the customer.

Leadership needs to know enough to change perception

The highest ranking requirements the respondents put forth for leadership were perception and subject expertise. In order to deal with the regulatory pressures, the leadership team needs to change perceptions within the organisation that regulation is only negative or restrictive. To do this successfully they also need enough subject matter expertise regarding the regulations and the impact on the business.

Although only one respondent indicated a need for culture change, the researcher deduced that a culture change is needed in order for the business to embrace regulation. The respondents indicated that education and involvement in the process will assist in driving this change. Leaders need to ensure that employees understand the relevance of the regulations in order to drive the business forward.

Leadership is steering the organisation in the right direction

Eighty percent of the respondents believe that the leadership team is steering the business in the right direction in order to effectively deal with regulatory pressure. There is some concern that on occasion, the manner in which this is done is counterintuitive to the creation of a culture that embraces and looks for opportunity in the regulation. This indicates to the researcher that, because the respondents understand what leadership entails, they feel comfortable that the current leadership are doing what is best for the organisation at a high level.

4.3. Personal Interview Results

The objective of the personal interviews was to gain more marketing specific information on the topic of regulation and leadership in the financial services industry, as well as to gain a perspective of the wider banking institution. The respondents included five marketers across the institution’s business units. All respondents were senior employees in their respective areas. It was interesting to note that similar themes emerged when compared to the questionnaire results, with some additional themes emerging. The comparison between the questionnaire results and the interview results will be conducted in a later section. The interview responses in Table 5 below have been summarised with short direct quotes to depict coding. Full interview transcripts are available in Appendix 2.

Table 5: Personal Interview Respondent IDs

Respondent ID	Respondent Role
R1	Head of Marketing - Retail Bank
R2	Integrated Marketing Manager
R3	Head of Marketing - Gold sub-segment
R4	Head of Marketing - FNB Insurance Brokers
R5	Head of Marketing - Credit Card

Table 6: Personal Interview Theme Descriptions

Theme Abbreviation	Description
SL	Single leadership style identified
ADL	Identified leadership style as adaptive
BE	Have been exposed to regulation
NE	Have not been exposed
OP	Regulation has presented opportunities only
CH	Regulation has presented challenges only
OPCH	Regulation has presented both opportunities and challenges
LC	Leadership needs to improve communication
SME	Leaders need to be subject matter experts on regulation
PER	Leaders need to change perception of regulation to positive

CUL	Shift in organisational culture needed to embrace regulation
CV	Leadership needs a clear vision and direction
RD	Leadership is steering the organisation in the right direction
ND	Leadership is not steering the organisation in the right direction (negative)

Table 7: Personal Interview Theme Allocations

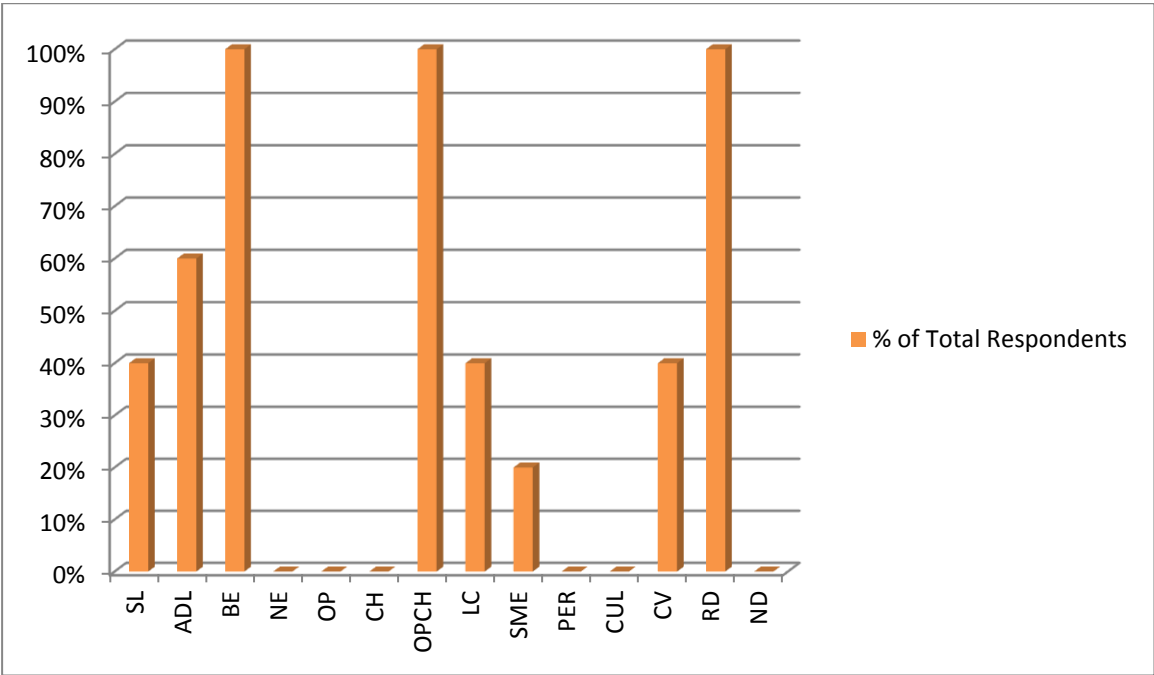
ID	Q #	Response	Theme
R1	4	I'd like to say visionary	SL
R2	4	I would like to be a visionary leader. I don't know if I get it right. I also think a lot of coaching. I don't think it's one or the other though. It depends on the project you are working on.	ADL
R3	4	I think for me sometimes it's a combination of a couple, depending on what is required.	ADL
R4	4	I think it's more of coaching leadership.	SL
R5	4	I think I am in between visionary and affiliative and pacesetter. I think there are various types of leadership.	ADL
R1	5	I am exposed to them.	BE
R2	5	Yes definitely. This integrated marketing role includes governance.	BE
R3	5	So yes. Obviously financial services is highly regulated and I think there has also been an increase of compliance people within the organisation.	BE
R4	5	Wow, yes. I think there is a lot in our world, it is a very highly regulated industry.	BE
R5	5	Yes I have.	BE
R1	6	With the regulation you have to be very careful of what you do and do not say and can and cannot say. It does make your life a little harder As far as financial services is concerned, I think regulation is good.	OPCH
R2	6	From a client point of view I always want to do the right thing for the client, otherwise they get an overload of stuff that they are not interested in. But yes it (the rules) definitely has an impact.	OPCH
R3	6	By the time you finish with a sentence you've got so many 'coulds', 'cans', and 'shoulds', in the sentence, it is not even worth putting up. You know, at the end of the day I understand the regulations are there because it protects the customer.	OPCH
R4	6	I think yes, there are both challenges and opportunities.	OPCH
R5	6	I think an opportunity for the customer and then an opportunity for us as a business to re-look how we deploy products to market and how we communicate with customers. The challenge that has come on board is that we don't completely understand one hundred percent what their expectations are.	OPCH
R1	7	It takes a lot of vision. For one, the level of advocacy that needs to come from leadership to be able to look at regulation...	CV
R2	7	For me the best thing is communication.	LC
R3	7	For me, it needs to be driven from a central point, saying 'this is FNB', 'this is what FNB does' and if there are any specific things within the	CV

		product then we deal with it .	
R4	7	I think everybody needs to get involved, it's no use for two or three members of the executive team taking a decision and then they haven't considered somebody else's perspective for the work that they are responsible for.	LC
R5	7	I think that is how leadership can support, understand the challenges, understand the lack of resources, escalate and make it a priority.	SME
R1	8	Leadership sits relatively good in terms of that.	RD
R2	8	Well, definitely steering the organisation in terms of implementing the right things and having the right discussions.	RD
R3	8	All you can do is hope. I think there is a lot of pressure, and I think it often is not only from the banks or from financial services, but from a government point of view.	RD
R4	8	I think so. There are times when we take a direction and we realise that for some or other reason that it's not quite the right direction and there is a slight change.	RD
R5	8	I think they definitely are	RD

Table 8: Interview Theme Analysis

Theme	Number of Times Theme Appears	% of Total Respondents
SL	2	40%
ADL	3	60%
BE	5	100%
NE	0	0%
OP	0	0%
CH	0	0%
OPCH	5	100%
LC	2	40%
SME	1	20%
PER	0	0%
CUL	0	0%
CV	2	40%
RD	5	100%
ND	0	0%

Figure 5: Interview Results Represented Graphically



The major themes identified from the above results are discussed next.

Marketing is not an isolated function

The researcher found through all the interviews that her marketing colleagues did not view their function or role in isolation. In other words, they considered the business as a whole when giving examples and other information related to the topic. This practical view correlates with theory presented in Chapter 2, which states that marketing is both a functional role with specialist skills, but also needs to be ingrained in business and management philosophy in order to deliver value (Tapp & Hughes, 2004; Ashill, Davies & Thompson, 2003; Dibb, et al., 2014). This was an additional theme identified, but was not depicted in the themes above as it was an observation made from the examples given to the researcher.

Leadership styles are adaptive

From the responses it would seem that having a visionary leadership style is the goal, however there is strong recognition that leaders need to adapt their style depending on the requirements of the situation. The researcher noticed that in terms of leadership style, the respondents found it important to note that they need to work with the strengths and weaknesses of the team in order to grow individuals, the team and business as a whole.

Taking the above into account and the fact that the majority of the respondents had one or more people reporting to them, the researcher believes that these respondents are aware of the requirements for effective leadership within a complex organisation. Admittedly so, they do not always get it right, but they rely on their staff for knowledge and information. This is a good indication that a culture of knowledge sharing exists, although the degree to which cannot be commented on due to a lack of enquiry and supporting evidence.

Exposure to regulatory pressure is widespread

The majority of the respondents answered with an overwhelming 'yes' when asked if they were exposed to the regulations; there is a sense that the industry is very highly regulated. The degree of exposure may vary depending on their role and area of the bank they work in, however there was no doubt amongst the respondents that regulatory pressure is a prevalent issue in the organisation.

Regulation presents both opportunities and challenges

All the respondents interviewed felt the regulations present both opportunities and challenges for the business and industry as whole. There was overwhelming agreement that the regulations are there to protect the customer and that this is needed in the financial services industry, especially considering past practices in the industry. It was also noted that the respondents prefer this as it aids the creation of a customer centric culture and creates trust in the industry, which is extremely important when dealing with peoples' livelihoods. This element of trust is essential for both the consumer and the business (Yu & Tung, 2013). There is also opportunity for innovation in the way certain regulations are implemented, which could lead to competitive advantage in the industry.

The challenges posed by regulatory pressures stem from resource constraints and changing business practices. Specifically in terms of the marketing domain, there are two major challenges. The first relates to the level of sign-off and input needed from various parties in the business. This has lengthened the time needed to create communications because various parties have different opinions and can occasionally result in communication that no longer has relevance to the customer and has lost original meaning or intention. The second relates to the growing cost of adding ever increasing amounts of legal disclosures to materials. These compulsory disclosures take up limited time and space, and reduce the amount of actual product or benefit content that can be conveyed to the customer. Therefore, either more space needs to be paid for or there is a risk of putting out irrelevant content.

Leadership needs to give direction and clarity

The interview responses alluded to the fact that leadership teams need, firstly, a clear understanding of the environment and regulations. Secondly, they need to have a clear vision on how to deal with the regulations and the roles and responsibilities of the rest of the organisation in terms of implementation, processes and procedures. This requires effective cascading communication all the way to the employees on the ground. They need to explain the relevance and impact of these regulations as well so that those implementing can find effective solutions that meet everyone's requirements. The researcher believes that this requires a mindset shift in a big corporate business. The good thing is that, as mentioned above, there already seems to be some move towards greater information and knowledge sharing within the business.

Leadership is steering the organisation in the right direction

The respondents understand and empathise with the difficulties and challenges the leadership team is dealing with, and feel that overall the leadership team is steering the organisation in the right direction. There are areas in which they can improve, such as communication and at times clarity of direction or vision, however the general sense is that they are doing what they can in the best way possible for the organisation as a whole.

4.4. Questionnaire vs. Interview Results

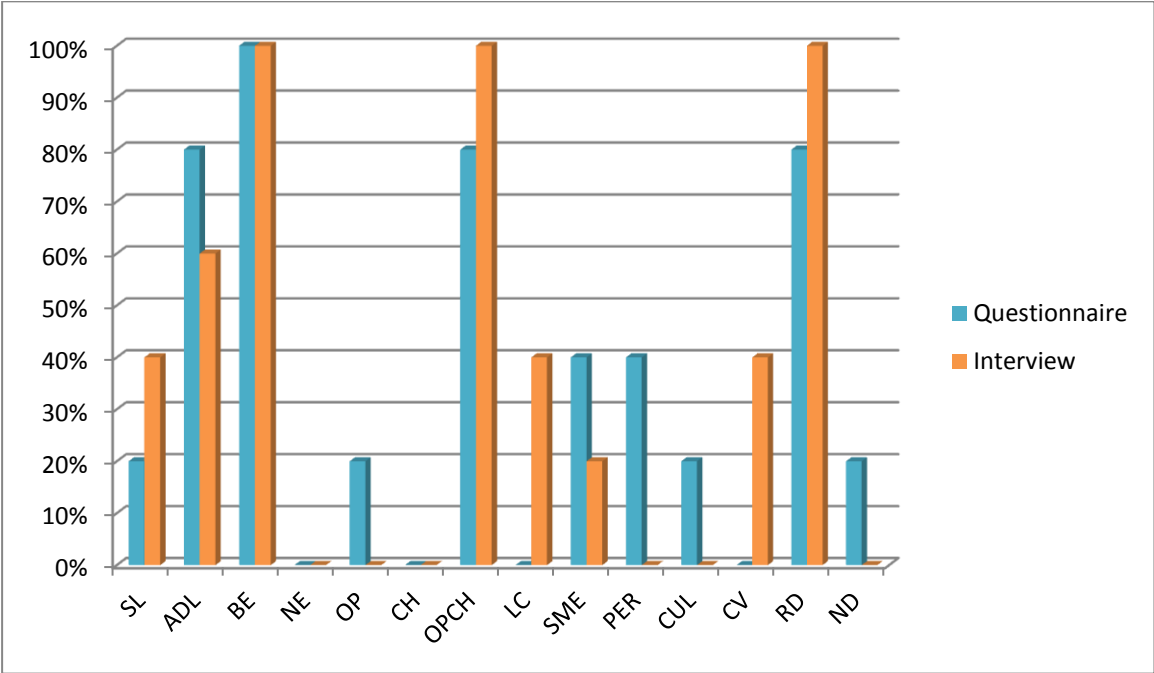
The section directly compares the coding results from the questionnaire with those of the interviews. For interpretation purposes, it is important to note the respondents came from different backgrounds and worked in different areas of the business.

Overall, the results of the questionnaire versus the interviews were strikingly similar. The interviews provided more clarity on the marketing function within the bank in terms of the questions, however this was expected because the respondents themselves were marketers. In short, the interviews achieved their purpose in that regard. The only additional theme that emerged in the interviews was that of leadership needing a clear vision and direction. However, when looking at the specific detail given, this closely relates to the overall need for clearer communication that cascades throughout the organisation. Other than that there were no extreme outliers that required specific discussion for the purposes of comparison.

Table 9: Comparison between the Questionnaire and Interview results

Theme	Questionnaire	Interview
SL	20%	40%
ADL	80%	60%
BE	100%	100%
NE	0%	0%
OP	20%	0%
CH	0%	0%
OPCH	80%	100%
LC	0%	40%
SME	40%	20%
PER	40%	0%
CUL	20%	0%
CV	-	40%
RD	80%	100%
ND	20%	0%

Figure 6: Comparison between Results Graphically Represented



4.5. Direct Experience Narrative

The direct experience narrative forms the basis of the findings for this research. This is due to the fact that the lived experience of the researcher evoked curiosity regarding the impact of the regulatory framework on marketing activities, thus this exploratory study was started. In order to give context to this lived experience, a short background on the researcher’s career journey is given first.

4.5.1. Start of the Marketing Journey

The researcher started her journey as a marketing intern at an international manufacturing business that spanned multiple industries, including medical, automotive, adhesives, electrical and more. The diversity of the organisation presented vast learning opportunities and great insight into corporate South Africa.

The role required the researcher to perform support tasks for the sales managers and the country business leader for the division. It included market research, marketing collateral development, event management and sample control, to name a few. Although the business had a legal manager, the researcher never had any interaction with him. Marketing strategy was developed by the sales and marketing managers and approved by the managing director. No collateral or other marketing work had to be reviewed and approved by legal. The only approval needed was from the sales and marketing manager, and occasionally the country business leader of the area. The researcher spent one year at this organisation before moving to her current organisation.

The researcher then joined a relatively small team at the bank that developed an app and also ran the internet service provider for the bank and clients. The marketing team consisted of the marketing

head (EXCO level) and the researcher, as a marketing coordinator. The researcher was responsible for all implementation of marketing efforts for the unit. Again, there was no requirement for the legal and compliance team to sign-off on any material or communication. The team moved quickly and tried to take advantage of any market trends that emerged in order to relate to customers and drive usage and sales of the products. Sign-off came from the marketing head, and on occasion, depending on the size and nature of a campaign, the CEO would also sign-off.

The first and only time the researcher came into contact with the compliance team was when a competition was conducted, as the compliance team had to check the terms and conditions, the process of the competition, as well as be present when the draw took place. After two years the researcher moved to the Life business unit as marketing manager.

4.5.2. Current Role Experience

At the time the researcher started working in her current role, the business did not have a life insurance licence and were selling products that were underwritten by various other insurers. The role was almost the same as a coordinator, but with more responsibility in terms of campaign creation and deadline management. This business had a larger legal and compliance team, however initially marketing materials were not always signed-off by them.

Not long after the researcher joined, the short term insurance business was merged with the life business. These products were also underwritten and occasionally white-labelled (sold and branded as a bank product, but developed by another insurer). Compliance then became slightly more involved in terms of the legal disclosures that had to be added into the communications and customer documents. The team decided to try and run a competition to test what it would do to customer engagement and sales, however the business had to tread carefully on how the competition was positioned and run due to compliance and inducement issues. For this reason the legal and compliance team had to be involved from concept stage through to terms and conditions, competition entry requirements and the competition draw.

The business then took a strategic decision to apply for a long term insurance licence. Once the licence was granted the short term business was split out again so that the life insurer could be established as a standalone entity. At this point there was increased focus and involvement of the legal and compliance teams in all aspects of the business. The marketing team had to ensure they sent their material to compliance so they could sign-off on the legal disclosures. This left the researcher feeling slightly confused and frustrated, because firstly there was no set process to follow in this regard as the procedure was new, and secondly, because it impacted on deadlines as the researcher and her team now had to work around the capacity of others in order to get work signed-off and implemented.

In addition, the legal disclosure that was needed on all communication was lengthy and simply would not work on all marketing materials. For example, a small mobile advertising banner has limited space and often the message only contains a few words. The legal disclosure alone was around two sentences. Another example is SMS communications. An SMS consists of 160 characters and again the legal disclosure far exceeded that limit on its own. This correlates with some of the personal

interviews, where it was mentioned that these disclosures can increase the cost of marketing due to extra time or characters needed to include the disclosure. In order to reach a middle ground the marketing team requested that the legal and compliance team relook at the disclosures, which resulted in a set of disclosures adapted for the platform used.

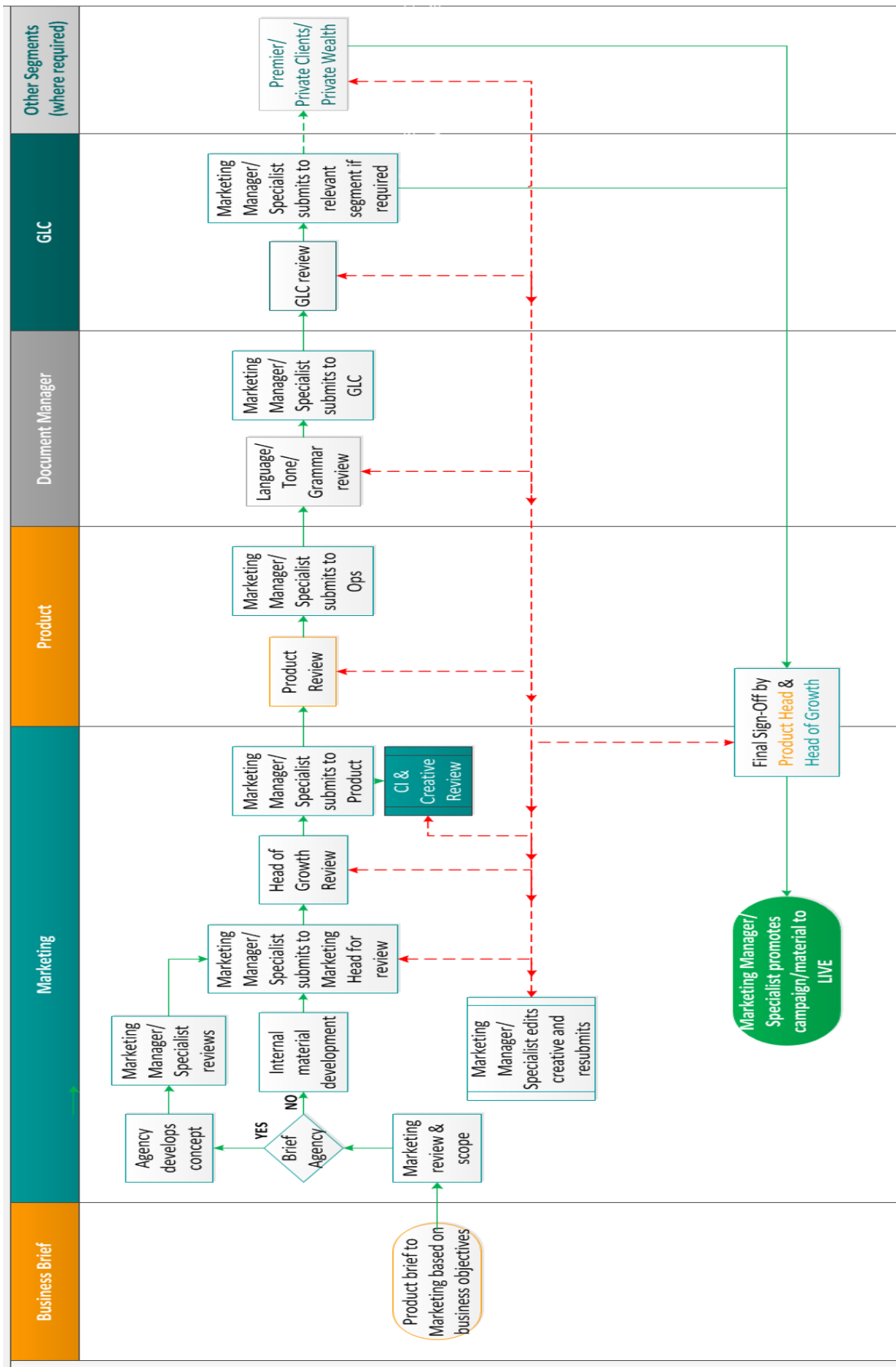
With the business growing and changing, there was a shuffle and staff changes in the legal and compliance team. The new legal and compliance staff received marketing communications to sign-off on and they were not pleased that the legal disclosures being used were incorrect. This caused major frustration because the disclosures being used were signed-off previously and there had been no change in the business structure. Nonetheless, new disclosures were developed that the marketing team had to use going forward. This, again, correlates with some of the personal interview data, where it was mentioned “... between risk, compliance and legal there is also disagreements”. This adds to the frustration and time needed to get material and communications signed-off because within a legal and compliance team there are disagreements and different interpretations of the regulations, as well as the marketing material being signed-off. Then it becomes a matter of who has the final say.

The above scenario also included elements of the compliance teams analysing every single word of the communication and what it could possibly mean to the customer and the implications it could have in terms of the regulations. The researcher understands the need for considered thought in this regard, but communication language, tone and structure started to change in this process, which made the communications more convoluted, irrelevant and essentially, the researcher felt that all she was ‘marketing’ were disclosures, terms and conditions. (See the quote in Table 6 above by respondent 3, question 6.) This also meant that often a piece of communication would go through several iterations before being signed-off and market ready. This brought about the need to establish a set sign-off process, with defined mandates for each sign-off. This process is shown in Figure 7 below. The relevant mandates are explained in Table 10 below.

Table 10: Sign-Off Mandates (Source: Internal FNB Life Process Document – Confidential)

Area	Mandate
CEO	Overall approval on ATL
Marketing & Growth	Positioning, creative, customer friendliness, relevance, brand alignment
Product	Technical detail (product information), overall direction and whether objectives are being met
GLC	Legal Governance Compliance Market conduct: clarity and correctness of the content
Ops - Document Manager	Language accuracy, tone, transparency and style

Figure 7: Marketing Sign-Off Process (Source: Internal FNB Life Process Document – Confidential)



As can be seen from Figure 7, the sign-off process is quite involved and the communications and marketing materials can still go through various iterations. One clear advantage of the process is that it has assisted in the area of who has final sign-off. To support this process and to be able to prove that the process is being followed for audit purposes, the researcher had to develop a process for the marketing team to keep track of where each piece of communication or material is sitting (at which approver and for how long), as well as a mechanism to save all approvals and versions that each element has gone through. This has dramatically increased the amount of administration that the marketing team has to complete in addition to getting campaigns and communications planned, implemented and measured.

The process and the amount of change and external approval needed on marketing material has left the researcher and the rest of the marketing team feeling like post boxes or project managers more than ever. This becomes extremely demotivating for marketers who are fundamentally more creative and easy going. There is a sense among the team that there is no need for their core marketing skills any longer. This can become extremely demotivating within a team and adversely affect performance.

At the time of writing this report, the FSB had posed amendments to the draft marketing letter, mentioned in Chapter 2 section 2.6.3, for the purposes of officially implementing this into the insurance regulations. The suggested amendments have stricter requirements for the disclosures needed in marketing materials and for how the insurers communicate with customers. The industry was caught slightly off guard by the move to pass and change this draft letter and it has caused some confusion and anxiety. The impact that this has had is that the legal and compliance team are now reviewing all new marketing materials and trying to apply comments according to the updated legislation when the letter becomes final.

A practical example of this was an internal magazine advert meant for staff that was sent to the legal and compliance team for sign-off. The legal and compliance team was so immersed in finalising comments for the proposed regulatory changes that it took them a week to finally sit and review the advert the day before it had to be submitted for printing. The advert was very closely scrutinised but there was hesitation on the part of the compliance team because they were trying to analyse the effect that the forthcoming, unconfirmed, new regulations would have; the final advert was version 9 of the original document and the deadline was nearly missed. This example is typical of the daily challenges that the researcher and her team faces in terms of getting materials out to customers.

However, during the fieldwork period, as well as while writing this direct narrative, it became clear to the researcher that her potential bias and limitation is that she is so ingrained in the current day-to-day situation and challenges that she struggles to take a holistic view of the situation. The researcher, similar to the other marketers interviewed, appreciates that the regulations are there to protect the customer and better the business operations, however she still feels that there needs to be some change for the marketing function for more effective operations of the team.

4.6. Research Questions Discussion

The research questions posed for this study will now be discussed, taking into consideration both the theory from Chapter 2 as well as the data collected and analysed above.

4.6.1. What challenges have arisen from the regulations in the long term insurance industry in South Africa, with regards to marketing activities?

In the free market system, regulations may be perceived as restrictive and create the risk of resistance from organisations (Stöhr, 2015), however the purpose of regulation within an economy is to support growth by enabling and coordinating competitive markets (BIS, 2011). This does not diminish the risks of excessive regulation, however, which lie in contradictory economic outcomes in the form of increasing compliance costs and effecting competitiveness (Swedish Agency for Growth Policy Analysis, 2010).

From the research, it is evident that the organisation realises and supports the need for regulation within the industry. However, there is a sense that the industry is erring on the side of over regulation, or at least the somewhat clumsy process of rolling out the regulations that are constraining both financial and human capital resources within the business.

Yet the intent of the regulations in the life insurance industry is appreciated by marketers in the business due to the fact that they enhance trust between customers and organisations. This trust is necessary because buying insurance is an emotive purchase that relies on the strength of relationships between the organisation and the customer (Damtew & Pagidimarri, 2013).

Taking the above into consideration and not discounting the benefit that regulations bring to the industry, specific challenges in terms of marketing activity that have arisen due to the regulation of the long term insurance industry include, but are not limited to, the following:

- Increased cost of advertising due to more time or space needed to communicate legal disclosures.
- Increased lead times for developing marketing materials or similar due to level of sign-off required.
- Loss of relevant marketing communication due to missed timeframes, and/or loss of message impact due to legalese.
- Increased anxiety and confusion as a result of ambiguity of interpretation of regulations.
- Potential de-motivation of marketers due to not being able to use core skills or creativity.
- Increased admin burden that could result in decreased productivity that directly deducts value from the bottom line of the business.

4.6.2. What is the role of leadership in overcoming the challenges identified?

Leadership is the mechanism that drives organisations forward, keeping them focussed and ensuring that goals are met (Timming & Johnstone, 2015). It also creates a culture that facilitates the uniting of people around a common or shared vision and goal (Allio, 2012). Further, in a highly regulated environment, leaders need to have an undeniably clear vision and directive in terms of how decision making should be done (Blessing White, 2015).

Leaders need to be aware of and understand what impact their decisions today will have in the future, by having detailed knowledge of the industry situation. Leaders need to take a collaborative approach and be open to engaging with various stakeholders, both internally and externally, including the regulators. They need to be able to drive a culture of acceptance and understanding in

order to cascade change resilience as a skill to the rest of the organisation (Berman & Korsten, 2014; Blessing White, 2015).

The theory is supported by the research results in that employees believe leaders need to do the following in order to support the business in these times of increased regulatory pressure:

- They need to have extensive knowledge of the regulations that impact the business.
- They need to communicate this impact to all employees in a timely fashion so that those implementing can prepare appropriately.
- They need to establish and communicate a clear vision as to how they want the business to handle the regulatory pressures.
- They need to change culture to view the opportunities that lie within these regulations and not just the restrictions that may be present.

To this end the researcher deduces that the role of leadership is both one of giving direction and vision, as well as playing a large supportive role. Important to this is effective communication that cascades to all employees and is made relevant to their specific roles.

4.6.3. How can the challenges identified be overcome or the effect thereof minimised?

Considering the literature, the research and the discussions in 4.5.1 and 4.5.2, the researcher proposes that in order to effectively navigate the challenges from the regulations in the long term insurance industry in South Africa, with regards to marketing activities, an integrated approach is needed. This approach is discussed next and depicted in Figure 8.

Marketing Function Shift

In the researcher's opinion, arguably the biggest mindset or perspective change needed relates to the function or role of marketing within the business as a whole. In an attempt to overcome the challenges identified, the researcher proposes that a compliance role be created within the marketing team.

The candidate for this role should either be skilled in marketing management or have a legal/compliance background. Depending on their base skill set, they need to be trained to perform the other role. It would seem to the researcher that it would be more practical for a candidate with a legal and compliance background to be up-skilled in marketing, however this is not based on any empirical facts or knowledge. This role would be solely responsible for keeping abreast of all the regulations that affect marketing activities in the long term insurance industry, educating the rest of the team about the impact that these regulations have, and signing-off on all material.

Introducing this role should have a bigger impact than just giving control back to the marketing team and alleviating capacity constraints in other areas. The real value of this proposed solution should stem from the creation of a culture of regulatory awareness and understanding amongst the marketing team. This will allow the team to naturally create impactful communications and campaigns from concept to implementation, as the knowledge would be there from the start. This marketing compliance role would report to the marketing head, but should have a dual obligation to

keep abreast of what the core compliance team is working on. This would ensure that they understand and are aware of what the business as a whole is doing.

Leadership Vision and Direction

The leadership team of FNB Life needs to establish a clear vision and direction in terms of how regulation, especially impending regulation, should be dealt with from a strategic and operational perspective. This should not be done in isolation, but needs to be communicated across the business at all levels. Further, the leadership team needs to establish the roles of impact assessment and implementation of these regulations within the business. In other words, who is responsible for what and to what degree? The researcher believes it is important to note here that responsibility cannot fall solely on the legal and compliance team.

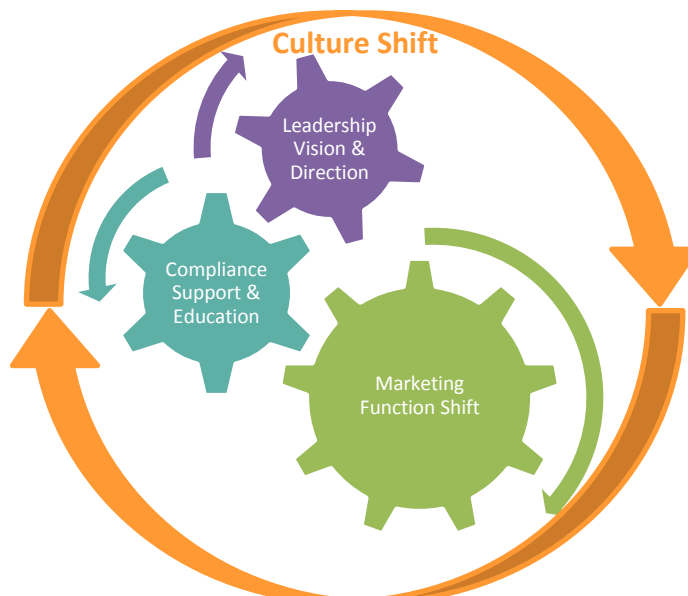
Compliance Support and Education

The legal and compliance team needs to support the marketing team in terms of helping them understand the regulations and assessing how they impact the marketing activities. Interaction should not just take place when material is being signed-off and there is conflict over what needs to be added or removed and how things are said. The teams should work together to find solutions to challenges, or even raise concerns and disagreements at the regulatory body level. By introducing the compliance marketer, the relationship between these two teams has the potential of becoming more integrated and aligned.

Culture Shift

Implementing new structures as suggested above will inherently cause the need for a culture shift. The leadership team will need to become more aware of their communication efforts and the direction they give to the business. The compliance team will need to change perspective and understand they play a supporting and guiding role to the marketing team and business, rather than a prescriptive one. The marketing team will need to become comfortable with the regulatory environment and make a concerted effort to up skill and understand this environment more.

Figure 8: Integrated Approach to Regulatory Challenge Mitigation



4.7. Conclusion

Chapter 4 presented the results of the research conducted using questionnaires, personal interviews and direct experience narrative. The results were then analysed and interpreted in an integrated manner in order to answer the research questions posed. The research questions were discussed using theory and data obtained during the field work. Full data sets for the questionnaires, as well the personal interviews, are available for review in Appendix 1 and Appendix 2 respectively.

The final chapter will present the researcher's conclusions of the study, as well as provide recommendations for the business. Suggestions for further research are also discussed in Chapter 5.

CHAPTER 5: CONCLUSIONS & RECOMMENDATIONS

5.1. Introduction

The aim of the study was to determine what challenges the regulations place on marketing strategies in the long term insurance industry in South Africa. The study was focused on the particular case of FNB Life, the long term insurance business within FNB. Theory was reviewed and data were collected and analysed in order to answer the research questions posed.

The purpose of this final chapter is to conclude the study with a brief discussion on the research, recommendations for FNB Life, and suggestions for further research.

5.2. Discussion of the study

The role of marketing within an organisation is to create valuable relationships with customers, with the aim of a mutually beneficial exchange (Keefe, 2004; Argawal & Kapoor, 2014; Dibb, Simões & Wensley, 2014). Further, the marketing function acts as the voice of the customer within the organisation (Tapp & Hughes, 2004; Dibb, et al., 2014). This relationship with the customer indicates that the marketing function, and ultimately the marketing strategy, is vital to the success of the business (Argawal & Kapoor, 2014).

More specifically, in a financial institution such as FNB Life, the role of trust plays a major role in the relationship with the customer (Damtew & Pagidimarri, 2013). This is because the unsavoury practices in the life insurance industry, the lack of customer communication and interaction, and past experiences has led to a lack of trust between customers and insurance organisations (Damtew & Pagidimarri, 2013; EY, 2014b). The importance of trust was reiterated by the research conducted, with one respondent saying, "I think when you start dealing with people's money, you need to be regulated and you need to be responsible, because that creates trust". Marketers within FNB and FNB Life understand that there is a need for regulation in the industry because it protects the customer. The insurance industry has over the years garnered an untrustworthy reputation due to the unethical behaviours of industry participants, thus increased regulatory intervention in the industry should support marketers' efforts in gaining back this trust from consumers.

However, there is an overwhelming sense that the industry has become so highly regulated that it has impacted the ability of the business to communicate to customers in fresh and engaging ways, and has had a negative impact on the financial and human capital resources of the business. This highlights the fact that the positive intent of regulation can be diminished and relationships between businesses and regulatory bodies can become damaged by excessive regulations that increase costs and restrictions on businesses (Stöhr, 2015). It needs to be borne in mind, by both the organisations and the regulatory bodies, that the intention of regulation is to promote market growth in a sustainable and customer friendly manner (BIS, 2011).

The study revealed to the researcher that the business does not believe the industry has reached the tipping point of over regulation just yet. There is a sense that regulations being passed, even though there are many, are for the good of the customer and for the good health of the business' balance sheet at the end of the day. The caveat is the ambiguous manner in which these volumes of regulations are being rolled out. This is one of the major reasons costs are increasing and more

human resources are needed. Challenges more specific to marketing activities that arise as a result of the regulatory pressures include the fact that the various parties within the business disagree in terms of what legal disclosures need to be included on marketing material, how certain things need to be phrased to customers, and what cannot be said to customers. The result is more caution on the part of legal and compliance teams, and thus more legal disclosures and the use of language that is protective, for example, 'you could get' instead of 'you can get'. Marketers would argue that this diminishes the impact, and at times the relevance, of the communication. It also increases marketing costs in terms of media space needed.

This emphasises the importance of the role of leadership within the organisation. In general, the role of leadership is to provide a vision and relevant support in order to attain that vision (Timming & Johnstone, 2015). This vision is of the utmost importance in a highly regulated environment (Blessing White, 2015). This might suggest that visionary leadership is the most effective leadership style in the life insurance industry at the current time, however it is important to realise that each business is different and so an adaptive style works best when navigating the complex environment (Goleman, 2000; Magadlela, 2016).

This is supported by the research findings, in that the respondents believe that leaders need to be clearer in their visions, better communicate the impact of regulations, and drive cultural change in terms of the perception of regulations within the business. The respondents' self-reflection acknowledged the importance of having vision, but also understood the effectiveness of being adaptive in terms of leadership style. Another encouraging factor in the results is that the respondents feel that the current leadership team is steering the organisation in the right direction and manner in order to navigate the regulatory complexity and uncertainty.

5.3. Key Findings

The key findings of this study relate to the challenges that have arisen from the regulations on marketing activities in long term insurance within FNB Life. The challenges are identified as follows:

- Increased cost of advertising due to more time or space needed to communicate legal disclosures.
- Increased lead time in developing marketing materials or similar due to level of sign-off required.
- Loss of relevant marketing communication due to missed timeframes, and/or loss of message impact due to legalese.
- Increased anxiety and confusion as a result of ambiguity of interpretation of regulations.
- Potential de-motivation of marketers due to not being able to use core skills or creativity.
- Increase admin burden that could result in decreased productivity that directly adds value to the bottom line of the business.

Secondary to the challenges discussed above, some important factors regarding the role leadership plays in dealing with the above challenges were identified. These findings are listed below:

- Leaders need to have extensive knowledge of the regulations that impact the business.

- Leaders need to communicate this impact to all employees in a timely fashion so that those doing the implementation can prepare appropriately.
- Leaders need to establish and communicate a clear vision as to how they want the business to handle the regulatory pressures.
- Leaders need to change the culture to view the opportunities that lie within these regulations and not just the restrictions that may be present.

5.4. Recommendations

The researcher recommends that an integrated approach to the relationship and responsibilities between FNB Life leadership, the compliance team and the marketing team be adopted. This will require a change in perspective in terms of how the marketing team is structured within the business, and an understanding at a leadership level is needed on how this change will affect the role that the marketing function plays within the FNB Life business.

To this end it is recommended that a role be created in the marketing team that is specifically responsible for compliance in the marketing space. This role will require a deep understanding and knowledge of the regulatory environment in the long term insurance industry, as well as the marketing industry. Furthermore, the role will require the candidate to be skilled in terms of marketing theory, strategy and execution. The researcher realises that this adds to the cost of dealing with regulatory obligations, which has been highlighted as a challenge, however this change in structure could have the following benefits for the marketing function and the business as a whole:

- A greater awareness and understanding of the regulatory environment by the whole marketing team, which will aid in the development of a compliance culture that embraces regulation and views it as an opportunity to do better. This would save time and reduce costs because the two worlds (creative vs. compliance) will be integrated and campaigns and other communications will, from the outset, be developed with all the requirements in mind. If the team knows and understands the requirements in detail when creating marketing material, then they should be more likely to develop engaging and relevant materials for the customer, while being compliant.
- The issue of meeting deadlines, as well as being quick to market when an opportunity presents itself, will be eased as the marketing team would have a dedicated resource to not only review, but to co-create material with. This would have the benefit of easing stress and tension among the teams and avoiding rushing work to meet deadlines, which can lead to errors.
- The marketing function will gain back their sense of empowerment which will lead to more proactive and innovative work coming from the team.

Implementing this recommendation will require that the leadership team shifts the way it views compliance matters, and they would need to set out a clear vision in terms of how compliance matters are dealt with by the business as a whole and who has responsibility for what and to what degree. The compliance team would also need to shift their perspective in terms of how they have come to know their deliverables and responsibilities as a team. In other words, they would need to support the marketing team and the compliance marketer role by including them in discussions and

educating and guiding them on business wide compliance strategy. Their role would be one of support and development of the compliance officer, rather than just the sign-off function. This entire structure change would be reliant on a business culture and perspective shift.

5.5. Suggestions for further research

Some suggestions for future research are discussed below:

- A mixed method study, using action research and quantitative means, could gauge the effectiveness of a compliance marketing role. This would require the creation of such a role within a life insurance business and then the output of the marketing team would need to be measured over a period of time before and after the role is introduced. Questions arising from such a study could include whether or not the role has increased output, improved results relating to the output, increased team performance based on set indicators, and increased team morale or the level of engagement.
- Research could measure the actual financial cost of compliance related to marketing activities, as well as implement a time study to determine the direct effects on planning requirements for the marketing function in terms of increased regulatory pressures.
- An empirical test on some legal/compliance requirements on/in marketing communications could determine whether these actually have an impact on the buying decision or post purchase emotions. This study would be conducted from a customer point of view to see what information is actually important to them, and then comparing that data to what the regulations say are important for the customer to see.
- A study on customer awareness of the regulation in the industry and how/if this affects their levels of trust for brands in the industry and thus purchasing decisions.
- More detailed research on leadership skills needed to lead in such a highly regulated industry and practical applications of these skills.

5.6. Conclusion

The researcher concludes that the regulatory pressures in the long term insurance industry pose challenges to marketing strategies and activities. These challenges stem from operational, financial and strategic perspectives, and introduce frustration, anxiety and ambiguity to the marketing function. However, there is an overwhelming consensus that the intentions of the regulations are good for the industry and are there to protect customers, which as an ethically sound business is what FNB Life advocates for. There is also agreement that the leadership team is steering the organisation in the right direction in order to deal with these regulatory pressures.

However, it has become apparent that a change is needed in how the marketing function is structured and how they perform their day-to-day tasks in order to overcome these challenges and perform optimally. Leadership has a great responsibility to recognise this and put structures and support systems in place in order to allow the marketing function to deliver great value to the business.

This exploratory study has achieved its objective and delivered a small glimpse of clarity into a complex world. The researcher looks forward to seeing further studies from other authors that build on this body of work and add value to the realm of marketing and legal and compliance.

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APPENDIX 1: QUESTIONNAIRE RESULTS

Q1: What is your role within the organisation? (Note: For anonymity purposes, you do not have to provide your designation if you are not comfortable doing so. You can give a brief description, for example, senior manager in the marketing/growth area/risk etc. and my main responsibilities include

- R1A** CEO
- R2A** Senior Marketing Manager
- R3A** Risk manager
- R4A** Compliance Manager
- R5A** Legal Manager

Q2: Do you have a team that reports to you?

- R1A** Yes
- R2A** Yes
- R3A** Yes
- R4A** No
- R5A** Yes

Q3: If yes to the above, how big is your team? If no, please move to question 4.

- R1A** 15 or more
- R2A** 1-5
- R3A** 1-5
- R4A** N/A
- R5A** 1-5

Q4: How would you describe your leadership style?

- R1A** Supportive yet demanding. My view on leadership is that style should adapt to the circumstances that the business is in. If you are in a phase where you do need to make quick decisions and move swiftly you should adopt a commanding leadership style (like if there is a deteriorating market environment or internal risks). When we set up the business I adopted a visionary leadership style coupled with pacesetting as this was consistent with most businesses in that phase. Since then I have been trying to transition towards a transformational/democratic style.
- R2A** Transformative, I love to grow people and guide them to discover and build on their strengths. My role as a leader is guidance and mentorship and showing them their place in the bigger strategy and goal. Understanding their contribution and getting their buy in is what is important and guarantees success
- R3A** I focus on providing the team with knowledge and skills and allow them flexibility to execute projects how they think is best. I would say more of a Visionary style.
- R4A** Self-empowering, not a micro-manager, influencer, advising and guiding. In other words, Transformational and Affiliative and Coaching.
- R5A** Participative and transformative, as well as coaching.

Q5: Have you been exposed to the regulatory compliance requirements of the business? If yes, how has this impacted you and your team (operationally, strategically etc.)?

R1A Yes. It has been slow to come and left the business in an angst position.

R2A Yes, it affected competition, the way we communicate. They look and feel of marketing material as well as the length of content we have to provide. It goes as far as SMS characters that have been lessened because of the legal requirements. Marketing has become more restricted. On the other end it has forced the business to take the customer's needs into consideration and build value propositions that are best for the customer.

R3A Yes. Risk is quite closely involved in some compliance matters. Operationally, we are mainly impacted through the time required to complete compliance training. There is also a risk of compliance breaches which we work with the GLC team to avoid.

R4A Yes. Operationally it does per se impact our team as we are employed to ensure we adhere to it, however what it does require from us is to assist business to operationalise the necessary. Strategically we need to always ensure we create a compliance/regulatory culture and obtain business buy-in by assisting and guiding business.

R5A Yes, we constantly need to stay abreast of new/upcoming legislation to avoid regulatory scrutiny.

Q6: Has the increased regulatory pressure in the financial/long term insurance industry presented any opportunities or challenges for your team? Please give an explanation/clarification of your answer.

R1A There have been opportunities - like building for our future as opposed to trying to rebuild our legacy. However the slow movement of the regulations have left us in a limbo.

R2A Definitely both, opportunity and it brings customer focus into all areas of the business and challenge as it affects marketing material and requires us to be extra creative in order not to bore customers with a ton of content that does not make sense.

R3A Yes. Mainly through our involvement with the product teams in the product development process, both challenges and opportunities.

R4A There are always opportunities to embrace changing legislation, all changes are not always for the worst. Challenges posed are the number of regulatory instruments that gets added to the list on an annual basis. What is also often challenging is the rate of innovation in business versus lack of application of legislation due to change in technology (e.g. provision of financial services through digital channels)

R5A Yes, the aforementioned pressure has presented the opportunity to overcome these limitations in a creative way such as the industry trend to circumvent the inducement limitation in terms of the long-term insurance act. It has likewise increase the demand of legal advisers with financial sector knowledge.

Q7: In your opinion, what is required of the leadership team in the organisation in order to support the business in dealing with the regulatory pressures of the financial/long term insurance industry?

R1A Enough subject matter expertise to make sure the regulations are well debated and the implementation is thoroughly thought through. Enough capacity to do what is needed to be done but also not so much that it slows down the entire organisation.

R2A Involvement and education. I think if staff is involved in the process and understand the implications they would be more likely to buy in.

R3A I think that management needs to help to dispel the perception that regulatory requirements are only restrictive. Because many things in the business are still being built, we have a unique opportunity in that if we build the business in the right way, regulatory pressures should not just be randomly arising. Most of the changes to the regulation are with a view to improving the customer's value and experience, and those should be things that we want to do anyway, so leadership can help by encouraging the right culture within the business.

R4A I believe our organisation does have the necessary support and buy-in but unfortunately there are often a lack of expertise in relation to relevant subject matter experts and cost of obtaining sound guidance from external experts.

R5A Knowledge and the ability to persuade business of the relevance.

Q8: In your experience, is the leadership team steering the organisation in the right direction and in the right manner in terms of your answer in question 7?

R1A Yes.

R2A No.

R3A Right direction - yes, right manner - not necessarily. Regulatory requirements/compliance are sometimes resisted and treated as tick-box exercises, instead of trying to optimise the opportunities that they create.

R4A Yes, taking into consideration the constraint of available resources.

R5A Yes.

APPENDIX 2: PERSONAL INTERVIEW TRANSCRIPTS

Respondent 1

Interviewer (INT): What is your role within the organisation?

Respondent (R): I am the head of marketing for the retail bank.

Interviewer (INT): Do you have a team that reports to you?

Respondent (R): Yes, so I have a core team that reports directly to me, a team of specialists I guess. People that do advertising, communications, digital, research etc. Then there is a big matrix structure that operates at FNB because it's a federate model and I have a plethora of marketing teams spread across the bank that have a functional reporting line to me.

Interviewer (INT): How would you describe your leadership style?

Respondent (R): I'd like to say visionary, because it is the one that everybody would like to think they are, but I think what I am certainly not is transactional. Fundamentally because that is not how I think we empower people and we grow people. I want to say visionary, but having said that my own fallibility will suggest that I am not exactly clear on my own vision so to the best of my ability articulating where we need to go and allowing people to plot that path for themselves. In fact to the extent that they help me get there because I am not entirely sure myself of how we are going to get there. So I really a lot on their (my team) expertise, knowledge, and their institutional knowledge because a lot of them have been their much longer than I have. So I would like to think of myself as that sort of leader.

Interviewer (INT): Have you been exposed to the regulatory compliance requirements of the business?

Respondent (R): I probably have in drips and drabs. If you had to ask me am I fluent, can I tell you what all the regulatory requirements are now, I won't be able to. I am exposed to them, but for the life of me I can't tell you what they are all about right now.

Interviewer (INT): Okay. From a marketing perspective have they had any impact on you and your team from an operational or strategic perspective?

Respondent (R): Sure. Of the regulation that come to mind immediately, there is some that impact marketing more directly than others. Let's start for example with the NCA and all of that kind of stuff. It does limit the manner in which you can go to market pushing credit products. There's a simplicity behind marketing and communication that drives effectiveness. With the regulation you have to very careful of what you do and do not say and can and cannot say. It does make your life a little harder. Also in terms of the regulatory bodies, the practical stuff like you have to have those legal lines at the end of things like your advertising. It does make it harder because you end up paying more for the durations that you put out there etc. Specifically in the insurance industry, inducement is an issue. There are a lot of sweeteners that one could consider, especially in a very competitive environment like insurance, and if you are a late comer such as FNB is, typically you would rely on sweetening deals, but have to be very, very careful as to what is inducement and what's not considered to be inducement. Beyond that you have to be very clear as to the claims you make, that is the kind of pressure I find myself under a lot. Because you are in a competitive environment, can you substantiate the claims that you put forward. I have found myself in a number of situations where I have had to answer to regulatory bodies and banking associations etc. as to why we make certain

claims. I also think that the regulation can be interpreted in so many different ways that we were able to demonstrate our interpretation thereof and how we arrived at a claim, which was obviously disputed by other parties, so you could see there was no clear cut answer. As it comes to marketing there is room for interpretation so there could be some ambiguity there.

Interviewer (INT): So we have alluded to some of the challenges of the regulation there as well, but do you find that there any opportunities that stems from the regulation?

Respondent (R): As far as financial services is concerned, I think regulation is good. So fundamentally it has helped keep the financial services sector disciplined. It has helped us keep our balance sheets well-structured and it has protected us considerably. It also does well for the consumer. For the most part I would say, not being a regulatory expert, no I don't think there is anything more you can add or detract from if you were to either take away or to add to regulation. Again I am no expert but to my mind, everything that is out there, that even though it makes our life harder from a marketing perspective I do believe that it is there for the greater good of either the consumer or for the macro economics of the country as a whole. It serves a greater purpose, rather than just from a marketing perspective. If you were to take it just from a marketing perspective and you were that one dimensional, which we shouldn't be, yes absolutely take out the need to say all of these things and can I just go off and entice customers to take my product, it's great for me as a marketer because it makes my job easier. Is it the right thing for me to go and tell an indebted consumer or a consumer that doesn't receive the advice that he or she requires, that's wrong. So I would say if we are erring on the side of treating customers fairly, I would prefer regulation.

Interviewer (INT): In your opinion, what is required of the leadership team in the organisation in order to support the business in dealing with the regulatory pressures of the financial/long term insurance industry?

Respondent (R): It takes a lot of vision. For one, the level of advocacy that needs to come from leadership to be able to look at regulation objectively and be able to play back to the regulatory bodies in an objective manner what is a viable alternative. Not just saying 'I don't think this is a good piece of regulation because this is why it is bad for me'. Which is what I constantly hear. So the one that comes to mind is the sugar taxes that's happening right now in the FMCG industry. What's going on, the guys are going in and saying that this is a bad tax because it is going to cost jobs and we contribute so much to the GDP etc. What I am not seeing them put on the table is 'why not consider this, this and this' with some empirical evidence. So I think true leadership would have taken the stance of 'okay we understand the challenge and threat that this piece of regulation affords us, but let's offer up an alternative' and I think leaders need to do some of that. If we look at some of the regulation around the interchange, I don't know what happened at the time, but the fact that we could come up with solutions within FNB to move people towards the plastic that we wanted them to use in order to mitigate the amount of interchange we were going to lose, that was good thinking. Even now we are working on projects to mitigate the loss of revenue on the cheque card side. I can't speak for what happened at the time (at FNB), but I remember when I was at another bank, it was just a complete and utter freak out because 'oh no we are going to lose all this money and lose this revenue line'. There was a lack of leadership to say 'okay what is our response going to be?'

Interviewer (INT): In your experience, is the leadership team steering the organisation in the right direction and in the right manner in terms of your answer in question 7?

Respondent (R): From a regulatory perspective?

Interviewer (INT): Yes.

Respondent (R): It is difficult to say because there hasn't been a lot of regulation since I have been here that has impacted us, or new regulation that has impacted us. So I will speak of old regulation such as the interchange shifts. I think the leaders have dealt with it well by not sitting in a corner and crying and moaning about it or looking to cut costs because a revenue line has been lost. They have looked for opportunity in that to get customers to spend more on their credit cards. So from that minute perspective I would say it was relatively well handled. Another good example is KYC. I think the leadership around KYC at FNB, in fact all of the banks, has been relatively good in terms of identifying what the issue is and understanding why it needs to happen, steering the organisation, setting up resources in order to get things done. The efficacy of what was done is a different story all together, but that's not a leadership issue per say it's rather was that the right approach in terms of dealing with it in that way. I guess if I aggregate my answer, leadership sits relatively good in terms of that.

Interviewer (INT): That's it, thank you very much.

Respondent 2

Interviewer (INT): What is your role within the organisation?

Respondent (R): Integrated marketing manager in one of the segments.

Interviewer (INT): Do you have a team that reports to you?

Respondent (R): Yes.

Interviewer (INT): How many people are in your team?

Respondent (R): One.

Interviewer (INT): How would you describe your leadership style?

Respondent (R): I would like to be a visionary leader. I don't know if I get it right. I also think a lot of coaching. I don't think it's one or the other though. It depends on the project you are working on. For example, if it is a campaign and it has to go live then I go into a different mode than when we are planning or when there is lots of time. Then with former it would be more a pacesetter kind of style to get stuff done.

Interviewer (INT): Have you been exposed to the regulatory compliance requirements of the business and how has this impacted you and your team?

Respondent (R): Yes definitely. This integrated marketing role includes governance. So I need to make sure that, especially in the below the line space for example, that we adhere to POPI and all the regulations around client information and that we don't touch clients too often and that nothing is divulged that should be private and confidential and things like that. So I have definitely been exposed to it.

Interviewer (INT): Has the increased regulatory pressure presented any opportunities or challenges for your team?

Respondent (R): Not in my team specifically, but in general. For example, we are not allowed to communicate to a client more often than every two weeks. Before we could send a mail every week, now we can't if it is not operational. The moment there is sales to it you have to adhere to the rule. So that has a huge impact because if you were used to sending things (communication) out every week, or every three days, or as and when, now we first have to do all the checks and balances. Then as an integrated marketer, I need to check whether other people have touched the client because it also has an impact. Now it becomes a priority thing and not just everyone can send stuff. It does make sense for me. From a client point of view I always want to do the right thing for the client, otherwise they get an overload of stuff that they are not interested in. But yes it (the rules) definitely has an impact.

Interviewer (INT): In terms of the way you structure your communications and the actual content, does the compliance team get involved very often?

Respondent (R): Yes, we have got a whole process. Internally, business needs to sign-off, the brand people need to sign-off, but the legal guys definitely need to sign it off. I am just thinking of another example, we had an issue with fraud, so there was an internal decision that we are not allowed to send links to the client anymore because it is easy for a fraudster to use that link to create a new website and get the clients information and steal their money. So in the past we would have a short write up on a topic with a link to the website for more information. Now we can't have links, so now we have to find new ways of doing the communication. Instead of just an intro paragraph with a link to more information, now we have to write the whole article, or we have to summarise it into a short paragraph and then tell people it is on the website and then hope that they go and search for it if they are interested enough. That has also impacted on sales because if, for example, there is a campaign with discounts, instead of saying 'click here to buy', now you have to say 'go to the website' then find the special deal and then buy. So it is more steps, more of a schlep for the customer. So it did have an impact.

Interviewer (INT): In your opinion, what is required of the leadership team in the organisation in order to support the business in dealing with the regulatory pressures?

Respondent (R): For me the best thing is communication, but that is what I am passionate about. The second you hear about a new law or a change in the legal regulatory environment, they should communicate that immediately. Tell us what is happening and how it would impact us so that you can rather gear yourself up for possible changes, because often something is coming, but then you can start thinking about solution. Instead of a situation where it is there, now you need to implement. So from a leadership point of view it is very useful and necessary that a leader involves you in the discussion, because it's also sometimes about interpreting the law. It is not always just as clear cut. I might think it means one thing (and I don't have a legal background) and someone else will interpret it differently. So from a legal leadership perspective, to have that conversation with people where necessary, because sometimes the legal people on high levels won't speak to mere managers, they would rather speak to your boss instead. So just to be involved in the discussions and understand the questions and the implications so that if you make decision on how you implement the law/rule that you are aligned and that you understand the implications because you might not know what it means. For example, why can't people click on a link? It's not a big thing and it makes it

easy for the client. It is a client friendly way of doing business, but the impact is if the client clicks on that link and if it has been compromised by a fraudster, the client might lose huge amounts of money. So now you have to weigh up, is it more important to make it easy for them (the client), or assess what the risk is behind the purpose of the link. For example, if they click on the link to rate the service they receive, would that matter? No it shouldn't and then you can say I can still use this type of link because there isn't any risk. So for me leadership needs to involve you in the discussion, not just tell you 'this is the law'. They need to let you know that this is the law, this is what it means and unpack it for you and make you aware of the implications.

Interviewer (INT): In your experience, is the leadership team steering the organisation in the right direction and in the right manner in terms of your answer in question 7?

Respondent (R): Well definitely steering the organisation in terms of implementing the right things and having the right discussions. Personally I feel there is a communication gap between the high level and middle management, or even to filter down to the people on the ground who are actually implementing it. We do, however, have all those things that you need to complete from a group point of view. For example, there are all those learning modules that are compulsory and the HR guys have a report of who has completed or not, so in a way what more can you do as management. It is sometimes not practical to be involved in all the discussions and that would have been the perfect world. However, there are all those compliance training videos and modules, which some people still side step, but from a management side I think they do what they should be doing. And this business is a very ethical business, or it comes across as that. The things they do, they try to do the right thing for the client and also legally right and for the country. So you know I think yes.

Interviewer (INT): Do you not sometimes feel like they are over compliant?

Respondent (R): Yes definitely, but if you choose, it's not fabulous to get restricted and you can't do crazy wonderful things, but rather that and be risk averse than having a major melt down. Finances should be a square business, except if you are a trader, like a wolf of Wall Street kind of financial services company. That is a different situation. But we work with people's money, so they are too risk averse at times. Sometimes we want to do a fabulous marketing campaign then we get shut down for insignificant reasons, or rather reasons that I would not think are valid. For example, I once wanted to do a social media campaign using the employees to tweet about their day. It sounds great because then you give people an insight into the business and what it is like to be at FNB and what kind of people are in FNB. For example, not true but say for example I am a nurse in the service suite and I deal with claims, so wow I wouldn't think a nurse could work in financial services, but then maybe I should apply. You know that kind of thing. So the idea was great, how difficult could it be? But they (the business) are too risk averse because the employees might say something wrong or somebody might say something that is confidential and then it is out there. They were just too scared and I think it was a lost opportunity. So definitely too risk averse, but rather err on the side of over caution.

Interviewer (INT): Great thank you very much.

Respondent 3

Interviewer (INT): Can you just give me some more background on your role within the organisation?

Respondent (R): I am head of marketing of the gold sub-segment. So it's people with an income from R120 000 per annum to R350 000 per annum, which possibly will change in the next 6 months.

Interviewer (INT): Okay, do you have a team that reports to you?

Respondent (R): I do not.

Interviewer (INT): Okay, so then question 3 can be skipped.

Respondent (R): Okay.

Interviewer (INT): How would you describe your leadership style?

Respondent (R): I think for me sometimes it's a combination of a couple, depending on what is required. I think what is often quite challenging is that you don't have people reporting to you, but you need to influence quite a lot of people in various times and at various paces. So sometimes you need to be coaching, sometimes you need to be democratic, sometimes you need to be a little bit pushy, and most of the time you actually need to set goal posts in terms of where people go. So for me it was quite difficult to decide which type of leadership, because for me it is always about what the objective is that you need to achieve and sometimes also what leadership style you need to get out of people, what they respond to. So that's my approach.

Interviewer (INT): Okay great thank you.

Interviewer (INT): Then, have you been exposed to the regulatory compliance requirements of the business? If yes, how has this impacted you?

Respondent (R): So yes. Obviously financial services is highly regulated and I think there has also been an increase of compliance people within the organisation. I think the big challenge for me, in the position that I am sitting in, is that there are various compliance teams that you have to deal with. They all have different requirements and they don't often agree on stuff. I will give you an example. Their (the compliance team) feedback is always to make the legal line bigger, however, that gets set from a brand and corporate identity point of view and they (the compliance teams) don't always agree on what needs to be included and what should not be included. For example, as a standard we always include that First National Bank is an authorised financial services and credit provider. However, when I met with the group compliance people they said you don't have to include that if you not talking about a lending product. So if you are talking about transactional products then you just talk about financial services and if you talk about credit you have to include everything. So sometimes we just go for the middle road and include everything just to keep everyone happy, so it is quite challenging. I think also as people change in the organisation, the requirements change, because I think nothing is often formalised and documented and it seems to be quite a living requirement. Just another challenge, when you go with multiple products into one type of communication, then you've got two sets of compliance (teams) that you need to get sign-off from and they often complicate it (the communication) a lot more and start changing the structure of the communication, so it's always a fine line. I think the challenge always is, how do you get a middle ground? I don't see it compliance's role to change English and copy writing and we can't make it more complicated. It is also to understand what you can bring to the party as a marketing person and what they (compliance) need to tick the box with so that all the compliance requirements are met. In

the last couple of months I have worked with different compliance people and it's always just to set the relationship and understand what needs to happen. We had an incident last year with one of the projects. It was the South African Reserve Bank that issued an instruction, so the compliance people were rolling it out and the letter that they wrote to our customers, it was really ... I didn't understand what the hell they were trying to do. And they all want to sit in a room and discuss it (the communication) and what needs to be included and what doesn't need to be included. I actually rewrote all the stuff and slowly but surely additional things start sneaking in again. I understand from a compliance point of view you need to put it in, but if customers don't understand what they doing and what you asking them to do and you're throwing legal requirements at them, people don't understand what they must do. So if they don't understand what they need to do, they are not going to do anything.

Interviewer (INT): And our role as marketers is trying to make it as simple as possible.

Respondent (R): Exactly.

Interviewer (INT): And sell a product.

Respondent (R): It wasn't even selling a product. This was just information saying if you a tax payer outside the country, you need to fill in this form. So sometimes you need to be quite firm, but like I said, that is always a challenge for me in terms that they put in quite a lot of legal requirements which makes it complicated for the customer and like you said, as a marketer our challenge is to make it simple. And then if you have to sell a product at the end of the day, you can't say 'if', 'but', 'maybe', 'you could', 'get up to'. And I understand that, I am all for that, but by the time you finish with a sentence you've got so many 'coulds', 'cans', and 'shoulds', in the sentence, it is not even worth putting up. I think there is also some stuff that people identify as benefits and I think one of the ones was in your Life product, where they will pay out 10 percent of the Life but the beneficiary would have to be an FNB customer for the last 24 months, that's not a benefit. That is a feature of the product, you can't sell it as a benefit. So the product owners would go 'but it's a benefit' and marketers would go 'it's a feature'. I think that's always a challenge in terms of the fact that you cannot make people jump through hoops and if you put it on a piece of paper, or hide it in terms and conditions it's not going to make it easier. You're just going to get come back. So that is always the challenge.

Interviewer (INT): I'm definitely resonating with what you say.

Interviewer (INT): So we have actually kind of gone in to the next question, which is perfectly fine, regarding the opportunities and challenges (of the regulations). Have you noticed an opportunities with the regulations?

Respondent (R): You know, at the end of the day I understand the regulations are there because it protects the customer. In my previous job we did a lot of work in Africa and the banks don't always have such a good reputation, because the regulations weren't there. So one of the examples was, and it was a couple of years ago, maybe about ten years ago - Nigeria had ,I think, around ninety-six banks and they would pop up and people would invest money and then they (the banks) would crash. So what the Nigerian government then started doing is saying that banks must have a minimum asset value. So you start getting rid of the rats and mice. And I think when you start dealing with people's money, you need to be regulated and you need to be responsible, because that creates

trust. If you look at South Africa, we are highly regulated. I don't know if it is going to change. I think with all the banking licences that gets issued, it will get tighter. And I saw an article in the newspaper, I think about Habib bank, it concerns me because the banks have a good reputation because we are regulated and it does protect the customer at the end of the day. So I am not against it, I think if there is a reason for it and not to just go to the extreme. I think if you look at money transfer within South Africa or out of South Africa, we are the most highly regulated country in terms of sending money outside the borders of the country and no other country has got the same regulations. So what happens now is that you cannot send, if you are a South African citizen then yes you can send money out, but if you are a foreign citizen you have to show that you have got a working permit, because you have to show that you have got proof of income. That is the only way you can actually send money out, so what people then do is that they don't have the right documentation then they actually use informal means. What that then means is that the money doesn't always get to the other side. The government also then as no idea how much money actually leaves the borders of this country. And a lot of the money from the money transfer doesn't actually leave the borders of the country, it's an informal system that just works and that for me (money transfer) I think is over regulated and then they (the government) lose grip on it. So there are pluses and minuses, but I think there is a place (for the regulation), and in South Africa we are very protect from a consumer point of view.

Interviewer (INT): Partly because I am resonating with what you are saying, I definitely think there is a place for the regulation, but I sometimes feel the process of implementing from a marketing perspective can get a little burdensome. And as marketers we need to be quick and on the ball and sometimes it can just, for me, get in the way of getting it (the message) out there.

Respondent (R): No absolutely. We also subscribe to the Advertising Standards Authority so we are not allowed to do misguided advertising and there is a big fine that companies pay when you do. So there is a responsibility, but yes don't regulate or just put stuff on there (advertising material). I was actually chatting to the (compliance) guys the other day. If we for example do a radio ad, the FNB legal line that we have to include, that literally just says 'terms and conditions apply and FNB is a division' - that's eight seconds. If you start adding a short code then you have to do the 'standard network rates apply', so in a thirty second ad a third of your money that you are placing in media is just disclosures. When I shared this with the compliance guys they just laughed and said that's very good. The problem with that is people then start discarding it. They don't listen to it because it is too much.

Interviewer (INT): Then in your opinion, what is required of the leadership team in the organisation in order to support the business in dealing with the regulatory pressures of the financial industry?

Respondent (R): Talking from FNB's point of view, I think because we've got a matrix organisation it makes it a little difficult because every product house has got their own (leadership team) and every product house has an opinion of it. For me, it needs to be driven from a central point, saying 'this is FNB', 'this is what FNB does' and if there is any specific things within the product then we deal with it, so I think from a Life point of view yours is a bit different than the standard one, but that for me just needs to change. Not every compliance person in the organisation has got a say on everything. Then between risk, compliance and legal there is also disagreements. So from a leadership point of view, I think it's about putting guidelines down and saying this is what these people are responsible for. I will give you an example. Last year we had an incident between two product houses' legal and

compliance teams and they didn't agree. The one said one thing, the other one said the another thing and it was a combined piece of communication that had to out, so what do you do? The one product house insisted it be written in a certain way and the other said it needed to be written a different way. So who do you believe? So the only thing I did was scrap the piece of communication, because it was like a Mexican standoff. So that for me from a leadership role is what we need. We have got a new Risk person in the bank, and she has come from a segment, so I think she understands the pressures and hopefully she will make a difference. I think it is just to understand whose role is what. I think the legal, risk and compliance people, because they are all so risk adverse they just regulate everything. That's my opinion. I think there is big role to be played from a leadership point of view. I also think there are certain things that everyone has to understand. Every single person in a leadership position needs to understand and have an idea of what the regulations are. You can't have some person going rogue on one side, and we've had that as well, you know saying 'it looks nice, let's just put it up'. It is about educating and I think the legal and compliance people also have a role to explain, saying this is what we want people to understand and we agree on it.

Interviewer (INT): Do you think the leadership team is steering the organisation in the right direction and in the right manner at the current moment in order to get to where need to go?

Respondent (R): I sincerely hope so.

Interviewer (INT): All you can do is hope.

Respondent (R): All you can do is hope. I think there is a lot of pressure, and I think it often is not only from the banks or from financial services, but from a government point of view. They (the government) are looking at the banks to start doing a lot more things. Just an example, the banks are doing the FICAs and the question is that if the banks are doing it then other companies can actually piggy back off of that, they don't have to do it (and incur the costs). It is quite interesting because it adds to the cost of servicing from a banking point of view and banks are constantly under pressure to cut costs, but because of the regulations, you are enforcing them to do these types of checks and balances, yet you are putting them under the same pressure to cut costs. For me that is always a bit of a catch twenty-two from a banking point of view. I did read as I was driving in this morning, and I still wanted to read the full article, but the headline said 'Banks are told to change', and I am not sure what the change is, but I was just thinking from a cost point of view, again just looking at money transfer, the banks have certain obligations and they have to check the sender as well as the receiver from a FICA point of view. Yet you get the small companies that don't have the same pressure. So because it's a bank they have a different set of rules versus a bureaux or a mom and pop shop at the end of it. So I think the central regulations are a lot harder on banks and that makes our jobs a lot tougher.

Interviewer (INT): Okay perfect. Thank you very much.

Respondent 4

Interviewer (INT): Can you give me some more background on your role within the organisation?

Respondent (R): I am responsible for the marketing at FNB Insurance Brokers, which is the short term division within FNB. I look after all of the products across segments. This involves car, home, and law on call. It also involves the business segments, so looking after insurance for businesses.

Interviewer (INT): Do you have a team that reports to you?

Respondent (R): I have one person that reports to me currently.

Interviewer (INT): Okay great, so we have covered question two and three then.

Interviewer (INT): How would you describe your leadership style?

Respondent (R): I think it's more of coaching leadership. I really want to grow people and I really believe in career development. Everybody has got their strengths and weaknesses and I think it is important to understand what the strengths and weaknesses of the team members are, so we can build on the strengths and improve the weaknesses. Through coaching and imparting my experience wherever I can, try and really get them to learn as we grow. I think it is important to develop people, while at the same time getting them to perform at their best.

Interviewer (INT): Then, have you been exposed to the regulatory compliance requirements of the business and how has this impacted you and your team?

Respondent (R): Wow, yes. I think there is a lot in our world, it is a very highly regulated industry. We've obviously got our bank regulations and within that we also have the insurance industry regulation. So where it impacts on us is on any form of communication, we need to be aware of the fact that anything can be misinterpreted, and we need to make sure that we are very transparent and what we are saying conforms to any regulations, that it (the communication) is clear and the client knows exactly where we stand. We also need to make sure the way in which we communicate is in line with all the POPI regulations and Consumer Protection Act and all of those things in actually how we are targeting clients and getting their feedback. Then making sure that feedback is pulled back into our system so we know how to communicate with them going forward.

Interviewer (INT): Has the increased regulatory pressure in the industry presented any opportunities or challenges for your team?

Respondent (R): I think yes, there are both challenges and opportunities. I suppose any challenge can be turned into an opportunity if you look for it and also if you have to find a solution. Especially in your direct marketing space, that's where I think it comes into play mostly and that's where we need to try and do it creatively, still within regulation and continuously monitoring. Importantly we need to do post campaign analysis and get feedback on how it worked and try different things until you find the best way to communicate to the client, still within the regulations.

Interviewer (INT): Has this impacted your sign-off processes or internal processes?

Respondent (R): Yes, there is quite a long process of getting things signed-off because it has to go through a few different stakeholders, including obviously the legal and compliance manager. Also making sure that any external parties, like your insurers, have sight of it and their legal and

compliance are happy. So it lengthens the process a little and involves a bit more planning and doing things faster and getting them into the system sooner where possible. That's the biggest impact.

Interviewer (INT): What is required of the leadership team in the organisation in order to support the business in dealing with the regulatory pressures of the financial industry?

Respondent (R): I think everybody needs to get involved, it's no use for two or three members of the executive team taking a decision and then they haven't considered somebody else's perspective for the work that they are responsible for. I think it is very important that as a team everything gets discussed and decided and that's where you voice your opinions and represent your area. But it is very important for the leadership to look at everything holistically and to respect all the different areas and make sure that everybody is compliant and happy with what the decision is.

Interviewer (INT): In your experience, is the leadership team steering the organisation in the right direction and in the right manner in terms of your answer in question 7?

Respondent (R): I think so. There are times when we take a direction and we realise that for some or other reason that it's not quite the right direction and there is a slight change. But I think overall we all have a common goal and that is, ultimately we work for FNB and we have clients to look after and we need to do what we need to do to make clients happy, to give them products that they need in the best way and to make money for FNB at the end of the day. So we all have that long vision and as we go along and as we make decisions, it's ultimately with that goal in mind. So yes I think so.

Interviewer (INT): If I may, I just want to come back to question 6 about the opportunities and challenges. Apart from it lengthening the process, what else is one of your big challenges in terms of all the regulations?

Respondent (R): I thinking data. Keeping data is a very big thing in our world and making sure we understand our clients. We have this wealth of information about them that we can use to understand them and offer them the right services and products. Keeping that up to date and making sure that everybody understands how to use the data, how to interpret it and then feeding anything we have back into the system. For example if a client asks us not to market to them anymore, we have to go back and change the market consent indicator. I hope that answers your question.

Interviewer (INT): Yes, thank you. I was just trying to get a little bit more information (regarding the challenges), because in my space and in terms of life insurance, getting compliance sign-off and all the other required sign-offs is a huge challenge. So I am just trying to understand the rest of the business's (bank's) perspective and how they find it.

Respondent (R): It is. On our side, once I get a piece of creative material and once I am happy with it, or my team is happy then it goes to business. They check product accuracy. In other words they make sure that what we are saying reflects the product as it is and what we offering to the client. Then it goes to legal and compliance and they check that what we are saying is interpreted correctly by the client, that it conforms to all of the various regulations and that we are not saying anything that leaves it open for interpretation. I think that is the main thing that they are concerned with as well, and that obviously our legal line is correct, and we have got all the 'terms and conditions apply'. Then depending on what it is, if it is a product that we have developed together with an insurer and we offering it as a broker ourselves, then we keep sign-off internal. If it is a white labelled product then we need to state that we are not the underwriters, we are just administering and marketing on

behalf of the insurer. It has to go the insurer for sign-off, and then there is also a certain process on their side. I presume their business and legal and compliance have a look and it definitely also goes through their marketing team. So that obviously takes a bit longer. Then another thing I have forgotten, depending on which segment (within the bank) we are targeting, let's say we are targeting the gold segment, I would also send it to that segment marketing team to have sight of and see if they are happy that we are following the correct tone and language. It also gets sent to our CI (corporate identity) to ensure that it complies with the FNB guidelines. Then if we are running a campaign to the private wealth clients, then it needs to go to their marketing department for the same process.

Interviewer (INT): Do you find that the compliance teams sometimes alter the structure of the communication at all?

Respondent (R): It's corporate identity guidelines that they give to us and there are certain things that have to be one hundred percent in place, like the amount of white space around your logo. Then there are other things that sometimes are more subjective. As long as we follow the illustration guide and use the correct logo and type face it should be fine, but they do sometimes give some opinion on headlines or actual communication. I think it is about having a look at what they are saying, which a lot of the time it makes sense and sometimes because we are on the product side it makes sense for us to be a different way and you just have to work within those parameters.

Interviewer (INT): Thank you very much for your time.

Respondent 5

Interviewer (INT): What is your role within the organisation?

Respondent (R): I am the head of marketing for Credit Card.

Interviewer (INT): I know you have a team that reports to you, how big is this team?

Respondent (R): I have ten people reporting into me.

Interviewer (INT): How would you describe your leadership style?

Respondent (R): I think I am in between visionary and affiliative and pacesetting. I think there are various types of leadership. There is leadership in terms of how you manage upwards, how you manage your people, and then how you manage below. I think that with my team I am more pacesetting. With my EXCO group I am more visionary, kind of like this is the vision, this is where we are going and how we are going to do it. I think that because we work in a fast paced environment, if you don't have a pacesetting leadership style, you will get left behind. It is a transactional retail product so the landscape is very competitive and you have to keep up with that or you are out.

Interviewer (INT): Have you been exposed to the regulatory compliance requirements of the business and how has this impacted you and your team?

Respondent (R): Yes I have. There are various things (regulations), like NCA because we deal with credit, so NCA is a big one in terms of how we manage and speak to customers and what communication we put out to customers. So my team and I are very aware that credit is a very sensitive product to sell and that there is also a lot of information that we need to give out to our customers to demystify the product. We have to work within the regulatory framework of the NCA

and get the message out there. For example, you can't incentivise a customer to take up a credit card, but you can incentivise them once they come on board to use your credit card. So those are the things that affect our marketing world. Now with TCF coming into play there is a huge focus on the transactional pillars of the bank and Credit Card falls into that. The focus of TCF is whether you are transparent enough and whether you are selling the product in a way that the customer understands, does the customer understand the language that you are using and do they understand the terms and conditions of the product. So as a division, I have been tasked with taking all of our terms and conditions across the business for Credit Card and making it very customer friendly. Those are the types of things that we are now putting into place and I think it's not just a TCF thing for customers and from a marketing perspective, but also from a culture perspective. In our business marketing (the team) leads the culture with internal communications etc. What we have got now is internal TCF culture drivers, for example industrial theatre where we demonstrate how the employee should or shouldn't react for example, depending on what a customer says. So the regulatory framework affects our life because we can't communicate to customers willy-nilly. It has to be substantiated, therefore every piece of work we do has to go through legal for approval. It's not just a 'hey I feel like giving you some gold coins' scenario.

Interviewer (INT): Has the increased regulatory pressure in the financial/long term insurance industry presented any opportunities or challenges for your team?

Respondent (R): I think an opportunity for the customer and then an opportunity for us as a business to re-look how we deploy products to market and how we communicate with customers. The opportunity is growth and understanding that the market has changed and that the consumer has changed. So if you look at Millennials, they are not consuming what we tell them. They are consuming what their friends tell them and it is based around all of these frameworks. The challenge that has come on board is that we don't completely understand one hundred percent what their expectations are and because it changes year on year, you have to change communications and marketing material etc. which then costs a lot of money, but if you don't do it you get penalised.

Interviewer (INT): In your opinion, what is required of the leadership team in the organisation in order to support the business in dealing with the regulatory pressures?

Respondent (R): The leadership team needs to understand what the challenges are. For TCF for example, there is a notion that the bank needs to carry it out and that you need to carry it out in your product houses, which is great, but there is a lack of resources. You need to be able to employ a dedicated person to embed the TCF culture into the business. I think that is where leadership comes in to say 'if I am going to slap you with a new NCA regulation', or another example is the authenticated collections procedure that has now coming on board, there isn't a dedicated person looking after that. So now you have bits of people looking after various regulations, but there is no one birds eye person saying, 'okay this is how we deploy across the business'. I think that is how leadership can support, understand the challenges, understand the lack of resources, escalate and make it a priority.

Interviewer (INT): In your experience, is the leadership team steering the organisation in the right direction and in the right manner in terms of your answer in question 7?

Respondent (R): I think they definitely are. I think there is an ever increasing awareness of social sentiment by top leadership. Trying to understand what people are saying about your product and then matching that back to, if they are complaining within the TCF parameters, and assessing if we are doing what we need to do as a business. So it has become a lot more prevalent in our day to day lives, in what we say, how we say and are we actually treating the customer fairly. Especially since credit is such a sensitive product, if my interest rates are calculated wrong it has an impact on the customer's money or discretionary income for the month. So things like that are highly considered and there is a huge focus on driving that behaviour and culture, not just upwards but downwards as well.

Interviewer (INT): Great thank you very much.

APPENDIX 3: LETTER REQUESTING PARTICIPATION FROM RESPONDENTS

Dear (Respondent Name)

I am currently busy with my Masters qualification and require some input from you for my research. Details of the request are outlined below.

Qualification: MSc MOTI (Management of Technology and Innovation)

Institution: The Da Vinci Institute for Technology Management

Research Topic:

The influence of regulatory frameworks on marketing strategies within the South African Life Insurance industry: A South African Case Study

Note:

Thank you in advance for taking the time to assist me on my research journey. Your efforts are greatly appreciated. Before you begin, please take note of the below.

- This questionnaire should not take more than 15– 20 minutes of your time to answer. Please answer as comprehensively as possible
- Your answers will be used solely for the purpose of this study and your identity will be kept anonymous
- If at any time you feel uncomfortable in answering a question, please indicate so and feel free to move on to the next question
- Your answers will by no means be considered as a reflection of the business in its entirety. The study is exploratory in nature and the questions designed to gain some insight into parts of the business operations in an attempt to answer the research questions
- If any question is unclear, or you have further queries, please do not hesitate to contact me on 082 4402 407, or bjoubert1@fnb.co.za

Background of the study

The global financial and economic crisis of 2008 left a wake of destruction in its path. Along this path were governments, businesses and the average man on the street (Arabia 2000, 2012). The financial crisis of 2008 was, amongst other economic factors, brought about by unscrupulous and over confident lending practices by financial institutions and overzealous lenders. The effects of these behaviours were magnified by a lack of regulation and management discipline and diligence (Grosse, 2012). The recuperation of the global economy and future prevention efforts of another global crisis led to more stringent regulatory controls in the financial services sectors of territories such as Asia, Canada, Latin America, Europe, the US and South Africa (EY, 2014a).

Increased regulatory pressures have also stemmed from the fact that the world has moved into a digital era of hyper-connectivity with increased levels of information consumption by consumers, which creates vulnerabilities and serious concerns in terms of privacy (Bennett, 2014). All these events have resulted in a movement to protect consumers in all facets by empowering them with the support of regulation. This increased regulatory pressure has had a far reaching impact on businesses as a whole in the financial services industry (PWC, 2011).

This amount of change and uncertainty requires strong leaders with clear visions and the capability to navigate their employees through the uncertainty in a positive ways to ensure success for the business (Manley, 2013; Viljoen, 2015; Wayland, 2015; Magadlela, 2016).

Thank you and Kind Regards,
Bianca Joubert

APPENDIX 4: LETTER OF PERMISSION TO CONDUCT STUDY



FNB
First National Bank

how can we help you?

21 February 2017

To Whom It May Concern

RE: Letter of Permission to Conduct Study

This letter serves to confirm that Ms Bianca Joubert has been granted permission by the management of FNB to carry out a study entitled '*The influence of regulatory frameworks on marketing strategies within the South African Life Insurance industry: A South African Case Study*'. However because of the data used in this study a non-disclosure is required for 5 years as per the allowance by the DaVinci Institute.

The organisation will render her the necessary support and cooperation.

Yours sincerely

FNB Life Legal

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