Corporate Entrepreneurship in the Long Term Insurance Industry

Investigating the relationship between Entrepreneurial Orientation and the success of Corporate Entrepreneurs in the Long Term Insurance industry.

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SUMMARY

Investigating the relationship between Entrepreneurial Orientation and the success of Corporate Entrepreneurs in the Long Term Insurance industry.

by

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In this thesis, Corporate Entrepreneurship in the Long Term Insurance Industry, the focus of the researcher was to determine if there is a significant difference between successful and less successful corporate entrepreneurs with regards to five dimensions of entrepreneurial orientation. The long term insurance industry has a turnover of corporate entrepreneurs (Financial Advisers) estimated very conservatively at around 35-40% (Shah & Bharti, 2014, p. 275). The attrition rate is a huge cost and added to this conundrum is impending legislation which is expected to change the way business is currently conducted in a significant manner. Insight into the difference between successful and less successful Corporate Entrepreneurs when assessed against the six dimensions (competitive aggressiveness, innovation, risk taking propensity, autonomy and pro-activeness, and independence) will provide valuable knowledge into tweaking the recruitment and selection for new Corporate Entrepreneurs. The research is also intended to provide clues for greater retention of new financial advisers.

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A systematic literature review was conducted to provide the foundation for the constructs explored and the survey was conducted assessing the six dimensions of EO, using descriptive statistics, EFA, ANOVA, and MANOVA. A key finding advanced from the data collected related to the question of being comfortable in working only for a commission. A significant percentage of the respondents in both groups indicated their dissatisfaction with this factor. Given the current economic climate and the growing rate of unemployment, discovering creative ways to reduce attrition will reduce the high costs of turnover, create a positive impact on employees and hopefully assist companies to grow their bottom line.

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The great successful men [sic] of the world have used their imaginations... they think ahead and create their mental picture, and they go to work materializing that picture in all its details, filling in here, adding a little there, altering this a bit and that a bit, but steadily building, steadily building.

Robert Collier (American motivational author, 1885-1950)

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CHAPTER 1

Introduction

1.1 Overview

The Financial Services industry has a history of providing entrepreneurial opportunities to individuals within a corporate environment. Globally, there are many examples of financial service intermediaries who have enjoyed very successful careers. Organisations such as MDRT (Million Dollar Round Table which is a professional association of financial planners based on strict code of conduct and professionalism, based in the United States of America with global membership) have emerged, giving recognition to and creating a code of conduct for their members. In addition to this, there are professional bodies, such as the Financial Planning Standards Board which has many global affiliates managing professional standards to ensure sustainability. (The South African Affiliate is the Financial Planning Institute: FPI.) The industry consists of many large firms, globally recognisable, that have long histories of success. Despite the many successes shared by most firms and intermediaries, high turnover of intermediaries remains a vexing challenge.

For the purpose of this study, a financial adviser in the insurance industry is regarded as a corporate entrepreneur. Financial advisers usually start their career mainly as tied agents of large companies and either remains with the said or alternate companies, or leave to set up their own practice. This study focused on "tied agents" referred to here as corporate entrepreneurs (CE) within the long term insurance sector. Hereafter they will be referred to by the abbreviation of CE.

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A financial adviser (CE) who is considered successful would display the following qualities:

- High energy and drive
- The ability to consistently perform/outperform at higher levels than targeted
- Has a high client/business retention rate (profitable business)
- Has shown consistent year on year growth (growth in client base)
- Part of the top quintile of the group (high performer)
- Qualifies frequently for the various product and performance competitions (competitive by nature)
- Has the ability to network widely
- Remains in the industry for longer than 24 months.

Whilst the above is a general norm across many developed markets, these norms have come under serious scrutiny from regulators and consumers and market factors. The examination by the regulators is based on consumer complaints related to poor disclosure, product sales based on incentives rather client fitness, inadequate protection, inappropriate fees charged and poor customer service without adequate room for recourse. Recent market turmoil in the financial sector has been laid at the door of advisers, brokers, bankers and traders working in this market.

Given that there is an industry norm with regards to what defines success for corporate entrepreneurs/ financial advisers in the long term insurance industry, this is an exploratory study to build theory as none exists for this industry. The acute turnover of financial advisers has huge cost implications for both the industry and the corporate entrepreneur. Anecdotal conversations with management creates the perception that high turnover is the direct result of a lack of entrepreneurship and discontent. The five dimensions of Entrepreneurial Orientation seemed to be an appropriate measure to explore the success or lack of success of financial advisers in the long term insurance industry.

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Whilst the main body of work on EO has been done at organisational level, I believe that these dimensions are as critical on an individual level and hence the need for further investigation.

Financial Planners are the cog of the financial planning industry and create a buffer between the economy, product houses and clients. Since the last major financial crash of 2008, the global economy has been very volatile and there are warning signs that the world markets are heading for another economic crisis. Stock markets around the world have experienced instability since the beginning of 2016 and some market analysts are comparing the situation with the 2008 financial crisis. The Royal Bank of Scotland (RBS) in January warned that we are in for a “cataclysmic year”, urging clients to “sell everything except high quality bonds”. RBS was not the only financial institution to sound the alarm after a combination of poorly performing stocks, falling oil prices and a slowing Chinese economy sparked the concerns of the global markets (Bruce-Lockhart, 2016).

Albert Edwards of the Société Générale predicted [that] “The financial crisis will reawaken. It will be every bit as bad as in 2008-09 and it will turn very ugly indeed” (Elliot, 2016) (King, et al., 2016). Albert Edwards joins RBS in warning of a new crash, saying that the oil price plunge and deflation from emerging markets will overwhelm central banks, tip the markets and collapse the Eurozone (Elliot, 2016) (Bruce-Lockhart, 2016). Since that article was written, citizens in the United Kingdom have gone to the polls on the 23 of June and decided, albeit by a narrow margin, for Great Britain to leave the Eurozone. The full impact of this decision is yet to unfold in the coming months.

According to Roubini Global Economics, South Africa is a part of the emerging market sector which is currently experiencing challenges last seen in the 1980s (King, et al., 2016, p. 1). Latin America has been particularly hard hit by falling oil prices, with Brazilian and Venezuelan economies suffering from dwindling revenues too. Nigerian, Russian and Middle Eastern oil producers have also been battered by the drop in demand. In Turkey, South Africa and Mexico, large corporations, are facing insolvency after the US Federal Reserve raised interest rates.

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The combination of higher borrowing costs and an increasingly valuable dollar could cause a chain of economic reactions that lead back, catastrophically, to the US and other developed markets. African Bank is prime example of having come under serious pressure from bad debts. Other banks like Nedbank, Capitec and Absa, doing business in the emerging markets face similar pressure (Bruce-Lockhart, 2016, pp. 1-2).

The reaction to this threat is very mixed and fluctuates according to market tides. When Professor Nouriel Roubini (Former senior adviser to US Treasury and IMF) spoke at the World Economic Forum, he said, "The good news is there isn't going to be another global financial crisis." Speaking at the WEF in Davos, his tone was far from dark: markets swing from one extreme to another. He cautioned over reaction to the current gloomy data. (Bruce-Lockhart, 2016). Yet just a month later, he wrote, "Markets are on the mend after a savage mauling, but the road ahead leads through tough terrain and dense fog. The recent sell-off in global equities, commodities and credit is unlikely to be the last for 2016, which bodes poorly for global growth and the battle against deflationary forces. Recession risk is still running high, particularly as the remaining stock of countervailing policy tools is limited. The volatility from financial markets to the real economy, could result in a credit crunch, and recessionary pressure, thereby fulfilling investors' worst fears" (King, et al., 2016, pp. 1-2). Since Davos, the IMF (International Monetary Fund) has cut its growth outlook for, South Africa to 0.1%, the United States to 2.2 % and the United Kingdom to 1.7% (International Monetary Fund , July, 2016).

Authors, Morris, Kuratko and Covin (2008) speak of the need for new management practices. They refer to companies as having become "the embattled corporation" in the face of rapid turbulence from environmental factors such as technology, customers, regulation (legal, regulatory and ethical standards) and aggressive competition. "For almost four decades now, both practitioners and scholars have shown a marked interest in corporate entrepreneurship." In a changing world, large and small companies have to innovate and react quickly just to maintain their competitiveness (Morris, et al., 2008, pp. 4-6).

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These dramatic changes have important implications for companies and how they are managed (Morris, et al., 2008, p. 5). They are required to continually identify new opportunities and turn these opportunities into revenue streams: they must behave entrepreneurially to adapt to changing markets and consumer needs (Fayolle & Todorov, 2011, p. 44).

The long term insurance sector, which is part of the financial services environment, is no stranger to this turbulence. Market factors combined with consumerism have been the key drivers of legislation. The year 1998 saw the implementation of the Policyholder Protection Act, which was further enhanced over the coming years. This act was the precursor to the FAIS Act, promulgated in 2002. The Financial Advisory and Intermediary Services Act (37 of 2002) regulates the activities of all financial services providers (FSP) which give advice or provide intermediary services to consumers of certain financial products. All FSP's must ensure that they comply with the legislation and with certain specific fit and proper requirements as stipulated in the Act (Banking Association of South Africa , 2016).

Since 2002, there have been many enhancements leading up to the introduction of the latest amendments to the consumer friendly legislation, TCF (Treating Customers Fairly). The current economic climate creates recessionary challenges with growing unemployment, and added to this, is the onslaught of rigorous legislation. The changes revolve around Twin Peaks legislation, the TCF model, Retail Distribution Review, the Solvency Asset Management project and reform to the FAIS framework. (Bizcommunity, 2014) At an industry summit hosted by Norton-Rose Fulbright, in August 2014 in Sandton, Johannesburg, the Deputy COO of FSB, Jonathan Dixon, addressed the conference on TCF, which was implemented in 2014. He argued, "there will be an emphasis on advisers demonstrating results; we will see a re-balancing of responsibilities with increased scrutiny on the design of financial products and how to best meet customer needs. There will be a new focus on distribution channels and marketing practices. Ensuring fair outcomes for the client is now a joint responsibility for product providers and advisers. And we will also be looking at what is being delivered to the more vulnerable lower end of the market" (Faurie, 2014) and (Discovery Limited Press Release: May 2015 12:06 GMT).

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Dixon also recommended that firms comply and implement the spirit of the law as diligently as the letter of the law, as the penalties could be severe for non-compliant firms.

The Retail Distribution Review (RDR) implementation is expected to be one of the biggest shake-ups to hit the financial advice industry (Bizcommunity, 2014). The current anticipated date for implementation of the RDR bill is 2017. A draft for this bill was circulated by the regulator in late November 2014 for comments. While it is aimed at improving the quality of investment advice given to consumers and improving their understanding of the advice, in reality, it will most likely drive unprepared financial advisors out of the market and potentially burden consumers with extra fees. Major insurance companies and intermediaries will need to adapt their current business models to comply with the coming legislation.

Whilst FAIS focussed on professionalising the market in terms of qualifications, licensing, and market conduct, RDR goes much further.

Consequently, one of the biggest concerns in the market is the future of RDR and how it will affect the sustainability and conduct of intermediaries. Marike Matteus, from the FSB, reports [that] “RDR has been undertaken in the context of the Twin Peaks market conduct mandate and the TCF framework”. According to Faurie (2015), the RDR bill has also been undertaken to ensure that financial products are distributed in ways that support delivery of TCF outcomes and enable:

- delivery of suitable products and fair access to suitable advice
- customers to understand and compare the nature, value and cost of advice and other services
- enhanced intermediary professionalism to build consumer confidence and trust
- benefit of fair competition for quality advice and services
- at prices more closely aligned with the service provided,
- and sustainable business models” (Faurie, 2015).

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Current practices where financial advice is heavily tied into commission based product sales has meant that financial advisers are selling products that suit their needs rather than tailoring products to consumers' life needs. As the legislation is adopted in the coming months, commission based products will no longer exist. Instead, commission is anticipated to be replaced by a model that sees consumers paying to receive tailored, individual financial advice (Gerson, 2014, p. 1).

The biggest challenges facing the industry are how to adapt current practices to comply with the new requirements. The key issue in this respect is whether South African banks and insurance businesses are ready and able to evolve. Recent findings by CoreData in 2014, indicated that less than half of South African financial advisors are prepared for changes that are likely to come from the RDR. Of those surveyed, only 12.8% currently work on a fee-based model that would require no adjustment post-RDR. However, those financial advisors who are adapting their business models to create added value for their clients are most likely to survive through this time of change. An additional central issue is whether consumers will be willing to pay for advice based on their experiences of the current format (FA News , 2015) (Faurie, 2015).

According to (Gerson, 2014, p. 1) "RDR has already had a significant impact on Europe where on one hand we see major insurance businesses adopting technologies to analyse and better understand their consumers' needs in relation to mortgages, life insurance and retirement plans. But on the other hand, those businesses that failed to adopt more consumer centric models resulted in a large reduction in the number of financial advisors. According to CoreData, the number of advisors in the UK, dwindled down from 35 000 in 2010 to around 20 000 following RDR" (Gerson, 2014).

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Stokes states that, "Industry associations such as the Association for Savings and Investments in South Africa and the Financial Intermediaries Association of Southern Africa (FIA)—in recognition of the complex nature of the domestic market for insurance and investment products—have already approached the regulator for additional time to consider the impact of the RDR and formulate their responses to it" (Stokes, 2015, p. 1).

Some of the results at consumer level in UK and Australia reveal that:

- "Financial advisers were forced to leave the industry in droves after they imposed their RDR." This surely cannot be sustainable as Bradley claims and can the South African market factor in such large exit rate.
- As a direct result of adviser attrition, each UK citizen with less than £200 000 (about R3, 6 million) no longer qualifies for *advice* and may only receive *guidance* (not even a defined term) via a call centre. [Since so many advisors have left the industry the UK government was faced with a problem as there was no one to advise consumers. It enticed many out of retirement to staff the Call Centre to help/guide the people. This could have been prevented if that government had contemplated the impact on reform more carefully. In South Africa, the learnings from these experiences could provide useful lessons on avoiding the pitfalls experienced in the UK.]
- A financial plan in Australia now costs the equivalent of R35 000. There are too few advisors left and they now command very high fees. They are not becoming millionaires in their own right as there are very few buyers. This was avoidable under the old dispensation when advice then (as in SA now) was "free" – a consumer did not have to pay from their pocket – this was factored in the product price.

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- Currently in South Africa, the law requires that (a comprehensive/ single) needs analysis is conducted (similar to most financial plans); facts are analysed and solutions (products) recommended. The analysis is free and the insurer pays commissions to advisers – on average, R3 000 to R12 000, which is massively less expensive than an Australian generated financial plan, gained for "free"" (Admin, 2015, p. 1).

In the turmoil brought about by regulation and changes to the fundamental structure of the global economy and dynamic communication platforms, companies need to discover innovative ways to adapt and grow. The attrition of new advisers is a persistent dilemma that has plagued the insurance sector over the years (Cioppa, 2012, p. 1). Previous studies have explored the relationship between low entry barriers and high work pressures, recruitment and hiring practices and motivation of individuals (Pathak & Tripathi, 2010).

Excessive turnover often engenders far reaching consequences and, at the extreme, may lead to jeopardising the organisation's objectives. There may be a brain drain that negatively affects innovation and causes major delays in the delivery of services and the introduction of new programmes. The canniest and most talented employees are the most mobile and the ones who are disproportionately more likely to leave (Abbasi & Hollman, 2000, p. 2).

In light of the high turnover of Corporate Entrepreneurs in the long term industry, the purpose of this study was to explore the importance of the entrepreneurial orientation of new advisers (for the purposes of this study referred to herein as corporate entrepreneurs), and its correlation to their success and retention in the industry over a period of at least 24 months. Those being investigated in this study are newly qualified financial planners who are contracted to a corporate to create and grow a practice in financial planning, thereby simultaneously enriching themselves and the licensed corporate.

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To ensure a holistic understanding of the environment and the success of financial services corporate entrepreneurs, it was prudent to provide a broad understanding of entrepreneurship, corporate entrepreneurship, entrepreneurial orientation and the current business model as well as of its impact on the future development and sustainability of corporate entrepreneurship within the long term insurance industry as an introduction to the thesis.

1.2 Literature Review of Entrepreneurial Definitions

The literature review will provide an overview of the concepts explored in this research. The following concepts will be explored in detail in the literature review.

1.2.1 Definition of Entrepreneurship

Although entrepreneurship is not a new phenomenon, attempts to study it in a systematic manner are fairly recent. The field of entrepreneurship has evolved in a rather disjointed or seemingly random manner: entrepreneurship has developed as a business discipline by borrowing, building upon and adapting theoretical and conceptual work from such fields as sociology, psychology, anthropology, marketing, management, finance, organisational behaviour and engineering. It would thus appear that the volume of work attempting to describe, explain and predict aspects of entrepreneurship has grown to a point where we can begin to develop a more complete and integrated picture (Kuratko, et al., 2015, p. 1).

Historical research has pointed out that, “The word *entrepreneur* derives from the French words *entre*, meaning ‘between,’ and *prendre,* meaning ‘to take’. The word was originally used to describe people who ‘take on the risk’ between buyers and sellers or who ‘undertake’ a task such as starting a new venture. Inventors and entrepreneurs differ from each other. An inventor creates something new. An entrepreneur assembles and then integrates all the resources needed- the money, the people, the business model, the strategy, and the risk-bearing ability- to transform the invention into a viable business” (Kaiser, 2008, p. 4).

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"Entrepreneurship is defined as the process by which individuals pursue opportunities without regard to resources they currently control. Others, such as venture capitalist Fred Wilson, define it more simply, seeing entrepreneurship as the art of turning an idea into a business. In essence, an entrepreneur's behaviour finds him or her trying to identify opportunities and putting useful ideas into practice. The tasks called for by this behaviour can be accomplished by either an individual or a group and typically require creativity, drive, and a willingness to take risks" (Barringer & Ireland, 2012, p. 6).

Hence, according to (Eisenman, 2013), the word 'entrepreneurship' is elastic. For some, it refers to venture capital-backed start-ups and their kin; for others, to any small business. For some, 'corporate entrepreneurship' is a rallying cry; for others, an oxymoron. Harvard Business Review uses the definition formulated by Professor Howard Stevenson: "entrepreneurship is the pursuit of opportunity beyond resources controlled" (Eisenman, 2013). Professor Stevenson alludes to innovation in this statement.

The Canberra Entrepreneur, an informational hub regarding all things entrepreneurial, attempted to find a modern working definition of who an entrepreneur really is. In its search for such a definition, the Hub's first stop was academia: for academics who could define an entrepreneur in a more definite manner than as just someone who starts a business and encounters risk. Schumpeter was one of the first researchers in academia to expound the concept of entrepreneurship; his theories describe the entrepreneur as an economic leader, an instrument of change (Schumpeter, 1965). His 1942 work, *Capitalism, Socialism and Democracy* gave a detailed insight into his theories and the means by which entrepreneurs instigate change. The process of this change is called "creative destruction" in which entrepreneurs lead the economy, tearing down the old and replacing it with the new.

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Creative destruction is of course cyclical, of benefit to and increasingly present in the modern economy. His definitions of entrepreneurs are apt and perceptive of the dichotomy between business owners and entrepreneurs: "… everyone is an entrepreneur only when he/she actually carries out new combinations and loses that character as soon as he has built up his business, when he settles down to running it as other people runs their business." Thus, it would seem innovation is essential to the act of being an entrepreneur. Once innovation disappears from the equation, one is rendered a business owner (Bennett, 2014, pp. 1-2).

The essence of Schumpeter, (1965) and Bennett, (2014) findings conclude that innovation is a key criterion in the concept of entrepreneurship and the distinction between an entrepreneur and a business owner.

1.2.2 Role of Innovation in Corporate Entrepreneurship

Interest in the field of innovation and its role in CE have been steadily growing since the 1970s. Academic interest in this subject also became more pronounced in the 21st century. The field entered a new era in the years 2000-2012 with explorations of topics such as corporate venturing and efficient opportunity recognition (Zahra, et al., 2013).

Drucker (2005) debunks the mystery of entrepreneurship as a risky phenomenon. He speaks of entrepreneurs being comfortable with change and considers change healthy. He makes the following point, "Whilst Entrepreneurship does not need to be high risk, it needs to be systematic". He coined the term "systematic innovation" and defines this as "the purposeful and organised search for changes, and the systematic analysis of the opportunities such changes might offer for economic or social innovation" (Drucker, 2005, p. 3).

In a recent interview in 2015, with McKinsey's Barr Seitz, Marc Singer, a leader of the McKinsey Digital Practice, discusses the importance of adopting a strategy of rapid implementation and testing of ideas in order to maintain and accelerate growth.

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In an edited transcript of his remarks, Singer (2015) says, "The recurring issues that come up when I'm talking to clients about their digital agenda and related marketing and sales agendas are largely about the metabolic rate of innovation. I don't mean just ideas, but getting the ideas implemented, tested, and refined. Even where they feel they're having some success, they're worried—and they should be—about the thing they don't know yet that's going to surprise them. As one of my clients said, 'I know we're fine for the next three years, but ten years from now I have no idea whether my kids and grandkids will think what we have is relevant" (Seitz, 2015).

In attempting to address this dissonance, Singer suggests, that one approach is to have "a bifocal strategy", which he means that attending to immediate and urgent matters in the short term strategy so that implementation is unimpeded. The second aspect of the bifocal strategy is to focus on the medium to long term strategy and decide how one can become a leader in the long term. Part of this is adopting a position in the markets you work in and working towards ensuring one's leadership position and how to sustain that reign. Singer also speaks of not being pedantic about the time whether its 3, 5 or 7 years, but being dynamic and having the ability and flexibility to respond to the environment (Seitz, 2015).

1.2.3 Definition of Corporate Entrepreneurship

Company CEOs talk about growth; markets and shareholders demand it by way of return on shareholder value (Gulati, 2004). But profitable organic growth is difficult, especially in the previously mentioned economic turbulence of late. When core businesses begin to flag, research suggests that fewer than 5% of companies regain growth rates of at least 1% above gross domestic product (Corporate Strategy Board, 1998). According to a recent survey, companies that place greater emphasis on creating new business models grew their operating margins faster than the competition (Pohle & Chapman, 2006); (Wolcott & Lippitz, 2007).

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In this respect, "Corporate entrepreneurship (CE) and the behaviour through which it is practiced has been initiated in established organizations for a host of purposes, including those of profitability (Vozikis et al., 1999; Zahra, 1993), strategic renewal (Guth & Ginsberg, 1990), innovativeness Baden-Fuller, (1995), gaining knowledge to develop future revenue streams (McGrath, Venkataraman & MacMillan, 1994), international success (Birkinshaw, 1997), and the effective configuration of resources as the pathway to developing competitive advantages (Borch, Huse & Senneseth, 1999; Covin & Miles, 1999; Covin, Slevin & Heeley, 2000; Ireland, Kuratko & Covin, 2003). Regardless of the reason the firm decides to engage in CE, managerial behaviour affects the degree of success achieved from these efforts. "From the perspective of firm, long term growth will be achieved through corporate entrepreneurship. Thus creative and innovative managerial behaviour must be displayed and consistently reinforced" (Katz & Shepherd, 2004, p. 16).

In attempting to understand CE, it is important to start with a broad understanding of entrepreneurship. (Gartner, *"Who is an Entrepreneur?" Is the Wrong Question,* 1989: 47-48) compiled a comprehensive matrix on the various studies conducted in attempting to understand the traits of an entrepreneur (Appendix 1). Some common traits that have been highlighted are:

- Achievement motivation
- Locus of control
- Risk taking propensity
- Independence.

Other criteria reflected in the research are: family background, need for autonomy, optimism and so forth. Although all of these are essential traits in an entrepreneur, they do not conclusively address "…what encourages individuals to initiate entrepreneurial behaviour" (Brice, 2006, p. 2).

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In his research (Brockhaus, 1980) explored the construct of risk propensity between entrepreneurs and managers and found that “this study indicates that the level of risk taking propensity does not distinguish new entrepreneurs from managers or the general population” (Brockhaus, 1980, p. 19). Although not much value can be attained from the finding, the construct of risk propensity makes for an interesting idea for exploration in further research.

In another study on risk propensity, March and Shapira examined “…the relation between decision theoretic conceptions of risk and the conceptions held by executives.” They concluded that “the behavioural phenomenon of risk taking in organizational settings will be imperfectly understood within a classical conception of risk” (March & Shapira, 1987). This is yet another study with excellent intentions, yet the findings do not support the authors’ expectations.

Babson College defines “entrepreneurship as actions involved in identifying or creating an opportunity, marshalling the resources, and providing leadership to create social or economic value” (Brush, 2014, p. 1).

Harvard Business Review (HBR) further defines three critical terms:

Pursuit: implies a singular, relentless focus. Entrepreneurs often perceive a short window of opportunity. They need to show tangible progress to attract resources, while the mere passage of time consumes limited cash balances

Opportunity: implies an offering that is novel in one or more of four ways. The opportunity may entail:

1) pioneering a truly innovative product;
2) devising a new business model;
3) creating a better or cheaper version of an existing product; or
4) targeting an existing product to new sets of customers.

These opportunity types are not mutually exclusive.

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Resources controlled: implies resource constraints. At a new venture's outset, its founders control only their own human, social, and financial capital. Many entrepreneurs bootstrap: they keep expenditures to a bare minimum while investing only their own time and, as necessary, their personal funds. In some cases, this is adequate to bring a new venture to the point where it becomes self-sustaining, from internally generated cash flow" (Eisenman, 2013, p. 1).

Corporate entrepreneurship is a term used to describe entrepreneurial behaviour in mid-size and large corporations. Zahra observed that CE may comprise formal or informal activities, aimed at creating new businesses in established companies through product and process innovation and market developments (Morris, et al., 2008, p. 7) (Zahra, 1991).

Corporate entrepreneurship in the form of entrepreneurial activities in established organisations is an important aspect of organisational and economic development and wealth creation. This term refers to the activities that enhance a company's ability to innovate, take risk and seize market opportunities. It also refers to the development of new products or services, administrative systems and techniques and the development of new business models and business ventures. Moreover, CE consists of the process whereby an individual or a group of individuals, within an established company, creates an innovation or a new organisation and is involved in the process of wealth creation (Kolakovic, et al., 2008, pp. 1-2).

The authors Wolcott & Lippitz, (2007) define the term as the process by which teams within an established company conceive, foster, launch and manage a new business that is distinct from the parent company but leverages the parent's assets, market position, capabilities or other resources. Although it often involves external partners and capabilities (including acquisitions), it engages significant resources of the established company and internal teams typically manage projects. Wolcott and Lippitz (2007) further defined two critical dimensions that consistently define how CE will be pursued: resource authority (who and what resources will be available) and organisation ownership (who in the organisation will be responsible for driving the projects). These two dimensions were further expanded into a matrix that became known as the Four Models of CE.

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Wolcott's and Lippitz's model was the precursor to defining CE in future research.

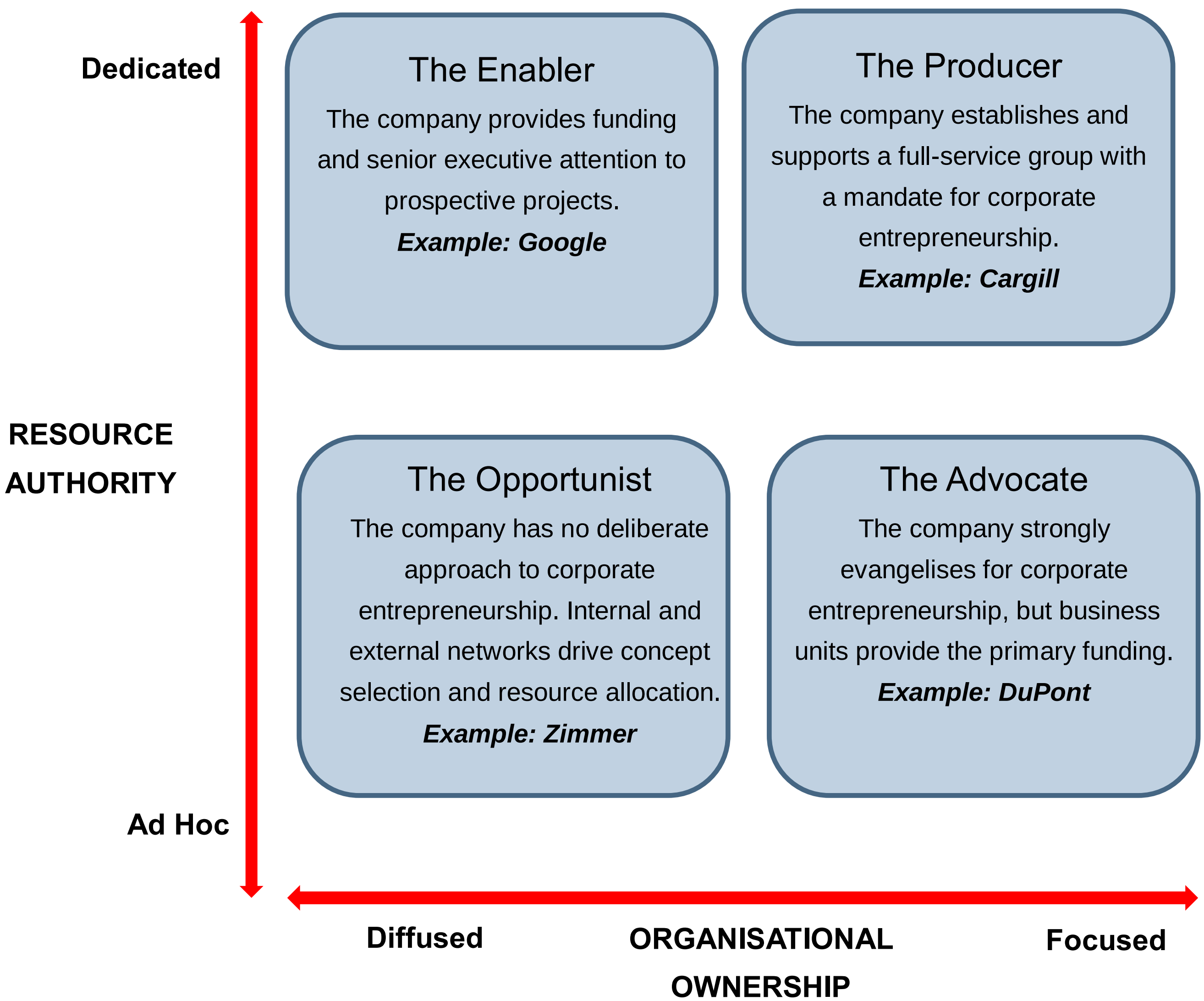

Figure 1: The Four Models of Corporate Entrepreneurship (Wolcott & Lippitz, 2007)

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The most recent conceptualisations of CE have further expanded its scope. Morris, Kuratko, and Covin (2011) and Phan, Wright, Ucbasaran and Tan (2009) propose two categories of phenomena as representing the domain of CE: corporate venturing and strategic entrepreneurship. While the label "corporate venturing" is used in reference to the same new business phenomena alluded to in prior typologies, the strategic entrepreneurship category of CE encompasses a wide variety of specific phenomena that include, amongst others, strategic renewal and the Schumpeterian (disruptive) innovation phenomenon to which Sharma and Chrisman (1999) refer. Additionally, strategic entrepreneurship as part of the CE construct recognises not only the disruptive aspect of Schumpeterian innovation, but also the generative, path creating, new business creation aspect that may be inherent in breakthrough innovation, where firms struggle to understand how to execute opportunities in the face of high levels of uncertainty on multiple dimensions (Corbett, et al., 2013, pp. 812-813).

1.2.4 Entrepreneurial Orientation

The term "entrepreneurial orientation" has been used to refer to the strategy making processes and styles of firms that engage in entrepreneurial activities. A popular model of entrepreneurial orientation (EO) suggests that there are five dimensions of EO: autonomy, innovativeness, risk taking, pro-activeness and competitive aggressiveness (Lumpkin and Dess 1996).

In their paper, *Linking Two Dimensions of Entrepreneurial Orientation (EO) to Firm Performance: The Moderating Role of Environment and Industry Life Cycle* (Lumpkin & Dess, 2001) these authors explore the two dimensions of EO: Competitive Aggressiveness and Pro-activeness and its relationship to the life cycle of the firm.

Entrepreneurial orientation refers to the performance relationship, indicating which stage of the industry life cycle tended to favour one EO over another. The performance of firms in the early stages of industry development was stronger when their strategy making was proactively oriented.

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In contrast, a competitively aggressive frame of mind was helpful to firms in more mature stages of industry development. These findings were supported by other tests of the business environment. In dynamic environments, characterised by rapid change and uncertainty, proactive firms recorded higher performance relative to competitively aggressive firms. In hostile environments, where competition is intense and resources are constrained, competitively aggressive firms demonstrated stronger performance (Lumpkin & Dess, 2001).

Firms that want to engage in successful CE need to have an entrepreneurial orientation (EO); this refers to the strategic planning and opportunity scanning that businesses use to identify and launch corporate ventures. It represents a frame of mind and a perspective about entrepreneurship reflected in a firm's ongoing processes and corporate culture (Dess & Lumpkin, 2005). Organisations can be characterised in terms of their entrepreneurial orientation or "intensity", which is a reflection both of how many entrepreneurial activities they are doing and how innovative, risky, autonomous, proactive and aggressive their actions tend to be (Jia & Xu, 2012, p. 6).

The environment, culture and life cycle, the EO and the people are critical factors affecting the success of a firm. Recruiting and retaining the correct personnel is critical in moving a company from "good to great". It has been argued that "In fact, leaders of companies, that go from good to great start not with 'where' but with 'who'. They start by getting the right people on the bus, the wrong people off the bus, and the right people in the right seats" (Collins, 2001) (Jones, 2015). In order to recruit the "right people" it is important to understand what factors drive success. This is addressed in the following section.

1.2.5 Factors of Success for Entrepreneurs

Table 1.1 below is a summary of success determinants of findings by (Sutevski, 2009); the top ten success factors for entrepreneurs presented by (Smale, 2015) and success traits as researched by (Rademan, 2014).

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Table 1.1 Summaries of Success Traits of Entrepreneurs

(Sutevski, 2009)	(Smale, 2015)	(Rademan, 2014)
Willingness to take action	Full of determination	Toughness
Entrepreneurial knowledge	Not afraid to take risks	Assertiveness
Entrepreneurial creativity	High levels of confidence	Pro-activeness
Entrepreneurial skills	Craves learning	Sociability
Entrepreneurial intelligence	Understands failure is part of the game	
Patience	Passionate about his/ her business	
Persistence	Highly adaptable	
Ability for teamwork	Good understanding of money management	
Risk taking, but calculated risk	Expert networker	
Having self-confidence	Ability to sell and promote	
Having enough experience		
Great talent		
Honesty		

Sources: (Rademan, 2014); (Sutevski, 2009) (Smale, 2015)

1.2.6 Employee Turnover

According to (Kuratko, 2007 , p. 21), managers at all organisational levels have strategic roles to fulfil in order for the organisation to be successful. Overall, senior managers play a critical role in the selection of the form of corporate venturing adopted by a firm.

Worldwide, retention of skilled employees has been of serious concern to managers in the face of ever increasingly high rates of employee turnover. Today's business environment has become very competitive, thus making skilled employees the major differentiating factor for most organisations.

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Organisations, both public and private, rely on the expertise of their employees in order to compete favourably and indeed gain competitive advantage in the international market. However, recent studies have shown that retention of highly skilled employees has become a difficult task for managers as this category of employees is being recruited by more than one organisation at a time with various kinds of incentives (Samuel & Chipunza, 2009).

Staff turnover has many wide-ranging consequences impacting an organisation's critical skills set, production and bottom-line financial results. Often the most mobile staff is the most talented and their turnover has the greatest impact on research, development and innovation. For some departments and agencies of government entities, the loss of key employees may negatively impact the quality and innovation of services delivered (Abbasi & Hollman, 2000). Added to the regular turnover issues, is the added consequence of the X Generation and the Millennial Generation in the work force. These two categories of employees have significantly different values to work as opposed to traditional employees of past generations who were more loyal to a single employer. Whilst most of the generation theory analysis is related to European and American societies, the millennial generation and generation Z are more homogenous globally due to technology and media pervasiveness.

"Employee turnover is both pervasive and costly. It cuts across every type and size of organisation from low to high level technology businesses and from finance to sales. While the rate of turnover may vary between companies, sectors, and industries and by division, function, tenure, gender, race, and performance level within the same organisation, there are enormous adjustment costs every time an employee walks out the door**.** According to a Harris Poll survey, the cost of losing a typical worker is $50,000. Another nationwide survey suggests that the average internal cost per-hire for an engineer is $4,901, a computer programmer $2,500, a secretary $1,000, a retail sales associate $350 and an assembly line worker $300.

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The out-of-pocket or visible costs can be categorised as costs of termination, advertising, recruitment, candidate travel, selection, hiring, assignment, orientation, signing bonuses, and relocation" (Abbasi & Hollman, 2000, p. 2). Most of Abbasi and Hollman's research is based on developed economies and these figures could be proportionally less in emerging economies where opportunities are very limited.

According to the Insurance and Technology website, if one's small business provides insurance, then one is working in an industry that experiences employee turnover rates in excess of 12 percent (as of 2005). This turnover rate can make it difficult to sustain efforts to increase sales and can cost business money when employees leave before it has gained the full benefit of the training provided (Jonston, 2015).

The high attrition rate of insurance agents is one of the biggest challenges for an insurance company. Conservative estimates put the attrition rates at 35-40 percent. For new insurance companies still struggling to break even, the rising attrition rate is yet another challenge with which they have to do battle. For mature companies too, the attrition rate, especially in the face of rising competition, is a growing threat. Intense competition and globalisation of businesses has put mounting pressure on organisations to deliver more and better than before. Organisations need to develop and deploy human resources that can articulate the vision of the organisation and create teams with the synergy to perform at much higher levels. Human capacity builds and drives the knowledge assets of an organisation, the value of which has been established to be many times more than the tangibles. In the current economic environment, it is becoming important for organisations to focus on finding, developing and retaining talented employees. Companies cannot afford to lose their best employees to competitors; therefore, it is critical for insurance companies to consider why people are vacating their positions (Shah & Bharti, 2014, p. 274).

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Turnover for entrepreneurs is also relatively high. In a report by Babson and Baruch Colleges, “more than 18% of U.S. entrepreneurs closing businesses cited difficulty in raising finance as the main reason for failure. These figures suggest that the area of need for advice and support for new entrepreneurs lies in funding, investment and financial advice, something with which established entrepreneurs may be able to aid them” (Thrasyvoulou, 2015).

For the insurance sector, the high turnover remains a vexing issue, which begs the question concerning the EO of advisers.

1.2.7 An overview of the Insurance Environment in South Africa

It has been pointed that: “As the economic power of private sector business has grown over the past century, so too has the number of laws regulating business activity. In broad terms, these laws typically serve one of two objectives: to promote market competition and control the market power of large firms over customers and smaller firms, or to mitigate the adverse effects of business activity on individuals and other organisations. Regulations on business can benefit a range of stakeholders, including corporate and financial institutions, interest groups, employees, customers, and the general public” (Morris, et al., 2011).

Financial planning in South Africa is undergoing a dramatic and sustained transformation largely driven by legislation that has been implemented, in stages, since 2002. The result of this legislation is a financial planning industry that is becoming more advice-focussed and less product-driven. One of the most significant results of this new legislation was the protection provided to South Africans from the worst effects of the American financial crisis in 2008 (Ingram, 2011).

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Insurance companies and intermediaries are bracing themselves for rapid, far reaching regulatory changes due to be introduced in 2017. "These changes are necessary to address the combination of factors behind far too many examples of poor customer outcomes still being encountered in the industry," says Jonathan Dixon, Deputy Executive Officer: Insurance at the Financial Services Board (FSB) (Faurie, 2014).

"There's no doubt that the current period is seeing the most fundamental and fast paced change to financial regulation in a generation," he asserted. Dixon (FSB) outlined the implications of the coming changes for insurance firms, intermediaries, clients and the FSB itself: "For insurers, through their own efforts and our checking of their efforts, I believe we will see real evidence of a customer-centric approach, as opposed to mere lip service," he said (Faurie, 2014)

According to research conducted by PWC, indicates that whilst “many insurers recognise the need for and are generally supportive of all these more comprehensive regulations, and acknowledge the benefits they bring,” these changes will add several new and possibly significant associated costs. The pessimists believe that regulations will dampen risk appetite, stifle growth, and slowing down the expansion of international opportunities (PWC, 2012, p. 38).

Insurers will also have to enhance their risk management, which should include conduct risks and not just financial risks. Dixon (FSB)) went on to say, "This will raise the bar for insurance companies, but it will also promote competition," and further contributed the point that for financial advisers, the FSB envisaged a simpler, cleaner system where advisers don't have to try to negotiate elaborate schemes with product providers, to bypass regulation and earn extra income. "Instead, financial advisers would be able to build value into their businesses, and demonstrate their expertise and the value they bring to customers.” (Bizcommunity, 2014)

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1.2.8 Research conducted in the Insurance Environment

Current research on the insurance sector has been mainly conducted by large management consultancy firms and there a few studies from masters and doctoral programmes from India. ASISA (Association for Savings and Investments South Africa). Annual Review of 2011 alludes to insurers and all stakeholders contributing to a dispensation that will be sustainable in the ASISA publication: Building Bridges for Sustainable Partnerships (ASISA, 2011)

McKinsey Group, KPMG and PWC, all large consulting firms conduct regular research on the insurance sector and published the following papers:

- Insurance Banana Skins 2011. The CSFI (Centre for The Study Of Financial Innovation) survey of the risks facing insurers: KPMG
- Insurance Industry Survey 2014 by KPMG -August 2014- kpmg.co.za
- Charting a path to Customer Centricity – How Design Thinking can transform Life Insurance : McKinsey & Company, March 2016

Studies from India include the following research papers on sales force attrition:

- Sales Force Turnover: An Exploratory Study of the Indian Insurance Sector by Suman Pathak: IILM Academy of Higher Learning, India ; Vibhuti Tripathi: Motilal – Nehru National Institute of Technology, India
- Sales Force Attrition Study in Indian Life Insurance Industry by Agrawal, Anuj: Guru Ghasidas Vishwavidyalaya ; August 2015 – Pacific Business Review International
- A Study of Attrition Rate in Insurance Companies: A comparative Study: (Shah & Bharti, 2014)

A South African researcher under the auspices of the University of Pretoria, conducted the following research on corporate entrepreneurship and innovation:

- Corporate Entrepreneurship and the levels of Innovation in the South African Short Term Industry by Darrelle Groenewald: Faculty of Economic and Management Sciences; University of Pretoria ; 2010

These studies will be referred to further in the literature review chapters.

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1.3 Structure of the thesis

The purpose of this study is to explore the importance of the entrepreneurial orientation of new advisers (for the purposes of this study referred to herein as corporate entrepreneurs), their success and retention in the industry over a period of at least 12 months. Those being investigated in this study are newly qualified financial planners who are contracted to a corporate to create and grow a practice in financial planning, thereby simultaneously enriching themselves and the Financial Service Provider (FSP).

This study is offered in a logical structure outlining the background, the theoretical constructs that are central to the hypotheses in the literature review, the research methodology, the research findings, a discussion thereof and further recommendations. A synopsis of the structure is furnished below.

Chapter 1: Introduction and Overview of the Management Dilemma

This chapter provides an overview of the investigation of the topic and a brief background into the literature review that underpins the study. The research problem, the purpose of the study, the research objectives, hypothesis, and research methodology, importance and benefits of the study for future research are fully explored in the subsequent chapters.

A broad overview of the management dilemma and the current environment; the concepts of corporate entrepreneurship and the long term insurance industry are defined and contextualised and a general overview of the legal environment and its possible impact is presented.

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Chapter 2: Literature Review: Entrepreneurship

The focus of this chapter is on presenting secondary data to support the research dilemma. The literature review embodies research done on corporate entrepreneurship, entrepreneurship, entrepreneurial orientation and traits and characteristics of entrepreneurs and corporate entrepreneurs. This review also provides insight into the success factors of corporate entrepreneurs.

Chapter 3: Literature Review on Corporate Entrepreneurship

This chapter considers the secondary data gathered regarding corporate entrepreneurship and its various dimensions. It investigates the various schools of thought on entrepreneurship of this type.

Chapter 4: Literature Review on Trends in the Insurance Industry

This chapter provides insights via secondary data on the key trends and challenges facing the insurance and long term industry. A significant limitation of this chapter is that there is very little academic data on the long term insurance industry.

Chapter 5: Research Methodology

This chapter addresses the research problem and research methodology: the research design, the data collection design, sampling design, the measuring instrument and the data collection method.

Chapter 6: Discussion and Findings

The chapter concentrates on the data analysis and the major findings. The data are presented in three parts. An overview of the full sampling frame with the demographic data and descriptive data is presented, followed by the findings of the analysis.

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Chapter 7: Conclusions and Recommendations

This chapter summarises the purpose of the study and the findings of the analysis. The hypotheses are revisited in conjunction with the limitations. Recommendations for the business units impacted are proposed as is further research, based on the findings.

1.4 Problem Statement

The dilemma facing most financial service firms in the long term industry is multi-fold, entailing rapid implementation of legislation, which in turn affects current business practises. Bottom-line profit margins are largely driven by the distribution of products, which in turn are largely driven by an intermediated model. The intermediated model entails product distribution that is purely dependent on intermediaries either through a tied agency force or a broker force (which is made up independent advisers representing multiple companies). Feet on the ground (an active sales force) are therefore critical for firms to reach consumers. The turnover of sales staff is a growing concern in ensuring growth in market share and sustainability of firms. There could be many possible explanations for this, ranging from lack of entrepreneurial orientation and low risk propensity, to a lack of motivation to work in a “sales” and a commission only environment not suitable to certain individuals. This industry still has the potential to create employment for the right individual. Given the unemployment statistics for South Africa of 24, 3 percent as at Feb 2015, there is still huge opportunity for corporate entrepreneurs who possess entrepreneurial orientation (Statistics South Africa, 2015).

Given the nature of the long term insurance industry, which is primarily a sales driven industry, individuals, employed to perform this function, would need to be entrepreneurially orientated, that is displaying characteristics of every dimension from EO, which are competitive aggressiveness, autonomy, innovation, pro-activeness, and risk taking. Thus this scenario posed and interesting dilemma to explore if there was indeed a difference the in the EO or successful and less successful individuals who left the industry after a short stint. The ramifications of high turnover are multifaceted and will be explore further.

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1.4.1 Objectives of this Study

The primary objective of this research is to assess whether entrepreneurial orientation is a critical criterion for the success of new financial advisers (CEs) entering the long term insurance industry. Are performing and successful corporate entrepreneurs in the long term insurance industry any different from less successful advisers who exit the industry?

14.2 Secondary Objectives

To ensure that the primary objective was achieved, various secondary objectives needed to be addressed to qualify the primary objective.

The secondary objectives of this study, which were determined by a literature review, are to establish:

- The conceptual model of entrepreneurship and corporate entrepreneurship
- The characteristics and traits of an entrepreneur, a capitalist and a manager
- The constructs of entrepreneurial orientation
- Key success factors of entrepreneurs
- The impact of the changing regulatory environment on corporate entrepreneurship in the long term industry
- Factors related to employee turnover and retention
- Whether the current business model can innovate from the data gathered for long term growth.

1.5 Hypothesis

HO 1: There is no significant difference in the success between male and female Corporate Entrepreneurs.

Ha 1: There is a significant difference in the success between male and female Corporate Entrepreneurs.

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HO 2: There is no significant difference in the success between the Corporate Entrepreneurs from the different regions

Ha 2: There is significant difference in success between the Corporate Entrepreneurs from the different regions

HO 3: There is no significant difference in success between Corporate Entrepreneurs who work in different product segments.

Ha 3: There is significant difference in success between Corporate Entrepreneurs working in the various product segments

HO 4: There is no difference amongst the corporate entrepreneurs generating different amounts in turnover.

Ha 4: The is significant differences between corporate entrepreneurs generating high and low turnovers

HO 5: There is no significant difference between the highly profitable and less profitable corporate entrepreneurs.

Ha 5: There is significant difference between highly and less profitable corporate entrepreneurs.

HO 6: There is no significant difference in the success of CEs in solo units and in firms with more than 5 employees.

Ha 6: This is a significant difference in the success of CEs in solo units and firms with more than 5 employees.

HO 7: Competitive aggression in new recruits does not lead to high levels of turnover of corporate entrepreneurs in the long term insurance.

Ha 7: Competitive aggression in new recruits leads to high levels of turnover of corporate entrepreneurs in the long term insurance industry.

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HO 8: Pro-activeness is a not a prerequisite to being a successful corporate entrepreneur

Ha 8: Pro-activeness is a prerequisite to being a successful corporate entrepreneur.

HO 9: Being able to exercise independence is not a critical factor for successful corporate entrepreneurs.

Ha 9: Being able to exercise independence is a critical factor for successful corporate entrepreneurs.

HO 10: Having a high propensity for risk is not a requisite for corporate entrepreneurs in the long term Insurance industry.

Ha 10: Having a high propensity for risk is a pre-requisite for corporate entrepreneurs in the long term insurance industry.

HO 11: Displaying innovative behaviour is not a critical factor for success for corporate entrepreneurs

Ha 11: Being innovative is a critical factor for successful for corporate entrepreneurs.

HO 12: Autonomy is not a critical attribute for corporate entrepreneur's success.

Ha 12: Autonomy is a critical attribute for corporate entrepreneur's success.

HO 13: There is no significant difference in EO between successful and less successful corporate entrepreneurs.

Ha 13: There is significant difference in EO between successful and less successful corporate entrepreneurs.

HO 14: Less successful corporate entrepreneurs do not leave the industry/ company because of commission based remuneration.

Ha 14: Less successful corporate entrepreneurs leave the industry/company mainly due to the commission based remuneration.

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1.6 Introduction to the Methodology

The parameters of interest are newly appointed financial advisers in the long term insurance industry with less than 12 months' experience. The sampling frame is a purposeful judgement sample, from four different long term insurance companies, of new recruits in the financial advisory arena.

These advisers were investigated via a survey questionnaire that covers the constructs of entrepreneurial orientation and achievement motivation. This instrument was developed from a review of Lynn's work on Achievement Motivation (Lynn, 1969); the 16 Factor Questionnaire (Cattell, 2015); Risk Taking Propensity from Robert Brockhaus (Brockhaus, 1980) and Edgar Schein's Career Anchors (Schein, 1974).

The questionnaire used a Likert scale to evaluate the constructs being surveyed. The measures used in the scales are as indicated in Table 1.6.1

Table 1.6.1: Likert Scale Used in Respondent Questionnaire

Scale and Measure	
1	Strongly Disagree
2	Disagree
3	Neither agree or nor disagree (ambivalent)
4	Agree
5	Strongly Agree

1.7 Analysis

The analysis was initially descriptive, followed by factor analysis and finally some inferential analysis.

The first step of the analysis was to conduct a descriptive analysis followed by factor analysis to determine the validity and reliability of the measuring instrument.

Thereafter, inferential statistics using ANOVA, MANOVA and Chi square tests were conducted to explore the data further and test them against the hypotheses.

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1.8 Discussion and Recommendations

It was envisaged that the findings of the statistical analysis would provide confirmation or disconfirmation of the hypotheses being explored. The findings of the data analysis are examined and management recommendations are offered.

Chapter will explore the literature on Entrepreneurship.

CHAPTER 2

LITERATURE REVIEW: ENTREPRENEURSHIP

Small and medium enterprises (SMEs) play an increasingly important role in the economic growth of most nations. In a research report undertaken in 2010, it was estimated that approximately 91% of formal businesses in South Africa are SMEs and that they are contributing 52-57% of the GDP and 61% of the employment rate (Habberton & Notcut, 2012). SMEs have become important as a source of employment; they maximise the efficiency of the resource allocation and distribution by mobilising and utilising local human and material resources (Cunningham & Rowley, 2007). Mahmood and Hanafi further argued that small and medium enterprises also act as suppliers of goods and services to large organisations. Most SMEs have been characterised as dynamic, innovative and efficient as their small size allows for flexibility, immediate feedback, a short decision-making chain, better understanding of and quicker response to customer needs (Kupa, 2012) (Mahmood & Hanafi, January 2013, p. 82). Most academics and government development agencies further assert that the architects of SME are entrepreneurs, who are the engineers of economic activity, job providers, poverty reducers, service delivery agents and economy boosters in any developed or developing nations.

In attempting to have an overview of the various constructs that support this discourse, it is necessary to understand the historical development of entrepreneurship, CE and the various schools of thought on CE.

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Although the term "Entrepreneurship" has been in use for more than 200 years, there is, as earlier indicated, considerable disagreement over its meaning. Various authors hold disparate views regarding who is an entrepreneur, what an entrepreneurial venture looks like and the nature of activities that constitute entrepreneurial behaviour (Morris, et al., 2011, p. 9). In attempting to obtain clarity this study examines various aspects that contributed to the development of the term. These are addressed below.

2.1 History of Entrepreneurship

In the history and development of entrepreneurship, various authors have defined it based on the current trends of their era. The word "entrepreneur" is derived from the French word "*entreprendre*l" which was used to designate an organiser of musical or other entertainments. But it was Richard Cantillon, an Irishman living in France who first used the term entrepreneur to refer to economic activities. Havinal (2009) states that according to Cantillon, "An entrepreneur is a person who buys factor services at certain prices with a view to selling its product at uncertain prices". In other words, according to Cantillon, an entrepreneur is a bearer of risk, which is non-insurable. Havinal (2009), further states that it was Schumpeter (1965) who accorded a central position to the entrepreneur, believing that he (or she) was a dynamic agent of change; that such a person was a catalyst who increasingly transformed physical, natural and human resources into corresponding production possibilities. Since then, the term has been used in various ways and accommodates various views (Havinal, 2009, p. 95). Table 2.1 below provides a summary of definitions and schools of thought concerning the meaning of "entrepreneur".

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Table 2.1: Summary of Definitions and Schools of Thought

Author	Definition or aspects of a definition	School
Cantillon (1755) in Thornton (2005)	The entrepreneur is the bearer of risks inflicted by changes in market demand. Entrepreneurs purchase inputs at a given price to produce and sell later at an uncertain price. The entrepreneur brings prices and production into line with demand.	**Risk Theory of Profit**
Hufeland (1807) Thunen (1826) in Knight (1964)	Profit is what is left after interest, insurance, and management wages. This residual profit consists of payment for risk and the extra productivity of the manager's labour due to the fact that he / she is working for himself, his / her sleepless nights when s/he is planning for the business. The residual profit that arises from this extra productivity is termed *Unternehmergewinn* – the entrepreneur's profits	**Risk Theory**
Hawley (1907)	Risk taking is the essential function of the entrepreneur. Proprietorship is the essence of entrepreneurship: "… the profit of an undertaking, or the residue of the product after the claims of land, capital, and labour are satisfied, is not the reward of management or coordination, but of the risks and responsibilities that the undertaker… subjects himself to…. profit is identified with the reward for the assumption of responsibility, especially, though not exclusively, that involved in ownership."	**Risk Theory of Profit**
Hartman (1959)	A distinction is made between manager and entrepreneur in terms of their relationship to formal authority in the industrial organisation… The entrepreneur may justify his formal authority independently or he may describe it as delegated from others, notably from the stockholders. But within the organisation he alone is the source of all formal authority. Management is defined residually as "not being the source of all authority." The border between the entrepreneur and the manager is thus relatively precise.	**Risk Theory**
Hornaday and Bunker (1970) Hornaday and Aboud (1971)	The successful entrepreneur is defined as a man or woman who started a business where there was none before, who had at least 8 employees and who had been established for at least 5 years.	**Risk Theory**
Palmer (1971)	The entrepreneurial function primarily involves risk measurement and risk taking within a business organisation.	**Risk Theory**
Draheim (1972) Howell (1972)	Entrepreneurship – the act of founding a new company where none existed before. An Entrepreneur is the person and entrepreneurs are the small group of persons who are new company founders. The term is also used to indicate that the founders have some significant ownership stake in the business (they are not only employees) and that their intention is for the business to grow and prosper beyond the self-employment stage.	**Risk Theory**
Brockhaus (1980)	An entrepreneur is defined as a major owner and manager of a business venture who is not employed elsewhere.	**Risk Theory**
Hull and Bosley (1980)	A person who organises and manages a business undertaking assuming the risk for the sake of profit.	**Risk Theory**
Mescon and Montanari (1981)	"Entrepreneurs are, by definition, founders of new businesses."	**Risk Theory**
Vesper (1982)	"The overall field of entrepreneurship is loosely defined as the creation of new business enterprises by individuals or small groups."	**Risk Theory**
Lumpkin and Dess (1996)	"The essential act of entrepreneurship is a new entity." "An EO [Entrepreneurial Orientation] refers to the processes, practices, and decision-making activities that lead to new entry."	**Risk Theory & Behaviourist School**

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Say (1816)	"The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield. The agent who unites all means of production and who finds in the value of the products numbers and the re-establishment of the entire capital he employs, and the value of the wages, the interest and the rent which he pays, as well as the profits belonging to himself."	**Dynamic Theory of Profit**
Litzinger (1965)	"The distinction is drawn between "entrepreneurs" who are goal and action oriented as contrasted to "managers" who carry out policies and procedures in achieving the goals… Owners of mom and pop motels appear as the entrepreneurial type who have invested their own capital and operate a business."	**Traits School**
Cole (1959)	"The purposeful activity (including an integrated sequence of decisions) of an individual or group of individuals, undertaken to initiate, maintain, or aggrandize a profit-oriented business unit for the production or distribution of economic goods and services."	**Behaviourist School**
Casson (1982, 2003)	"An entrepreneur is someone who specializes in taking judgmental decisions about the coordination of scarce resources."	**Behaviourist School**
Gartner (1989)	"Entrepreneurship is the process by which new organizations come into existence."	**Behaviourist School**
Stevenson and Jarillo (1990)	"Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control."	**Behaviourist School**
Churchill (1992)	"Increased consensus has been attained on the concept of entrepreneurship as the process of uncovering and developing an opportunity to create value through innovation and seizing that opportunity without regard to either resources (human and capital) or the location of the entrepreneur – in a new or existing company"	**Dynamic Theory & Behaviourist School**
Hebert and Link (1988)	Roles of the entrepreneur in the history of economic theory include: 1) assumes risk associated with uncertainty, 2) supplies capital, 3) innovator, 4) decision maker, 5)leader, 6) manager, 7) organiser and coordinator, 8) owner, 9) employer of factors of production, 10) contractor, 11) arbitrager, 12) allocator of resources.	**Combination**
(Fayolle, 2012)	In economic theory, an individual who purchases and organises the factors of production (land, labour and capital) to produce and sell goods in the expectation of making a profit. But generally speaking, an entrepreneur is an individual who pursues opportunities for financial or social gain, often at great financial risk. Entrepreneurs are often owners or co-owners of their own company or enterprise and are typically characterised by their initiative and conviction, regardless of resources available. Entrepreneurs create social and economic wealth through the creation of companies and jobs, as well as frequently innovating through the development of new products and services	**Combination**

Source: (Gedeon, 2010): What is Entrepreneurship? *Entrepreneurial Review Practice*.

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In essence there are two major schools of thought: the economic and the behaviourist persuasions. The economic view is focussed on the contribution to the economy and state in terms of the country/ region's growth and development whereas the behaviourist school is focussed on the intrinsic drivers of what makes entrepreneurs different from the general population (Nieman & Nieuwenhuizen, 2009, pp. 6-9).

Those of an economics persuasion subscribe to the view that entrepreneurs combine different resources in specific combinations to generate products and services for profit. Behaviourists, on the other hand, tend to focus on the behavioural aspects of the entrepreneur, such as their characteristics; for example, their need for achievement and their propensity for creativity and innovation. While Marxists regard entrepreneurs as exploiters, corporate managers consider entrepreneurs to be small operators who lack the potential to manage large enterprises. However, proponents of the market economy envisage entrepreneurs as the economic force responsible for the prosperity of a country (Badenhorst-Weiss, et al., 2012, pp. 41-42). Synthesising all of these perspectives is what makes the study of entrepreneurship so dynamic: successful entrepreneurship occurs when creative individuals bring together a new way of meeting needs and a market opportunity. This is accomplished through a patterned process, one that mobilises and directs resources to deliver a specific product or service to customers using a market entry strategy that shows investors the financial promise of building enduring revenue and profitability streams (Larson, 2012, pp. 145-146).

Larson (2012) also introduced the concept of sustainability. It adds to the design of a product and related business operations by applying the criteria of reaching toward benign (or at least considerably safer) energy and material use, a reduced resource footprint, and elimination of inequitable social impacts due to the venture's operations, including its supply-chain impacts. Over the last few years entrepreneurial ventures with an eco-friendly theme has begun flourishing (Larson, 2012, pp. 145-146).

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Carr (2012) summarises the entrepreneurial process concisely as illustrated in Figure 2.1 below.

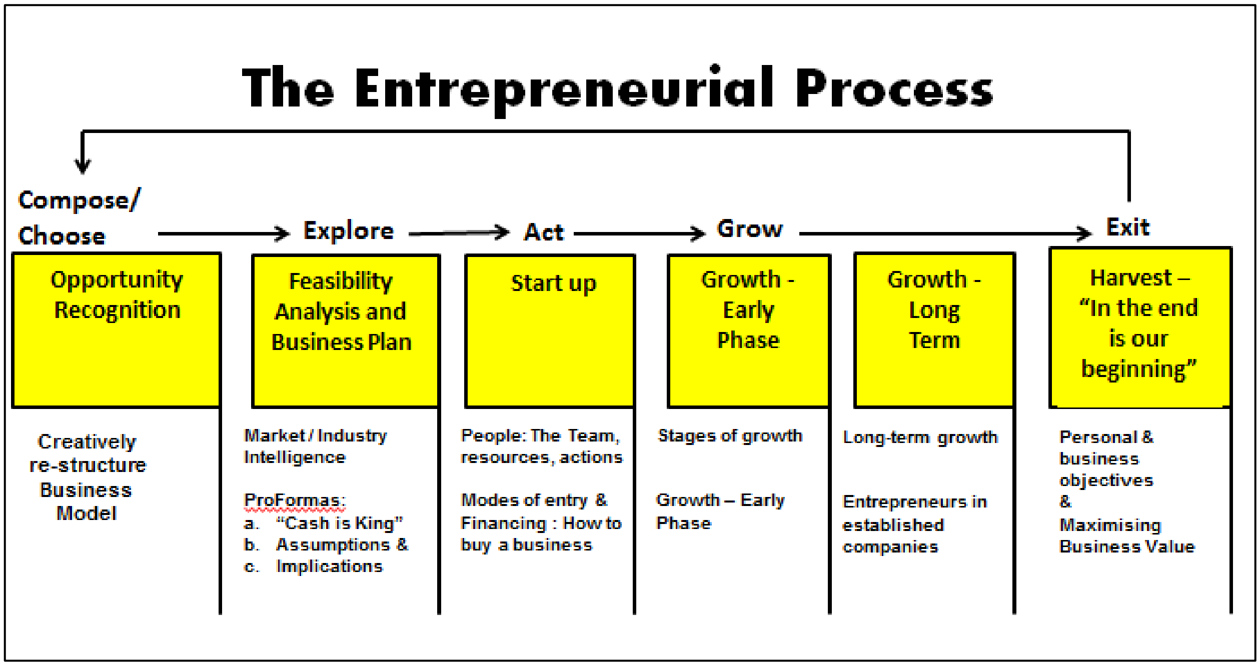

Figure 2.1 The Entrepreneurial Process (Carr, 2012)

Entrepreneurship is, in essence, the creation of a new organisation. By defining entrepreneurship in terms of the organisation rather than the person involved, one can say that entrepreneurship ends when the creation stage of the organisation ends **(Hatten, 2012, p. 27).**

Whilst Kuratko and Frederick (2010) categorise entrepreneurship as primarily falling into two schools of thought, they focussed on and separated the schools into macro (wide scale perspective) and micro (small scale views). "They further subdivided these two schools into seven schools of thought but warned against these categories limiting them from further research and new developments" (Kuratko & Frederick, 2010).

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The macro view of entrepreneurship presents a broad array of factors that relate to success or failure in contemporary entrepreneurial ventures. This array includes external processes that are sometimes beyond the control of the individual entrepreneur as they exhibit a strong external locus of control point of view. Four schools of entrepreneurial thought represent a breakdown of the macro view.

Macro	Social and Cultural School of Thought
	Financial/ Capitalist School of Thought
	Displacement School of Thought
	Ecological School of Thought
Micro	Entrepreneurial Trait School of Thought (People School)
	Venture Opportunity School of Thought
	Strategic Formulation School of Thought

Figure 2.2: Entrepreneurial Schools of Thought – Source (Kuratko & Frederick, 2010, p. 12)

"The **Social and Cultural School of Thought**: deals with external factors (social and environmental) as well as surrounding conditions and influences that affect a potential entrepreneur's lifestyle. The focus is on institutions, values and mores which, grouped together, form a socio–political environmental framework that strongly influences the development of entrepreneurs." (Kuratko & Frederick, 2010, pp. 11-14).

An example would be that of the Bill and Melinda Gates Foundation. Although the funds that support this foundation was earned through an entrepreneurial venture, that being the creation of Microsoft. Its success has allowed Bill and Melinda Gates develop a philanthropic strategy with social and environmentally friendly agendas. It is the largest private foundation supported by the likes of Warren Buffett. It is globally involved in many development programmes covering health, social development, gender issues, health issues related to HIV and malaria; agricultural development and education programmes in the most impoverished areas (Gatesfoundation , 2000).

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"The **Financial/capital School of Thought**: This is based on the capital seeking process. The search for seed and growth capital is the entire focus of this entrepreneurial emphasis. It views the entire entrepreneurial venture from a financial management standpoint" (Kuratko & Frederick, 2010).

An instance of this perspective is the story of Warren Buffett. Born in Nebraska in 1930, he demonstrated keen business abilities at a young age. He formed the Buffett Partnership Ltd. in 1956 and by 1965 he had assumed control of Berkshire Hathaway. Overseeing the growth of a conglomerate with holdings in the media, insurance, energy and food and beverage industries, Buffett subsequently became one of the world's richest men and later, a celebrated philanthropist.

The **Displacement School of Thought**: "This school focuses on group phenomena. It holds that the group influences or eliminates certain factors that project the individual into an entrepreneurial venture." (Kuratko & Frederick, 2010, pp. 11-14).

Three major types of displacement illustrate this school of thought:

Political displacement: "This is caused by factors ranging from an entire political regime that rejects free enterprise (an international environment) to governmental regulations and policies that limit or redirect certain industries" (Kuratko & Frederick, 2010, pp. 11-14).

For instance, one may adduce the story of Kamila Sidiqi: She was a 19 year when the Taliban took over the rule of Kabul imposing restrictions on girls attending school and or going out in public without a male relative escort in full purdah. In order to earn an income for her family Kamila learnt sewing from her sister and grew a home business that went on to employ more than a 100 women from her surrounds. Post-Taliban rule, Kamila set up a consultancy business educating Afghan women on how to start their own home based businesses.

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During the Karzai Government, she was appointed in a senior position to technology, finance, administration and recruitment (Main, 2015).

Cultural displacement: "This deals with social groups excluded from professional fields based on ethnic background, religion, race and sex, which are examples of factors that figure in the minority experience" (Kuratko & Frederick, 2010, pp. 11-14).

The story of Malala Yousafzai may be instanced in this regard: "In 2009 she began writing an anonymous blog for the BBC in which she expressed her views on life for a young girl under the Taliban in Pakistan. As her public profile increased, Malala began to receive death threats. On October, 2012, a gunman entered her school bus and shot her. Malala survived the shooting … and become a global advocate for girls being denied a formal education because of the social, economic, political and legal factors. She started the Malala charity fund to bring awareness to the social and political impact of girls' education and to empower girls to unlock their potential" (Main, 2015).

Economic displacement: This theory focuses on the economic cycles with the related growth and depression dependent on cyclical phase. This volatility and cycles has the potential to create the "foundation for entrepreneurial pursuits" as equally as it would create the destruction of certain ventures unable to survive the volatility (Kuratko & Frederick, 2010, pp. 11-14).

A clear example to illustrate this point would be Apple Computers. Co-founder Steve Jobs left Apple in 1985 after a struggle with its board of directors. He returned in 1996 to serve as interim CEO, during a very trying time for Apple … and became permanent CEO in 1997. At this stage the main focus of the Apple business was computers. … Focused on creating the next big thing, he released the iMac, the iPod, iTunes and the iPhone. He also restored Apple's hip image. Perhaps the best turnaround story of all time, under Jobs' lead, "Apple stock rose more than 9,000 percent" (Vozza, 2013)

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The **Ecological School of Entrepreneurial Thought:** This stems from the growing perception of the natural world and our relationship to it as entrepreneurs. This can be expressed in the following way: “The systems which uphold life on our planet can no longer endure the rhythm of wanton exploitation and consumption that entrepreneurs have subjected them to.” This theory is defined by the focus on preserving the environment from global warming and climate changes. Part of this philosophy is built into the Twin Peaks reporting which emphasises sustainable business development and environmental protection. (Kuratko & Frederick, 2010, pp. 11-14)

One might adduce The Body Shop Business in this respect. “Anita Roddick started this business in 1976 in the UK. Her plan was to create a line of cosmetics from natural ingredients, appealing to her customers concerns for the environment. The Body Shop supports local communities’ worldwide, purchasing natural ingredients at a fair and stable price.” According Roddick, she “cared” passionately about social responsibility, respect for human rights, the environment, animal protection, and an absolute belief in fair trade principals protecting the rights of local communities, hence providing opportunities for disadvantaged communities to create jobs and sustainability. Since Roddick’s demise The Body Shop remains a sustainable business continuing in the tradition she established (Main, 2015).

The **micro view of entrepreneurship** examines the factors specific to entrepreneurship and is reflective of an **internal locus of control**. The potential entrepreneur has the ability or control, to direct or adjust the outcome of each major influence in this view.

The **Entrepreneurial Trait School of Thought**: Many researchers and writers have been interested in identifying traits common to successful entrepreneurs. This approach is grounded in the study of successful people who tend to exhibit similar characteristics that, if copied, would increase success opportunities for the emulators. Family development and educational attainment are also examined in this regard.

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For instance, Elon Musk founded and runs two moon-shot tech companies: Tesla Motors and SpaceX. Tesla Motors is focussing on innovating and creating electric vehicles for mass production. SpaceX main focus is to transform space technology to create opportunity for ordinary people to emigrate to other planets (Forbes.com Editor , 2016).

The **Venture Opportunity School of Thought**: The focus of this school is on the 'opportunity' aspect of venture development. The search for innovative solutions, taking those ideas from concept to implementation illustrating creativity in creating unique products to for common challenges where the consumer is at the heart of its creation. Whilst the main focus is on creativity and innovation, it alludes to just in time principle in going to market (Kuratko & Frederick, 2010, pp. 13-14).

A prime example illustrating this school of thought is Google. It was started in January 1996, as a PhD research project at Stanford University by two students: Larry Page and Sergey Brin. It has become one of the foremost search engines in the world and has become standard on almost all smart Android phones and Blackberry phones operating worldwide in more than 40 countries. Since its inception, Google has rapidly ventured into other businesses ranging from creation of chat apps, Google Maps, Google Images, and Google Earth – providing a 3 dimensional view of the earth and maps and investment in renewable energy. Currently the driverless car is being tested by Google (Various).

Another development from this school of thought is the previously described "*corridor principle*. New pathways or opportunities arise that lead entrepreneurs in different directions. The ability to recognise these opportunities when they arise and to implement the necessary steps for action is a key factor. The maxim that *preparation meeting opportunity equals luck* underlies this corridor principle. Proponents of this school of thought believe that proper preparation in the interdisciplinary business segments will enhance the ability to recognise venture opportunities" (Kuratko & Frederick, 2010, p. 14).

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Avis Car Rentals exemplifies this principle. The founders of this enterprise found an opportunity in creating Avis Point to Point and Avis Luxury Chauffeur Drive Services. As they were already in the car rental business to travellers, expanding business and leisure travel created these opportunities as natural extensions of its core business, as did expanding these services further when airlines decided to cater for their premier clients with these services. It's a prime example of a business being able to seize such opportunity by virtue of being in a related business and having pre-existing alliances with the business partners.

The **Strategic Formulation School of Thought**: George Steiner (1979) stated that "strategic planning is inextricably interwoven into the entire fabric of management; it is not something separate and distinct from the process of management". "The strategic formulation approach to entrepreneurial theory emphasises the planning process in successful venture development. One way to view strategic formulation is as a leveraging of unique elements around four key factors: products, people, resources and markets" (Kuratko & Frederick, 2010).

Perhaps one of the best examples of this is the Coca Cola Company (more commonly known as Coke). Coca-Cola's history began in 1886 when the curiosity of an Atlanta pharmacist, Dr John S. Pemberton, led him to create a distinctive tasting soft drink that could be sold at soda fountains. He created a flavoured syrup, took it to his neighbourhood pharmacy, where it was mixed with carbonated water and deemed "excellent" by those who sampled it. Dr. Pemberton's partner and bookkeeper, Frank M. Robinson, is credited with naming the beverage "Coca-Cola" as well as designing the trademarked, distinct script, still used today.

The first marketing efforts in Coca-Cola history were executed through coupons promoting free samples of the beverage. Considered an innovative tactic back in 1887, couponing was followed by newspaper advertising and the distribution of promotional items bearing the Coca-Cola script to participating pharmacies.

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In the 1970s Coca-Cola's advertising started to reflect a brand connected with fun, friends and good times" (World of Coca Cola.com, 2016).

Coke embodies the four components of this school of thought:

- Product – creating a product that is globally popular. The word cola is nowadays used generically to refer to a cola flavoured soft drink resembling Coca Cola.
- Resources – due to size and global reach, Coke can command large deals with partners in terms of distribution, bottling, and manufacturing
- Market – from a small town in the US, Coke has grown its market reach to practically every corner of the globe. Coke is instantly recognisable and available where ever one travels.
- People – apart from being a sought after soft drink, the Coca Cola Company is a sought after employer offering its employees many benefits, including creating entrepreneurial opportunities amongst its distributors and logistics vendors.

The focus of this study, corporate entrepreneurs in the long term insurance industry, encompasses both the macro and micro views of entrepreneurship. They make use of both their internal locus of control – being achievement driven, and external factors in terms of opportunity created by the host company, brand equity of the host company and product mix offered by the host company and its subsidiaries. Traits from the Financial/ Capital School of Thought and the Displacement School of Thought both speak to an internal locus of control and need for achievement. This is similar to the theory described by both the macro schools of thought, successful financial advisers, who were willing to take a risk on the opportunities they saw and made a success of their careers in the long term Insurance industry.

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Then there were some successful insurance advisers (corporate entrepreneurs) who entered the industry as a means of last resort, either having been retrenched or being unable to secure any other employment and being displaced economically. Their internal locus of control and motivation to achieve created very successful corporate entrepreneurs.

When considering the entrepreneurial school of thought, there are many examples of the younger generation taking over from their parents or family members who have been raised in entrepreneurial environments. Evidence of the venture capital school of thought can be found in the creation of businesses like BDS BlueStar and Blignaut BlueStar. BlueStar businesses are corporate enterprise models within the Sanlam structure. Old Mutual, Discovery Life and Liberty Life have similar corporate franchise models.

BDS BlueStar was initially started by Bharat Desai's father as an agency of a large bank. This business eventually was closed by the bank due to realignment of the bank's strategy, but the clients were migrated into an insurance practice, which eventually evolved into a franchised practice BDS BlueStar. Andre Blignaut started out his career as a tied agent and evolved his practice, when the opportunity arose, into a franchised practice, creating a self-standing entity. His son is now the groomed successor to this very successful venture.

There are also examples like Craig Kiggen, a financial services entrepreneur, who was a Liberty Life Adviser/ Corporate Entrepreneur, later became an independent adviser, thereafter created Consolidate Financial Planning, a sought after medium size enterprise, which was recently bought out by Old Mutual's subsidiary Citadel Wealth Solutions.

Evidence of the strategic formulation school of thought can be seen in the expansion of local South African businesses like Sanlam, Liberty Life and Standard Bank into Africa seeking new opportunities and value creation. They take part or most of a very successful strategy in their South African businesses and implement the relevant parts of their strategy in new markets.

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In addition to the categorisation of the entrepreneurship types by (Kuratko & Frederick, 2010) (Havinal, 2009) explored Danhof's (1969) classification of the term "Entrepreneurs" in four types:

1. ***Innovative entrepreneur***: This category of entrepreneur is characterised by the "smell of innovativeness". This type of entrepreneur senses the opportunities for the introduction of new ideas, new technology, discovering of new markets and creating new organisations. Such an entrepreneur can work only when a certain level of development is already achieved and people look forward to change and improvement. Such entrepreneurs are most helpful for their country because they bring about a transformation in life style (Havinal, 2009, pp. 101-102). Examples that reflect this type of entrepreneurs are: Steve Jobs, Richard Branson, Elon Musk, and Bill Gates. In South African financial services the most renowned innovator is Adrian Gore, who set up the Discovery Life Business creating products and services that competitors are still struggling to match/ exceed.

2. ***Adoptive or imitative entrepreneur***: Such entrepreneurs imitate the existing entrepreneur and set their enterprise in the same manner. Instead of innovation, they may just adopt the technology and methods innovated by others. Such types of entrepreneur are particularly suitable for under-developed countries for imitating the new combination of production already available in developed countries" (Havinal, 2009, p. 102). A good example to illustrate this theory is the mass imitation of products manufactured in China. Samsung and Apple spend huge amounts of money on Research and Development yet Huawei and LG imitate much of that technology in creating high end phones and bring them to market at a more competitive rate. In financial services in South Africa, Mi-Way is a prime example of this, imitating the Outsurance Business Model and improving on that by offering long term products. Outsurance in turn copied this strategy from Mi-Way.

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3. ***Fabian entrepreneurs***: Fabian entrepreneurs are characterised by a cautious outlook and are extremely cynical about embracing new technology. Adoption of new technology and imitating to meet customer needs only when that becomes the last resort (Havinal, 2009, p. 102). An illustration of a Fabian Entrepreneur would be South African Airways (SAA). After several other low cost airlines entered the market and Kulula demonstrated success, SAA launched budget airline Mango.

4. ***Drone entrepreneurs***: Such entrepreneurs are conservative or orthodox in outlook. They always feel comfortable with the traditional way of doing things even though technologies have evolved. These entrepreneurs persist in doing business using old, manual technology even at the expense of business erosion (Havinal, 2009, p. 102). Given the rapid technological changes, no business with this model will be able to remain sustainable. A typical example of this industry would be the Cuban cigar industry where cigars have been hand rolled for generations. With Cuban trade opening up to the world and free trade being allowed, the price of the prized Cuban cigars will fall and mass consumerism will demand more efficient means of production. Health factors will add another dimension to this product. This does not mean that there will be no demand for handmade products. Limited numbers of high end hand made products will always have niche appeal where the consumer is prepared to pay for the unique value proposition.

Although being an entrepreneur means different things to different people, there is agreement that one is referring to a kind of behaviour that includes: (1) initiative taking, (2) the organizing and reorganizing of social and economic mechanisms to bundle resources in innovative ways, and (3) the acceptance of risk, uncertainty and/or the potential for failure (Hisrich, et al., 2010, p. 6).

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These summaries and definitions illustrate very clearly that the initiation of entrepreneurial activity could be sparked by a multitude of factors and situations, but underlying all these factors, innovation, resilience, pro-activeness, competitive aggression and having a propensity for risk.

The next Chapter will explore Corporate Entrepreneurship through a review of secondary literature.

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CHAPTER 3

CORPORATE ENTREPRENEURSHIP

3.1 Introduction to Corporate Entrepreneurship

It has been argued that the creation of wealth and growth in a country and its ability to function in a viable manner both economically and competitively depends on the innovative culture of firms, entrepreneurs and, governments creating supportive environments. In South Africa, there are many initiatives by government through the Department of Trade and Industry, Universities with research centres dedicated to entrepreneurship development and public and private business incubators. The success rate of new start-ups though is only averaged around 10 percent, with 90 percent failing in their first year (Patel, 2015). Hence the development of a country's GDP and competitiveness relies on its firms, and subsequently, its managers and internal entrepreneurs. "The essence of the modern firm lies in the specialisation of functions. 'The businessmen' [sic] that manage economic activity are, in the strictest sense, managers and entrepreneurs, the latter in a double sense: the individual businessman (independent) and the 'corporate entrepreneur' who, without participating significantly in terms of capital, controls the firm" (Cuervo, et al., 2007, p. 8).

Some authors focus their definition on such topics as the entrepreneurial firm (Carland, Hoy, Boulton & Carland, 1984); the entrepreneurial event (Gartner, 1985; Bird, 1989); entrepreneurial activities (Gartner, 1988; Bird, 1989); the entrepreneurial process (Gartner, 1985); the entrepreneurial phenomenon (Brockhaus, 1987) or entrepreneurial behaviour (Bird, 1989). For instance, according to Cuervo, Ribiero and Roig (2007), "Gartner (1990), found eight themes in the way scholars talk about entrepreneurship: the entrepreneurs, innovation, organisation creation, creating value, profit or non-profit, growth, uniqueness, and owner-manager" (Cuervo, et al., 2007, p. 29).

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In order to create context and association between entrepreneurship and corporate entrepreneurship, it is prudent to summarise the historical development of corporate entrepreneurship. A summary is provided in Table 3.1.

Table 3.1Summary of the history of defining Corporate Entrepreneurship

Author	Definition
Schollhammer (1982) (Sharma & Chrisman, 1999, p. 14)	"Internal (or intra-corporate) entrepreneurship refers to all formalized entrepreneurial activities within existing business organizations. Formalized internal entrepreneurial activities are those which receive explicit organizational sanction and resource commitment for the purpose of innovative corporate endeavours - new product developments, product improvements, new methods or procedures"
Burgelman (1984)	"Corporate entrepreneurship as extending the firm's domain of competence and corresponding opportunity set through internally generated new resource combinations"
Pinchot (1985)	"Intrapreneurs are 'dreamers who do', those individuals who take hands-on responsibility for creating innovation of any kind within an organization. They may be the creators or inventors but are always the dreamers who figure out how to turn an idea into a profitable reality"
Jennings and Lumpkin (1989)	"Corporate entrepreneurship is defined as the extent to which new products and/or new markets are developed. An organisation is entrepreneurial if it develops a higher than average number of new products and/or new markets"
Covin & Slevin (1989)	"Corporate entrepreneurship encourages leaders to promote innovativeness, pro-activeness and risk taking among the members within a larger organisational context "
Guth and Ginsberg (1990)	"Corporate entrepreneurship encompasses two types of phenomena and the processes surrounding them; 1) the birth of new businesses within existing organisations, *i.e*., internal innovations or venturing and 2) the transformation of organisations through renewal of the key ideas on which they are built, *i.e.* strategic renewal"

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Covin & Slevin (1991)	"Corporate entrepreneurship involves extending the firm's domain of competence and corresponding opportunity set through internally generated new resource combinations"
Jones & Butler (1992)	"Internal corporate entrepreneurship refers to entrepreneurial behaviour within one firm"
Zahra (1995.1996)	"Corporate entrepreneurship is seen as the sum of a company's innovation, renewal, and venturing efforts. Innovation involves creating and introducing products, production processes and organisational systems. Renewal means revitalising the company's operations by changing the scope of its business, its competitive approaches or both. It also means building or acquiring new capabilities and then creatively leveraging them to add value for shareholders; venturing denotes that the firm will enter new businesses by expanding operations in existing or new markets"
Chung & Gibbons (1997)	"Corporate entrepreneurship is an organisational process for transforming individual ideas into collective actions through the management of uncertainties"
Antoncic & Hisrich (2003)	"Entrepreneurship within an existing organisation, including emergent behavioural intentions and behaviours of an organisation related to departures from the customary"
Kuratko, Ireland, Covin, & Hornsby (2005)	"Corporate entrepreneurship represents a set of behaviours "requiring organisational approval" and resource commitments for the purpose of developing different types of value-creating innovations"
Kuratko, Morris, & Covin, (2011)	"Corporate entrepreneurship" is a term used to describe entrepreneurial behaviour inside established mid-sized and large organizations. Other popular or related terms include "organizational entrepreneurship," "intrapreneurship," and "corporate venturing"
Burns (2012)	"Corporate entrepreneurship is about entrepreneurial transformation in larger organisations"
Shah & Bhutta (2013)	Defined corporate entrepreneurship as "a process by which individuals inside organizations pursue opportunities independent of the resources they currently control" [p. 20]; "a procedure whereby an individual or a group of individuals, in association with an existing organization, create a new-fangled organization or initiate renewal or innovation within that organization" [p. 10]; "a spirit of entrepreneurship within the existing organization" [p. 21]

Sources: (Morris, et al., 2011) (Burns, 2012) (Shah & Bhutta, 2013, p. 80) (Sharma & Chrisman, 1999, p. 14)

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Kuratko (2007) surmises that the concept of corporate entrepreneurship has evolved over the last four decades and points out that the definitions have varied considerably over time. The early research in the 1970's focused on venture teams and how entrepreneurship inside existing organisations could be developed (Hill & Hlavacek, 1972; Peterson & Berger, 1972; Hanan, 1976). Sathe (1989) defined CE as a process of organisational renewal. More comprehensively, Sharma and Chrisman (1999) suggested that CE "is the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization" (Sharma & Chrisman, 1999, p. 18). Other researchers conceptualise CE as embodying entrepreneurial behaviour requiring organisational sanctions and resource commitments for the purpose of developing different types of value-creating innovations (Alterowitz, 1988; Borch et al., 1999; Burgelman, 1984; Jennings & Young, 1990; Kanter, 1985; Schollhammer, 1982).

This conceptualisation of corporate entrepreneurship is consistent with Damanpour's (1991) perspective that corporate innovation is a very broad concept which includes "… the generation, development and implementation of new ideas or behaviours. An innovation can be a new product or service, an administrative system, or a new plan or program pertaining to organizational members." In this context, corporate entrepreneurship centres on re-energising and enhancing the firm's ability to develop the skills through which innovations can be created. Corporate entrepreneurship is linked to firms' efforts to establish sustainable competitive advantages as the foundation for profitable growth (Ireland, Kuratko & Covin 2003; Kuratko, 1993; Merrifield, 1993; Pinchott, 1985; Zahra, 1991). (Katz & Shepherd, 2004, p. 556)

Kuratko, (2007) further espouses the notion that in the 1980's, researchers conceptualised corporate entrepreneurship as embodying entrepreneurial behaviour requiring organisational sanctions and resource commitments for the purpose of developing different types of value-creating innovations (Alterowitz, 1988; Burgelman, 1984; Pinchott,1985; Kanter, 1985; Schollhammer 19820) (Kuratko & Hornsby, 2007, pp. 6-7).

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In his final analysis of the new millennium Kuratko, (2007) avers that researchers have gained greater specificity regarding the concept. Covin & Kuratko (2008) describe *corporate entrepreneurship* as being manifested in companies either through "corporate venturing" or "strategic entrepreneurship". Kuratko (2007) goes on to state that *Corporate Venturing* approaches have as their commonality, the adding of new businesses (or portions of new businesses via equity investments) to the corporation. This can be accomplished through three implementation modes: internal corporate venturing, cooperative corporate venturing and external corporate venturing. By contrast, *strategic entrepreneurship* approaches have as their commonality the exhibition of large-scale or otherwise highly consequential innovations that are adopted in the firm's pursuit of competitive advantage. These innovations may or may not result in new businesses for the corporation. With strategic entrepreneurship approaches, innovation can be in any of five areas: the firm's strategy, product offerings, markets served, internal organisation (i.e., structure, processes, and capabilities) or its business model (Ireland & Webb, 2007).

Ireland, Covin and Kuratko (2009) define "Corporate Entrepreneurship strategy as a vision-directed, organisation-wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenates the organisation and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity" (Ireland, et al., 2009 , p. 21). Corporate entrepreneurship needs to be focussed on and prioritised as part of a designed approach, or it will always remain an intangible concept for the firm.

Morris, Kuratko and Covin (2008) uphold that when the actions taken in a large firm to ensure competitive advantage and to exploit these advantages through a strategy are grounded in entrepreneurial actions, the firm is employing an *entrepreneurial strategy*. In addition to this, when establishing direction and priorities for the product, service and process innovation efforts of the firm, the company is formulating its *strategy for entrepreneurship*.

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Taking into account the shaping of all these various definitions, it is clear that the 21st century leader understands the importance of entrepreneurial actions with managers at all levels to establish sustainable competitive advantages as the foundation for profitable growth (Kuratko, Ireland, Covin & Hornsby, 2005; Kuratko, Ireland & Hornsby, 2001).

In his ground-breaking work entitled Innovation and Entrepreneurship (2006), Drucker cited in (Morris, et al., 2011) concludes that "The message is that continuous innovation (in terms of products, processes, technologies, administrative routines, and structures) and an ability to compete proactively in global markets are the key skills that will determine corporate performance in the twenty-first century" (Kuratko et al, 2007).

To understand modern corporations, we must consider their external and internal environments. In this consideration, external refers to everything outside of the company, including the competition, customers, technology, economic, regulatory, and social and labour as well as supplier environments. Each of these domains holds major implications for how things are undertaken inside the company. The internal environment, it is suggested, "includes the structures, systems, processes and culture that make up the climate within which people do the work of a company" (Morris, et al., 2011, p. 4) .

The dynamic environment makes it imperative for organisations to continuously search for new and innovative management practices. This phenomenon is best summarised by Kuratko in Table 3.2. This summary is reflective of the current dynamics in the financial services sector.

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Table 3.2 How Environmental Turbulence Creates a Need for New Management Practices

Customers

- Fragmented markets require companies to adopt multiple approaches to serve different target audiences
- Rapidly rising customer expectations force companies to customise their products, customer support function, and communication approaches, and yet do so in ways that can be standardised
- The costs of higher levels of customisation require companies to cultivate longer-term customer relationships
- Sustainable growth means learning new skills in serving global markets

Technology

Companies have to change the ways they operate internally and how they compete externally based on:

- New information management technologies
- New production and service delivery technologies
- New customer management technologies
- New logistics and inventory management technologies
- New sales force management technologies
- New product development technologies

The Embattled Corporation

Competitors

- Competitors lead customers to entirely new market spaces, forcing companies to spend greater amounts on product development
- Aggressive competitors move quickly to mimic anything new attempted by the company, making it harder to differentiate the company in the eyes of customers
- Companies find themselves competing with companies in other industries that play by completely different rules—making current competitive approaches irrelevant
- Competitors specialising in narrow, profitable niches avoid costs of competing across a broader product and customer range, while attacking the company's most profitable areas of business

Legal, regulatory, and Ethical Standards

- Companies are increasingly accountable to multiple stakeholders, and their actions are more visible to these stakeholders, forcing management to make difficult choices and deliver results while behaving responsibly
- An increasingly litigious environment raises the stakes on company liability for products and how they are used; more lawsuits increase company costs and penalise innovative actions
- Regulatory restrictions limit choices while forcing companies to learn new ways to compete
- Growing affluence enables society to hold companies more responsible for the environmental and social implications of their actions

Source: (Morris, et al., 2011, p. 6)

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The precipitating event's effect and the entrepreneurial behaviour it causes depend on the dynamic interaction among several characteristics, such as the specific managers/employees (e.g. their personal life, responsibility, personality), characteristics of the company (e.g. size, culture, structure, strategies) and developments in the external environment (e.g. competitive, industry, and market changes) (Baum et al., 2001). Moreover, different types of entrepreneurial actions are most likely the result of different types of triggers. The nature of the triggering event and the type of entrepreneurial initiative that is pursued are also likely to be associated with outcomes, such as whether an innovation is completed and implemented, and the level of success that is achieved (Katz & Shepherd, 2004, p. 15).

Having a broad understanding of the factors affecting companies does not mean much unless one makes the connection with its impact on the "bottom line". That is, as Morris, Kuratko and Covin (2010) enquire: what is the real quest as managers sort through the various theories, concepts, and new techniques and tools? For them the answer is and always will be *sustainable competitive advantage*. Traditionally, as these authors note, competitive advantage was achieved by incurring lower costs than the competition, achieving higher quality or product performance, adding a new product feature, offering more selection or delivering better customer service. Unfortunately, they write, this game of "one-upmanship" can no longer produce sustainable advantage. Whatever one company does in these areas is quickly matched by other companies. Moreover, to be successful in any industry today, companies must continually reduce costs, improve quality, enhance customer service, and so forth. Such continuous improvement is a minimal criterion for remaining in the competitive game (Morris, et al., 2011).

Remaining competitive is very different from achieving sustainable competitive advantage. The quest for competitive advantage requires that companies and the managers within them continually innovate and reinvent themselves. Morris, Kuratko and Covin (2011) believe that advantage derives from five key company capabilities.

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These include:

“Adaptability—the ability to adjust, on a timely basis, to new technologies, new customer needs, new regulatory rules, and other changes in conditions without losing focus or causing significant disruption of core operations and commitments;

Flexibility—the ability to design company strategies, processes, and operational approaches that can simultaneously meet the diverse and evolving requirements of customers, distributors, suppliers, financiers, regulators, and other key stakeholders.

Speed—the ability to act quickly on emerging opportunities, to develop new products and services more rapidly, and to make critical operational decisions without lengthy deliberations;

Aggressiveness—an intense, focused, and proactive approach to eliminating competitors, delighting customers, and growing employees;

Innovativeness—a continuous priority placed on developing and launching new products, services, processes, markets, and technologies, and on leading the marketplace” (Morris, et al., 2011, pp. 9-11). In the new economy, this will be the difference between survival and sustainable growth.

Companies that are able to respond to changing, dynamic, threatening and complex external environments because of their ability to be adaptable, flexible, fast, aggressive, and innovative will continue to enjoy growth (Heavey, et al., 2009).They will define change and future trends, setting the pace of innovation and driving customer demand by virtue of their innovation, rather than being led by market forces. Innovative companies will rewrite the rule of competition in a similar way that Uber has changed the taxi industry and Airbnb changed the hotel industry without owning a single vehicle or property.

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These five capabilities ultimately boil down to one key factor and that is entrepreneurship. Entrepreneurship and being entrepreneurially oriented is the core of sustainable competitive advantage and growth in companies. Advantage lies in finding ways to tap the spirit of Richard Branson, Mark Zuckerberg, Steven Jobs, Anita Roddick, Bill Gates, Warren Buffet, and other great entrepreneurs within the mainstream of the company—on the production floor, inside the sales force, among the purchasing agents. Continuous innovation and an ability to continually redefine the competitive playing field are among the skills that define corporate performance in the global economy of the twenty-first century (Pitelis and Teece, 2009). As Steven Brandt (1986) noted in early work on corporate entrepreneurship: "The challenge is relatively straightforward…companies must tap into the creative power of their members. Ideas come from people. Innovation is a capability of the many. That capability is utilized when people give commitment to the mission and life of the enterprise and have the power to do something with their capabilities." (Morris, et al., 2011, p. 9).

3.2 Entrepreneurial Orientation

The term "entrepreneurial orientation" has been used to refer to the strategy making processes and styles of firms that engage in entrepreneurial activities. Another popular model of entrepreneurial orientation (EO) suggests that there are five dimensions of it — autonomy, innovativeness, risk taking, pro-activeness, and competitive aggressiveness. (Lumpkin & Dess, 2001, p. 429) Entrepreneurial orientation (EO) is clearly a multi-dimensional construct, necessitating a discussion of the development of the different dimensions. Most of the studies on EO are in some way based on the early works of Miller and Friesen (1978), which identify eleven strategy-making process dimensions, including adaptiveness, analysis, integration, risk-taking, and product-market innovation. In fact, in his later study, Miller (1983) provided what is probably the first operationalisation of the EO construct, including innovation, risk-taking, and pro-activeness. This definition forms the basis for several studies such as (Covin & Slevin, 1989; Lumpkin & Dess, 2001; Wiklund, 1999) (Todorovic, et al., 1 January 2015, p. 1).

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The EO construct is at the heart of Corporate Entrepreneurship. Built around dimensions such as innovativeness, risk-taking, pro-activeness, autonomy and competitive aggressiveness (discussed further below), this construct appears as a useful and powerful tool for assessing entrepreneurial behaviour at firm level. According to Fayolle (2012), although EO is usually defined as a multidimensional construct, one or several of these three dimensions: risk-taking, innovativeness and pro-activeness needs to be present to determine the firms EO (Fayolle, 2012).

Most of the earlier research has focused on the impact of EO on the firm's performance. (Drucker, 2002) (Hyland, 2008) (Ireland, et al., 2009) (Lumpkin & Dess, 2001) (Rauch, et al., 2005).Consequently, little empirical research has been devoted to understanding the factors and conditions that produce EO. Generic explanatory variables such as environment, organisation, strategy and culture have been mentioned in past research, even though a number of hypotheses have been proposed, few have been thoroughly developed and tested. The focus of Basso, Bouchard, Fayolle & Legrain's (2008) research was one explanatory variable - culture - that was to be developed along multiple axes. This study suggested a conceptual framework that aimed to provide a better understanding of how three interdependent levels of culture - national, industry and corporate - influence EO (Basso, et al., 2008). The exploration of the impact of culture is this case was noteworthy but has not been explored further in more detail. Hofstede (2011) was perhaps the most noteworthy researcher to date to explore the influence of culture on organisations. The most widely accepted components of EO are the five proposed by Lumpkin and Dess (1996), as (Callaghan & Venter, 2011) note.

Schüler defines EO as the strategic orientation which captures the entrepreneurial aspects of a firm's strategies. Entrepreneurially oriented firms change and shape the environment, are willing to commit resources to exploit certain opportunities, explore and create ideas which may lead to changes in the market place, and are proactive in anticipating future demand (Schüler, 2015, p. 2).

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Companies like Samsung, Apple, and Tesla to a large degree BMW are reflective of these strategies as these companies define the landscape and dictate the rules of the game.

Schillo (2011) summarises the five components of EO in the following concepts with more detail:

1. **"Risk-taking** was historically a key characteristic associated with entrepreneurship. It originally referred to the risks individuals take by working for themselves rather than being employed, but has since been widely applied to companies, for example, when managers make decisions that commit large amounts of resources to projects with uncertain outcomes.

2. **Pro-activeness** describes the characteristic of entrepreneurial actions to anticipate future opportunities, both in terms of products or technologies and in terms of markets and consumer demand. This characteristic was at the centre of early economic thinking in this field: the entrepreneur was thought of as someone who identifies opportunities in the marketplace and proactively pursues them (Lumpkin and Dess, 1996). Translated to the level of the firm, proactive companies are leaders in the market, rather than followers.

3. **Innovativeness** relates to the types of products and services a company has introduced to the market. For some theorists, innovativeness is intrinsically linked to entrepreneurship in that entrepreneurs create new combinations of resources by the very fact of their entry into the market. In the context of EO, innovativeness is defined more narrowly, emphasizing the importance of technological leadership to the company, as well as changes in its product lines.

4. **Competitive aggressiveness** refers to the company's way of engaging with its competitors, distinguishing between companies that shy away from direct competition with other companies and those that aggressively pursue their competitors' target markets.

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5. **Autonomy** “refers to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion” (Lumpkin and Dess, 1996) without being held back by “overly stringent organizational constraints” (Lumpkin & Dess, 1996) (Schillo, 2011, p. 21).

These dimensions are best illustrated by (Schmitz, 2012) in Figure 6.

Autonomy – The tendency to bring forth ideas and see them through to completion.		Microsoft’s values statement notes, “We take on big challenges and pride ourselves on seeing them through.” For example, Microsoft embraced a huge challenge when developing and launching its Xbox gaming system to compete with market leaders Nintendo and Sony.
Competitive Aggressiveness – The tendency to intensely and directly challenge rivals rather than trying to avoid competition.		One of Nike’s past mission statements – “To experience the emotion of competition, winning and crushing competitors” – highlights its aggressiveness.
Innovativeness – The tendency to pursue novel ideas, creative processes and experimentation.		3M has built its business around its mission statement: to solve unsolved problems innovatively. 3M employs over 7,000 researchers and was awarded nearly 600 patents in 2010. 3M’s innovativeness has led it to develop thousands of products (such as Post-it notes and Scotch tape) that are sold in almost 200 countries.
Pro-activeness – The tendency to anticipate and act on future opportunities rather than rely solely on existing products and services.		Proactive Communications Inc. lives up to its name by focusing on emerging and unusual opportunities. The firm embraces contracts in war zones and natural disaster areas that are often avoided by other telecommunications firms.

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Risk Taking – The tendency to take bold actions rather than being cautious.		Richard Branson's launching of Virgin Galactic – a company that plans to offer suborbital spaceflights to commercial passengers – reflects his love of high-risk, high-reward ventures.

Figure 6: The Five Dimensions of Entrepreneurial Orientation

(Schmitz, 2012)

Adapted from Certo, S.T., Moss, T.W., & Short, J.C. (2009) & Entrepreneurial orientation: An applied perspective. *Business Horizons*. 52: 319-324.

Entrepreneurial Orientation extrapolated to businesses is a term that addresses the mind-set of firms engaged in the pursuit of new ventures, and provides a useful framework for researching entrepreneurial activity. Many scholars have used EO to describe a fairly consistent set of related activities or processes (e.g., Ginsberg, 1985; Knight, 1997). Such processes incorporate a wide variety of activities which include planning, analysis, decision making, and many aspects of an organisation's culture, value system, and mission (Hart, 1992). Thus, an EO may be viewed as a firm-level strategy-making process that firms use to enact their organisational purpose, sustain their vision, and create competitive advantage(s). Consensus has started to arise concerning what EO represents, both conceptually and empirically. Further, measurement scales of EO have been developed and widely used, and its relationship with other variables has been examined. Thus, EO represents one of the few areas of entrepreneurship where there is an emerging development of a cumulative body of knowledge (Rauch, et al., 2005).

Covin and Slevin (1989, 1991) built a model that links entrepreneurial posture to organizational performance. They found that entrepreneurial orientation was positively related to performance and that an entrepreneurial posture was most positively related to firm performance. Miller and Bromiley (1990); Zahra (1991); Wiklund (1999) and (Al Swidi & Mahmood, 2011; Zahra & Covin, 1995), all confirmed a positive relationship between entrepreneurial orientation and firm profitability and growth

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According to Mahmood and Hanafi (2005), and (Krauss, et al., 2005) reported that EO is a valuable predictor for business. Hence, EO research accumulated a considerable body of evidence regarding the relationship between entrepreneurial orientation and outcomes or performance (Barringer & Bluedon, 1999; Covin & Slevin, 1989; Miller, 1983; Wiklund 1999; Wiklund & Shepherd, 2003; Zahra, 1991; Zahra & Covin, 1995). Entrepreneurial orientation is also considered a valuable resource and capability that offers a lasting competitive advantage and superior performance to the firm. According to the resource-based theory of the firm, competitive advantage only arises from the use of scarce, intangible and firm-specific assets (Spender, 1996). Tovstiga and Tulugurova (2009) affirmed that the firm's internal resource base is a determining factor of competitive advantage in small and medium firms. The literature further buttressed the theory that the firm's competitive advantage and performance are largely influenced by the entrepreneurial behaviour of the firm (Wiklund & Shepherd, 2003; Zahra & Covin, 1995) (Mahmood & Hanafi, January 2013, p. 83).

(George & Marino, 2011, p. 989), explored the debate around the evolution of the the nature of the construct of EO and allude to the difference in measurement between social sciences and the management sciences. They refer to differences in dimensionality attributed, by "(Knight, 1997; Lumpkin & Dess, 1996; Zahra, 1993), the interdependence of the dimensions (Dess, Lumpkin, & McGee, 1999; Lumpkin & Dess), the nature of the dimensions (Morris & Paul, 1987), and the theoretical relationship between the construct and its antecedent and consequent constructs (George, 2011). Each of these issues is inextricably tied to the theoretical definition of the construct and illustrates" that it is imperative that there is consensus on a definition for the further development of research on EO. (George & Marino, 2011) They further concluded that "the five-dimension operationalization of EO is a valid construct within the EO conceptual family that has been productively utilized in recent research (e.g., Pearce et al., 2010), and that it will continue to offer valuable insight in entrepreneurial organizations" (George & Marino, 2011, pp. 989-990).

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3.3 Traits and Characteristics of Entrepreneurs

The study of entrepreneurs as individuals and what variables impact their decision making process, "requires the analysis of those variables that explain their appearance, such as personal characteristics, the psychological profile (the need for achievement, the capacity to control, tolerance of ambiguity and a tendency to take risks) and non-psychological variables (education, experience, networks, family, etc.)" (Cuervo, et al., 2007, p. 9).

Gartner (1980) compiled a comprehensive matrix of the various studies conducted in attempting to understand the traits of an entrepreneur. Although all of these are critical traits in an entrepreneur, they do not address conclusively "what encourages individuals to initiate entrepreneurial behaviour" (Brice, 2006, p. 2).

Brockhaus (1980) explored the construct of risk propensity, comparing entrepreneurs and managers, and reported that "this study indicates that the level of risk taking propensity does not distinguish new entrepreneurs from managers or the general population" (Brockhaus, 1980, p. 519). Although not much value can be attained from the finding, the construct of risk propensity makes interesting exploration for further research.

In another study on this construct, March and Shapira (1987) explored "the relation between decision theoretic conceptions of risk and the conceptions (this is the conception of risk derived from the theories of choice) held by executives." He concluded that, "the behavioural phenomenon of risk taking in organizational settings will be imperfectly understood within a classical conception of risk" (March & Shapira, 1987, p. 1405).

Dollinger (2008), identified that within the many definitions of entrepreneurship we might find the following common elements and characteristics:

- Creativity and innovation
- Resource identification, acquisition, and marshalling
- Economic organisation
- Opportunity for gain (or increase) under risk and uncertainty (Dollinger, 2008).

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Although many types of behaviour have been ascribed to entrepreneurs, several are common to those who are successful. Those in new ventures and those who are already part of an entrepreneurial firm share these qualities:

- Passion for the business
- Product/ customer focus
- Tenacity despite failure
- Execution intelligence (Barringer & Ireland, 2012).

According to Barringer and Ireland (2012), common traits and characteristics associated with an entrepreneur are illustrated in the Figure 3.2. This is not an exhaustive list, but it captures the many nuances of characteristics associated with Entrepreneurship.

Traits and Characteristics of Entrepreneurs

TRAITS	CHARACTERISTICS
Moderate risk taker	Optimistic disposition
A networker	Persuasive
Achievement motivated	Promoter
Alert to opportunities	Resource assembler/ leverager
Creative	Self-confident
Decisive	Self-starter
Energetic	Tenacious
A strong work ethic	Tolerant of ambiguity
Lengthy attention span	Visionary

Figure 3.2: Traits and Characteristics of Entrepreneurs: (Barringer & Ireland, 2012, p. 16)

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Morris, Kuratko & Covin (2011), developed a comprehensive analysis that examines the various characteristics of a traditional manager, entrepreneur and corporate entrepreneur. The table below provides detailed insights for all three segments in terms of primary motives, skills attitude to work and destiny, focus of attention, attitude to risk and many more aspects. (Morris, et al., 2011). Whilst this table cannot be viewed in isolation its thoroughness is extremely useful for an overview and comparison of between the traditional manager, entrepreneur and corporate entrepreneur.

Comparative Analysis of Entrepreneurs, Corporate Entrepreneur and Traditional Manager

Characteristic	**Traditional Manager**	**Entrepreneur**	**Corporate Entrepreneur**
Primary Motives	Wants promotion and other traditional rewards: power motivated	Wants freedom; self-reliant, goal oriented and self-motivated	Want freedom; access to corporate resources; goal oriented and self-motivated but also responds to corporate rewards and recognition
Time Orientation	Responds to quotes and budget; to weekly, monthly and annual planning horizons; and to the next promotion or transfer	Uses end goals of 5 to 10 year growth of the business as guides; takes action now to move to next step along the way	End goal of 3 to 15 years depending on the type of venture; urgency to meet self-imposed and corporate timetable
Tendency to Action	Delegates action; supervising and reporting takes most of the energy	Get hands dirty; may upset employees by suddenly doing their work	Get hands dirty, may know how to delegate; but when necessary, does what needs to be done
Skills	Professional management, often business school trained, uses abstract analytical, people management and political skills	Knows business intimately; more business acumen than managerial or political skill; often technically trained if in technical business; may have had formal profit and loss responsibility in the company	Very much like the entrepreneur, but usually professional or business school trained. Ability to prosper within the corporation is always a challenge
Attitude towards Courage & Destiny	Seeing others being in charge of his or her destiny; can be forceful and ambitious but may be fearful of others' ability of do him or her in	Self-confident, optimistic and courageous	Self-confident and courageous; many are cynical about the system but optimistic about their ability to outwit it

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Focus of Attention	Primarily on events inside the corporation	Primarily on technology and market place	Both inside and outside ; sells insiders on the needs of the venture and marketplace but also focuses on the customers
Attitude towards Risk	Cautious	Likes moderate risk; invests heavily but likes to succeed	Likes moderate risk; generally not afraid of being fired, so sees little personal risk
Use of Market Research	Has market studies done to discover needs and guide product conceptualisation	Creates needs; creates products that often cannot be tested with market research; potential customers do not yet understand them; talks to customers and forms own opinions	Does own market research and intuitive evaluation, like the entrepreneur
Attitude towards Status	Cares about status symbols (corner office and so on)	Happy sitting on an orange crate if job is done	Considers traditional symbols a joke; treasures symbols of freedom
Attitude towards Failure & Mistakes	Strives to avoid mistakes and surprises; postpones recognising failure	Deals with mistakes and failures as learning experiences	Sensitive to the need to appear orderly; attempts to hide risky projects from view so as to learn from mistakes without political cost of public failure
Decision Making Style	Agrees with those in power; delays making decisions until a feel of what the bosses want is obtained	Follows private vision; decisive; action oriented	Adept at getting others to agree with private vision; somewhat more patient and willing to compromise than the entrepreneur but still a doer
Who Serves	Pleases others	Pleases self and customers	Pleases self, customers and sponsors
Attitude towards the System	Sees system as nurturing and protective; seeks position within it	May rapidly advance in a system; then, when frustrated, may reject the system and form own company	Dislikes the systems but learns to manipulate it
Problem Solving Style	Works out problems within the system	Escapes problems in large and formal structures by leaving and starting alone	Works out problems within the system or bypasses them without leaving

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Socio Economic background	Middle class	Lower class in some early studies; middle class in more recent studies	Middle class
Educational Level	Highly educated	Less well educated in earlier studies; some graduate work but not PhD in later studies	Often highly educated, particularly in technical fields, but sometimes not
Relationship with Others	Perceives hierarchy as basic relationship	Perceives transactions and deal making as basic relationship	Perceives transactions within hierarchy as basic relationship

Figure 3.3: Who is the corporate entrepreneur: Comparative Analysis of Entrepreneur, Corporate Entrepreneur and Traditional Manager? Source: (Morris, et al., 2011)

Characteristics and traits of entrepreneurs and corporate entrepreneurs are virtually similar and I believe the greatest difference lies in their risk propensity. If one compares the latest table of constructs drawn up by Kuratko (2015), containing all the characteristics listed for entrepreneurs I believe that they all equally important for Corporate Entrepreneurs.

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Characteristics often attributed to Entrepreneurs

1.	Confidence	22.	Responsibility
2.	Perseverance, determination	23.	Foresight
3.	Energy, diligence	24.	Accuracy, thoroughness
4.	Resourcefulness	25.	Cooperativeness
5.	Ability to take calculated risks	26.	Profit orientation
6.	Dynamism, leadership	27.	Ability to learn from mistakes
7.	Optimism	28.	Sense of power
8.	Need to achieve	29.	Pleasant personality
9.	Versatility, knowledge of product, market, machinery, technology	30.	Egoism
10.	Creativity	31.	Courage
11.	Ability to influence others	32.	Imagination
12.	Ability to get along well with people	33.	Perceptiveness
13.	Initiative	34.	Toleration for ambiguity
14.	Flexibility	35.	Aggressiveness
15.	Intelligence	36.	Capacity for enjoyment
16.	Orientation to clear goals	37.	Efficacy
17.	Positive response to challenges	38.	Commitment
18.	Independence	39.	Ability to trust workers
19.	Responsiveness to suggestions and criticism	40.	Sensitivity to others
20.	Time competence, efficiency	41.	Honesty, integrity
21.	Ability to make decisions quickly	42.	Maturity, balance

Figure 3.4: (Kuratko, 2015, p. 52)

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Amongst the traits listed by Kuratko (2015), some of the constructs listed (and already mentioned) are creativity, initiative, flexibility, independence, foresight; which all speak to the ability to innovate. The latter is the bedrock of sustainability for any company.

3.4 Innovation

No entrepreneur or enterprise, however successful and big, can continue to hold a place of leadership unless it recognises that modern business operates in a world of galloping change which creates new problems, risk and opportunities and for which its managers have to mobilise the enterprise's resources before changes make their impact felt. To do so successfully, the entrepreneur and enterprise should know where the firm is going and how it will get there. This in turn requires a clear definition of the company's business which will enable it to continually adopt operations to the realities of the market place, "the very corner stone of survival and growth" (Okpara, 2007, p. 2).

Many managers of corporations are stressed about where they can achieve growth and how to become part of the innovative and nimble entrepreneurial ecosystem. Even though Fortune 500 companies are still the foundation of the US economy (last year their contribution equalled 71.9% of U.S. GDP—up from 58.4% two decades ago, and 35% in 1955), rapid technological changes make companies rise and fall faster than ever before. Hamstrung by bureaucracy and organisational friction, corporates tend to play it safe – an easy trap that makes their glory days fleeting. Dell, Eastman Kodak, Motorola and Blockbuster are just a few examples of outstanding products/ companies losing their way (Balmaeker, 2015).

The essence of entrepreneurship is innovation, which "is the specific instrument of entrepreneurship. It is the act that endows resources with a new capacity to create wealth. Innovation, indeed, creates a resource. There is no such thing as a 'resource' until man finds a use for something in nature and thus endows it with economic value" (Drucker, 2002, p. 29).

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Successful entrepreneurs do not wait until "the Muse kisses them" and gives them a "bright idea"; they go to work. Altogether, they do not look for the "biggie," the innovation that will "revolutionize the industry," create a "billion-dollar business," or "make one rich overnight." "Whatever their individual motivation — be it money, power, curiosity, or the desire for fame and recognition — they try to create value and to make a contribution. Systematic innovation therefore consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities. Such changes might create opportunity for economic or social innovation" (Drucker, 2002, p. 34).

According to Drucker (2002), systematic innovation means observing "*seven sources* for innovative opportunity. The first four lie within the enterprise," private or public. People working in those specific industries will be the first to be affected by issues that require innovation and these issues will manifest as "symptoms". These symptoms will be reliable information that can be observed. The four source of information are:

- *"The unexpected—the* unexpected success, the unexpected failure, the unexpected outside event;
- *The incongruity—between* reality as it actually is and reality as it is assumed to be or as it "ought to be";
- *Innovation* based on process need;
- *Changes in industry structure or market structure* that catches everyone unawares" (Drucker, 2002, p. 35).

The remaining three factors that Drucker refers to are opportunities that are external to the industry/ company. Due to the external nature of these forces their nature is beyond the control of the company:

- *"Demographics* (population changes)
- *Changes in perception, mood, and meaning;*
- *New knowledge,* both scientific and non-scientific" (Drucker, 2002, pp. 35-36).

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All seven sources of innovation have many overlaps between them, thus knowledge of them will ensure that one is open to taking advantage of innovation opportunities as they arise (Drucker, 2002, pp. 35-36).

Innovation within and outside of a firm is the essence of Corporate Entrepreneurship which leverages current competencies and evolves new ones through innovative practices for the purposes of growth and corporate renewal. This enterprise development is commonly exhibited in the following formats:

1. ***Corporate Venture Capital:*** Direct equity investments and limited partner investments***.***
2. ***Internal or Corporate Venturing***: Spin-ins and spinouts.
3. ***New Business Creation or Development***: Inside corporate or R&D or established divisions linked with strategic intent.
4. ***Open Innovation:*** In-licensing, strategic partnerships, competency-based acquisitions (Hyland, 2008).

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The Figure below summarises the link between the theory of innovation and its relevance to the theory of Corporate Entrepreneurship.

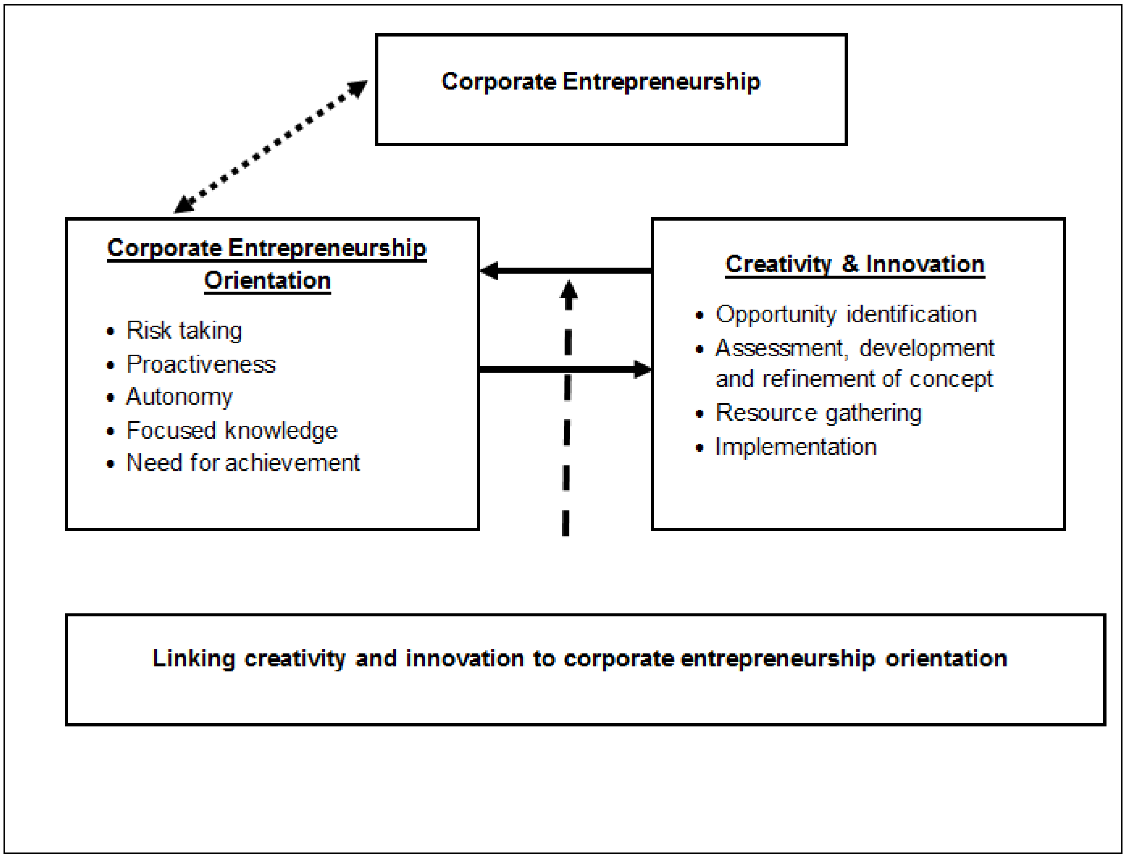

Figure 3.5: Corporate Entrepreneurship (Botha & Nyanjom, 2011)

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Often in many current organisations numerous factors hinder innovation and corporate entrepreneurship. According to (Moriano, 2012), these barriers largely fall into four categories:

- **Strategic:** This is the result of “missing or unclear vision” that lacks at its core, an innovation strategy and culture. If a leader doesn’t believe in innovation, then it is difficult to garner buy-in from employees.
- **System(s):** Traditional and formal management systems are the creation of management over a long period to improve organisation and create stability. Such structures become hierarchical and, slow the mobility of information between departments and management layers, thus reducing the freedom of staff to become creative and seize opportunities as they arise.
- **Political:** This is caused by power relations and issues of control and authority. Some examples in which these are manifested are:
  - The lack of support from Managers for fear of losing their influence
  - Stress around positional power – managers may look less or incompetent in front of their superiors
  - Cost management – insufficient funds to support new projects
  - Interdepartmental territorial issues, where delivering on one’s own goals/ targets is more important than the bigger picture.
- **Behavioural:** Perception of risk that one’s career growth will cease in case of participation in an unsuccessful project. Employees exhibit a tendency to be consumed by present issues with no motivation for going beyond ordinary tasks and goals” (Moriano, 2012, p. 20).

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Blank (2012), proposes that corporations equipped for the challenges of the 21st century think of innovation as a sliding scale, between execution and search, with the following suggestions:

1. For survival in the 21st century companies need to continually create new businesses, by inventing new business models. The old way of doing things will no longer be relevant.
2. Opportunities for new businesses will found "*outside of the existing business units."*
3. Blue sky thinking will the hallmark of new ventures and often the destination will not be known at the start of journey. Customers need to remain at the heart of development and this will drive design and strategy.
4. Research and Development and setting up pop up businesses and will become the norm and maybe only 1 out the 10 options may actually become viable.
5. "To develop this new portfolio, companies need to provide a stable innovation funding mechanism for new business creation, one that is simply thought of as a cost of doing business."
6. Existing operations and resources can be used to supplement and support the portfolio of new experimental ventures.
7. *"The need a new organizational structure* to manage the creation of new businesses and to coordinate the sharing of business model resources.
8. Some of *these new businesses might become new resources to the existing operating units* in the company or they could grow into becoming the new profit generating business units of the company's future" (Blank, 2012).

Survival will depend on who is willing to innovate, and constantly remain ahead of the curve of dynamic change, both structurally from an internal process and in consumption habits from external clients.

The following Chapter will explore current environmental challenges faced by the insurance industry.

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Chapter 4

Literature Review: Insurance Industry

The insurance industry, like many traditional businesses, is at a crossroads between rapid technological change and increased legislative and regulated environments. This volatility has a serious impact on the way business has been traditionally conducted, and its long term sustainability. This chapter will explore challenges, dilemmas and the insurance industry's contribution to selection, recruitment and development of Corporate Entrepreneurs within the long term insurance sector. There is very limited academic material to be found on corporate entrepreneurship in the insurance industry; hence industry reports will be reviewed to provide an overview.

4.1 Market Factors

In a recent e-book published by Vertafone (2013) on the *7 Technology Trends Transforming the Insurance Industry*, it is indicated that the biggest challenge facing insurance companies today is profitable growth and innovative use technology, which will provide the platform to enable this growth, with perceived lower than current costs.

Vertafone identified seven trends that will impact the core of business:

1. *The pervasive use and availability of mobile devices and how they can be leveraged in the new landscape* - According to GSMA Intelligence (Global System for Mobile Communications) analysts there are more cell phones on earth than humans. This creates a platform to reach clients that were unattainable previously.

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2. *Big data and analytics – there are vast amounts of information available, but what insurers do with this data is the crucial issue.* Insurers like Discovery Life is using data gathered from its Vitality programme (Loyalty programme linked to their life policy and medical aid, that caters for gym, lifestyle benefits from health stores, having general check-ups etc.) so that they track consumers fitness/ health and eating habits and can adjust premiums accordingly.

3. *Telematics and usage based insurance (UBI) are among the most hotly pursued topics in auto insurance.* Rather than creating broad rate tiers by looking backward at the performance of a book of business, UBI promises the ability to create more granular pricing segmentation and improve the accuracy of pricing by using a customer's actual driving behaviour as the basis for generating rates. The feedback provided to drivers also has the potential for actually altering driver behaviour to safer levels (Vertafone, 2013, p. 8). This is very similar to the Discovery's Driver Quotient (DQ) device, a tracking device on insured vehicles to gather data on speed, braking, distance etc.

4. *Automating regulatory compliance*: The carriers best able to anticipate the future regulatory landscape and implement technology to streamline regulatory compliance will be in a much better position than their competitors to address new and emerging mandates, such as the Affordable Care Act (US Legislation), without omitting any necessary steps or affecting agents or customers (Vertafone, 2013, p. 10). In South Africa, the closest legislation to this, currently, is the National Credit Regulation Act which does an affordability test to determine affordability for a loan, and the FAIS act, which ensures that a comprehensive needs analysis be completed before product purchase from an insurer. In the event that a client waives this right to a comprehensive needs analysis, this needs to be recorded in the Record of Advice, which is a legal document.

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5. *Improving the agency experience*: Agency experience is made up of a number touchpoints covering analysis, quotation, pre and post sales customer services, training and development and several compliance issues. Real-time upload and download to agency management systems is important particularly for those companies working with large insurance agencies that represent multiple lines and subsidiaries/ companies. Hence ensuring that all the touchpoints are optimised to create a seamless interaction for agent/ adviser/ corporate entrepreneur will enhance a company's position. This service offering must also extend more just connectivity and extra bandwidth. (Vertafone, 2013, p. 11). In South Africa creating an online automated analysis/ CRM tool is already in place with most large insurers especially in the mass affluent and affluent

6. *Social media and collaboration*: Insurers need to institutionalise their social media interactions with agents in such a way that they can learn what is important to the latter and use those insights to drive profitable growth (Vertafone, 2013, p. 12). Social media in South Africa is especially in the formal workplace is still viewed with caution, so adoption will be slower.

7. *Distribution channel management:* Insurers need to consider how to strategically link multiple distribution channels beyond the consistent posting of transactions. They must also analyse how channels relate to each other, especially for those carriers selling direct to consumers and through agents. Insurance Companies must support both broker and agent channels by motivating agents to generate business, compensating them appropriately and providing a suitable level of service to extract more revenue (Vertafone, 2013, p. 14). Currently in South Africa, most insurers are re-assessing their channel strategy with new legislation on the horizon in 2017.

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Insurance companies will need to determine which of these trends are most urgent and cost effective from an applicability point of view. Being strategic about their choice will influence:

- How Insurers structure their internal processes
- How they collaborate with both external partners and internal staff
- How they develop and distribute and maintain products and services
- How the regulatory and compliance challenges are included and catered for in their systems (Vertafone, 2013, p. 3).

The rapid pace of technology blurs the line between the physical and digital world. On the back of increased competition and softer insurance rates, the insurance industry is increasingly shifting the balance of power to the customer. Margins are further squeezed by the increasing regulatory demands on the industry and rampant consumerism, resulting in a higher cost base to support a weaker margin (KPMG, 2014). The PWC report alluded to similar findings (Centre for the Study of Financial Innovation/ PWC, 2015). At a 2012 LIMRA Asian Distribution Conference in Hong Kong, LIMRA (Life Insurance Management Research Association) and Loma (Life Office Management Association) CEO Robert Kerzner averred, "Our Market Maturity Model tells us that growing distribution and improving productivity of existing distributions are critical for substantive growth. It starts with selecting the right candidates then providing them the training and knowledge that will maximize their productivity" (Windsor, 2012). Kerzner's comment speaks directly to heart of recruitment, selection and retention strategies or advisers (Corporate Entrepreneurs).

Kerzner also discussed how regulations can play an important role as markets evolve. He noted that, as regulators worldwide were examining fiduciary standards and, in many countries, banning commission-based advisors. He predicted that these changes might have a cataclysmic impact on the insurance industry throughout the world: " … our research shows that consumers aren't willing to pay for the actual cost of providing advice, which could drive good advisors out of the business," said Kerzner.

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Since 2012, (when Kerzner made these comments), the United Kingdom implemented the latest regulation RDR (Remuneration Distribution Review) with dire consequences, which will be discussed further.

Another speaker at the same LIMRA conference, Gary Aluise, senior vice president and managing director of LIMRA/LOMA International Services, went on to say, “Distribution is the biggest challenge facing the life insurance industry worldwide and the demographics make it clear that there has never been a greater need for our products" (Limra -McKinsey, 2012).

In a 2015 report released by the Centre for the Study of Financial Innovation, CSFI highlighted some of the key risks facing long term insurers and financial services: the leading ones for life insurers are interest rates and the macro-economy. The CSFI pointed out: “Low interest rates are making it difficult to generate competitive returns for policyholders. Potentially higher capital charges for guaranteed products could drive up costs still further …. Tight cost control is clearly crucial in being able to sustain margins in low growth markets. We’re also seeing moves towards more dynamic investment strategies as insurers look to boost asset returns, while remaining within reasonable risk tolerances. At the heart of this approach is a better understanding of the interdependencies between capital demands and asset yields, enabling insurers to capitalise on market opportunities while curbing capital costs” (Centre for the Study of Financial Innovation/ PWC, 2015, p. 2). This report reads like a prediction of the current market turmoil.

Next to the macro economic factors affecting insurers, the second biggest risk is regulation. According to the CSFI, “The latest wave of regulatory change is not only creating huge operational disruption, but also calling into question longstanding strategic certainties. Costs, prices and returns could soon become unsustainable if the changes aren’t managed effectively.

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This in turn requires a mechanism capable of looking beyond basic operational compliance at how new regulation will affect the strategy and structure of the organisation and using this assessment to develop a clear and coherent company-wide response" (Centre for the Study of Financial Innovation/ PWC, 2015).

The transformational challenges this presents are reflected in the fact that change management is a top five risk "for life, non-life and broking businesses, though notably not reinsurers. More than just new systems and processes, successful execution demands a clear sense of how culture, organisation and talent strategies will need to change and how this can be achieved. Many of these disruptive shifts echo the social, technological, environmental, economic and political (STEEP) mega-trends PwC has identified in its Insurance 2020 reports" (Centre for the Study of Financial Innovation/ PWC, 2015, p. 2).

More than 15% of South Africa's gross domestic product (GDP) was accounted for by insurance premiums in 2013, making it the country with the second-highest insurance penetration in the world, according to PWC. The statistics may sound attractive, but it is a double edged sword, these numbers reflect a mature market with limited growth opportunities.

With a very mature insurance market, products nonetheless remain concentrated among a much smaller proportion of the population than in other countries. Despite the many challenges, South Africa's insurance market accounted for nearly 75% of the total premium written across Africa in 2013. With a population of 171 million and a GDP in 2013 of $509 billion (South Africa's GDP was $351 billion that year) Nigeria generated just $1.9 billion in insurance premiums – a mere 0.6% of its GDP. Kenya's insurance market generated $1.5 billion of insurance premiums in 2013, contributing 3.4% to its $53 billion GDP. At $72.4 billion, insurance premiums across Africa accounted for a little more than 3% of the world market, which in 2013 recorded premium income of more than $2 trillion. Although insurance premium growth on the continent was flat from 2012 to 2013, PWC's Victor Muguto asserted that there was hope that newfound wealth in fast-growing African economies would increase the demand for insurance on the continent.

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Coupled with rapid urbanisation, the number of insurable assets and lives is predicted to grow considerably on the continent (Barry, 2015).

The challenges faced by many organisations at a micro level are plentiful. In a discussion by the present researcher with Heinrich Punt, he highlighted the following key issues driving changes for firms, especially in the distribution environment.

External factors cited as the biggest challenge are:

- Changing customer preferences and demands
- Rapid rise of technology in distribution (the Vertafone research outlines this challenge in greater detail)
- Aggressive competitor activity
- Impact of remuneration distribution review and retirement fund reform.

Internal factors for most long term insurers are:

- Decreases in sales of high profit units
- Increasing acquisition costs
- Retention of clients via cross sell/ bundled offers
- Cost effective distribution (Punt, 2015).

Traditional distribution methods have included affiliated, tied advisers; independent advisers called brokers, and affiliated advisers linked to banking and accounting institutions.

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Today the distribution landscape includes more than 20 different distribution models which include many of the following:

Independent brokers	Cell phone /PDA
Corporate brokers	Kiosks & walk-in centres
Independent dealerships	Internet & e-commerce
Aligned dealerships	Work site marketing
Individual agents	Digital TV/satellite selling
Franchise agents	Supermarkets and other retail outlets
Banc-assurance	Affinity channels and groups
Micro-insurance	Insurance specific debit/credit cards
Asset managers	Call centres
Aggregators	Fintech & Robo-advisers

Figure 4.1: Illustration of Various Distribution Channels (Punt, 2015)

In a recent survey of experienced advisers conducted by LIMRA and McKinsey, it was found that the economics of financial advisory distribution appear challenged by prevailing headwinds, but pockets of opportunity remain for improvement.

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The key findings of this survey were as follows:

- Sales capacity remains an issue: Advisory sales forces are not only aging without sufficient plans for transition to the next generation of advisors, but they are also less satisfied with reduction in income than in previous years, especially in affiliated models.

- Advisors seek out growth over higher pay-outs: They believe better growth opportunities outweigh compensation by 2 times in their choice of firm.

- Advisors actively screening insurance partners: While advisors work with six insurance companies on average, there are meaningful churn within this list.

- Product mix shifting to investments: Advisors – especially the more productive ones – are selling a smaller share of insurance products relative to investments and advisory solutions as they build their annuity income books.

- Opportunity to re-evaluate service delivery models: Services being offered to advisors have increased by approximately 40% over the last decade, but many of these services are either not valued or poorly delivered.
- Four best practices can drive growth: The most productive advisors make better use of teaming, specialisation in type of client, retirement planning and knowledge of client life events.

- Advisors keen to introduce new technologies to their practice: Advisor use of Skype/ video technology will quadruple in the next 3 years, while social media will more than double (Limra -McKinsey, 2012).

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LIMRA conducted further research into the mass affluent market and such consumers' attitudes, arguing: "Understanding consumer mind-sets will be critical for companies to create effective strategies for communication, distribution, product development and customer service."

To address these issues, LIMRA's Mass Affluent Market Study examined topics integral to life insurance and the broader financial industry, including:

- Financial information sources
- Information sharing
- Financial products
- Distribution channels
- Company attributes
- Service expectations
- Financial sophistication.

The key recommendations of this study were the following:

- Financial professionals should be encouraged to approach "Emerging" mass affluent households (age 25 to 34), as they express high levels of implicit trust in financial professionals. Many appear receptive to purchasing disability and long-term care insurance.
- Non-retired households will be receptive to service models that provide self-service options, and access to personal advisors.
- Many of the younger households in this market will be responsive to marketing themes that associate sharing personal data with lower costs of coverage.
- Initiatives focused on persistency and cross-selling among these households may be very cost-effective, based on their preference for buying from companies with which they already do business.

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- Over two-thirds of the retired mass affluent households do not perceive their group (i.e., association) products to be good value. This should inform association marketers that the value proposition of products directed at this group needs to be strengthened (Scanlon, 2016).

The LIMRA findings are consistent with the current issues facing the insurance industry. With the rapid deployment of Aps by many financial institutions, many consumers are becoming more comfortable interacting with companies either in response to marketing drives or self-driven query or product take-up. There has also been a growth in number of ombudsmen being set up. This development has dual benefits, it serves to provide comfort for the consumer engaging on a digital platform as well as providing a platform for products/ service providers who have not met the promises of their products/ services. Younger professionals who are tech literate and more educated via the media on financial services are also more likely to engage via digital platforms and also ask for products.

4. 2 Regulatory Changes

Beside the proliferation of many non-traditional distribution methods compounding the complexity and the said dilemmas, regulatory changes add another dimension to the challenges. In November 2014, the Financial Services Board published the RDR proposal for comment from industry and related stakeholders. This document proposed a number of far-reaching reforms to the regulatory framework for distributing retail financial products to customers in South Africa.

National Treasury contends that “financial customers are not adequately protected in South Africa, and more needs to be done to ensure that the providers of financial products and services treat their customers fairly.” Some examples of abuse mentioned are high fees; a multiplicity of incomprehensible charges; the design and sale of inappropriate products as well as reckless lending often paired with disgraceful (and illegal) debt-collection practices.

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Treasury adds, “Poor market conduct amplifies challenges relating to low savings and over-indebtedness, and undermines steps taken to make the financial sector more accessible to South Africans in order to improve financial inclusion” (National Treasury, 2014).

In Treasury’s view, “While South Africa has made progress on market conduct within the current legal framework; these initiatives can be strengthened through structural change”. Fragmentation, inconsistency and incompleteness of regulation across the sector, have been identified as weakness, which compromise the ability of the regulators to act against wrong-doers, leading to poor customer outcomes. Inappropriate incentives from major provider in many instances drive poor market conduct practices. . “This is well illustrated by the deeply conflicted financial advisory industry, as financial advice is frequently linked to commissions paid by product suppliers on product sales, thus raising questions around whose interests are being served” (National Treasury, 2014, p. 6).

Treasury points out that, “Equally as important as market conduct policy is the objective of financial inclusion, making the financial sector more accessible to all South Africans. Government has worked with the banking industry to introduce nearly 20 million Mzansi and Mzansi-like accounts, aimed at broadening access to banking, and have also engaged with the insurance sector to provide more appropriate and affordable insurance products. The two objectives of market conduct and financial inclusion together with prudential soundness and financial integrity fall within a financial stability framework” (National Treasury, 2014, p. 7). The impact of successful implementation of these objectives will create greater inclusion of markets and will also ensure that the future generation of coprorates and corporate entrepeneurs adopt more sustainble business models.

Despite regulation in place to address the advice process, and inappropriate incentives that were seen to be the drivers of mis-selling, Treasury has found that “poor customer outcomes and mis-selling persist.

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The review outlines a more proactive and interventionist regulatory approach to addressing these risks. It proposes the introduction of a set of structural interventions designed to change incentives, relationships and business models in the market in a way that supports the consistent delivery of fair outcomes to customers" (National Treasury, 2014).

The RDR proposals seek to give customers confidence in the retail financial services market and trust that product suppliers and advisers will treat them fairly. This in turn will support a more sustainable market for financial advice and financial services over the longer term (FSB, 2014).

Desired outcomes of the RDR are distribution models that:

- "Support the delivery of suitable products and provide fair access to suitable advice for financial customers
- Enable customers to understand and compare the nature, value and cost of advice and other services intermediaries provide
- Enhance standards of professionalism in financial advice and intermediary services to build consumer confidence and trust
- Enable customers and distributors to benefit from fair competition for quality advice and intermediary services, at a price more closely aligned with the nature and quality of the service, and
- Support sustainable business models for financial advice that enables adviser businesses to viably deliver fair customer outcomes over the long term" (FSB, 2014).

A total of 55 specific proposals were put forward for discussion and comment. The proposals cover:

- Types of services provided by intermediaries
- Relationship between product suppliers and intermediaries
- Intermediary(Advisers/ corporate entrepreneurs) remuneration

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The aspects covered by the proposal attempts to address all the issues identified by the regulator as contentious in treating customers fairly. Hence one would find that the proposals on intermediary remuneration are shaped by certain key principles, including:

- "Intermediary remuneration should not contribute to conflicts of interest that may undermine suitable product advice and fair outcomes for customers
- All remuneration must be reasonable and commensurate with the actual services rendered
- Remuneration structures should strike a balance between supporting ongoing service and adequately compensating intermediaries for up-front advice and intermediary services
- Ongoing fees and/or commission may only be paid if ongoing advice and services are indeed rendered
- All fees paid by customers must be motivated, disclosed and explicitly agreed to by the customer" (FSB, 2014).

The impact of the application of these principles to different types of products will mean that:

- An advice fee will replace the payment of commission, which will be banned, by product suppliers to intermediaries will be banned in respect of investment products. The advice fee needs to negotiated up front with client in terms of what services will be offered for the fees being charged.
- Commission for selling and servicing life risk policies will comprise a mix of up-front commission and as-and-when service fees. 50% of the remuneration payable by long-term insurers in respect of life risk policies may be paid up-front as a sales commission, with the remaining 50% must be payable on an as-and-when basis to provide for on-going servicing and maintenance of the risk policy. Further technical work and consultation will be undertaken to determine what the new maximum commission and service fee levels should be.

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- In the case of policies being replaced, product supplier commission will be prohibited on replacement life risk policies, to address conflicts of interest and mis-selling risks.
- For the low income market, there was still further engagement needed and added technical work that needed to be undertaken to determine an appropriate remuneration dispensation for product suppliers and intermediaries working in this market.
- “The as-and-when remuneration model for short-term insurance will be retained. The current provision allowing for additional fees over and above commission (through section 8(5) of the Short-term Insurance Act) will be replaced by an advice fee that must be explicitly agreed with the customer up-front.
- Investment platform administration services (LISPs) will only be permitted to be remunerated by means of a platform administration fee that is disclosed, agreed to, and paid for by the customer. Payments from product suppliers to LISPs, including any rebates, will be prohibited.
- A general standard will be set to confirm that no financial interests of any kind may be provided by product suppliers to intermediaries unless specifically provided for in the regulatory framework” (FSB, 2014).

Implications of the impending regulatory changes on the key role players in the industry:

The net effect of these proposals is that it will drastically change the playing fields for the entire supply chain of the insurance industry. Whilst the changes will also support the development of a “more competitive markets, more transparent and fair products,” a more amicable advice process, “including reduced penalty charges on contractual savings products like retirement annuities and endowment policies, increased consumer trust and improved customer outcomes,” it will fundamentally alter the structure of corporate entrepreneur in the long term industry in a very significant way. (FSB, 2014)

The RDR paper was open for comment until 2 March 2015. Thereafter the FSB was to set up stakeholder feedback workshops on specific aspects of the review relevant to specific sectors, in order to develop final legislative and regulatory changes.

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Given the onerous challenges set out in the recommendations by government, the current face of distribution will look significantly different after implementation of the RDR proposals. Most companies are already realigning their strategy to reduce major interruptions, given the complexity of what is being envisaged by the regulator (FSB). The full impact of this is yet to unravel and will only become clear upon implementation, which has since been delayed to 2017. Small and medium sized Corporate Entrepreneurs who have not made adjustments to their business models and have not catered for disruption in income streams may be most significantly affected. New entrants (CEs) will need much more assistance than previous Corporate Entrepreneurs to establish themselves.

Some lessons from the UK on post RDR implementation:

"The evolution of financial advice in the UK saw the transformation of advisers from commission-based product sales people to fee-based financial advisers and even financial therapists, with the customer firmly at centre stage", Ferguson said. As more and more advisers moved to fee-based models, the Financial Services Authority (FSA) in the UK took steps towards the implementation of RDR, following six years of industry wide consultation on advice models, adviser professionalism and ethics, fee disclosure and investment platforms (Ferguson, 2015). Although the consultation period in South Africa didn't span six years, firms and regulators have been scanning the markets that have been impacted by the implementation of the RDR regulation.

Ferguson further remarked, "The really deep transformational change in the UK adviser market wasn't about a product, or about a platform. It was initially a kind of movement consisting of the smaller financial planning firms. These advisers can act in concert with their customers to create combinations which are very effective for these customers, who are generally well-informed. The winning advisers realised that this was key to the market."

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The unintended consequences of the RDR initiative, accompanied by rapid change in technology and social media, are likely to further extend the "advice gap", leaving aside those who have too few assets to merit attention from professional advisers, though they may well be in need of financial advice (Clare, et al., 2013). A study conducted by Deloitte confirms that there are more than 5.5 million disenfranchised customers who will either choose to cease using financial advisers or lack access to them. This report identified four potential target segments:

- Disenfranchised Wealthy (Admin, 2015)
- Mass Affluent Orphans
- Tech-Savvy Savers
- Mass Market Orphans (Deloitte, 2013)

Ferguson pointed out that an issue with which the financial services industry in the UK was currently grappling was a lack of solutions for consumers unable to afford fee-based financial advice. "The adviser market has done very well through its own transformation, but consumers can be left adrift if they don't have resources or sufficient assets to pay for financial planning." Although the advice market in the UK today was narrower, it was also materially stronger. "Advisers that are thriving have completed the journey from being product-led to being customer-led. Advice is now based on client proposition, not on product" (Ferguson, 2015).

Another consequence of industry transformation was a marked decrease in the number of financial advisers in the UK. According to Ferguson, "In 1984, there were around 400 000 advisers. This number fell to 50 000 in the year 2000, and 35 000 when RDR was introduced in 2013. The number has now dwindled to 21 000. Some advisers have left the industry as they can't meet the required standards of professionalism, and some are simply unable to operate within a more transparent model." (Ferguson, 2015) Below is a graphical illustration of the number of advisers since 2007. As one can note, there is substantial drop from 2010. (StatistaCom, 2014)

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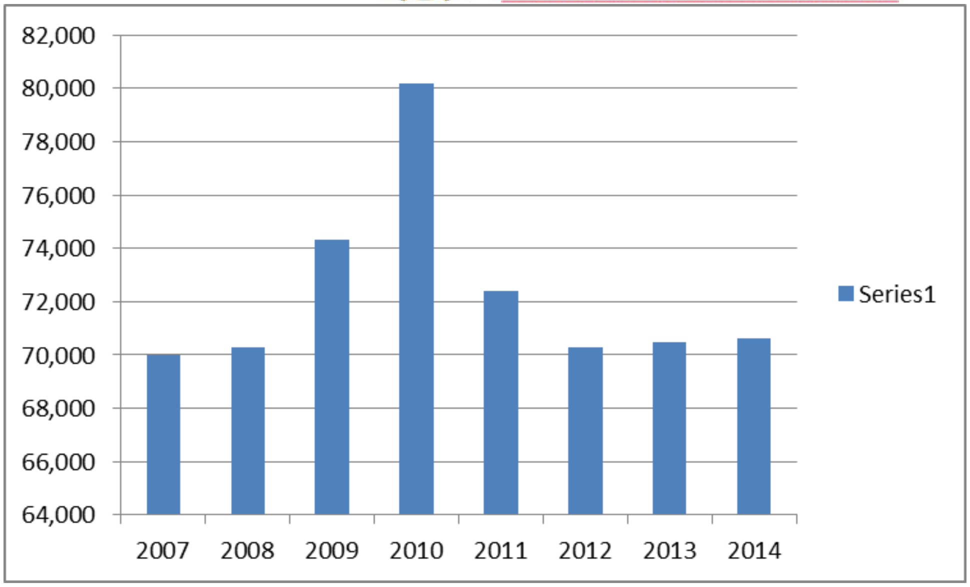

Figure 4.2: Number of Employees in the Insurance Sector in London from 2007 to 2014 (StatistaCom, 2014)

The adviser business model has also undergone dramatic changes, as Ferguson indicates – whereas a typical adviser 20 years ago may have accumulated around 1 000 clients over a period of several years, the default today is one adviser per 100 to 350 clients. The service provided to these clients is more professional, more tailored, and more long-term than in the past **(Ferguson, 2015)**.

The implications of the consequences of RDR in the UK market are important for current and future corporate entrepreneurs in South Africa. In South Africa, many companies are using the practice development model and franchise model to create business entities for advisers in preparation for RDR. In the past companies and advisers could accumulate large numbers of clients as mentioned by Ferguson, but the essence of the RDR is that each client must be serviced and the fee being charged must be validated by the service offering. As has been indicated, the impact of this is that many clients may not be able to afford financial advice and many advisers would find it very costly to service most clients.

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The Financial Planning Institute (FPI) which is the affiliate of the global body Financial Planning Standards Board (FPSB) offered the following response to the RDR proposals: "In our response to the Financial Services Board's Retail Distribution Review (RDR) paper, we welcomed the effort made in the proposal in identifying financial planning as a distinct profession. We also made an additional case of further recognising professional financial advice as distinct from the mere act of providing product information with a view to sell. It is our strong belief that effective regulation of financial services and products could best be achieved through a collaborative effort between government, FSB and professional bodies. We therefore particularly welcome the specific proposals that consider the co-regulatory role for professional bodies in the regulatory framework going forward." (Financial Planning Institute , 2015)

The FPI has also published a detailed response to all 55 proposals, which can be found on its website. The FPI's involvement in ensuring a practical solution is rolled is critical as the

FPI is professional body for Financial Planners and the governor of the CFP (Certified Financial Planner) designation in South Africa.

At a recent industry conference of long term insurance companies in the USA, delegates confirmed that the industry is going into "an extremely difficult period. Sales of new standalone policies have plummeted by 75% from a decade ago. Ninety percent of the companies that were selling long term care insurance 10 years have withdrawn from the business. Those that have remained are tightening underwriting standards and have pretty much stopped selling catastrophic insurance. And many (though not all) are still raising premiums on existing polices – all in an effort to reduce risk to shareholders" (Mckinsey and Company , 2014).

Changing demographics and regulatory issues are not the only biggest risk factors facing the long term industry according to the PWC Banana Skins Report 2015: "There is another risk 'cluster' that encompasses macroeconomic risks (rated No. 2), interest rate risk (No. 3) and investment performance (No. 5), which suggests both that the current low interest rate environment is hurting the industry and that (difficult as things are now) they

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could get worse when interest rates rise. On top of that, there is cyber risk (No. 4) – a new risk for us, but one which leads the pack as far as UK and US respondents are concerned. Here, the chief concern is the vast quantity of data held in the 'cloud'. Major breaches are inevitable, and will do both financial and reputational damage" (Centre for the Study of Financial Innovation/ PWC, 2015). New Corproate Entrepeneur entering the industry need to be conversant with the current market trends and conditions and use this information systemically in their venture evalaution process.

More positively, there is a perception that "the quality of management (and of risk management in particular) has improved since 2013, and that 'questionable' business practices are less of a problem. The insurance industry itself clearly feels that it is significantly better prepared to handle the problems it faces than it was at the time of the last survey in 2013. Against that, however, the overall level of concern about risks within the industry is at its highest level since the first survey in 2007". ((CSFI)/PWC, 2015)

Given this overview of major trends in the industry and the impact of RDR from the UK position, financial planners or corporate entrepreneurs will need to be innovative and entrepreneurial to establish and grow new businesses.

In its post RDR research, Deloitte lays down the gauntlet to the industry to challenge the planning assumptions of old. The firm sets out three main strategic imperatives for banks, IFAs/Wealth Managers, platforms and asset managers/life companies:

"**For Banks,** The first strategic imperative appears to be in developing an innovative model to continue to serve the mass market customers, who are now the underserved segment. Secondly, they need to identify the best way of serving their existing mass affluent and High Net Worth customers. They will need a differentiated proposition plan to attract and acquire customers, many of whom already have existing advisory relationships with IFAs. Lastly banks must ensure their direct to consumer platform is effective and integrates into a broader multi- channel approach.

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For IFAs/Wealth Managers, the first strategic imperative appears to be developing a credible on-going service proposition to justify the current level of advisor charge. IFAs are now competing for a smaller pool of wealthier, more demanding customers. They will need to have clear value-adding activities (e.g. tax planning, robust risk profiling). Secondly, they must develop multi-propositions to appeal to the different customer segments. Lastly, given potentially unsustainable levels of pricing and the huge variance of efficient between companies, they should focus on improving operational efficiency.

For platforms: the first strategic imperative appears to be developing a clear strategy to be one of remaining profitability platforms, whether that is a niche or scaled player. Secondly, in an increasingly competitive environment, they need to be creative in developing capabilities to position themselves as the solution partners for advisor firms.

Lastly, operational leverage must be improved, to make sure the costs do not escalate uncontrollably.

For Asset Managers/ Life Companies, the first strategic imperative appears to be determining their balance on direct to consumer vs. intermediated, retail vs. workplace distribution. Secondly, different products need to be developed to target the different customer segments – e.g. developing simpler packaged, outcome oriented products, tapping into the mass market advice gap opportunity and wider customer trends. Lastly, with the squeeze on margin, asset managers and life companies will continue to improve their focus on operational efficiency, ensuring a greater link between performance/fees and cost level." (Deloitte, 2013, p. 7)

Deloitte's conclusions are aligned with conclusions from LIMRA, LOMA, KPMG, CSFI and PWC insurance reports. If the Financial Services Board does not take into account post RDR consequences from the UK and other countries where it has been implemented, the insurance industry will face similar consequences which will probably be more severe, given that South Africa straddles developed and emerging economies.

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Sales Force Turnover in the Insurance Industry in India

Pathak & Tripathi (2010), conducted research on the high turnover amongst the sales force in India and established that the attrition rate of new entrants in the first was around 35%, dropping to around 18% in the fourth year. The Executive Director of Kotak Mahindra Mutual Life Insurance Company attributed to the dropout rate to non- performers and high expectations of new recruits. He further alludes to high expectation to the belief that new recruits belief of making large sums of money in short space of time is misplaced. A career in life insurance demands resilience to the high pressured demands and sustained networking to develop new sources of leads and clients as remuneration is purely activity driven and based on concluded sales which remain on the books. In addition to requiring discipline, building a sustainable business takes at least 3 years, which requires tenacity and belief in the venture. The ED of Kotak Life furthers opines that "it's a sunrise industry, a lot of people just want to join the race, but cannot retain the enthusiasm till the end of a year." (Pathak & Tripathi, 2010, pp. 4-5)

Determining what constitutes "high turnover" is a complex issue, because there is no simple linear relationship between turnover rates and the social and/or economic performance of companies. Issues ranging from poor job fit, lack of recognition or support from senior management, uncertainty about the organisation's future to poor management communication are some of the reasons why people start looking for other opportunities. Reasons that can be attributed to high employee turnover in the insurance sector are:

- Being an insurance agent in India is seen as a societal stigma as there is uncertainty of job and income attached to it. People join insurance companies as a part-time job or a gap filler occupation and not as a long-term career. Very few competent people want to become agents/ advisers/ corporate entrepreneurs.
- It is a high pressure job. It is expected from an agent/adviser, to understand the customer's needs and sell the products accordingly. This process involves a high level of persuasion and a sustained effort for a long period of time. A lot of people succumb to such pressures.

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- The expectation achievement gap adds to the turnover. Many people are lured to the profession because of its perceived high earning potential. However, to earn a decent income, agents require a great deal of patience, perseverance, and persuasion in the field. During early phase, the earnings of the agents are low despite hard work. This expectation achievement gap leads many of them to break down in the initial period of joining the profession.
- Scarce skilled or experienced human resources in insurance market lead to wide-scale poaching and head-hunting amongst the competitors. The industry has yet to witness mature HR processes, like work force planning, training, motivation and retention. The lack of pre-planned recruitment leads the firms to indulge in poaching human resources working in other insurance firms.
- With insurers having a high percentage of the workforce from multiple sectors (non-domain), the chances of losing employees to other fields, like fast moving consumer goods companies or other financial outfits, are high (Shah & Bharti, 2014, pp. 275-276).

“Head of HR and Admin, at HFDC Standard Life Insurance, stated that attrition rates are at 14% in the industry. (This is a very conservative figure given other researchers quoting figure around 35% and above.) Companies have to go beyond building a brand to offer the agents careers and let them grow with the market. While retaining employees may be a problem, attracting fresh talent is still relatively easy.

Head of HR at ICICI/ Prudential Life Insurance opines that companies cannot hold on to people, especially amongst frontline sales force, and this will rise as the market matures, since people are actually experiencing large financially lucrative benefits.

Managing director and CEO (Prudential Life Insurance), says the HR challenge is being addressed by offering employees learning and growth opportunities. The company offers opportunities for cross-functional learning, skills and talent development, thereby expanding one’s job profile.

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In South Africa the number of candidates who start as advisers and move into other non-sales or management positions within the company is very low, and at a random estimate this will amount to less than 5%" (Pathak & Tripathi, 2010).

Pathak & Tripathi (2010) also refer to the high cost of training assocaited with new recruits and the low productivity during the training period and they also referred continous movement of recruits between the different insurance companies (Pathak & Tripathi, 2010). This discription of high training costs and mobility of some advisers between the various companies has parallel patterns in South Africa.

Shah & Bharti (2014), in a later study estimate the turnover/ attrition rate to be, conservatively, at approximately 35-40 percent. Their paper explored the phenomenon of high employee turnover in the insurance industry and factors that lead to job satisfaction of employees. They attributed the following reasons for high employee turnover:

- "Being an insurance agent in India is seen as societal stigma" due to its variable nature of income
- Working as an insurance agent is seen as interim measure until one finds something more stable
- Very few professional people view becoming an insurance agent as an attractive option due to the social stigma
- The role is high pressured and involves high levels of persuasion and most individuals lack the resilience to cope with this
- There is an expectation achievement gap – what was promised on recruitment doesn't materialise as was expected and this leaves recruits severely disappointed and demotivated.
- The best agents are aggressively head hunted by competitors (Shah & Bharti, 2014, p. 275).

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In another study conducted by (Agrawal, 2015) which focused on sales force attrition in the Indian life insurance industry, some of the recommendations included:

- A better understanding of the market and developing marketing strategies accordingly
- Focusing on untapped rural markets rather than having advisers focus on highly penetrated metropolitan markets
- Focusing on needs based selling rather than a product push
- Regulators and insurers focus on better education for their sales force to make selling easy
- Reviewing the way advisers are remunerated, commission and incentives followed by a fixed minimum salary for “educating the market”.

In South Africa and businesses across Africa, there are many similarities, though this conclusion is anecdotal and from personal inference, establised from conversations with colleagues. Given the stiff competetion in the industry, releasing this information in the public domain could be construed as a weakness.

Impending legislation will create restrictions on corporate entrepreneurs as its impact will be most strongly felt in terms of how advisers will earn future income and retain any current monthly recurring income. Hiring practices will also need tweaking as it will become more challenging for new hires to be financially sustainable within a short period since remuneration will be based mainly on recurring commission with very little upfront commission. Lessons from the UK have shown how regulation decimated the industry, as evident in Figure 4.2 from Statista.com.

Given the challenges the industry faces, finding solutions to employee turnover, monitoring the practical impact of new legislation, finding new distribution solutions, and or radically innovating current ones will remain a challenge in the near future for most long term insurance companies. These sentiments are echoed in the summary by Deloitte’s post RDR scenario in the UK.

The next chapter will provide a summary of the methodology that was followed for this study.

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CHAPTER 5

RESEARCH METHODOLOGY

5.1 Introduction

The purpose of this chapter is to present the research methodology that was followed during the research data collection and analysis. The recommendation made in Chapter 7 stemmed from analysis.

The main focus of the study was placed on the key factors leading to the success of Corporate Entrepreneurs (financial advisers) in the long term life insurance industry. To measure the degree of entrepreneurial behaviour, researchers introduced the concept of EO which refers to the strategy-making processes that account for a firm's entrepreneurial decisions and actions (e.g., Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003). Since its introduction Covin & Slevin (1989); Miller (1983), the concept has received substantial conceptual and empirical attention and has contributed significantly to the area of entrepreneurship Covin, Green, & Slevin, (2006).

Five dimensions of EO – autonomy, innovativeness, risk taking, pro-activeness, and competitive aggressiveness – were identified. These represent distinct constructs that may vary independently of each other in a given context. According to Okhomina (2010), "linking the relationship between psychological traits and EO is imperative for theoretical and empirical reasons, because entrepreneurs with certain psychological traits may have a tendency to exhibit a certain degree of EO, so that exercising this tendency may provide benefits to the organisation.

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In prior research studies, Ahmed (1985), Begley and Boyd (1987) and Bonnet and Furnham (1991), need for achievement, tolerance for ambiguity, risk taking and locus of control were analysed with respect to entrepreneurial characteristics and were identified as correlates of being, or desiring to be, an entrepreneur" (Okhomina, 2010, p. 3).

In addition to EO, motivation, both intrinsic and extrinsic as well as other types briefly mentioned below, is critical to the success of both entrepreneurs and corporate entrepreneurs (CEs). Motivation can be defined as the driving force behind all the actions of an individual. An individual's needs and desires both have a strong impact on the direction of his or her behaviour. Motivation is based on one's emotions and achievement-related goals. There are different forms of motivation including extrinsic, intrinsic, physiological, and achievement motivation. There are also more negative forms of motivation. Achievement motivation can be defined as the need for success or the attainment of excellence. Individuals will satisfy their needs through different means, and are driven to succeed for varying reasons both internal and external (Rabideau, 2005).

5.2 Research Problem

The research problem that needed to be addressed was the question of whether entrepreneurial orientation is a critical factor in the success of corporate entrepreneurs in in the long term insurance industry.

5.3 Defining the Research Question

This study attempts to address the attrition of Corporate Entrepreneurs in the South African long term insurance industry. Financial advisers leave within the first 24 months for many reasons, ranging from not being the right fit for the job, exaggerated opportunities for success, not understanding the entrepreneurial nature of the position, income not meeting expectations, and lack of support.

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The focus of this study centred on determining if entrepreneurial orientation is linked to the success of new candidates/ corporate entrepreneurs.

In attempting to address this problem, the following sub research questions were posed:

- Can the development of entrepreneurship skills impact the success of Corporate Entrepreneurs in the long term insurance industry?
- Is candidate with innate entrepreneurial orientation more likely to be successful than a candidate that is not innately entrepreneurial?
- How important is the trait of innovativeness for a Corporate Entrepreneur in the long term insurance industry?
- Is intrinsic motivation a contributing factor in the success of a Corporate Entrepreneur in long term insurance?
- Is a higher propensity for risk a contributing factor in the success and retention of a Corporate Entrepreneur in long term insurance?
- Is adaptability to change and income fluctuation a key in the success of a long term insurance adviser (Corporate Entrepreneur)?

5.4 Purpose of the Study

The purpose of this study was to determine whether new financial advisers who show higher levels of EO on appointment will be more likely to be successful and remain with a firm for more than 24 months.

The study attempted to address the vexing issue of the turnover of new recruits appointed in the distribution environment of large multinational financial services companies, as explained earlier (Cioppa, 2012).

The results from this study could provide long term insurers with insight into tweaking their recruitment and selection process , as well as adjusting their training and development for their new recruits.

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5.5 Research Objectives

5.5.1 Primary Objective

The primary objective of this research is to assess whether EO is a critical criterion for the success of new Financial Advisers (Corporate Entrepreneurs) entering the long term insurance industry.

5.5.2 Secondary Objectives

To ensure that the primary objective is achieved, various secondary objectives needed to be addressed to qualify the primary objective.

The secondary objectives of the study, which were determined by the literature review, are:

- The relationship between entrepreneurship and corporate entrepreneurship
- The conceptual model of entrepreneurship and corporate entrepreneurship
- The characteristics and traits of an entrepreneur, a capitalist and a manager
- The constructs of entrepreneurial orientation
- Key success factors of entrepreneurs
- The impact of the changing regulatory environment on corporate entrepreneurship in the long term industry
- Factors related to employee turnover and retention
- Whether the current business model can innovate from the data gathered for long term growth.

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5.6 HYPOTHESES

The following hypotheses were formulated:

HO 1: There is no significant difference in the success between male and female Corporate Entrepreneurs.

Ha 1: There is a significant difference in the success between male and female Corporate Entrepreneurs.

HO 2: There is no significant difference in the success between the Corporate Entrepreneurs from the different regions

Ha 2: There is significant difference in success between the Corporate Entrepreneurs from the different regions

HO 3: There is no significant difference in success between Corporate Entrepreneurs who work in different product segments.

Ha 3: There is significant difference in success between Corporate Entrepreneurs working in the various product segments

HO 4: There is no difference amongst the corporate entrepreneurs generating different amounts in turnover.

Ha 4: The is significant differences between corporate entrepreneurs generating high and low turnovers

HO 5: There is no significant difference between the highly profitable and less profitable corporate entrepreneurs.

Ha 5: There is significant difference between highly and less profitable corporate entrepreneurs.

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HO 6: There is no significant difference in the success of Corporate Entrepreneurs in solo units and in firms with more than 5 employees.

Ha 6: This is a significant difference in the success of Corporate Entrepreneurs in solo units and firms with more than 5 employees.

HO 7: Competitive aggression in new recruits does not lead to high levels of turnover of corporate entrepreneurs in the long term insurance.

Ha 7: Competitive aggression in new recruits leads to high levels of turnover of corporate entrepreneurs in the long term insurance industry.

HO 8: Pro-activeness is a not a prerequisite to being a successful corporate entrepreneur

Ha 8: Pro-activeness is a prerequisite to being a successful corporate entrepreneur.

HO 9: Being able to exercise independence is not a critical factor for successful corporate entrepreneurs.

Ha 9: Being able to exercise independence is a critical factor for successful corporate entrepreneurs.

HO 10: Having a high propensity for risk is not a requisite for Corporate Entrepreneurs in the long term Insurance industry.

Ha 10: Having a high propensity for risk is a pre-requisite for Corporate Entrepreneurs in the long term insurance industry.

HO 11: Displaying innovative behaviour is not a critical factor for success for corporate entrepreneurs

Ha 11: Being innovative is a critical factor for successful for corporate entrepreneurs.

HO 12: Autonomy is not a critical attribute for corporate entrepreneur’s success.

Ha 12: Autonomy is a critical attribute for corporate entrepreneur’s success.

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HO 13: There is no significant difference in EO between successful and less successful corporate entrepreneurs.

Ha 13: There is significant difference in EO between successful and less successful corporate entrepreneurs.

HO 14: Less successful entrepreneurs do not leave the industry/ company because of commission based remuneration.

Ha 14: Less successful corporate entrepreneurs leave the industry/company mainly due to the commission based remuneration.

5.7 Research Methodology

5.7.1 Research Design

This research was designed as a formal study in the form of a survey. The goal of any formal research design is to test the hypotheses or answer the research questions posed (Cooper & Schindler, 2014, p. 140). The formal study is made up of a literature review and an empirical study. The aim of the former was to provide a theoretical background on the relationship between the following constructs: Entrepreneurship, Corporate Entrepreneurship, EO, and an overview of the long term insurance industry and current environment. The literature review will provide insight into the research problem and relationships between the various contructs that will guide the empirical study.

The latter part of this study focused on the assessment of the EO of new Corporate Entrepreneurs in the long term insurance industry. This assessment was completed via an instrument developed from multiple instruments to test the level of EO (Brockhaus, 1980) (Council, 2005)(16FQ) (Johnson, 1997) (Morris, 2009). It was a longitudinal study over a period of 12 months where candidates were assessed at, or soon after, initial appointment.

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5.7.2 Sampling

The parameters of interest required that the individual was employed as a full time financial adviser at a large long term insurance firm. This study made use of a nonprobability sample that conforms to a certain criterion and is called purposive judgement sampling (Cooper & Schindler, 2011: 385). Judgement sampling is used when a sample is selected to conform to certain criteria, as mentioned in the preceding paragraph.

The population was new long term insurance advisers, who in this study was referred to corporate entrepreneurs, with less than 12 months of service. The target population was the middle/ affluent segment of the market as this population would have computer literate and would have acceess to a computer and internet to access the survey. The sample size was 500 new Corporate Entrepreneurs. The big four long term insurance companies appoint an average of 400 new planners annually. The sample size is about 31% of total new appointments across the four large companies and about 100% of a single company's apointments.

5.7.3 Data Collection

For the literature review, data was collected by means of a literature search using secondary data such as academic journals, textbooks, regulators' websites/ publications and industry publications.

This secondary data provided insight and background into the subject being researched.

For the second part of the study, a self administered questionaire was completed by new long term insurance advisers who are in their first year of appointment or as part of their induction training. Although the candidates' biometric data will be completed, the response will remain confidential to protect the identity of the respondents. Permission from the businesses being sampled was obtained prior to the survey being implemented.

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A questionnaire was developed after reviewing the works of Richard Lynn on Achievement Motivation (Lynn, 1969), the 16 Factor Questionnaire (Cattell, 2015), Risk Taking Propensity, Entrepreneurial Orientation and Factors of Independence (Brockhaus, 1980). Edgar Schein's Career Anchors were also reviewed to determine if there were any relevant factors relating to EO (Schein, 1974). Questionnaires that have tested EO, motivation, drive, independence, locus of control and risk taking propensity formed the basis of the instrument (Brice, 2006) (Krauss, et al., 2005) (Kristoff, 1996) (Landqvist & Stålhandske, 2011) (Lumpkin & Dess, 1996)

Data was collected using the Perception Question Mark Software and was anlaysed by University of Pretoria's Statistics department.

5.7.4 Data Analysis

The first step of the analysis was to conduct descriptive analysis which was followed by factor analysis to determine the validity and reliability of the measuring instrument.

Thereafter, inferential statistics using Factor Analysis , ANOVA, MANOVA and Chi Square tests was used to explore the data further and test these against the hypotheses. Cross tabulation frequency tests were also used on the data.

The findings from the analysis will be presented with some discourse. The final chapter will present the recommendation of the study.

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CHAPTER 6

DATA ANALYSIS

6.1 Introduction

This chapter presents the empirical results of the data gathered in the research survey. In an attempt to solve the research problem outlined in chapter 1 a survey was conducted on the five dimensions of EO as stated by Dess and Lumpkin, with an additional dimension of independence. An analysis of secondary data in the literature review disclosed that these key dimensions are: autonomy, competitive aggressiveness, innovation, pro-activeness, and risk-taking. Based on these data, a measuring instrument was developed to investigate the role of EO in the success or lack of success of Corporate Entrepreneurs in the long term insurance industry. An additional dimension of Independence was added to the five others in the instrument.

The reason for adding this dimension was that all the candidates surveyed worked in a corporate/ franchised environment rather than creating their own entities. It was important to understand the influence of this dimension as well.

To recapitulate, the key motivation in conducting this study was to understand the key characteristics of success and develop strategies to reduce the personnel turnover of corporate entrepreneurs in the long term insurance sector. This focus of this chapter is to summarise data analysis, interpret the research findings based on the responses to the quantitative research questionnaire and present those findings. For the purposes of this research, success for a Corporate Entrepreneurs is defined, amongst other factors such as high productivity, client retention, energy and drive, as remaining in service for more than 24 months. Less successful ones are defined as exiting the industry within the first 12 months.

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The first part of this chapter presents the biographic data of the respondents (Corporate Entrepreneurs in the long term insurance sector).

The second part focuses on the analysis of the business demographics that are essential to this study. Descriptive analysis is used to investigate biographic and demographic data, examining all the relevant information, and will indicate the characteristics of the data with regards to spread, shape and skewness. Factor analysis was used to demonstrate the reliability and validity of the measuring instrument and data used in this study.

The third part provides the results of the factor analysis which was used to develop factors in terms of which the successful and less successful advisers were assessed. Univariate analysis ANOVA (one way analysis of variance) and Chi Square tests as well as MANOVA (multivariate analysis of variance) were used in an attempt to illustrate that significant differences exist between successful and less successful corporate entrepreneurs, as discussed in the latter part of this chapter .

6.2 Response Rate

This was a purposive judgment sample of financial advisers working in the long term insurance sector with less than 12 months experience. The sampling was extended to four large insurance companies. Five hundred respondents were targeted and 499 respondents' data were collected. The survey was conducted over a period of 12 months, targeting all newcomers within their first two months of induction training and other new recruits who had less than 12 months of service at the date of the survey.

Fifty-eight responses were rejected due to missing data or duplication. Of the 441 respondents 163 respondents are deemed successful corporate entrepreneurs whereas 278 are deemed to be less successful. Data was collected on the length of service of the Corporate Entrepreneur and on their make-up in relation to the five dimensions of EO. Corporate entrepreneurs were deemed to be successful if they were still in service after the ex post facto measurement had been carried out, while the rest who had left the industry were regarded as less successful.

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6.3 Demographics

6.3.1 Successful and Less Successful Corporate Entrepreneurs

Table 6.3.1: Successful and Less Successful Corporate Entrepreneurs

	Successful	Less Successful	Total
n	163	278	441
Percentage	37%	63%	100%

Successful **Corporate Entrepreneurs** equate to 37% of the sample population and those less successful to 63%. This in itself indicates the high percentage of entrants that had left the industry in only nine months. This obviously is very costly for the industry, influencing profits and other factors.

6.3.2 Descriptive Statistical Structure

The descriptive statistical structure was found acceptable as the findings indicated that the spread and shape of the data was normal. This was found to be consistent across the data set. Further tests using factor analysis were carried out to confirm the reliability and validity of the data.

6.3.3 Gender

Table 6.3.3: Gender Analysis of Successful and Less Successful Corporate Entrepreneurs

Gender	Male	Female	Unknown	Total
Successful				
Frequency	97	66		163
Percent	59.5	40.5		(100)
Less Successful				
Frequency	164	113	1	278
Percent	59	40.6	0.4	(100)
Total	261	179	1	441

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The distribution of male and females in both categories of successful and less successful advisers is consistently similar: 59% males were successful and 59% less successful, while females who were successful and less successful were at 40.5% and 40.6% respectively. One respondent, who did not indicate any biographical details, lies in the less successful category.

6.3.4 Corporate Entrepreneurs affiliated with Company vs Franchise Venture

Table 6.3.4: Successful and Less Successful Corporate Entrepreneurs within Corporate and Franchise Models

	Successful (in service > 12 months)		Less Successful (turnover < 12 months)		Total
	F	%	F	%	
Male	97		164		
Female	66		113		
Franchise Venture					
Male	24		29		
Female	18		16		
	(42)	48%	(45)	52%	(87)
Intracompany					
Male	73		135		
Female	48		97		
	(121)	34%	(233)	66%	(354)
Total	163	37%	278	63%	441

Further analysis of the data revealed that 87 respondents of the sampled group were active in a franchise venture. In this corporate venture the percentage of successful Corporate Entrepreneurs is higher at 48%, 14% higher than in the intracompany venture, where the percentage is 34%. One can infer from these percentages that the platform for success is higher in the franchise model than in the intracompany venture. Franchise businesses are separate units that have set up an extension of the company brand and product offering, but are constituted as a separate business entity; Corporate Entrepreneurs in this model are contracted with the franchise principal. Intracompany Corporate Entrepreneurs are tied agents whose contract is directly with the company.

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6.3.5 Frequency of Successful and Less Successful Corporate Entrepreneurs in Age Categories

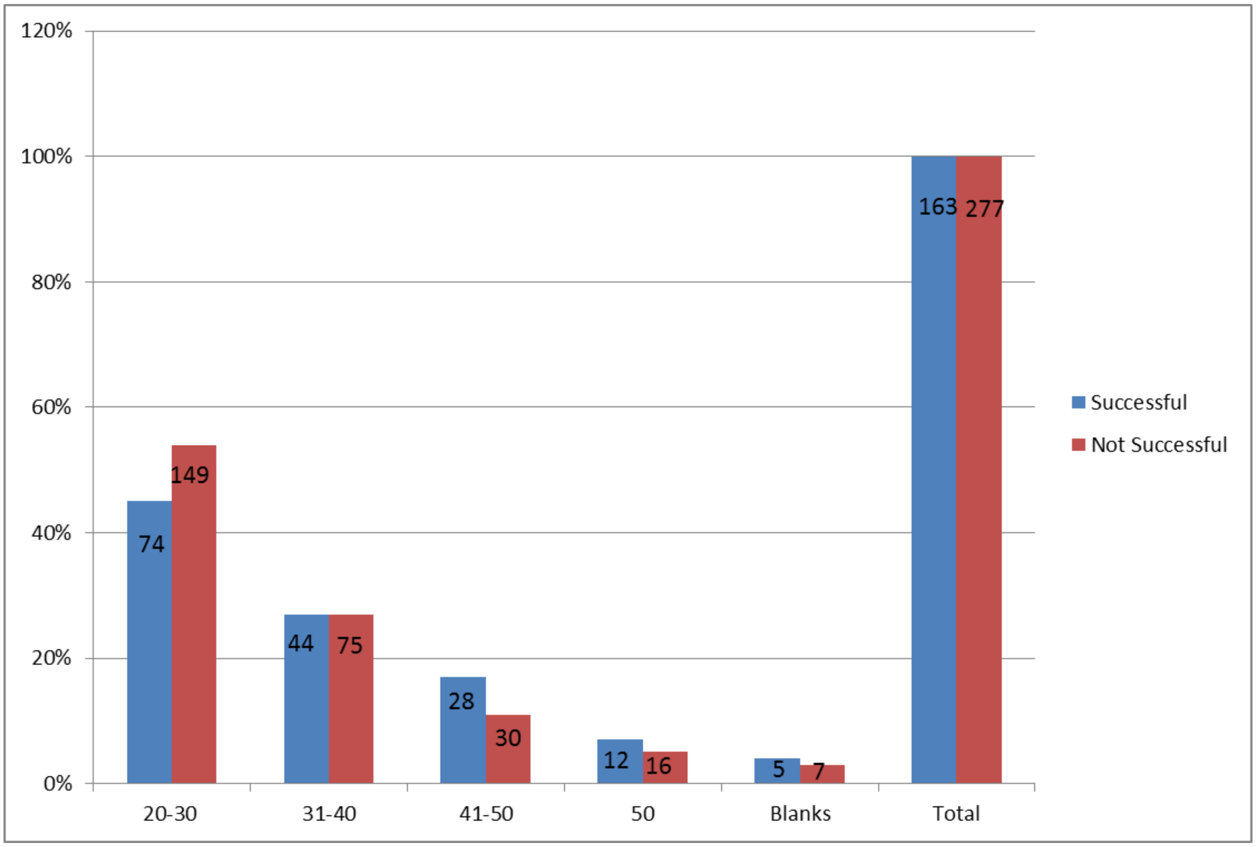

Figure 6.3.5: Frequency of Successful and Less Success

Table 6.3.5: Frequency of Successful and Less Successful Corporate Entrepreneurs in Age Categories

Age Category	Successful		Less Successful		Generation
	FREQ	%	FREQ	%	
20-30	74	45%	149	54%	Y
31-40	44	27%	75	27%	Cuspers
41-50	28	17%	30	11%	Gen X
+50	12	7%	16	5%	Baby Boomers
Blanks	5	4%	7	3%	Baby Boomers
Total	163	100	277	100	

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An analysis of the successful and less successful categories indicates that the highest frequency of less successful Corporate Entrepreneurs falls into the 20-30 year old category. Conversely this is also the category where the most successful candidates are also found. The age category 41-50 contains the highest percentage of successful Corporate Entrepreneurs.

The Generation Theory provides a valuable insight into the lifestyles, attitudes and expectations of the different generations.

Figure 6.3.5: Summary of the Generation Theory: (Codrington, 2008)

Age Groups	Generational Title	Defining Values
20-30	Generation Y	• Optimistic, high self-esteem • Highly techno savvy • Raised in multicultural global village • Ethical consumption • Big on instant gratification • Street smarts • Don't like authority • High on change and diversity in terms of work – get bored quickly • May change jobs 8-10 times in their lifetime
31-40	Gen Xers	• They need options and flexibility • Will only work in a job if it suits their lifestyle, or will walk away • They dislike close supervision, preferring freedom and an outputs-driven workplace • They love change so much they actually need it • Xers strive for balance in their lives – they work to have a life; they don't live to work • They want rules but from the right authority – credible

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41- 50	Cuspers	In generation theory, this is the group of people who, were born during the overlap between two generational eras and influenced by both eras. Interestingly, most cuspers tend to choose characteristics of one or other of the In generational generations they straddle: • They are able to fit into the Boomer world. In other words, they know when to wear a suit and tie and have a sense of how to behave appropriately so they don't irritate Boomers in the way that full-on Xers do • They know it's necessary to "play the game" by attending the office party so that they are seen there even though they don't enjoy it Because of this, cuspers have a hugely important role to play in the world, bridging the divide that so often exists between Boomers and Xers. This makes them extremely valuable in multi-generational workplaces.
50 +	Baby Boomers	• They love conspicuous consumption • Have created more wealth (and accumulated more debt) than any other generation, ever. • They are a workaholic generation, driven, goal oriented and bottom line focused. • Will work for the same employer as long as they are recognised and promoted.

Perhaps the values of the different generations may have some impact on their view of work and success, how they view the role and compensation models. More research needs to be performed on this in the insurance industry. The assumptions applied to this study in terms of the generation theory are generic.

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6.4 The Chi-Square Test

The chi-square is a statistical non parametric test frequently used to compare observed nominal data with data we would expect to obtain according to a specific hypothesis. The

Chi-square test assesses what researchers call the **null hypothesis,** which states that there is no significant difference between the expected and observed result (Fisher & Yates, 2016) (Cooper & Schindler, 2014).

Chi-square analysis was conducted on the nominal data gathered: gender, region, products serviced and turn-over, profits, number of employees in the firm. The test used the 95% confidence level which means that *p value* must be lower than 0, 05.

6.4.1 Chi-Square Test: Gender Analysis

Table 6.5.1: Significant Difference between Male and Female Corporate Entrepreneurs

rQ4 – Gender	Male	Female	Chi Square Value	*p* Value
Frequency	178	246	10,9057	0,0010

HO 1: There is no significant difference in the success between male and female Corporate Entrepreneurs.

Ha 1: There is a significant difference in the success between male and female Corporate Entrepreneurs.

This score indicates that there is a significant difference in the success of male and female Corporate Entrepreneurs; thus the null hypothesis is rejected.

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6.4.2 Chi-Square Test: Regional Spread of Corporate Entrepreneurs

Table 6.5.2: Chi-Square Test between the Different Regional Spreads of Corporate Entrepreneurs

rQ7	Frequency	Chi-Square T Value	*p* Value
Central	71	138.9762	<0.0001
Gauteng Central W	15	138.9762	<0.0001
Gauteng North	39	138.9762	<0.0001
Gauteng South E	53	138.9762	<0.0001
KZN	82	138.9762	<0.0001
Northlands	55	138.9762	<0.0001
STI	6	138.9762	<0.0001
Western Cape	101	138.9762	<0.0001

HO 2: There is no significant difference in the success between the Corporate Entrepreneurs from the different regions

Ha 2: There is significant difference in success between the Corporate Entrepreneurs from the different regions

The national workforce of corporate entrepreneurs in the long term industry is divided in to geographical regions. The Chi-Square test result in Table 6.5.2 indicates that there is a significant difference in success between the corporate entrepreneurs from the different regions with regard to successful and less successful Corporate Entrepreneurs; therefore the null hypotheses is rejected.

6.4.3 Chi-Square Test: Products and Services

Table 6.5.3: Chi-Square Test between Products and Services

rQ8 –Products & Services	Frequency	Chi-Square T Value	*p* Value
Blue Star	87	944.5429	<0.0001
CIS(collective Investments)	2	944.5429	<0.0001
Investments	30	944.5429	<0.0001
Linked Products	4	944.5429	<0.0001
Risk	295	944.5429	<0.0001
Short Term Ins.	2	944.5429	<0.0001

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HO 3: There is no significant difference in success between Corporate Entrepreneurs who work in different product segments.

Ha 3: There is significant difference in success between Corporate Entrepreneurs working in the various product segments

The test result indicates that there are significant differences in success between the Corporate Entrepreneurs working in the different product segments; as a result the null hypothesis is rejected.

6.4.4 Chi-Square Test: Turnover in categories

Table 6.5.4:Chi-Square Test between Different Levels of Turnover

rQ9:Turnover Estimate	Frequency	Chi-Square Test	*p* Value
15-30 000 pm	191	264.6413	<0,0001
30 -50 000 pm	73	264.6413	<0,0001
50-75 000 pm	16	264.6413	<0,0001
< 15 000 pm	124	264.6413	<0,0001
> 75 000 pm	17	264.6413	<0,0001

HO 4: There is no difference amongst the corporate entrepreneurs generating different amounts in turnover.

Ha 4: The is significant differences between corporate entrepreneurs generating high and low turnovers

The test result indicates that there is a significant difference between the groups of advisers generating high and low turnover; hence the null hypothesis is rejected.

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6.4.5 Chi-Square Test - Estimated Profits

Table 6.5.5: Chi-Square Test - Estimated Profits

rQ10 Estimated Profits	Frequency	Chi-Square Test	*p* Value
10 000-15 000 pm	142	108.2619	0,0001
15 000 – 25 000pm	110	108.2619	0,0001
25 000 – 40 000pm	45	108.2619	0,0001
<10 000 pm	97	108.2619	0,0001
>40 000 pm	26	108.2619	0,0001

HO 5: There is no significant difference between the highly profitable and less profitable corporate entrepreneurs.

Ha 5: There is significant difference between highly and less profitable corporate entrepreneurs.

The Chi-Square Test result indicates that there is a significant difference between the highly profitable and less profitable Corporate Entrepreneurs; therefore the null hypothesis is rejected.

6.4.6 Chi-Square Test: Number of Employees in Firm/Practice

Table 6.5.6:Chi-Square Test between Firms/ Practices with Regard to Number of Employees

rQ11 Number of Employees n firm/practice	Frequency	Chi-Square Test	*p* Value
3-5	44	118.6892	0,0001
5-10	59	118.6892	0,0001
Less than 3	53	118.6892	0,0001
More than 10	165	118.6892	0,0001
Nil	98	118.6892	0,0001

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HO 6: There is no significant difference in the success of Corporate Entrepreneurs in solo units and in firms with more than 5 employees.

Ha 6: This is a significant difference in the success of Corporate Entrepreneurs in solo units and firms with more than 5 employees.

The Chi-Square Test results indicate that there is a significant difference in success between firms with a single CE and firms with more than 5 employees. For this reason the null hypothesis is rejected.

6.5 Validity and Reliability

Factor analysis was executed to confirm the validity and reliability of the measuring instrument. In addition, such analysis is used to further understand the data whose characteristics were determined to be normal by utilising descriptive analysis. It is also employed to further confirm the reliability and validity of the data. The primary uses of factor analysis in addition what has been described are data reduction, construct validity and confirmation and the investigation of relationships between the variables. As a filtering mechanism it allows for the selection of relevant variables from a large pool, hence simplifying the group into dominant variables related to the hypothesis and eliminating isolated variables that cause distraction.

This study made use of factor analysis for testing validity and reliability, data reduction and grouping similar variables into common constructs. According to Cooper & Schindler (2014), factor analysis “looks for patterns among the variables to determine if an underlying combination of the original variables (factor) can summarize the original set” (Cooper & Schindler, 2014, p. 657)

Due to this being a multi-dimensional study and the number of factors involved, the factorial design method was used. This method allows for the analysis of several factors in a single study, hence eliminating the inefficiencies as regard time, money and resources.

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Factor analysis was carried out on the six (five original plus one additional) variables of entrepreneurial orientation: competitive aggressiveness, innovation, independence, autonomy, risk taking propensity and pro-activeness.

The study of the several variables simultaneously and the application of factorial design allows for the assessment of significant differences between successful and less successful CEs in relation to the constructs of EO. The variables were rotated and sorted to illustrate the different factors. The values are presented in Table 6.7.1 below.

6.6 Factor Analysis

Table 6.6.1 Rotated Component Matrix - 6 Factors

Question Number	Component						Question
	1 CA	2 PRO	3 IND	4 RTP	5 INN	6 AUT	
Question 45	0.699	0.000	0.000	0.000	0.000	0.000	I always meet or surpass a self-imposed standard of excellence
Question 20	0.589	0.000	0.000	0.000	0.000	0.000	I regard myself as creative and search for new things to do
Question 15	0.584	0.000	0.000	0.000	0.000	0.000	I am driven by success
Question 44	0.558	0.000	0.000	0.000	0.000	0.000	My personal goals always exceed what is set by management for me
Question 14	0.509	0.000	0.000	0.000	0.000	0.000	I get along well with others and can deal with difficult circumstances
Question 22	0.45	0.000	0.000	0.000	0.000	0.000	I always had a little business and earned my own pocket as a youth
Question 51	0.418	0.403	0.000	0.000	0.000	0.000	I know what I am passionate about and how to harness it
Question 26	0.409	0.308	0.000	0.000	0.000	0.000	In my personal life I reach the goals I set, almost all the time
Question 42	0.384	0.381	0.000	0.000	0.000	0.000	Growing my own business from scratch stimulates me
Question 60	0.342	0.000	0.000	0.000	0.000	0.000	I am in control of almost every aspect of my life.
Question 29	-0.329	0.000	0.323	0.000	0.000	0.000	I feel that on one or two occasions recently I have been blamed more than I really deserve;
Question 23	0.328	0.000	0.000	0.000	0.000	0.000	I follow role models like Donald Trump, Robert Kiyosaki, and Richard Branson etc.

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Question 33	0.326	0.000	0.000	0.000	0.000	0.000	I can fix problems on my own
Question 21	0.314	0.000	0.000	0.000	0.000	0.000	I prefer to be under pressure to get the best out of me
Question 46	0.490	0.503	0.000	0.000	0.000	0.000	I am constantly seeking to achieve unique accomplishments
Question 47	0.000	0.649	0.000	0.000	0.000	0.000	I learn from my mistakes and continuously use failure/setbacks to become stronger
Question 52	0.000	0.611	0.000	0.000	0.000	0.000	I accept that setbacks/obstacles are a normal part of life and these do not deter my enthusiasm to push forward
Question 53	0.000	0.591	0.000	0.000	0.000	0.000	I believe I can achieve anything I truly put my mind to
Question 62	0.000	0.475	0.000	0.000	0.000	0.000	I admit it if my taste differs from that of my friends
Question 41	0.000	0.474	0.000	0.000	0.000	0.000	I am very comfortable taking a chance on a good idea that I believe in.
Question 27	0.000	0.375	0.000	0.000	0.000	0.000	Many ordinary people would be shocked if they knew my inner personal opinions
Question 24	0.000	0.355	0.000	0.000	0.000	0.000	I can find enough energy to face difficulties
Question 55	0.000	0.000	0.686	0.000	0.000	0.000	My needs for closeness and emotional safety overwhelm me
Question 28	0.000	0.000	0.625	0.000	0.000	0.000	I feel a strong need for someone to lean on in times of sadness:
Question 56	0.000	0.000	0.606	0.000	0.000	0.000	I have a strong need for feedback on my achievements and progress
Question 54	0.000	0.000	0.605	0.000	0.000	0.000	It is hard for me to make a decision if I don't know how others feel about it
Question 32	0.000	0.000	0.544	0.000	0.000	0.000	I can't do without the company of others
Question 35	0.000	0.000	0.000	0.701	0.000	0.000	I would accept a job that is paid solely based on commission
Question 19	0.000	0.000	0.000	0.680	0.000	0.000	I am comfortable earning commission based income
Question 16	0.000	0.000	0.000	0.669	0.000	0.000	I prefer to have a stable environment with a sure income every month.

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Question 17	0.000	0.000	0.000	0.511	0.000	0.000	I don't mind going with little income/ no income whilst I get my business up and running.
Question 18	0.000	0.000	0.000	0.503	0.000	0.000	I prefer structured, normal, working hours
Question 34	0.000	0.000	0.000	0.000	0.605	0.000	If I have an idea, I'm open to exploring it without knowing what the outcome may be
Question 25	0.000	0.000	0.000	0.000	0.484	0.000	I'm happy to support new processes in the company that can improve my business
Question 39	0.000	0.000	0.000	0.000	0.435	0.000	If my best friend came up with a new idea that would have high income potential I would be willing to explore it after doing a due diligence.
Question 37	0.000	0.000	0.000	0.000	0.425	0.000	I would pursue radical change client acquisition techniques to grow my business
Question 40	0.000	0.000	0.000	0.000	0.414	0.000	I would experiment with new ways to generate business by exploring new markets
Question 43	0.000	0,354	0.000	0.000	0,405	0.000	My preference is to get stuck into something I believe in even if I don't have all details worked out
Question 48	0.000	0.000	0.000	0.000	0.390	0,0387	I weigh up my options carefully and will take moderate, calculated risks.
Question 31	0.000	0.000	0,330	0.000	0,387	0.000	In a situation which may become dangerous I believe in making a fuss and speaking up even if calmness and politeness are lost
Question 59	0.000	0.000	0.000	0.000	0.000		I find independence/autonomy rewarding
Question 50	0.000	0.000	0.000	0.000	0.000	0,503	I am unafraid to make decisions and take action in my life
Question 38	0.000	0.000	0.000	0.000	0.000	0,479	I would invest 10% of my annual income in government bonds
Question 49	0.000	0.000	0.000	0.000	0.000	0,475	I have a 3 year plan
Question 36	0.000	0.000	0.000	0.000	0.405	0,415	If I heard about a new system that could improve my business I would gladly try it.

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Table 6.6.2 Assigning Names to the Factors

1	2	3	4	5	6
Competitive Aggressiveness	Pro-activeness	Independence	Risk Taking Propensity	Innovation	Autonomy

6.7 Procedure for Determining Factor Structure

The six component instruments used in the study are: competitive aggressiveness, pro-activeness, innovation, risk taking propensity, autonomy and independence. In terms of the factor loadings in the factor analysis, a sixth factor loaded strongly to be included as an additional factor to entrepreneurial orientation.

Independence and autonomy may appear similar but there is a distinct difference. Autonomy refers to self-governance whilst independence .implies a rejection of rules and regulations (Differencebetween.com, 2017), Thesaurus English (UK). This implied meaning of independence ties in with Innovation and thinking outside the box and has been cited several academics as a trait of entrepreneur and corporate entrepreneurs (Barringer & Ireland, 2012, p. 16) (Kuratko, 2015, p. 52). .Each factor was revalidated in order to determine structure and reliability using factor analysis.

In the initial phase of the analysis, exploratory data analysis was carried out where the variable loaded that were below 0.314 were removed, after which further exploratory factor analysis (EFA) was carried out, reducing the data set, which was rotated settling on six factors. The latter is a statistical method used to unpack the primary structure of a huge set of variables. These variables are then rotated and an Eigenvalue is used to group the factors that are most similar into groups to ensure the validity of constructs. An Eigenvalue is a proportion of the total variance in the entire variable that is accounted for by a factor (Cooper & Schindler, 2014, p. 657). In essence the Eigenvalue explains the variance between the factors loaded in terms of how similar or different they are. Consequently if the cumulative Eigenvalue exceeds 1, this confirms the stability of the questionnaire, meaning that it measures what was intended.

The factors are reflected in Table 6.6.1.

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6.7 Analysis of Variance

6.7.1 ANOVA

The one way analysis of variance (ANOVA) is used to determine whether there are any statistically significant differences between the means of three or more independent variables. In this case the successful and less successful groups of CEs were measured against six factors related to EO.

The General Linear Measure Procedure was used with the results indicated below.

Dependent Variable: Factor 1: Competitive Aggressiveness

Table 6.7.1: ANOVA between successful and less successful corporate entrepreneurs with regard to Competitive Aggressiveness (Factor 1)

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	0.159	0.159	1.16	0.2829
Error	400	55.090	0.137		
Corrected Tool	401	55.249			

HO 7: Competitive aggression in new recruits does not lead to high levels of turnover of corporate entrepreneurs in the long term insurance.

Ha 7: Competitive aggression in new recruits leads to high levels of turnover of corporate entrepreneurs in the long term insurance industry.

The alternative hypothesis is rejected and the null hypothesis is accepted, based on the result indicating that there is no significant difference with respect to competitive aggressiveness between successful and less successful Corporate Entrepreneurs.

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Dependent Variable: Factor 2: Proactiveness

Table 6.7.2: ANOVA between successful and less successful Corporate Entrepreneurs with regard to Pro-activeness (Factor 2)

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	0.001	0.001	0.01	0.9286
Error	415	63.449	0.152		
Corrected Tool	416	63.450			

HO 8: Proactiveness is a not a prerequisite to being a successful corporate entrepreneur

Ha 8: Proactiveness is a prerequisite to being a successful corporate entrepreneur.

The result of the ANOVA indicates that there is no significant difference between successful and less successful Corporate Entrepreneurs with regards to proactiveness; hence the alternative hypothesis is rejected.

Dependent Variable: Factor 3: Independence

Table: 6.7.3 ANOVA between successful and less successful Corporate Entrepreneurs with regard to Independence (Factor 3)

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	0.591	0.591	1.25	0.2633
Error	422	198.893	0.471		
Corrected Tool	423	199.484			

HO 9: Being able to exercise independence is not a critical factor for successful corporate entrepreneurs.

Ha 9: Being able to exercise independence is a critical factor for successful corporate entrepreneurs.

The ANOVA results indicate that there is no significant difference between successful and less successful Corporate Entrepreneurs in being able to exercise independence; hence the alternative hypothesis is rejected.

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Dependent Variable: Factor 4: Risk Taking Propensity

Table: 6.7.4: ANOVA between successful and less successful CES with regard to Risk Taking Propensity (Factor 4)

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	0.763	0.763	3.57	0.0594
Error	423	90.365	0.213		
Corrected Tool	424	91.129			

Significance of level α = 0, 1

HO 10: Having a high propensity for risk is not a requisite for Corporate Entrepreneurs in the long term Insurance industry.

Ha 10: Having a high propensity for risk is a pre-requisite for Corporate Entrepreneurs in the long term insurance industry.

There seems to be evidence, on a 90% confidence interval, that there is a significant difference between successful and less successful Corporate Entrepreneurs with reference to their risk taking propensity. This finding is very relevant as risk taking is inherent in the career of a Corporate Entrepreneur in the long-term insurance industry. Hence the alternate hypothesis is accepted.

Dependent Variable: Factor 5: Innovation

Table 6.7.5: ANOVA between successful and less successful Corporate Entrepreneurs with regards to Innovation (Factor 5)

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	0.068	0.068	0.28	0.5996
Error	421	104.913	0.249		
Corrected Tool	422	104.982			

HO 11: Displaying innovative behaviour is not a critical factor for success for corporate entrepreneurs

Ha 11: Being innovative is a critical factor for successful for corporate entrepreneurs.

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The ANOVA results indicate that there is no significant difference between successful and less successful Corporate Entrepreneurs as regard innovation; hence the alternate hypothesis is rejected.

Dependent Variable: 6: Autonomy

Table 6.7.6: Factor 6: Autonomy

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	1	0.260	0.260	0.73	0.3938
Error	423	151.494	0.358		
Corrected Tool	424	151.755			

HO 12: Autonomy is not a critical attribute for corporate entrepreneur's success.

Ha 12: Autonomy is a critical attribute for corporate entrepreneur's success.

The ANOVA results indicate that there is no significant difference between successful and less successful CEs displaying the attribute of autonomy; hence the alternative hypothesis is rejected.

In general, the results of the ANOVA test indicate that there is no significant difference between successful and less successful Corporate Entrepreneurs in terms of six factors. These are important findings, because they demonstrate that the EO of Corporate Entrepreneurs is not the major reason for failure in the industry.

EO is in essence a set of behavioural characteristics. Initially asserted by (Lumpkin & Dess, 1996) and later explored by other researchers both as dimensions related to firms as well as individuals. More recently (Morris, et al., 2008), (Callaghan & Venter, 2011), (Kuratko, 2015) further extended the research by Lumpkin and Dess with regard to EO and the firm.

Covin and Slevin (1989, 1991) created a model that links entrepreneurial posture to organisational performance. They found that EO was positively related to performance and that an entrepreneurial posture was most positively related to firm performance. (Kollman, et al., 2007), explored the entrepreneurs' capabilities in terms of the five dimensions of EO to recognise, pursue and successfully exploit viable business opportunities.

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Later (Bolton & Lane, 2012) developed a measurement instrument for individual EO to be used to measure that of students and other individuals.

Hence both groups indicate high levels of EO; yet the performance of the less successful group raises questions around their lack of success in the firm/long term insurance industry.

6.8 MANOVA

Multivariate analysis of variance (MANOVA) is an extension of ANOVA with several dependent variables. ANOVA tests for the difference in means between two or more groups, while MANOVA extends this analysis by taking into account multiple continuous dependent variables and groups them together into a weighted linear combination or composite variable. The MANOVA will then compare whether the newly created permutations vary from those in the different groups, or whether levels of the independent grouping variable simultaneously explain a significant difference in the dependent variable (French, et al., 2016) (Statistic Solutions, 2016).To explore whether any significant variables could have been found by using a more complicated analysis, a MANOVA was conducted.

For this study the General Linear Measure Procedure was used to conduct the MANOVA.

Multivariate Analysis of Variance

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Table 6.8.1: Multivariate Analysis of Variance between Successful and Less Successful Corporate Entrepreneurs (all factors)

Characteristic Roots and Vectors of : E Inverse * H, where H= Type III SSCP Matrix for In _Service E= Error SSCP Matrix							
Characteristic Root	Percent	Characteristic Vector V*EV = 1					
		F1	F2	F3	F4	F5	F6
0.013	100.00	0.119	-0.058	0.034	0.040	0.010	-0.053
0.000	0.00	-0.025	-0.015	-0.013	-0.013	0.109	0.005
0.000	0.00	-0.056	-0.002	-0.018	0.109	0.000	0.015
0.000	0.00	-0.051	0.158	0.019	0.004	-0.000	-0.027
0.000	0.00	0.106	-0.012	-0.025	-0.005	0.000	0.035
0.000	0.00	-0.027	-0.001	0.056	-0.009	0.000	0.059

Table 6.8.2 MANOVA Test Results

MANOVA Test Criteria and Exact F Statistics for the Hypothesis of No Overall In _Service Effect H= Type III SSCP Matrix for In _Service E= Error SSCP Matrix					
Statistic	Value	F Value	Num DF	Den DF	Pr > F
Wilks' Lambda	0.987	0.80	6	363	0.5730
Pillai's Trace	0.012	0.80	6	363	0.5730
Hotelling-Lawley Trace	0.013	0.80	6	363	0.5730
Roy's Greatest Root	0.013	0.80	6	363	0.5730

The ANOVA and MANOVA confirm that there is no significant difference between successful and less successful groups.

HO 13: There is no significant difference in EO between successful and less successful corporate entrepreneurs.

Ha 13: There is significant difference in EO between successful and less successful corporate entrepreneurs.

Hence the alternate hypothesis will be rejected.

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These results have indicated that both groups of Corporate Entrepreneurs (successful and less successful) are relatively similar when measured on the dimensions of EO. Yet attrition of less successful Corporate Entrepreneurs is as high as 63%, as reflected in Table 6.3.1.

Shah and Bharti's (2014) pronounced the following reasons for excessive turnover. The researcher's own comments are further indented:

- "Being an insurance agent in India is seen as societal stigma" due to its variable nature of income."
    - Though this study was conducted in India, one can extrapolate this "stigma" to other developing markets because question 19 indicated the most significant difference, when respondents were surveyed in connection with their view on working for commission based remuneration.
- "Working as an insurance agent is seen as an interim measure until one finds something more stable".
    - The high turnover of personnel in long term insurance could be regarded as an interim career choice until one finds something more "stable"; hence the turnover amongst the younger age groups is higher within the first 12 months.
- "Very few professional people view becoming an insurance agent as an attractive option due to the social stigma"
    - Until recent times, where a great deal of work has been done by the Financial Planning Standards Board and its affiliates in member countries, insurance has been and sometimes is still considered a fickle industry. The development of the CFP (certified financial planner), which is being equated with the Chartered Accountant designation, is aiding in professionalising the industry, though it is in various stages of growth in different member countries.

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- "The role is high pressured and involves high levels of persuasion and most individuals lack the resilience to cope with this".
    - Due to the lack of sufficient education, regretful experiences due to the mis-selling of insurance – though needed – is considered a grudge purchase. Hence the journey to closing a deal may be long and tedious, and one would need high levels of resilience to cope with rejection and still continue to remain engaged and positive.
- "There is an expectation achievement gap – what was promised on recruitment doesn't materialise as was expected and this leaves recruits severely disappointed and demotivated".
    - When the career is marketed, many examples of Corporate Entrepreneurs who have been very successful are adduced. Added to this are promised levels of support in training, vesting and assistance in marketing etc. These promises fall short in reality when one realises that certain promises were over-rated, falling far below expectations or at costs that wasn't clearly elucidated
- "The best agents are aggressively head-hunted by competitors".
    - Due to the nature of the industry being driven by distribution, many successful Corporate Entrepreneurs are ever ready to move at an offer of greater income from competitors, thereby creating another conundrum of churning. The impact of this is felt most by the client (who does not always understand the impact of replacing a product) and the previous company for which the Corporate Entrepreneur worked (Shah & Bharti, 2014, p. 275).

Given the analysis conducted on the data, Shah and Bharti's results are worth further exploration.

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6.8.3 Cross Tabular Frequency Testing

To explore the turnover issue further, cross tabular frequency tests for all the questions were conducted. Cross tabulations are tables that indicate the joint distribution of two or more variables. In this case the less successful and successful groups were compared in terms of their response to the question regarding their level of comfort to work for a commission based income. The results are illustrated in Table 6.9.3.1.

The Chi Square Statistic provides a test of the statistical difference of the observed data associations in the cross tabulation. The phi coefficient, contingency coefficient, Cramer's V and the Lambda coefficient provide measures of strength of association between variables (Marie, 2007).

Based on the results of the cross tabular frequency tests, the alternate hypothesis is accepted.

HO: Less successful Corporate Entrepreneurs do not leave the industry/ company because of commission based remuneration.

Ha: Less successful Corporate Entrepreneurs leave the industry/company mainly due to the commission based remuneration.

These results clearly indicate that for the less successful Corporate Entrepreneurs, working on a commission basis is the most glaring reason for their turnover. Further exploration would be needed to determine if there are other related factors such as management practices, support for new Corporate Entrepreneurs, review of training content and methodology.

The results for question 19 are presented in detail below after being subjected to cross tabulation frequency analysis.

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Table 6.8.3.1: Cross Tabular Frequency for Question 19

Table of Question 19 by In-Service			
Question 19 (I am comfortable earning commissioned based income)	In-Service		
	No	Yes	Total
1	4 0.92 80.00 1.45	1 0.23 20.00 0.62	5 1.15
2	19 4.36 67.86 6.91	9 2.06 32.14 5.59	28 6.42
3	40 9.17 75.47 14.55	13 2.98 24.53 80.07	53 12.16
4	160 36.70 64.52 58.18	88 20.18 35.48 54.66	248 56.88
5	52 11.93 50.98 18.91	50 11.47 49.02 31.06	102 23.39
Total	275 63.07	161 36.93	436 100.00
	Frequency Missing = 5		

Table6.8.3.2: The FREQ Procedure

Statistics for Table of Question 19 by In-Service

Statistic	**DF**	**Value**	**Prob**
Chi-Square	4	11.0142	0.0264
Likelihood Ratio Chi-Square	4	11.0905	0.0256
Mantel-Haenszel Chi-Square	1	8.0187	0.0046
Phi Coefficient		0.1589	
Contingency Coefficient		0.1570	
Cramer's V		0.1589	

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Significant on α = 0, 05

This is a critical finding which forms the basis of explaining the high personnel turnover in the insurance industry. Fifty percent of the Corporate Entrepreneurs who were not in service any longer indicated that they either disagreed or strongly disagreed that they are comfortable working on a commission basis. If this is compared with those that are still in service (32%), it results in the statistically significant difference reported. In actual fact only a very small percentage (8%) of both groups, added together, agree that they are comfortable earning their income on a commission basis only.

Conclusion

The six factors as derived from the factor analysis, including the well-established elements of the construct EO, compared successful and less successful Corporate Entrepreneurs, examining various hypotheses that these variables would provide the decision-makers with a guide to select the appropriate candidates to work as Corporate Entrepreneurs. However, as proven in the ANOVA and MANOVA, this is not the case. These behavioural characteristics are not indicators of being successful or less successful. The two groups would have reported statistically significant differences on competitive aggressiveness, risk-taking propensity, pro-activeness, autonomy, independence and innovation. This is not the situation; therefore it is deduced that the major reason for these less successful entrepreneurs to leave the industry is the remuneration structure and package.

The next chapter will summarise the purpose of the study, present the conclusions and make recommendations for management.

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CHAPTER 7

SUMMARY, CONCLUSIONS & MANAGEMENT RECOMMENDATIONS

7.1 Summary

The essence of this study was to determine if there was a significant difference between successful and less successful Corporate Entrepreneurs with regard to six dimensions of EO. The long term insurance industry has a turnover of Corporate Entrepreneurs (financial advisers) estimated very conservatively at around 35-40% (Shah & Bharti, 2014, p. 275). The poor performance of less successful Corporate Entrepreneurs is often speculatively cited as a reason for their early exit. The attrition rate is a huge cost; adding to this conundrum is impending legislation which is expected to change the way business is currently conducted, in a significant manner. Insight into the difference between successful and less successful Corporate Entrepreneurs when assessed against the six dimensions of competitive aggressiveness, innovation, risk taking propensity, autonomy and pro-activeness, will provide valuable knowledge into how new Corporate Entrepreneurs are recruited and vested to increase the ratio of success, profitability and create sustainable growth.

For the purpose of this study, a successful Corporate Entrepreneur in the long term insurance industry was considered to have displayed the following qualities: high energy, drive, competitive aggressiveness to excel and outperform goals set for them by management and themselves, qualifying for various incentives for top performance, the ability to network widely and to remain in the industry for longer than 24 months, thus displaying resilience.

7.2 Research Objectives

7.2.1 Primary Objective

The primary objective of this research was to assess whether EO is a critical criterion for the success of new financial advisers (Corporate Entrepreneurs) entering the long term insurance industry.

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7.2.2 Secondary Objectives

To ensure that the primary objective was achieved, various secondary objectives needed to be addressed.

The secondary objectives of the study, which were determined by the literature review, were:

- The conceptual models of entrepreneurship and Corporate Entrepreneurship
- The relationship between Corporate Entrepreneurship and entrepreneurship
- The link between the success of a Corporate Entrepreneur and his/her EO
- The impact of the changing regulatory environment on Corporate Entrepreneurs in the long term industry
- Factors related to employee turnover and retention
- Factors and current market conditions to determine whether the current business model is able to innovate from the data gathered for long term growth.

Hence the intention of this study was to determine whether new financial advisers who show higher levels of EO on appointment would be more likely to be successful and remain with a firm for more than 24 months. The research to achieve this goal was conducted in two parts. The first part involved reviewing secondary data through a literature review on entrepreneurship, Corporate Entrepreneur and the long term insurance industry. The second part of the study focused on the primary research which consisted of a survey. It was important to create context to precede the primary research.

7.3 Literature Review Revisited

In order to explore what defines entrepreneurs, Corporate Entrepreneurs' EO, and the difference between them and Corporate Entrepreneurs, it was appropriate to explore these factors as well as the industry, legislative and economic environments of the long term insurance sector.

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The global economic outlook has been on a roller coaster for the last few years, and this slump does not seem to have an end in sight. Most developed economies have shed jobs and growth outlooks have been revised for most countries. South Africa has had its growth outlook revised to 0% by the International Monetary Fund. The volatile economy has important implications for companies and how they are managed (Morris, et al., 2008, p. 5). They are required to continually identify new opportunities and turn these opportunities into revenue streams; hence they must behave entrepreneurially to adapt to changing markets and consumer needs (Fayolle & Todorov, 2011, p. 44).

One of the few ways to stimulate growth in the economy is to create an environment to nurture entrepreneurship. Small and medium size enterprises play an important role in the growth of most nations. Mahmood and Hanafi (2013) argued that such enterprises also act as suppliers of goods and services to large organisations. Most SMEs have been characterised as dynamic, innovative and efficient because their small size allows for flexibility, immediate feedback, a short decision-making chain, better understanding of and quicker response to customer needs (Kupa, 2012) (Mahmood & Hanafi, January 2013, p. 82).

The financial services sector is one of the few industries that have the potential to provide opportunities for individuals who are entrepreneurially oriented. The fact that these opportunities exist within a corporate environment, is misperceived by new entrants as a job, rather than an entrepreneurial opportunity within a large firm. Hence the pursuit of this study was an attempt to establish whether less successful Corporate Entrepreneurs were lacking in EO, which would explain their poor performance in and early exit from the industry.

To create greater clarity, Chapter 2 explored the history and definition of entrepreneurship, the process, the different schools of thought, and types of entrepreneurs. Chapter 3 investigated the historical development of corporate entrepreneurship, EO, traits and characteristics of entrepreneurs and Corporate Entrepreneurs and the role of innovation. Models and definitions from the authorities on these topics were offered as a preliminary step to providing an overview.

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The characteristics and traits for entrepreneurs and CEs are mostly similar, with some variations on risk propensity, autonomy and independence. These dimensions are not only a partial definition of the construct EO but also of traits in individuals. The essence of the reviews proved that the denotation of the word "entrepreneurship" is adaptable in various scenarios. For some, it refers to venture capital-backed start-ups and their kin; for others, any small business. For some, "corporate entrepreneurship" is a rallying cry; for others, an oxymoron. *Harvard Business Review* uses the definition formulated by Professor Howard Stevenson: "entrepreneurship is the pursuit of opportunity beyond resources controlled" (Eisenman, 2013).

Chapter 4 examined the insurance industry landscape in terms of its many complexities, including the impending impact of proposed legislation and the technology revolution. The only certainty is that the insurance industry and the structure of corporate entrepreneurship will remain more dynamic in the coming years.

In a recent article written by ver Loren van Themaat (2016), published on Moneyweb, she refers to what is probably the most accurate description of the process that any new entrepreneur experiences. Figure 7.1 depicts "The Trough of Sorrow", a term coined at YCombinator (a seed accelerator founded for tech start-ups in Cambridge, Massachusetts, United States in 2005 by Paul Graham) which offers a schematic representation of the business cycle most new entrepreneurs would experience.

This process described by Graham is accurately reflective of what most Corporate Entrepreneurs in financial services encounter during the initial phases of their career. Comments have been inserted into the illustration to describe similar stages of the entrepreneurial cycle of Corporate Entrepreneurs in the long term insurance industry. Hence assessing their EO and relating that to their success was a challenge worth exploring in this study.

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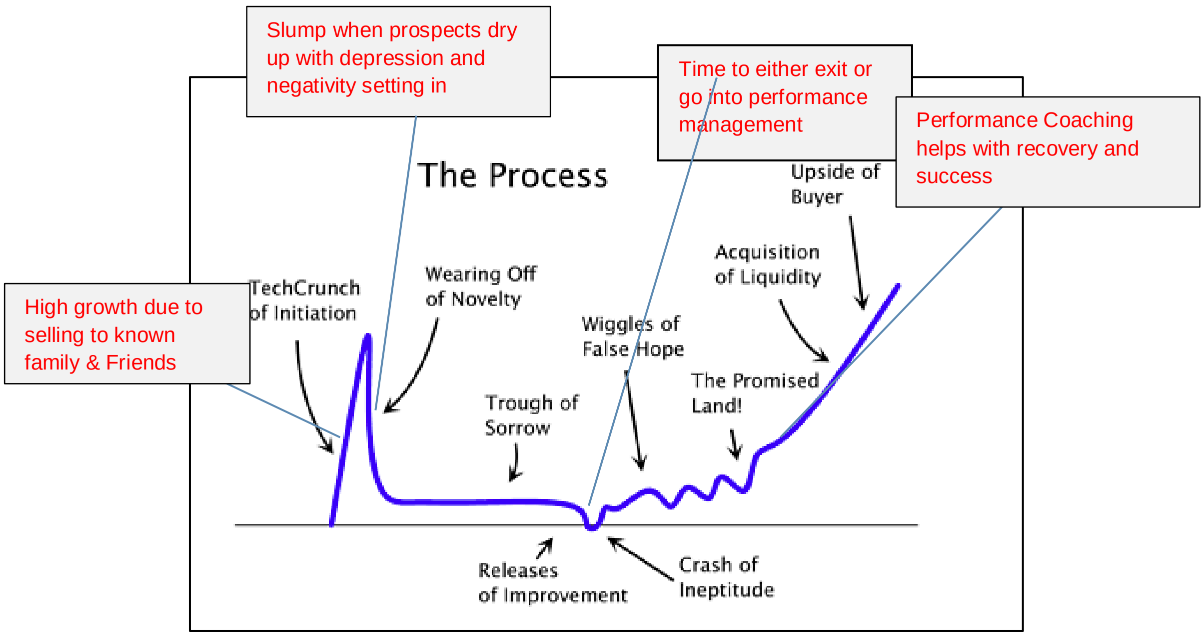

Figure 7.1: Trough of Sorrow (Paul Graham.AVC.com) (Yarrow, 2012) (ver Loren van Themaat, 2016)

7.4 Hypothesis Revisited

Speculation about poor performance of Corporate Entrepreneurs in the long term insurance sector has always been attributed to their lack of EO, inclusive of its five dimensions. Internal research conducted by (Rademan, 2013) on the DNA of successful elite Corporate Entrepreneurs found that the most common traits amongst all these Corporate Entrepreneurs were:

- Toughness
- Assertiveness
- Proactiveness
- Sociability.

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One can infer from this study that the opposites of these traits, which would be weakness, passiveness, slothfulness and reclusiveness, could lead to poor performance. Yet the hypotheses tested for EO against the five dimensions plus independence, found that there was no significant difference between the less successful and successful groups except for question 19, which was related to working on commission, which equates to variable income.

A summary of the hypothesis testing is reconfirmed below.

HO 1 is rejected: There is no significant difference in success between male and female Corporate Entrepreneurs.

Ha: There is a significant difference in success between male and female Corporate Entrepreneurs.

The score in table in 6.5.1 indicates that there is a significant difference between male and female Corporate Entrepreneurs; thus the null hypothesis is rejected.

HO 2 is rejected: There is no significant difference in success between the Corporate Entrepreneurs from the different regions

Ha: There is significant difference in success between the Corporate Entrepreneurs from the different regions.

The Chi-Square test result in Table 6.5.2 indicates that there is indeed a significant difference between the Corporate Entrepreneurs from the different regions as regards successful and less successful Corporate Entrepreneurs; therefore the null hypotheses is rejected.

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HO 3 is rejected: There is no significant difference in success between Corporate Entrepreneurs who work in different product segments.

Ha: There is significant difference in success between Corporate Entrepreneurs working in the various product segments

The test result in table 6.5.3 indicates that there are significant differences between the CEs working in the different product segments. For this reason the null hypothesis is rejected.

HO 4 rejected: There is no difference in success amongst the Corporate Entrepreneurs generating different amounts in turnover.

Ha: There are significant differences in success between corporate entrepreneurs generating high and low turnovers

The test result in table 6.5.4 indicates that there is a significant difference between the groups of advisers generating high and low turnover; hence the null hypothesis is rejected.

HO 5 is rejected: There is no significant difference between the highly profitable and less profitable Corporate Entrepreneurs.

Ha: There is significant difference between highly, and less, profitable corporate entrepreneurs.

The Chi-Square Test result in table 6.5.5 indicates that there is a significant difference between the highly profitable and less profitable corporate entrepreneurs; therefore the null hypothesis is rejected.

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HO 6 is rejected: There is no significant difference in success between Corporate Entrepreneurs in solo units and in firms with more than 5 employees.

Ha: This is a significant difference in success between Corporate Entrepreneurs in solo units and firms with more than 5 employees.

The Chi-Square Test result in Table 6.5.6 indicates that there is a significant difference between firms with a single corporate entrepreneur and firms more than 5 employees, so that the null hypothesis is rejected.

HO 7 is accepted: Competitive aggression in new recruits does not lead to high levels of turnover of Corporate Entrepreneurs in the long term insurance industry.

Ha: Competitive aggression in new recruits leads to high levels of turnover of Corporate Entrepreneurs in the long term insurance industry.

As per the result in table 6.9.1 the alternative hypothesis is rejected and the null hypothesis is accepted, based on the result indicating that there is no significant difference, with regard to competitive aggressiveness, between successful and less successful CEs.

HO 8 is rejected: Pro-activeness is not a prerequisite to being a successful Corporate Entrepreneur

Ha: Pro-activeness is a prerequisite to being a successful Corporate Entrepreneur.

The result in Table 6.9.2 of the ANOVA indicates that there is no significant difference between successful and less successful Corporate Entrepreneurs with regard to pro-activeness; thus the alternative hypothesis is rejected.

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HO 9 is accepted: Being able to exercise independence is not a critical factor for successful Corporate Entrepreneurs.

Ha: Being able to exercise independence is a critical factor for successful Corporate Entrepreneurs.

Table 6.9.3, illustrating ANOVA results, indicates that there is no significant difference between successful and less successful Corporate Entrepreneurs in being able to exercise independence; hence the alternative hypothesis is rejected.

HO 10 is rejected: Having a high propensity for risk is not a requisite for Corporate Entrepreneurs in the long term insurance industry.

Ha: Having a high propensity for risk is a pre-requisite for Corporate Entrepreneurs in the long term insurance industry.

The results of the ANOVA in Table 6.9.4 convey that there seems to be evidence, on a 90% confidence interval, that there is a significant difference between successful and less successful entrepreneurs with reference to their risk taking propensity. This finding is extremely relevant as risk taking is inherent in the career of a Corporate Entrepreneur in the long-term insurance industry. Hence the alternate hypothesis is accepted.

HO 11 is accepted: Displaying innovative behaviour is not a critical factor for success for CEs

Ha: Being innovative is a critical factor for successful Corporate Entrepreneurs.

The ANOVA results in Table 6.9.5 indicate that there is no significant difference between successful and less successful Corporate Entrepreneurs with respect to innovation; hence the alternate hypothesis is rejected.

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HO 12 is accepted: Autonomy is not a critical attribute for Corporate Entrepreneurs.

Ha: Autonomy is a critical attribute for Corporate Entrepreneurs.

The ANOVA in Table 6.10.6 results indicate that there is no significant difference between successful and less successful Corporate Entrepreneurs displaying the attribute of autonomy; consequently the alternative hypothesis is rejected.

The results of the ANOVA test in Table 6.9.6 indicate that there is no significant difference between successful and less successful Corporate Entrepreneurs in terms of the six factors. These are important findings, because they demonstrate that the EO of Corporate Entrepreneurs is not the major reason for failure in the industry.

HO 13 is accepted: There is no significant difference in EO between successful and less successful corporate entrepreneurs.

Ha: There is significant difference in EO between successful and less successful corporate entrepreneurs.

The Multivariate Analysis of Variance (MANOVA) in Tables 6.10.2.1 and 6.10.2.2 was conducted across all six factors to determine if there were significant differences between successful and less successful Corporate Entrepreneurs. The analysis confirmed that there is no significant difference between the two groups; hence the alternate hypothesis is rejected.

HO 14 is rejected: Less successful Corporate Entrepreneurs do not leave the industry/ company because of commission based remuneration.

Ha: Less successful Corporate Entrepreneurs leave the industry/company mainly due to the commission based remuneration

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Based on the results of the cross tabular frequency tests in Table 6.10.3.1 with a **Significance on α = 0, 05,** the alternate hypothesis is accepted.

The importance of this finding correlates directly to the high percentage of personnel turnover in the insurance industry. Fifty percent of the Corporate Entrepreneurs who exited the industry either disagree or strongly disagree that they are comfortable working on a commission basis. If this is compared with those who are still in service, of which the percentage is 32%, it results in the statistically significant difference reported.

As indicated in the analysis there is no significant difference with regard to EO for both successful and less successful groups, yet only a minute percentage (8%) of both groups, added together, agree that they are comfortable earning their income on a commission basis only.

The issue of variable and fixed income has long been a conundrum in the insurance sector, an issue which has been followed with keen interest by all parties including the regulator. So much so, that the sector has seen a steady increase in regulation governing sales and distribution.

One part of the impending new regulation, RDR (remuneration distribution review), deals specifically with placing limitations on the types of remuneration that intermediaries can earn and the sources of these. This, according to the regulator, will seek to address the conflict of interest and provide greater transparency to customers with regard to the nature, value and cost of advice and other intermediary services they can expect from their financial adviser (KPMG, 2015). There is a great deal of uncertainty surrounding the model for new entrants to the market as regards what the format for remuneration will look like, but it is impossible to make recommendations in this respect as the intermediary community, product providers and professional bodies have already submitted their proposals to the regulator during the comment period. This process is now closed. It is hoped that this point will be become clearer once the final version of RDR is released in the New Year.

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New Corporate Entrepreneurs will struggle to be sustainable within the first few years. The statistics in table 6.3.4 clearly reflect that new Corporate Entrepreneurs have a greater chance of success in a franchised model at 48% as opposed to “tied agents”, Corporate Entrepreneurs who are directly employed by the long term insurance company.

These findings beg the question: why is the proportion of less successful Corporate Entrepreneurs so high if they are entrepreneurially oriented? (Refer to table 6.3.4) In Chapter 6, Shah and Bharti (2014) articulated a number of points; perhaps these are worthy of future research.

7.5 Limitations and Weakness of the Study

There is very minimal academic research into corporate entrepreneurship in the long term insurance industry and financial planning. The researcher had to marry the academic reviews of entrepreneurship, corporate entrepreneurship with data from the regulator and industry consultants to construct the basis of this study.

Three papers were found by Indian researchers, but they relied on each other with regards to advancing their arguments for high sales force turnover and attrition in the insurance industry in India. Pathak & Tripathi, (2010) was the first paper followed by Shah & Bharti, (2014) and lastly by Agrawal, (2015).

Whilst India’s market is less regulated than South Africa, there were still many similarities that were relevant.

The long term insurance industry in South Africa still considers Corporate Entrepreneurs as sales people, for which reason Corporate Entrepreneurs are treated like sales people driven by targets and incentives.

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Some of the difficulties experienced during the course of the research project were:

- Maturation of the data. We targeted 500 respondents over a period of 12 months. This is the average number of new recruits a large long term insurer employs in the middle/ affluent market segment.
- We had no way of determining if they left the industry and changed employers within the industry
- The only way to determine attrition was run check for all the candidates surveyed were, by checking on their service record.
- Due to the quantitative nature of the data collected, it was difficult to determine exactly each individual's mind-set with regards to their career choice. Was this a last resort choice or an interim measure until something better came along? This information would have assisted in providing more clarity about the findings around the lack of desirability of both successful and less successful candidates had about working for commission.
- Whilst the 4 major insurers' newcomers were targeted, due to the anonymous nature of data collection, it is difficult to know what the spread of respondents were. Most of the respondents could have been from a single company. Maintaining anonymity was a pre-requisite for other companies to participate. Surveys like this also create suspicion amongst competitors despite having the University's branding and sanction.
- Whilst this study was being conducted, legislation was being reviewed and proposals from the regulator kept changing based on industry input. Final regulations with regards to RDR are yet to be published at the time this study was being finalised.

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7.6 Management Recommendations:

- That when Corporate Entrepreneurs are recruited, the gap between expectation and the actual opportunity be reduced. When new Corporate Entrepreneurs arrive, they believe they have been given a job in a large corporate. It is unclear if they really understand that the job is based mainly on sales targets and unvested commission once the "honeymoon" of subsidisation during the training phase wears off. This finding is consistent with what was found in the study by (Agrawal, 2015).

- Once new Corporate Entrepreneurs hit the "Trough of Sorrow", they quickly lose heart and leave the company. This could be avoided by creating dedicated workbenches for individuals similar to those in the fast food franchises, so that CEs are given a "licence for a site" that is managed more diligently. Their remuneration model, training and vesting must be built into the cost of doing business for that site. There are practical challenges with a territorial model as insurance purchase is still very relationship based. This can be mitigated with proper planning as the business environment has changed more in the last 10 years than the previous 40 years. This investigation will benefit from the RDR recommendations.

- Although insurance is still a grudge purpose, one of the recommendations in the RDR paper is for greater education for the consumer both by product providers and intermediaries alike. This programme will assist in creating greater commoditisation and, together with creating a workbench/ dedicated site per Corporate Entrepreneur will ensure that new Corporate Entrepreneurs feel like proper entrepreneurs/ businesspeople. Franchise models like the BlueStar business carry out a great deal of research in terms of footprint and spending power as part of their due diligence in target areas. Part of the recruitment process for a dealer principal, is to search for an applicant who is entrepreneurially orientated and meets their requirements, and with an identified

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spot/ area/ region, only then do they issue a franchise or accept associates who can contribute to the business plan. This will also reduce the gap in expectations and the current overtrading between some individuals, hence affording newcomers a greater chance of success than the current 37%. Most companies have the data needed for such due diligence processes. I believe that the impact of more intensive client education will have very positive impact on the growth in the industry and the franchise model will create greater stability for new Corporate Entrepreneurs/ entrants in the market.

- Entrepreneurship training and basic business management should be introduced in addition to sales and product training, at the start of the new Corporate Entrepreneur's career, rather than later, so that Corporate Entrepreneurs acquire the necessary business skills necessary for the role. Part of the current disconnect, is that corporate entrepreneurs in the long term insurance industry are expected to perform with high level of entrepreneurial orientation, yet their training is related mainly to products and sales.

- As indicated by hypothesis 6, Corporate Entrepreneurs within firms having more than 5 employees are more successful than Corporate Entrepreneurs who are appointed in a solo capacity. Perhaps this can be attributed to support and co-mentoring in a firm's environment, rather than being a tied Corporate Entrepreneur within a large corporate environment. Thus this study recommends that new Corporate Entrepreneur appointments should be placed within franchised entities that have a going business, and given the relevant support.

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- The rejection of null hypothesis 2 which indicated that there is no significant difference in success between the Corporate Entrepreneurs from the different regions raises questions of management support, indicating that the latter plays a role in the success of Corporate Entrepreneurs. Senior management is urged to ensure that such support for new Corporate Entrepreneurs is consistent at a national level, to ensure that all new entrants enjoy the maximum benefit of high quality management support. This is corroborated by the Agrawal (2015) study where he states that loss of management focus and time spent on core business development lead to poor team performance.

- The performance difference in the various regions could also be related to better value propositions for career advancement and or alternate opportunities. Perhaps a value proposition for career growth and advancement should be part of the basic job offer. According to Payscale Human Capital, which has recently surveyed the various generations, Millennials are ambitious and eager for career advancement, and expect this in the job they accept. Due to their short attention span, they seek change and opportunity to gain new skills and experiences after a period as short as one year (Payscale Human Capital , 2016). This finding creates new challenges for employers as they face an aging workforce while the youthful workforce simultaneously holds different views on career expectations.

- HO 3 was rejected, indicating that there was no significant difference between Corporate Entrepreneurs who work in different product segments. This indicates that different segments exhibit different levels of complexity; hence Corporate Entrepreneurs working in the various product segments should be adequately equipped to offer specialist advice in the relevant sector. This recommendation is fully supported by the latest version of the Financial Advisers and Intermediaries Services (FAIS) Act (Financial Services Board , 2014).

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- HO 4 was rejected, illustrating that there was no difference amongst the Corporate Entrepreneurs generating different amounts in turnover. This was confirmed when the factor analysis was conducted on the questions and the six dimensions, which indicated that there was no significant difference between the successful and less successful group in terms of EO. Thus there is room for further research to explore this anomaly. Could this be related to motivation and self-esteem? The analysis for the two dimensions independence and autonomy indicated there was no significant difference between successful and less successful Corporate Entrepreneurs

- The rejection of the null hypothesis in terms of the ANOVA test result in table 6.10.4, confirming that there is evidence on a 90% confidence interval that there is a significant difference between successful and less successful entrepreneurs with reference to risk taking propensity, is very relevant for reasons discussed earlier. The current focus on the recruitment process based on the data gathered by Rademan (2013), with respect to toughness, assertiveness, pro-activeness and sociability, could be extended to include an assessment criterion for such a propensity.

- The results of the cross tabular frequency test results in Table 6.10.3.1 demonstrated with a 95% confidence level that 50% of less successful Corporate Entrepreneurs indicated their dissatisfaction with earnings based solely on commission. This matter will benefit from greater clarity only once RDR is implemented. Management could prepare for this by reviewing alternate business models, which possibly provides a combination of fixed and variable income to make the opportunity more attractive.

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7.7 Summary and Conclusions

The purpose of this study was to explore the critical role of EO in the success of Corporate Entrepreneurs in the long term insurance sector. The literature review positioned the important concepts in the study in relation to the overall background. The results of the survey conducted revealed that there was no significant difference between the successful and less group of corporate entrepreneurs, which raises the question that there are other factors beyond EO responsible for the high attrition rates of Corporate Entrepreneurs. A key finding advanced from the data collected related to the question of being comfortable in working only for commission which was dependent on business retention. A significant percentage of the respondents in both groups indicated their dissatisfaction with this factor. Given the current economic climate and the growing rate of unemployment, discovering creative ways to reduce attrition will reduce the high costs of turnover, create a positive impact on employees and hopefully assist companies to grow their bottom line.

This will further enhance the recommendations being proposed by RDR legislation. To date consumers have not adequately considered the value of advice for financial planning. Perhaps further research will also pave the way for future professional developments and changing the consumer perceptions of financial planning and the long term insurance industry.

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