



# IDENTIFYING THE KEY DECISIONAL ASPECTS FOR MULTIFOCAL FINANCIAL SERVICE PROVIDERS IN SOUTH AFRICA

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**Henry I Schnetler**

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# IDENTIFYING THE KEY DECISIONAL ASPECTS FOR MULTIFOCAL FINANCIAL SERVICE PROVIDERS IN SOUTH AFRICA

Henry I Schnetler

*In South Africa during the last decade, the topic of Financial Service Providers (FSPs) has received significant attention from practitioners and associations, but limited academic literature exists on the topic. In 2012 an industry survey was done that highlighted the key barriers to the growth of FSPs. A similar research study was conducted in 2016 that focused on risks for FSPs that confirmed the findings of the 2012 survey. Since then, no other academic studies that focussed on multifocal FSPs within South Africa were found.*

*A literature review based on the structure of a systematic literature review was conducted in 2020, followed by several informal interviews providing the necessary context to phrase the main research question of this study: **What are the aspects that need to be considered for the strategic future of multifocal FSPs in South Africa?***

*Answering the main research question, a mixed methods research methodology was used, applying convenience sampling to conduct two cycles of data-gathering. Using the initial decision aspects identified during a literature review, the first data-gathering cycle used four diverse FSPs via expert interviews, to extract decision aspects, producing extended decision aspects. The second cycle of data-gathering used a survey of nine independent financial advisors to validate whether the extended decision aspects identified from the interviews, as well as business and academic literature, are relevant to industry, producing refined decision aspects. As part of the second data-gathering cycle, the 2012 survey questions were replicated to provide context for the survey participants and their financial services and operating context. Demonstrating the practical use of the decision aspects, the study extracts relevant decision aspects to indicate how the aspects could be used to guide decision-making for the four FSPs interviewed during the first data-gathering cycle.*

*The main contribution of this dissertation is to present a comprehensive list of decision aspects that will be useful to multifocal FSPs in guiding their enterprise re-design initiatives. A secondary contribution is to demonstrate how the decision aspects can be used to guide the four FSPs, during future strategic decision-making. The study concludes with future research opportunities identified from the findings.*

**Keywords:** Financial Service Providers, Financial Industry, Financial Engineering, Business Considerations, Decision and Strategic Planning

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## PREFACE

Having published and presented a conference paper in Monterrey Mexico in 2021 titled: *Understanding the Considerations for Future Model Building in the Financial Industry (Schnetler et al., 2021)* with the Industrial Engineering and Operations Management (IEOM) society international, the author will continue to use both conference and journals synchronously to best showcase the research.

The page count, being 85 pages in total, has 62 pages of content, 8 pages of references, and 8 pages of appendices. This thesis is written in first person active voice as described by Hofstee (2006).

In Chapter 2, there is reference made to Discovery Questions (DQs) that aided in the process of conducting the literature review. This should not be confused with the Interview Questions (IQ's) from section 1.3 regarding the problem instance analysis, and the Interview Question (IQ's) in section 3.4 as they are two separate sets of questions that have their own unique purpose. The DQ's were used during the initial phase of the research and should not be considered as secondary research questions, as these DQ's were merely used to provide context to the research in Chapters 1 and 2.

It is important to note that this study does not include a full Systematic Literature Review, or SLR, that adheres to the strict requirements of reproducibility for multiple researchers. The research was conducted by a single researcher, using a systematic method when reviewing existing literature. Thus, when the researcher refers to a SLR it is important to note that this should not be evaluated as a formal SLR intended for standalone publication but refers to the systematic method that was used in reviewing the literature. The researcher did take the necessary steps to ensure that section 2.1 follows the systematic method as described.

The codebooks provide in the Appendix are merely partial codebooks, as full codebooks contain sensitive information that cannot be shared as part of the limitations from participants and the ethical clearance process and conditions regarding approval of full ethical clearance.

# Chapter 1:

## Introduction

Albert Einstein famously said: “If I were given one hour to save the planet, I would spend 59 minutes defining the problem and one minute resolving it” (Einstein and Calaprice, 2011). To adapt the words of the great Albert Einstein, before you can start to solve the problems in an industry, one first must understand the broader problems that are faced by that industry.

The financial industry globally has seen various cycles over the past several decades, with the impact of globalisation more evident than ever before. With financial crises in other parts of the world influencing local markets, such as the 1997 Asian financial crisis causing market unrest in the US, over the past several decades the devastating effect that the financial industry had, has become increasingly clear to all global citizens, not merely to the affluent individuals of the world. This has led to an incredible push toward global regulatory standards in the finance industry in particular (Swart and Lawack-Davids, 2010, MacNeil and O'Brien, 2010, Mahavadi, 2013, Ugeux, 2014, Allen et al., 2018, Price, 2018, Tarullo, 2019, Truby, 2020, Yadav, 2020). Therefore, it is crucial to make sure that decisions are made based on the best information available.

Globally, in some cases there is a disconnect between the problems as perceived by academia and the problems that are perceived by industry. The effect of not having proper alignment with industry could have led to lower levels of adoption. With the increased use of software systems over the past two decades there were other interesting findings. A study by Kim et al. (2012), found that 70 percent of organisations that invested in CRM adoption projects, experienced an unnoticeable improvement in their business performance (Pedron et al., 2016).

The financial industry is faced with some general yet unique challenges when it comes to developing a strategy for a specific corporation. While it is crucial to understand the problems that the business currently faces, there is a fundamental problem that is introduced when potential future developments in an industry are not considered.

Topics such as FinTech, financial technologies, have become increasingly more popular over the past couple of years. However, while FinTech 3.0 was primarily focused on money transfer and automation of essential services, as discussed in section 2.1.5.4, there is a new development in the financial industry related to regulatory technologies or RegTech (Barefoot, 2018, Arner et al., 2017a, Arner et al., 2017b). In most cases, FinTech start-ups focus on areas in the financial industry that provide them with the most promising opportunity that have less complicated regulatory requirements and fewer barriers to entry, to ensure scalability and low cost per user, so that economies of scale can be leveraged to reduce user cost while increasing market penetration (Truby, 2020, Azarenkova et al., 2018).

While the advancement of technology is much appreciated, and innovation is continuous, various areas might cause frustration if not considered carefully. This is evident when the introduction of technology for regulatory requirements might not be well established and could lead to non-compliance for the technology user, as these users might apply general tools and technological advances to their organisations without understanding the possible risk involved (Barefoot, 2018, Azarenkova et al., 2018).

In South Africa, the financial industry can be simplified to consist of various subsections, with the most notable being the difference between the banking and non-banking industries (FSCA, 2020, FSCA, 2018b). The banking and large capital investment industries have enjoyed substantial study in research over the past several decades, while the non-banking industries has received less attention in research in contrast (Gomber et al., 2017). The non-banking industry can be further subdivided into direct and intermediated services, where direct clients work directly with the company, whereas intermediated indicates an indirect link between the company and the client, i.e., creating a link between the issuing company and the end client. Furthermore, intermediaries can also be broken down into Independent Financial Advisors (IFAs) and Non-Independent Companies (NICs).

Figure 1, on page 2, provides a basic visual representation of the South African financial industry overview. This masters dissertation focuses on independent financial advisors, as the researcher has contact with various individuals at financial advisory businesses.

This study seeks an understanding of this specific sector of the financial industry, the environment, and the challenges that this sector faces, and the need to look at where the future of this sector is heading. The purpose is to ensure that future recommendations will be flexible and adaptive when new progression in technology occurs.

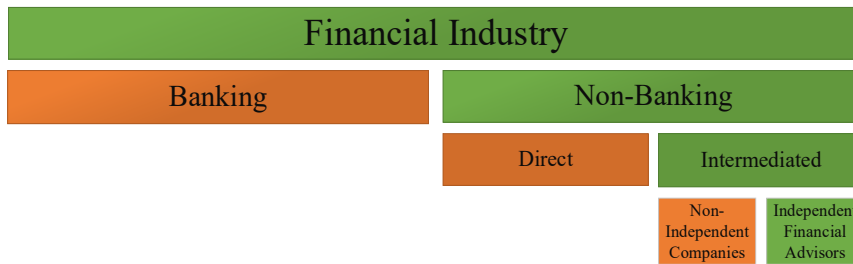


Figure 1 South African financial industry breakdown (the author created this figure)

This section starts with the problem statement, section 1.1, and is followed by the broad problem context, section 1.2, the problem instance analysis, section 1.3, and stakeholders that need a solution, section 1.4. The problem context, provides background with regards to the insurance industry and a previous study of Maree (2012) that is used as a foundation for the dissertation. From the problem statement, problem context, problem instance analysis and stakeholders, the relevant research questions are formulated in section 1.5, which are used to create the thesis statement in section 1.6 formulated according to the template by Wieringa (2014). The chapter is concluded by stipulating the assumptions and limitations in section 1.7, the significance of the study in section 1.8 and finally an outline of document structure in section 1.9.

## 1.1 Problem statement

Due to a lack of academic literature on the topic of multifocal Financial Service Providers (FSPs) in South Africa, managers at these companies must rely on their own experiences when thinking about what decisional aspects are of importance to their strategic future. The lack of academic literature creates a possible risk to the FSP, as there is no formal list of decisional aspects that can guide managers at these companies when considering their strategic future as multifocal FSPs in South Africa as will become apparent in the literature review in Chapter 2.

In a dynamic environment, it is nearly impossible to identify all factors that may have an impact on a particular sector. This dissertation aims to identify the primary challenges that the financial industry in South Africa is facing and to ensure that insight is obtained on the business environment and considerations that could potentially influence the agenda of future research within the financial industry. Throughout the dissertation, the word *considerations* are used as a collective word to represent design aspects to understand a sub-set of enterprises within the financial industry.

## 1.2 Broad problem context

To start it is first necessary to understand what the financial industry looks like in South Africa. Firstly, it should be noted that the financial industry is made up of two major parts: banking and non-banking. There is a significant difference between the banking and non-banking sectors within the financial industry. The focus will only be on the non-banking sector for this initial study. The reason for this is that the banking sector is well established and there has been quite significant research done on the banking sector over the last several decades, while fewer studies have been done on the non-banking sector.

The non-banking sector is made up of two sub-sectors, these are direct and intermediated services. The direct side of the non-banking sector is where clients work directly with the insurers. The intermediated side of this sector is where there is an intermediary between the client and the insurers. These intermediaries along with the advice and services provided to clients, perform various administrative tasks for the insurers such as updating client information, requesting quotes, registering claims, etc.

The intermediated side can also be subdivided into independent financial advisors (IFAs) and non-independent companies (NICs). For the sake of simplicity, all companies that are not IFAs will be treated as non-independent companies, as there is a wide variety of NICs in the market.

South African insurance companies such as Santam, Old Mutual and various other insurers use a network of IFAs that were granted the ability to acquire an agency to conduct business with the relevant companies to market and sell their financial products to clients. Until the early 2000's IFAs were free from any compliance obligations as all requirements were managed by the insurers and independent brokers were able to do business within the confines of the agencies that they held. While in 2002 the Financial Advisory and Intermediary (FAIS) act was proposed, which started to shift the responsibility from the insurers to the advisors with regards to compliance and professional conduct.

In the past decade, there has been a significant increase in the number of regulations that FSPs have to comply with and therefore, there is a large need for guidance within the industry. Maree (2012) stated that in 2012 there

were already 20 policies and procedures that had to be documented and regularly updated within an advisory business. In 2012 the average annual cost to an IFA business was estimated to be R188,658.00 (Maree, 2012), and during the past decade these costs have remained high.

FSPs are required by law, to comply with certain regulations, which have drastically increased during the last decade. As these regulations are introduced, there is no clear guidance provided to the FSPs, that can be followed to ensure compliance. This has caused many smaller organisations to be exposed to possible non-compliance, while other FSPs according to Maree (2012) have to pay for software systems that look like they comply while possibly exposing themselves to significant future risk with the introduction of new rules and regulations, and in some cases adding little real value to the organisation apart from the compliance function.

Maree (2012) stated that the real problem with software features, are the fact that they are frequently intended as temporary solutions by consultants and software providers, while there is a greater need for long-term solutions (Maree, 2012). Temporary solutions, such as generic free-to-use CRM systems, are introduced to the smaller FSPs that do not have the IT budgets available or feasible justification in terms of size to buy a custom-built system (Schnetler, 2019). Some of the systems that are used are not always able to meet future compliance requirements or amendments to current regulations and therefore pose a future risk (Maree, 2012).

A study by Schnetler (2019) was conducted at an FSP to understand what solution was needed. A software solution was suggested, based on a similar free-to-use CRM system, with the intention of adding value to the FSP and ensuring compliance requirements are adhered to.

It was observed after implementation and training, that the system was not used by the FSP. This was an interesting phenomenon, discussed by Pedron et al. (2016), where although the best strategic software solutions, based on their requirements and budgetary constraints, were implemented, the solution has not been used by the FSP. Pedron et al. (2016) also found that 70% of all software implementation projects failed.

Although the solution proposed would satisfy the requirement and was successfully implemented in a different FSP, the solution that was proposed, might not have been in the correct solution area to start with. This raised the question: *Was there a different solution area, which was not considered in that study, which would be of more value to the FSP?* While this remains unclear at this point, a more important question was raised: *What should an FSP consider when making strategic decisions?*

In a 2012 survey involving 567 participants, Maree (2012) found that the average age of financial advisors in South Africa was 54. These individuals, while having a wealth of knowledge and experience are not necessarily as up to date with or interested in the newest trends in technology and adopting these solutions, as they are nearing retirement soon.

The standard operating procedures (SOPs) at most FSPs are not always based on best practise (Maree, 2012, FSCA, 2020, 2018a, FSCA, 2018b). This is not necessarily due to a lack of willingness from FSPs to update and adapt their processes/procedures, but due to a lack of research and literature available on what the best practices are. The processes/procedures currently used by some of the FSPs, cause a significant increase in administrative time (FSCA, 2020, 2018a, FSCA, 2018b, Maree, 2012).

The Financial Services Conduct Authority (FSCA) is currently trying to understand what these best practises are, by requesting that FSPs submit a procedure report on how they go about ensuring compliance, along with their annual documents, as per regulatory requirements (FSCA, 2020, 2018a, FSCA, 2018b). Unfortunately, this has only recently been requested, and it might be quite some time before these best practise guidelines are available.

### **1.3 Problem instance analysis**

The problem instance is described with the use of interviews that were conducted with participants who were either the CEO, Managing Director, or business owners at the specified FSPs. The researcher has worked closely with FSPs for almost a decade at various levels of organisations. The researcher's involvement with FSPs was the primary driver behind this research. The financial industry is by nature extraordinarily complex, and it is these complexities that make it necessary for a broader problem investigation to be undertaken before focusing on a particular area that could in fact be a mere symptom of a bigger problem, rather than the problem in and of itself.

Interviews, field observation and document reviews were all used to understand the problems at multiple FSPs, as discussed in the subsequent section. The companies that were selected vary in their size as well as their focus, (i.e., short-term insurance, life insurance, investments and medical), which were used to identify the problems as identified across these organisations.

### 1.3.1 Data-gathering strategy and diagnosis techniques problem analysis

The interview questions in Table 1, formulated by the author based on problem discovery, were used to get an understanding of the existing areas of concern and improvement opportunities that are available to FSPs. The coding techniques used for the interviews were according to Guest et al. (2012).

**Table 1 Interview questions and structural codes**

CODE	QUESTION DESCRIPTION
<b>IQ1</b>	<i>What are the existing areas of concern regarding the existing enterprise / some design domains / information system / particular process / department etc? Can you provide evidence (documents, images, etc) to support your claims? Probe.</i>
<b>IQ2</b>	<i>I need to model a particular design domain / department / set of processes. Could you provide inputs regarding existing designs and the problematic areas with existing designs? Please provide evidence to support your claims about the problematic areas? Probe (e.g., using 5 Why's analysis).</i>
<b>IQ3</b>	<i>What is the current way that your company does their compliance? Can you provide a demonstration of the way that compliance is done at your organisation? Probe.</i>

Four different companies were selected, that differ in various aspects, such as: the financial focus of the company, number of financial advisors (FA), the start date of the business, whether they have an internal or external compliance officer, if there is an administrative staff member, and lastly what system they use, e.g., a bespoke-developed legacy system or a CRM of any kind.

Table 2, is an overview of the companies that were selected to understand if the existing problems experienced by FSPs feature as a class-of-problems.

**Table 2 Company description**

Company Name	Financial Focus	No. of FA's	Start Date	Compliance Officer	Admin Staff	System
<b>SW Konsult</b>	Comprehensive	1	2003	Internal	No	Legacy & CRM
<b>TNT FC</b>	Comprehensive	1	1989	External	Yes	Legacy
<b>Eclipse</b>	Short-term	2	2016	External	No	CRM
<b>Manage All</b>	Medical Scheme Specialist	19	1994	External	Yes	CRM

- SW Konsult is a consulting firm that specialises in wealth creation and risk management. The company is currently in a transition period from a fully manual system to a CRM that was suggested as the best software solution based on the company's specific requirements and budgetary constraints.
- TNT FC is an insurance specialist, providing short term insurance, personal lines and commercial, long term assurance products including unit trusts, life policies, investments, endowment policies, funeral policies, agriculture policies and specialising in body corporate insurance packages. Financial planning and advice, retirement planning, estate planning and assistance with estates and trusts, bookkeeping etc. through other partnerships.
- Eclipse has short term insurance experience started at momentum personal insurance in 2006, moved to momentum distribution in 2011, and started their own brokerage in 2016. Eclipse has been involved in all positions of short-term insurance: claims, client services and sales with training ranging from personal insurance, commercial insurance, wildlife, and liability insurance to mention a few.
- Manage All is a National Medical Scheme (NMS) specialist consultancy, licensed with the FSB (14445) and accredited with the Council of Medical Schemes (CMS) (Org 113 & Br 37). Their focus is on the administration of corporate companies' and individual's medical scheme needs and resolving of frustrations.

Table 3, below provides the structural codes for the roles, of the individuals being interviewed.

**Table 3 Structural codes for roles**

CODE	SHORT DEFINITION
<b>I1</b>	<i>The interviewee is the business owner and key individual at SW Konsult cc</i>
<b>I2</b>	<i>The interviewee is the business owner and key individual at TNT FC cc</i>
<b>I3</b>	<i>The interviewee is the managing director at Eclipse cc</i>
<b>I4</b>	<i>The interviewee is the CEO and key individual at Manage All (Pty) Ltd</i>

Table 4, provides the structural codes used for the discovery question as well as the interview questions.

**Table 4 Structural codes for discovery questions and interview questions**

CODE	SHORT DEFINITION
<b>DQ1</b>	<i>Refers to DQ 1 as defined in section 1.5.2.</i>
<b>DQ2</b>	<i>Refers to DQ 2 as defined in section 1.5.2.</i>
<b>DQ3</b>	<i>Refers to DQ 3 as defined in section 1.5.2.</i>
<b>DQ4</b>	<i>Refers to DQ 4 as defined in section 1.5.2.</i>
<b>DQ5</b>	<i>Refers to DQ 5 as defined in section 1.5.2.</i>
<b>DQ6</b>	<i>Refers to DQ 6 as defined in section 1.5.2.</i>
<b>DQ7</b>	<i>Refers to DQ 7 as defined in section 1.5.2.</i>

Table 5, indicates the relevant documents that were required for the analysis of the initial problem instance.

**Table 5 Structural codes for documents**

<b>CODE</b>	<b>SHORT DEFINITION</b>	<b>AUTHOR</b>	<b>TITLE</b>
<b>D1</b>	<i>The FAIS Act of 2002, that includes all regulations and requirements</i>	<i>FAIS (2014)</i>	<i>Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002)</i>
<b>D2</b>	<i>Survey and report on Compliance and FSP's in South Africa</i>	<i>Maree (2012)</i>	<i>The Cost of Financial Advisory Business Compliance in South Africa</i>
<b>D3</b>	<i>Survey and report on Compliance and FSP's in South Africa</i>	<i>FSCA (2018b)</i>	<i>Regulatory strategy of the financial sector conduct authority: October 2018 to September 2021</i>
<b>D4</b>	<i>Guidelines on the FAIS Act and the relevant documentation.</i>	<i>FPI (2014)</i>	<i>FAIS Compliance and Risk Management</i>

Results from interviews were validated with literature sources and are presented in the tables in section 1.3.2

### 1.3.2 Problem instance codebooks

Inductive analysis and coding techniques, based on Guest et al. (2012) was used to create the codebooks presented in Table 6, Table 7 and Table 8.

During the interview process, as described in section 1.3, it was found that there are multiple areas of concern that are not only limited to the current regulations, but was identified as areas of concern by Hoque and Peter (2016) and Maree (2012), as early as 2012 from literature, where more than 500 financial advisors completed the survey for Maree (2012), see D2 in Table 5 above.

Due to ethical considerations, all interview recordings are treated as highly confidential, and examples for the codes that were identified from the interview process, which are provided in the three codebook tables that follow, could be extracted from the original study by Maree (2012), to adhere to the confidentiality request.

Table 6 shows the related causes as stated by the interviewees during the interviews and document reviews.

**Table 6 Codebook for areas of concern**

<b>CODE</b>	<b>SHORT DEFINITION</b>	<b>EXAMPLE</b>
<b>AFFORDABILITY</b>	<i>A concern exists regarding the future affordability of financial advice.</i>	<i>"Should this consumer-driven legislation continue to escalate the cost of advice it will force advisers to charge clients for a portion of their compliance costs. This will make financial advice unaffordable to the average consumer – the very people who need it most" (Maree, 2012)</i>
<b>COMPLIANCE</b>	<i>A concern exists regarding increasing compliance requirements.</i>	<i>"Compliance practitioners around the world are under no illusions that going into the future regulatory information and exchanges will increase." (Maree, 2012)</i>
<b>COST</b>	<i>A concern exists regarding increasing costs.</i>	<i>"The costs related to compliance related matter are increasing." "Regulatory compliance costs are 'silent killers' to independent financial advisers" (Maree, 2012). "Costs will force independent advisers to become employees and move back into the corporate environment. Losing the "independent" label will impact on "independence of advice" and will not be in the interest of clients" (Maree, 2012)</i>
<b>CYBER</b>	<i>A concern exists regarding increasing risk in cyber security.</i>	<i>"Cyber security is an increasing risk and the risk involved with regards to the POPI Act and how your do business, increases the risk of cyber."</i>
<b>RESPONSIBILITY</b>	<i>A concern exists regarding increasing responsibility that an FSP must take on.</i>	<i>"The compliance requirements are constantly being increased and with it the responsibility is placed on the Advisory business without an increase in compensation for the work." "To coincide with regulatory changes resulting from implementation in new rules the compliance function in advisory businesses has taken on more and more responsibilities to ensure that the necessary implementation and updates are made to all relevant internal policies and procedures" (Maree, 2012)</i>
<b>TIME</b>	<i>A concern exists regarding increase in time requirement.</i>	<i>"Concerns as to the amount of time spent on regulatory compliance by financial advisory businesses raises questions about the cost of compliance to both advisory businesses and financial services providers in South Africa." (Maree, 2012) "There is an increase in the amount of time that is needed for administrative and compliance tasks."</i>

Table 7, are the related causes as stated by the interviewees during the interviews and document reviews.

**Table 7 Codebook for causes**

<b>CODE</b>	<b>SHORT DEFINITION</b>	<b>EXAMPLE</b>
<b>ORGANISATION</b>	<i>An automation-related cause is identified that contributes towards multiple areas of concern.</i>	<i>"Automating manual processes must first consist of documenting exactly what the processes are that needs to be automated. Thereafter advisers need to find they right software that can automate their business processes. Critical to this is that any software must fit the business" (Maree, 2012).</i>

<b>COMPLEXITY</b>	<i>A complexity-related cause is identified that contributes towards multiple areas of concern.</i>	<p>“More often than not advisers use a technology solution that does not fit their businesses” (Maree, 2012).</p> <p>“There is very little guidance provided for regulations as well as the introduction of new acts, thus making it difficult to know what to do.”</p> <p>“Our regulatory system is broken. Each time a new heinous scheme is uncovered we find out after the fact the comedy of errors, ignoring evidence that the problem existed a long time before it collapsed” (Maree, 2012)</p> <p>Regulators need to have better forensic and auditing mechanisms in place to detect schemes long before they go bust” (Maree, 2012).</p>
<b>MISALIGNMENT</b>	<i>A misalignment-related cause is identified that contributes towards multiple areas of concern.</i>	<p>“Our industry and regulators need to understand the advice model. It would seem hard to believe but the FSB still seems to have little institutional understanding of the business model of the independent financial planner.” (Maree, 2012).</p>
<b>PERCEPTION</b>	<i>A perception-related cause is identified that contributes towards multiple areas of concern.</i>	<p>“Our research shows that whilst some advisers see compliance as a burden other interestingly see it as an opportunity. Those advisers who see compliance as an opportunity plan not only to meet compliance needs of today, but go beyond them and in so doing create genuine competitive advantages for themselves.” (Maree, 2012)</p>
<b>UNCERTAINTY</b>	<i>An uncertainty-related cause is identified that contributes towards multiple areas of concern.</i>	<p>“Increases regulations and lack of technical knowledge makes it difficult to understand the what the software solutions can do and what the future holds and regarding compliance.”</p> <p>“Financial advisory business software or CRM packages should also be registered with the FSB. (Many make broad statements about what they do and on closer analysis this does not appear to be so. These necessary business tools cost advisers a lot of money – they need to be protected too.)” (Maree, 2012).</p>

Table 8, highlights the solutions that were mentioned during the interviews and document reviews.

**Table 8 Codebook for solutions**

<b>CODE</b>	<b>SHORT DEFINITION</b>	<b>EXAMPLE</b>
<b>AUTOMATION</b>	<i>An automation solution is suggested to address one or more causes and/or areas of concern.</i>	<p>“Financial advisory businesses need solutions to help them seize market opportunities, make smart decisions, and realise maximum value from their investment in technology. In the hope of switching to higher efficiencies and automation, advisory businesses have turned to modern technologies. Unfortunately, technology on its own is not the solution. Any discussion about generating new efficiencies in a business should centre on how to empower employees with effective solutions that deliver results. People empowered by the right solutions can act on the right information at the right time” (Maree, 2012).</p>
<b>COMPARISON</b>	<i>A comparison solution is suggested to address one or more causes and/or areas of concern.</i>	<p>“We need a way to compare solutions before we make decisions”.</p> <p>“Financial advisory businesses need solutions to help them seize market opportunities, make smart decisions and realise maximum value from their investment in technology.” (Maree, 2012).</p>
<b>GUIDANCE</b>	<i>A guidance solution is suggested to address one or more causes and/or areas of concern.</i>	<p>“We need to understand the industry before we are able to know which solutions are applicable”?</p> <p>“The FSB should develop a comprehensive compliance kit for independent financial advisers that are implemented through compliance officers. This will improve standards across the industry and ensure that implementation in advisory businesses occurs.” (Maree, 2012)</p>
<b>REGULATOR</b>	<i>A regulator solution is suggested to address one or more causes and/or areas of concern.</i>	<p>“The Financial Services Board (FSB) must get tough on product providers and corporate FSP’s. The FSB must look at product due diligence before marketing is allowed by product providers. Each product should be registered with the FSB and advertised as such. Consumers will be better protected this way.” (Maree, 2012)</p>
<b>SOFTWARE SOLUTION</b>	<i>A software solution is suggested to address one or more causes and/or areas of concern.</i>	<p>“Financial advisory business software or CRM packages should also be registered with the FSB. (Many make broad statements about what they do and on closer analysis this does not appear to be so. These necessary business tools cost advisers a lot of money – they need to be protected too.)” (Maree, 2012)</p>

Based on the summarised codebook it is possible to conclude that the evidence validates the existence of multiple *real problems are evident* at multiple enterprises that have a variety of configurations. As seen, most of these quotes were based on the responses from over five hundred financial advisors and the quotes provided in these table were also validated by industry experts, as well as based on observations, these have still not been addressed over the past decade. These FSPs have implemented systems that ensure that they comply with the regulations, but there is a real need for guidance with regards to solution areas and the suitability of different solution areas, based on organisational consideration.

## 1.4 Stakeholders or users that need a solution

The FSCA (2018b), stated that they had 78 life insurers, 96 non-life insurers and 11075 FAIS licenced financial service providers. Large insurers, such as Santam, use financial advisors in their business model, and the research can be used as a guide that a strategic decision-making facilitator at these companies can use to add more value to their clients and inform decision making.

Additionally, the Financial Intermediary Association (FIA), which is the largest voluntary association in South Africa, has around 12 000 registered members and will be the main organisation in South Africa that this research will be directly useful to. The FIA agreed to assist in identifying some of their members who would be willing to participate in the interview process as well as assist in the final validation survey that will be created, as discussed in section 3.2, but due to time and ethical considerations, the assistance from the FIA was limited.

This research aimed to be applicable to other countries as well, such as the UK, as the regulatory requirements in South Africa and UK have some similarities. An investigation has not been conducted on how other countries compare with regards to regulation, but that will be a consideration, during the identification of the key decisional aspect for multifocal FSPs in South Africa.

This research can add to the Industrial and Systems Engineering Department of the University of Pretoria's, decorated list of publications as the researcher completed his Undergraduate and Post-Graduate studies with Department. The research can shape the way thousands of FSP across the world makes strategic future decisions.

## 1.5 Research questions

The sub-sections that follow include the primary as well as the discovery questions.

### 1.5.1 Primary research question

The primary research question that is currently considered in this report is as follows:

*PRQ: What are the decisional aspects that need to be considered for the strategic future of multifocal FSPs in South Africa?*

### 1.5.2 Discovery questions

The Discovery question (DQ's) were used as initial guiding questions and were used to aid in the initial research conducted on the topic related to multifocal FSPs including their challenges and understanding the context for multifocal FSPs in South Africa. These questions were only used in the problem instance analysis and the literature review chapters. The discovery questions formed a basis for a literature review that followed the structure of a systematic literature review.

- *DQ1: What are the problems experienced at FSPs?*
- *DQ2: What are the requirements/regulations that an FSP must comply with?*
- *DQ3: Has compliance requirements increased in South Africa?*
- *DQ4: What concepts are associated with the main knowledge area?*
- *DQ5: Does the problem instance feature as a class-of-problems in existing literature?*
- *DQ6: What knowledge areas could be useful to develop a solution to the class-of-problems?*
- *DQ7: What viable solutions are available to solve the class-of-problem?*

## 1.6 Thesis statement

The thesis statement was derived from the primary research question and is as follows:

*Key decisional aspects can be used to guide the strategic future of multifocal FSPs in South Africa.*

## 1.7 Scope demarcation, limitations, assumptions, and key concepts

From the thesis statement and research question provided it is possible to demarcate the scope, identify and/or discuss some limitations and assumptions relevant to the project.

The focus is firstly on multifocal FSPs in South Africa, but more specifically on small to medium size FSPs in the financial industry, which is a large industry in South Africa.

As discussed in section 1.2, this study further focuses on Independent Financial Advisors (IFAs). This is not to say that Non-Independent Companies (NICs) cannot use the findings, but the focus is restricted to IFAs only.

The study does not focus on a particular subsector of IFAs only, as the study aims to find the key decisional aspects for *multifocal* FSPs in South Africa, excluding FSPs that focus primarily on investments.

The focus of this research is to understand what some of the complexities are within the financial industry and how some of these complexities and challenges can be unpacked and addressed, particularly focused on IFAs.

Any solutions or recommendations that will be made, will have a disclaimer attached, that it should only serve as guidelines to FSPs. The recommendations are not to be used directly without the evaluation of a particular company's specific needs and requirements.

Table 9 is the definition of the roles within FSPs, with specific definitions from the FAIS Act.

**Table 9 Definition of terms**

<b>Term</b>	<b>Definition</b>	<b>Source</b>
Compliance Officer	<i>"A compliance officer is an individual who ensures that a company complies with its outside regulatory and legal requirements as well as internal policies and bylaws."</i>	(Hayes, 2020)
Financial Advisor	<i>"A financial advisor provides financial advice or guidance to customers for compensation. Financial advisors, or advisers, can provide many different services, such as investment management, tax planning, and estate planning. Increasingly, financial advisors are providing a range of services from portfolio management to insurance products as a one-stop-shop."</i>	(Kagan, 2020a)
Key Individuals	<i>"These are natural persons within the FSP who are either managing or overseeing the activities of the FSP relating to financial services (for example a manager of a distribution unit in an FSP.)"</i>	(FAIS, 2014)

## 1.8 Significance

There has been a lot of research publications, concerning the banking sector across the world over the past several decades. This is due to the capital budget availability at banking institutions as well as the effects of the 2008 Global Financial Crisis (GFC), while less research has been done on the non-banking sector across the world.

As there is very little research available on multifocal FSPs in the non-banking sector in academia, as indicated in the literature review in Chapter 2, this research can serve towards providing a list of decision aspects to FSPs that not only focusses on their present needs but provides FSPs with the ability to make strategic long-term decisions within the context of the relevant decision aspects.

This research can also spark a new stream of research, previously untouched, due to the perceived complexity of regulation and the problem associated with moving from theory to practical implementation and identifying subsequent research topics for a research agenda.

As the world moves forward to globalisation, there are currently conversations in industry regarding the possibility of worldwide compliance standards (Ugeux, 2014). If that is the future, the value of this research will increase even more, as it can serve as a set of decision aspects that may be aligned with the worldwide compliance standards, useful to researchers and practitioners in South Africa, as well as the rest of the world.

This research can serve as the building block to incorporate possible unique future regulatory consideration and serve as a starting point in understanding what decisional aspects FSP should consider before selecting a software system or strategic partnerships within a solution area.

Initially interviewing four FSPs that have diverse needs and business contexts, this study indicates that a class-of-problems exists. The research methodology that is used in the study is a *Mixed Research Methodology*, as discussed in Chapter 3.

Trying to solve the problems experienced by a single FSP only, will not be as useful in the longer term. There is a need for informed decision making, based on an understanding of general decision aspects that apply to multiple multifocal FSPs when they consider their strategic future.

## 1.9 Document structure

Chapter 1: Introduction - In this chapter an overview of the research was provided that is pertinent to the rest of the document. With the problem statement in section 1.1, broad problem context in section 1.2, problem instance analysis in section 1.3 and the stakeholders in section 1.4. This is followed by the research questions and thesis statement in sections 1.5 and 1.6 respectively, and is concluded with the scope demarcation, significance and document structure in sections 1.7, 1.8 and 1.9 respectively.

Chapter 2: Literature review - The purpose of this chapter is to discuss the literature reviewed as well as the findings from the existing literature. Section 2.1, is a description of the Literature Review that was completed. Section 2.2, is a summarised discussion of the literature.

Chapter 3: Research methodology - The purpose of this chapter is to discuss the research methodology and data gathering methods used. Section 3.1 is literature on mixed research methods, as used in this study. Section 3.2, is a description of the various phases that this research had, along with the goal and intended outcome of each phase. Section 3.3, is the data-gathering and limitations for each of the phases. Sections 3.4 and 3.5 provides the questions used in phases 1 and 2 respectively.

Chapter 4: Results and Discussion - Presenting the data-gathering results from Chapter 3. The results and discussion from phase 1 are presented in section 4.1, with the results from the two surveys used in phase 2 presented in section 4.2. Section 4.3 are practical implications for strategy formulation.

Chapter 5: Evolution of decisional aspects - Describes the evolution of the list of decisional aspects including the extension and initial classification in section 5.1, the refinement and reclassification in section 5.2 and an example of a waterfall grouping that can be applied by strategic decision-making facilitators to analyse FSPs in section 5.3. Section 5.4, provides an example of how the decision aspects can be used with the use of a fictional FSP.

Chapter 6: Conclusion and recommendation for future research - Concluding the research, this chapter starts with a summary of the study in section 6.1, and present main contributions in section 6.2. This is concluded with the limitations and recommendations for future research in section 6.3.

# Chapter 2:

## Literature review

This chapter is structured to have a description of the method for the literature review in section 2.1, while section 2.2 is a discussion of the literature that provides context for this study.

### 2.1 Literature review background

The purpose of this section is to:

- (1) Provide evidence that a *problem instance* features as a general phenomenon or a *class-of-problems*. Evidence about the *class-of-problems* is communicated in section 2.1.3.
- (2) Provide an overview of existing knowledge areas that may contribute towards the development of a solution for the class-of-problems. Overview of existing solutions areas are communicated in section 2.1.4.
- (3) Provide a list of concepts related to the existing knowledge areas in section 2.1.5.

An SLR as described by Okoli and Schabram (2010) and Okoli (2015), studies the existing literature in a systematic, complete, and reproducible way, and is firstly used in this study to evaluate whether or not the problem instance, regarding a lack of research on decision aspects for multifocal FSPs, features as a class-of-problems in the literature.

It is important to note that this study does not include a full SLR, that adheres to the strict requirements of reproducibility for multiple researchers, as the research was conducted by a single researcher, but rather the systematic method in which the literature was reviewed and evaluated. Thus, when the researcher refers to either a Systematic Literature Review, or SLR, the study refers to a systematic method that was used in conducting the literature review, except when related to the search and presentation of previous SLRs. The researcher did take the necessary steps to ensure that the section 2.1 follows the procedure as described.

#### 2.1.1 Research method for the literature review

This section discusses the research method selected for a *Literature Review (LR)* as described by Okoli (2015). This includes a research protocol as a research method, cross-referencing applicable initial research questions, called discovery questions (DQs). The criteria and intended techniques are also included to perform steps 3 to 7 of Okoli and Schabram (2010) and Okoli (2015) 8 step search procedure. Snowballing and validation of the results are included along with existing SLR's within the related knowledge areas.

##### **Research Protocol**

A research method was developed to address some of the *Discovery Questions, DQ1 to DQ7* as stated in sections 2.1.3, 2.1.4, and 2.1.5. In accordance with the guidance provided by Okoli and Schabram (2010), and Okoli (2015), this section explicitly states the criteria and techniques that were used in performing **Steps 3-7** of Okoli and Schabram (2010) and Okoli (2015) for the SLR.

##### **Research method to validate a class of problems and existing solution areas**

**Step 3: Protocol for searching of literature:** The literature search first identified existing SLRs, using the following key words: SLR, Compliance, Finance, Insurance and searching on the following platforms WorldCat.org, WorldCat, **since** 2000.

kw:(slr OR "systematic literature review" OR "literature review" OR overview) AND kw:("Compliance" OR "Comply" OR "Regulations" OR "Requirements") AND kw:("Finance" OR "FSP" OR "financial industry" OR "Intermediary") AND kw:("FAIS Act" OR "FSB" OR "FSCA") AND kw:("South Africa" OR "Africa") AND kw:("Insurance" OR "Insurer" OR "Intermediaries").

Within these searches, forward and backward snowballing was employed. Forward snowballing was used to search for papers that have cited the study in question, and backward snowballing to search the reference list of the selected studies. Snowballing was repeated until no more relevant studies were found.

The *literature platforms* included: WorldCat.org, WorldCat, **since** 2000. Section 2.1.1.2, discusses SLR that were found during the search with the use of forward and backwards snowballing as described by Wohlin (2014).

**Step 4: Protocol for practical screening techniques:** The practical screen indicates what inclusion and exclusion criteria are used to determine which studies are to be considered.

The inclusion criteria were the following:

- Only studies written in English were considered.
- Only studies from the year 2000 and onwards were considered.
- Only studies available at the libraries of the University of Pretoria.
- Book sections, PhDs, Master's theses, and conference papers were included.
- The search was performed in November 2020, and thus only studies up to that point were included.

The exclusion criteria were these:

- Studies where the abstract or title indicated that the content was not relevant to the discovery question were excluded.

**Step 5: Protocol for quality appraisal techniques:** The protocol for quality appraisal was used to determine which studies, after being practically screened, met the required quality to be included.

The quality appraisal consisted of the researcher reading each study, and only including those that were relevant to the initial research questions. These studies needed to address the discovery questions either in part or in full.

**Step 6: Protocol for data extraction techniques:** A codebook based on the guidelines of Guest et al. (2011), was developed and shows the code name, gives a description of the code, and indicates when and when not to use the code. The codebook was used to answer the discovery questions listed in the introductory paragraph of this section.

Whenever a study mentioned the source of a specific compliance concern within the financial industry (*DQ1*) or offered a potential solution (*DQ7*), it was immediately recorded by the researcher (*Discovery Questions 1 and 7*).

Similarly, whenever a study mentioned a problem or potential technique regarding the compliance requirements of the Acts, the researcher recorded it (*Discovery Question 2*). The researcher also recorded when the increase of compliance requirements was mentioned (*Discovery Question 3*).

Lastly, wherever a study mentioned concepts regarding the main knowledge area (*DQ4*), of the class-of-problem or solutions area (*DQ6*), the researcher recorded it (*Discovery Question 4 and 6*).

For relevant studies, *study title* and the *author* data were extracted. The researcher also recorded the *discovery question(s)* related to the identified study – i.e., whether the source aided in *validating the problem* or *offering a solution*.

Table 10 below shows the format in which the information captured in step 6 was stored.

**Table 10 Format for articles data extraction Step 6**

<i>Author</i>	<i>Title</i>	<i>Code</i>	<i>Relation to theme</i>
<i>Author Citation</i>	<i>Article Title</i>	-	-

In this table the author and title of every study was shown. The 'Code' column refers to the codes defined in the relevant subsection, where each code refers to a theme pertaining to either a class-of-problems, a solution area or a concept.

**Step 7a: Protocol for techniques for synthesis of studies:** Qualitative and quantitative sources are used and coded using thematic analysis as described by Saunders et al. (2016), that use a combination of *quantitative* and *interpretive* techniques, to confront a research problem and the use of codes and a codebook as described by Guest et al. (2011). Coding was facilitated with the use of Atlas.ti9 software and is validated with the use of an intercoder-agreement, to ensure that the researcher is not biased when the review and that the codebook was created and ensuring consistent coding if a different analyst applied the codes of the codebook.

## Previous SLRs

**Table 11 List of previous SLRs**

<i>Authors</i>	<i>Title</i>
<i>Fernández-Olit et al. (2019)</i>	Systematized literature review on financial inclusion and exclusion in developed countries
<i>Lubis et al. (2019)</i>	What can we learn from the implementation of monetary and macroprudential policies: a systematic literature review
<i>Michela et al. (2018)</i>	Industry 4.0 in Management Studies: A Systematic Literature Review
<i>Ramchander (2019)</i>	Industry 4.0: a systematic review of surveys
<i>Wonglimpiyarat (2017)</i>	FinTech banking industry: a systemic approach

Table 11 indicates a list of previous SLRs that were found with the use of multiple iterations of *forward and backwards snowballing* as described by Wohlin (2014) in the context of a systematic literature review. Although not as applicable at this stage within the context of the study, the identified SLRs might be valuable in the process of the research process but provided little value to answering the discovery questions. These documents were

included in the relevant section in the literature review based on the practical screening and quality appraisal discussed in the research protocol.

### 2.1.2 Discussion of shortlisted documents

Through performing various iteration of forward and backward snowballing, the following documents were used for the literature review related to the discovery questions of this study. Table 12 contains the 39 shortlisted literature documents.

**Table 12 List of shortlisted literature review documents**

<i>Year of publication</i>	<i>Authors</i>	<i>Title</i>
2020	FSCA (2020)	Financial Sector Conduct Authority Strategic Plan 2020 - 2025
2020	Truby (2020)	Fintech and the city: Sandbox 2.0 policy and regulatory reform proposals
2020	Yadav (2020)	Fintech and International Financial Regulation.
2019	Bohnert et al. (2019)	Digital agendas in the insurance industry: the importance of comprehensive approaches
2019	Fernández-Olit et al. (2019)	Systematized literature review on financial inclusion and exclusion in developed countries
2019	Greenwood et al. (2019)	How Does the Implementation of Enterprise Information Systems Affect a Professional's Mobility? An Empirical Study
2019	Lubis et al. (2019)	What can we learn from the implementation of monetary and macroprudential policies: a systematic literature review
2019	Ramchander (2019)	Industry 4.0: a systematic review of surveys
2019	Tarullo (2019)	Financial Regulation Still Unsettled a Decade After the Crisis
2018	Barefoot (2018)	Regulation innovation
2018	Farshidi et al. (2018)	A decision support system for software technology selection
2018	FSCA (2018b)	Regulatory strategy of the financial sector conduct authority October 2018 to September 2021
2018	Gimpel et al. (2018)	Understanding FinTech start-ups - a taxonomy of consumer-oriented service offerings
2018	Michela et al. (2018)	Industry 4.0 in Management Studies: A Systematic Literature Review
2018	Price (2018)	The Core Challenges of Financial Regulation
2017	Arner et al. (2017a)	FinTech, RegTech, and the reconceptualization of financial regulation
2017	Arner et al. (2017b)	FinTech and RegTech in a Nutshell, and the Future in a Sandbox
2017	Arner et al. (2017c)	FinTech and RegTech: Enabling Innovation While Preserving Financial Stability
2017	Currie and Lagoarde-Segot (2017)	Financialization and information technology: themes, issues, and critical debates – part 1
2017	Farkas (2017)	A Systems View of IS Governance and IT Governance: A Case Study of the Virginia Department of Transportation
2017	Gomber et al. (2017)	Digital Finance and FinTech: current research and future research directions
2017	Murawski and Bick (2017)	Digital competences of the workforce – a research topic?
2017	Rolan (2017)	Towards interoperable recordkeeping systems
2016	Capie (2016)	Trust, Financial Regulation, and Growth
2016	Eling and Pankoke (2016)	Costs and Benefits of Financial Regulation: An Empirical Assessment for Insurance Companies
2016	Hoque and Peter (2016)	Factors affecting the sustainability of independent financial planners in KwaZulu-Natal Province, South Africa
2016	Pedron et al. (2016)	Value-focused objectives for CRM system adoption
2016	Robb et al. (2016)	Standard Business Reporting in Australia: efficiency, effectiveness, or both?
2015	Arner et al. (2015)	The Evolution of Fintech: A New Post-Crisis Paradigm?
2014	FPI (2014)	FAIS Compliance and Risk Management
2014	Ugeux (2014)	International finance regulation: the quest for financial stability
2013	FAIS (2013)	The Financial Advisory and Intermediary Services (FAIS) Act
2013	Khalili-Damghani and Sadi-Nezhad (2013)	A decision support system for fuzzy multi-objective multi-period sustainable project selection
2013	Mahavadi (2013)	The effect of regulations on insurance companies expanding to emerging markets
2012	Elliott and Santos (2012)	Assessing the Cost of Financial Regulation
2012	Maree (2012)	The Cost of Financial Advisory Business Compliance in South Africa
2010	Schulze (2010)	Financial institutions
2010	Stoop et al. (2010)	Fundamental consumer rights under the Consumer Protection Act 68 of 2008: a critical overview and analysis
2010	Swart and Lawack-Davids (2010)	Understanding the South African financial markets: an overview of the regulators

The documents were relevant studies relating to the financial industry for both the class-of-problems as well as the solution areas. How these documents were selected, and the relevance related to the class-of-problems and the solution area follows in sections 2.1.3 and 2.1.4.

### 2.1.3 Literature review results for class-of-problem

This section provides the codebook for the class of problems, the results relating to specific discovery questions and ends with a discussion of the class of problems.

#### Class-of-problems codebook

The following codes were selected for the purpose of identifying the class-of-problems:

- Cost class-of-problem
- Regulatory class-of-problem
- System class-of-problem
- Implementation class-of-problem
- Uncertainty class-of-problem

The coding scheme that was used for the class of problems are summarised in Table 13.

**Table 13 Coding scheme for class-of-problems**

GENERAL PROBLEM		SYSTEM SPECIFIC	
Code:	Code name:	Code:	Code name:
CCP	Compliance costs problems	SCP 1	Systems Capabilities problems
RCP	Regulatory burden problems	SCP 2	Cyber Security problems
UCP	Solution Uncertainty problems	ICP	Implementation problems

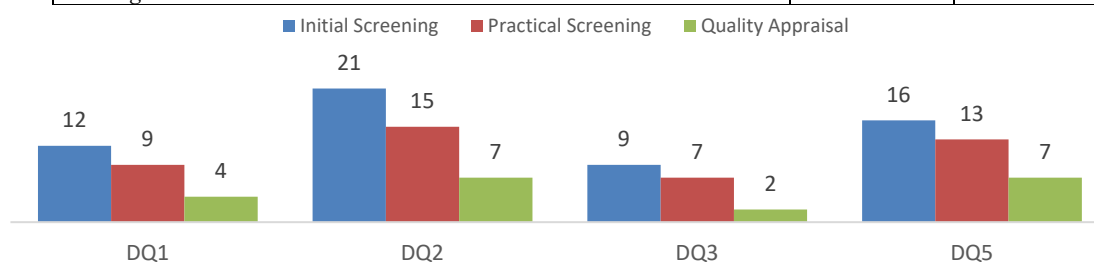
A codebook was created with the codes as seen in the Table 13 above, and the inter-coder agreement was completed for each of the codebooks. The codebook along with the articles for data extraction (*Step 6*) can be found in the Appendices.

#### Literature review results discussion on the class of problems

The search strings yielded the following results per discovery question. DQ1, DQ2, DQ3 and DQ5. Table 14, is the summarised search results for the initial research questions relating to the class-of-problems. Figure 2, is an overview of the results per discovery question.

**Table 14 Class of problem discovery questions search**

Discovery Question:	Practical Screening	Quality Appraisal
<i>DQ1: What are the problems experienced at FSPs?</i>	9	4
<i>DQ2: What are the requirements/regulations that an FSP must comply with?</i>	15	7
<i>DQ3: Has compliance requirements increased in South Africa?</i>	6	2
<i>DQ5: Does the problem instance feature as a class-of-problems in existing literature?</i>	13	7



**Figure 2 Class of problems discovery questions**

The shortlisted documents, as found in section 2.1.2, were coded as per the codebook presented in the Appendices and the extracted results are discussed in Table 15. This table presents and briefly discusses the extracted themes from the literature. Given the number of documents considered, the table summarises the results by showing the number of sources that pertain to each theme.

**Table 15 Class-of-problems results**

Number of sources:	Code:	Example of quote:
5	Compliance cost problems	"The study revealed that the Regulatory Examinations (RE) alone could cost the financial services industry in the region of R1.28bn. A very conservative calculation puts the average cost of compliance per annum to an independent financial advisory business at R188 658."(Maree, 2012)
14	Regulatory burden problems	"This Article shows that fintech exacerbates the difficulties of standard setting in international financial regulation."(Yadav, 2020)
4	Implementation problems	"Identifying values about CRM systems adoption: data collected from the interviews was coded and analysed using a software package for qualitative data analysis-NVivo"(Pedron et al., 2016)

Number of sources:	Code:	Example of quote:
		“The purpose of this paper is to define objectives for Customer Relationship Management (CRM) system adoption. The objectives provide a theoretical basis for strategizing about CRM system adoption. The objectives also provide managers to clearly direct CRM system adoption, thus ensuring a highly successful outcome.”(Pedron et al., 2016)
3	Systems Capabilities problems	“Financial advisory business software or CRM packages should also be registered with the FSB. (Many make broad statements about what they do and on closer analysis this does not appear to be so. These necessary business tools cost advisers a lot of money – they need to be protected too.)”(Maree, 2012)
2	Cyber Security problems	“There is a need for a rigorous and proactive approach to develop clear guidelines for data integrity and security, and the need for cyber security governance to implement and monitor appropriate controls to address cyber security breaches.”(Ramchander, 2019)
4	Solution Uncertainty problems	“Our first challenge is the unknown.”(Price, 2018)

### ***Discussion for class-of-problems***

A survey was conducted by Maree (2012) to determine firstly what the cost of compliance was, and to understand how FSPs felt about the FAIS Act after it came into effect and the impact it had on their businesses. Most of the recommendations made in their industry report are still to be realised a decade after its release.

A secondary survey was conducted by Hoque and Peter (2016) on the factors affecting the sustainability of independent financial planner from KwaZulu-Natal, South Africa. It was found that in both these studies, Maree (2012) and Hoque and Peter (2016), that there are various concerns from independent financial advisors (IFA) in South Africa. One key factor was that the IFA’s average age was 54 in 2012 and thus, most of them nearing retirement soon. These IFAs have a wealth of knowledge and experience, but the regulatory burden that has been placed on them over the past few decades might adversely affect the entire industry.

Pedron et al. (2016) summarise the context that is especially important when it comes to the strategic selection of CRM. The three main objectives that they found in their study was: (1) Maximise CRM organisational culture; (2) Ensure an effective relationship with CRM providers; and (3) Minimise CRM project risks.

Michela et al. (2018) conducted a SLR in management studies regarding Industry 4.0, which initially had limited application. Ramchander (2019) discussed the impact of the effect that Industry 4.0 has on the manufacturing industry, which can be used by researchers to consider whether these effects could potentially influence the service industry in the future.

Baber (2019) conducted a comparative study between FinTech and financial inclusion, while Fernández-Olit et al. (2019) studied the literature available on financial inclusion and exclusion, in developed countries, to understand what to look out for based on what the specific needs are.

Bohnert et al. (2019) studied what the effect between the interest insurance companies have indicated regarding digital technology adoption and the perceived affect it had on their annual reports. Yadav (2020) focussed on the increased difficulties that Fintech has associated with standard international financial regulation, which is interesting as this indicates that although financial technologies can be useful in terms of financial inclusion, it has an opposing affect with regards to standardisation. Truby (2020) discusses the policies and regulatory reforms that are particularly associated with Sandbox 2.0.

Swart and Lawack-Davids (2010) provided an overview and terminology related to the regulatory framework of the financial markets in South Africa. While Price (2018) illustrated the general uncertainties and the challenges that policy makers face, Tarullo (2019) describes how financial regulation in the US are still unsettled more than a decade after the GCF.

The FSCA (2020) provided an overview of what their strategy is for 2020-2025, and build on FSCA (2018b) strategic document that was published shortly after the FSCA, formerly the FSB, provided their current mandate and the Twin Peak model in the South African financial industry.

#### ***2.1.4 Literature review results for suggested solution areas***

This section provides the codebook for solution areas, the results relating to specific discovery questions and ends with a discussion of the solution areas.

##### ***Solution area codebook***

The steps followed for determining the literature review results for the *solution areas* are the same as with the class-of-problems. First, the coding scheme is established, as can be seen in Table 16, that was used for the coding of the related discovery question.

The following codes was selected for the purpose of identifying the solution areas:

- Cost solution area
- Regulatory solution area
- System solution area
- Implementation solution area

The coding scheme that was used for the solution areas are summarised in Table 16.

**Table 16 Coding scheme for solution areas**

GENERAL SOLUTION		SYSTEM SPECIFIC	
Code:	Code name:	Code:	Code name:
CSA 1	Cost reduction solutions	SSA 1	System availability solutions
CSA 2	Process standardisation solutions	SSA 2	System automation solutions
RSA	Regulatory automation solutions	ISA	Implementation modularity solutions
USA	Uncertainty mitigation solution		

A codebook was created with the codes as seen in Table 16, and the inter-coder agreement was completed for each of the codebooks. The codebook along with the articles for data extraction (Step 6) can be found in the Appendices.

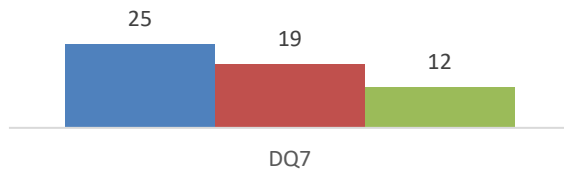
**Literature review results discussion on the solution area**

Table 17, is the summarised search results for the initial research questions relating to the solution area. Figure 3 is an overview of the results per discovery question.

**Table 17 Solution areas discovery questions search**

Discovery Question:	Practical Screening	Quality Appraisal
DQ7: What viable solutions are available to solve the class-of-problem?	19	12

■ Initial Screening ■ Practical Screening ■ Quality Appraisal



**Figure 3 Solution areas discovery question search**

The shortlisted documents, as found in section 2.1.2, were coded as per the codebook and the extracted results are discussed in Table 18 below. This table once again presents the extracted themes from the literature. Given the number of documents considered, the table summarises the results by showing the number of sources that pertain to each theme, while the Appendices provides greater detail on each source.

**Table 18 Results table for solution areas**

Discovery Question 7: What viable solutions are available to solve the class-of-problem?		
Number of sources:	Code:	Example of quote:
5	Regulatory automation solutions	"Possibilities include monitoring corporations' compliance with environmental regulations and real-time tracking of the location of airliners, to name but two simple examples of how technology could be used to improve not only regulation but also the regulated industry itself." (Arner et al., 2017b)
3	Implementation modularity solutions	"Say, if you wanted to be on the regulatory platform, you would have to be able to meet these requirements, such as transparency and auditability. But then within that, people would be able to constantly innovate, to update easily, and so on." (Barefoot, 2018)
5	Cost reduction solutions	"The first two phases represent the application of technology in regulatory monitoring and reporting to drive cost reduction benefits." (Arner et al., 2017b)
5	System automation solutions	"There's even discussion of the possibility that some regulations eventually might be issued in the form of computer code promulgated in a self-executing code that could simply be plugged into a regulatory compliance system and would automatically assure that compliance had occurred." (Barefoot, 2018)
2	Uncertainty mitigation solution	"Financial technologies increase the financial industry profitability, but, at the same time, they change the architecture of the financial system, which results in a potentially unstable and highly uncertain environment. FinTech threatens the entire global system sustainability, because its implementation makes the established functional links passive, new institutes and interdependencies are distorted and the new ones are created, which leads to unpredictable destabilizing consequences. Domestic and international regulators are not able to withstand new challenges, which is an additional factor in increasing the uncertainty and turbulence of the financial system." (Azarenkova et al., 2018)

**Discussion of solution areas**

Financial and regulatory technologies are the major disruption that was found in the research that will have a significant influence. Barefoot (2018) in a presentation on future of RegTech stated the following "People are talking about the possibility of financial regulation being designed, some of it, not all of it. Almost like an app store, where the regulators will set standards. Say, if you wanted to be on the regulatory platform, you would have to be able to meet these requirements, such as transparency and auditability. But then within that, people would

be able to constantly innovate, to update easily, and so on. There's even discussion of the possibility that some regulations eventually might be issued in the form of computer code promulgated in a self-executing code that could simply be plugged into a regulatory compliance system and would automatically assure that compliance had occurred.”(Barefoot, 2018)

Barefoot (2018) also stated, with regards to the specific development within the solution areas, that “These ideas, the system is not ready for them, but there is an academic and technology and financial leading edge of people who are thinking along these lines going forward. This is not coming immediately. It's not in the first wave of RegTech change underway, but there is a group of academics, technology people, and financial people, and legal experts who are beginning to think along these lines of the future that we should have in mind as we begin to take what initially are baby steps toward RegTech.”(Barefoot, 2018)

### 2.1.5 Main concepts for the selected body of knowledge

This section provides some of the main concepts related to the solution areas, which were extracted and summarised from the literature review. A taxonomy is used to classify these concepts and a timeline indicates the development of concepts within the chosen solution area.

#### Main concepts codebook

The coding scheme that was used for the Main Concepts are summarised in Table 19.

**Table 19 Coding scheme for main concepts**

GENERAL SOLUTION		SYSTEM SPECIFIC	
Code:	Code name:	Code:	Code name:
CMC	Compliance costs concepts	SMC 1	Systems capabilities concepts
RMC	Regulatory burden concepts	SMC 2	Cyber security concepts
UMC	Solution uncertainty concepts	IMC	Implementation concepts

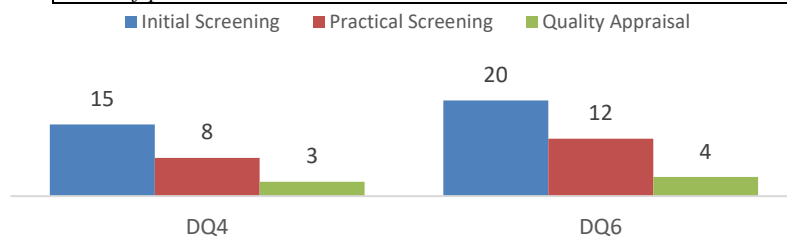
A codebook was created with the codes as seen in Table 19, and the inter-coder agreement was completed for each of the codebooks. The codebook along with the articles for data extraction (Step 6) can be found in the Appendices.

#### Related main concepts

During the literature review, concepts that are used frequently within the selected body of knowledge were extracted and summarised. Table 20 and Figure 4, is the summarised search results for the discovery questions relating to the main concepts.

**Table 20 Main concepts discovery questions search**

Discovery Question:	Practical Screening	Quality Appraisal
<b>DQ4:</b> What concepts are associated with the main knowledge area?	8	3
<b>DQ6:</b> What knowledge areas could be useful to develop a solution to the class-of-problems?	12	4



**Figure 4 Main concepts discovery questions**

#### Taxonomy to classify the concepts

Table 21, is the relevant taxonomies that are used during the research.

**Table 21 List of taxonomies**

Authors	Article title
Céret et al. (2013)	A taxonomy of design methods and processes models
Farkas (2017)	A Systems View of IS Governance and IT Governance: A Case Study of the Virginia Department of Transportation
Gimpel et al. (2018)	Understanding FinTech start-ups - a taxonomy of consumer-oriented service offerings
Nicolas et al. (2015)	A Taxonomy of Evaluation Methods for Information Systems Artefacts

#### Development of FinTech and RegTech: Timeline of development within solution area

Figure 5, is a visual representation of the three FinTech Era's, as described in a report by Arner et al. (2017b)



**Figure 5 FinTech development timeline adapted from Arner et al. (2017b)**

The first stage we characterise as FinTech 1.0, a period that stretches from the laying of the transatlantic telegraph cable to the development of the global telex network and which captures long-standing interactions between technology and finance (Arner et al., 2017b).

The second stage, FinTech 2.0, encompasses the pre-GFC period underpinned by the digitisation of traditional financial services, beginning with the first ATM and culminating in e-banking (Arner et al., 2017b).

Since the GFC, the rapidity of technological development and the proliferation of start-ups and IT firms providing financial services have characterised the era of FinTech 3.0 (Arner et al., 2017b).

An interesting phenomenon is that FinTech was used, long before the term was popularised by Tech start-ups. In comparison, RegTech only started much later and was initially extremely basic, and although RegTech 3.0 is only in a developmental stage, the future is full of possibilities.

Figure 6, represent a rough timeline of what the development in the industry is seeing.



**Figure 6 RegTech development timeline adapted from Arner et al. (2017b)**

RegTech, as mentioned is still quite new and is not nearly as popular in most start-up organisations, but for the purpose of assisting in alleviating the pressure that is placed on FSPs as well as the regulators, there is significant research and development done in this field (Barefoot, 2018).

### **Main concepts definitions and terms**

The definitions and terms used in this dissertation, as identified from the literature in this chapter are shown in Table 22 below. A similar table was also provided in section 1.7 that contained industry specific definitions.

**Table 22 Definition of solution area terms**

<b>Term</b>	<b>Definition</b>	<b>Source</b>
<b>Decision Support System</b>	<i>"A Decision Support System can be seen as a knowledge-based system, used by senior managers, which facilitates the creation of knowledge and allow its integration into the organisation. These systems are often used to analyse existing structured information and allow managers to project the potential effects of their decisions into the future. Such systems are usually interactive and are used to solve ill structured problems. They offer access to databases, analytical tools, allow "what if" simulations, and may support the exchange of information within the organisation."</i> (2020)	(Kimble, 2020)
<b>FinTech</b>	<i>"Financial technology (Fintech) is used to describe new tech that seeks to improve and automate the delivery and use of financial services. At its core, fintech is utilised to help companies, business owners and consumers better manage their financial operations, processes, and lives by utilising specialised software and algorithms that are used on computers and, increasingly, smartphones. Fintech, the word, is a combination of "financial technology"."</i> (2020b)	(Kagan, 2020b)
<b>FinTech hackathon</b>	<i>"A FinTech hackathon promotes the development of financial technology for financial customers by identifying technological solutions to meet identified consumer needs. Hackathons bring together FinTech developers, product innovators, incumbent financial institutions, regulators and other key stakeholders to develop financial solutions, discover new technologies, and identify and share critical skills and resources."</i> (2018b)	(FSCA, 2018b)
<b>Industry 4.0</b>	<i>"Industry 4.0 to consist of key topics related to Cyber-Physical Systems (CPS), Internet of Things (IoT), industrial Internet and others."</i> (2018)	(Tay et al., 2018)
<b>RegTech</b>	<i>"RegTech refers to adoption by regulated entities of technology to assist them with their regulatory reporting and improve compliance management."</i> (2018b) <i>"RegTech, a contraction of the terms regulatory and technology, describes the use of technology, particularly information technology (IT), in the context of regulatory monitoring, reporting, and compliance."</i> (2017b)	(FSCA, 2018b) (Arner et al., 2017b)
<b>Sandbox</b>	<i>"Sandboxing is a process of allowing testing of new technologies in a managed space, affording customers appropriate protection and resolution should the FinTech initiative not deliver to expectations."</i> (2018b)	(FSCA, 2018b)
<b>SupTech</b>	<i>"SupTech entails supervisors themselves using technology to improve the efficiency and effectiveness of their supervisory methods."</i> (2018b)	(FSCA, 2018b)

## 2.2 Discussion of literature

The literature search first identified existing SLR's, using the following keywords: SLR, Compliance, Finance, Insurance, and searching on the following platforms WorldCat.org, WorldCat, **since** 2000. There was no SLR found to be related specifically to the topic of compliance in the financial industry. A second iteration of keywords including the following was used kw:(slr OR "systematic literature review" OR "literature review" OR overview) AND kw:("Compliance" OR "Comply" OR "Regulations" OR "Requirements") AND kw:("Finance" OR "FSP" OR "financial industry" OR "Intermediary") AND kw:("FAIS Act" OR "FSB" OR "FSCA") AND kw:("South Africa" OR "Africa") AND kw:("Insurance" OR "Insurer" OR "Intermediaries"). The *literature platforms* included: WorldCat.org, WorldCat, since 2000. Within these searches, forward and backward snowballing was employed as described by Wohlin (2014). Forward snowballing was used to search for papers that have cited the study in question, and backward snowballing to search the reference list of the selected studies. Snowballing was repeated until no more relevant studies were found.

With the Financial Advisory and Intermediate Services Act (FAIS Act) being introduced in 2002 and coming into effect in 2004, the FAIS act has been with the financial industry for nearly two decades and it has been amended several times over the past decade with the introduction of regulatory examinations and other compliance requirements (Sham, 2019). The Financial Sector Conduct Authority (FSCA), previously known as the Financial Services Board (FSB) in South Africa, is like the Financial Conduct Authority (FCA) in the United Kingdom. In the United States, federal and state governments have a myriad of agencies in place that regulate and oversee financial markets and companies (Schmid, 2021). Understanding the business decision aspects that can influence an advisor's decision can have far-reaching consequences.

While most published financial research focus on the investment side of the financial industry, including models and decision aspects that companies provide better advice to their clients, this research focuses on the business-side more than on the clients they serve. It is also logical that any internal improvements from an operational point of view can have a direct impact on the services the clients receive.

A study conducted by Maree (2012) found that there were various troubling findings among FSPs, more specifically financial advisory businesses, in South Africa. They surveyed 567 participants and found that the average FSPs age was 54 at that time and the cost of compliance of the average FSP was R188 658 (\$13123) per annum, R16 000 (\$1100) per month. Based on base inflation over the past nine years, in 2021 these costs would be approximately R222 615 (\$15485) per annum or R18 500 (\$1300) per month after having an inflation adjustment.

A study conducted by Hoque and Peter (2016) found that over 50% of respondents earned less than R750 000 in 2013 and of those, approximately 31% earned between R250 000 and R500 000 per year, with merely 20% earning more than R1 000 000 (\$62 500) per year. Since 2012 there has been an increase in the cost of regulations across the world (FSCA, 2018b, FSCA, 2020).

From previous studies done on FSPs by Maree (2012), Hoque and Peter (2016), Schnetler (2019), Schnetler (2020) as well as the regulations on the financial industry by Brittz (2005), FAIS (2013), FSB (2013), FPI (2014), Sham (2019), multiple decision aspects were identified that are deemed significant in the research.

The following are the decision aspects that were identified during the literature review phase.

- Number of Independent Financial Advisors (IFAs)
- Number of representatives
- Number of administrative staff members
- Monthly turnover
- Focus area of the business
- Focus area that clients make use of
- Average time that a focus area requires
- Whether the compliance officer is internal or external to the organisation
- Whether business continuity planning is internal or external to the organisation
- How long an FSP is planning to stay in the industry before selling the business
- What client segmentation is targeted
- The adoption rate of technology of the FSP
- The information system currently being used
- What the average administrative staff salary is
- Percentage commission split for IFAs
- Percentage commission split for representatives

Key concepts emerged from the literature review and need further discussion to provide more clarity about the identified decision aspects. The sub-sections that follow, provide more detail about these concepts as they relate to legislation, as well as some of the findings from previous studies. The listed decision aspects are not exhaustive and are subject to specific requirements and legislation in South Africa. Given the push for regulatory standardisation, there might be some similarities between the decision aspects in different regions.

From the research six key concepts were identified that is crucial to understanding the financial industry and the preliminary decisional aspects that have been identified are discussed under each of the separate heading.

The six key concepts are:

- Representation
- Administrative staff
- Business Continuity
- Compliance and Compliance Officer
- Focus Area
- Internal Commission Agreements

### ***Representation***

The concept *representation* can be defined as individuals who have passed their RE5 exams in South Africa and are registered with the FSCA (FSB, 2013, FAIS, 2013, FPI, 2014, FAIS, 2014). The literature review indicated that recommendations, such as the number of financial advisors and number of representatives, in many cases caused confusion, since the FAIS Act, enforced by the FSCA, requires that all individuals who communicate with a client that is not in an administrative role, must be registered as a representative of the FSP. Confusion exists when financial advisors and representatives are considered as separate categories, therefore Independent Financial Advisors (IFAs) are used instead, as it describes a more specific group of financial advisors. IFAs are defined by the FSCA as individuals who can provide advice on a wider range of financial products (FAIS, 2013, FPI, 2014).

### ***Administrative staff***

The concept *administrative staff* can be defined as employees that function in a non-advisory role in an FSP (FSB, 2013, FAIS, 2013, FPI, 2014, FAIS, 2014). Administrative staff is essential, as well as the average salary for such staff, since different business structures and focus areas require more staff in some cases and other focus areas, less staff. This is again very specific to the organisation and including these as a primary consideration could be valuable, as some focus areas are administratively intensive and other areas are less administratively intensive (Maree, 2012, Hoque and Peter, 2016). As an example, when considering short-term insurance as opposed to life insurance or investments, with short-term insurance there are events, such as claims or inquiries regarding procedures that can be completed by administrative staff, while with life insurance and/or investments, these events are client-specific and are mainly related to financial advice and most of the tasks will have to be completed by the financial advisor (FPI, 2014).

### ***Business continuity***

The concept of *business continuity* can be defined as a proactive process to ensure that the critical advisory business' services or products are delivered during a disruption (Maree, 2012). FSPs in South Africa are required by law to ensure that they have a business continuity plan in place in case anything untoward should happen to the Key Individual (KI) of the FSP, as the KI is the person who holds the final responsibility for advice that was provided by any of the representatives of the FSP (FAIS, 2013). The current legislation in South Africa requires that there has to be a secondary KI that will take over responsibilities, the moment the primary KI becomes unable to complete their duties (FPI, 2014, FSB, 2013). This has caused some frustration in the industry as based on the legislation there can be no delay between the moment that the secondary key individual takes over from the primary key individual, as an FSP cannot exist without a KI (FPI, 2014, FAIS, 2013).

### ***Compliance and compliance officer***

*Compliance* is defined by FAIS (2013) as the process of ensuring that an FSP adheres to all requirements. In South Africa, if there is more than one representative, the FSP is required by law to have an external *compliance officer*, but when the FSP has only one registered representative, it is acceptable to have an internal compliance officer, given that the internal compliance officer adheres to the requirements of being approved as a compliance officer by the FSCA (FPI, 2014).

### ***Focus area***

The *focus area* of an FSP is important in understanding the environment that the FSP faces. An FSP can either be a specialist FSP that focuses on one area of financial advice, such as investment, or an FSP can have a variety of financial advisory services that are provided to their clients (Maree, 2012, FPI, 2014). The broad categories are short term, life (long term commonly known as life assurance), investment, medical, and other specialist categories (FSB, 2013, FPI, 2014). This study intends to focus on FSPs that provide one or more of these broad categories or services, and more specifically focusing on independent financial advisory businesses. The purpose is to investigate the effect that decision aspects and their relationships can have on future recommendations to the FSP.

### ***Internal commission agreements***

The concept *internal commission agreement* can be defined as an agreement between any representative or IFA and the FSP. (FSB, 2013, FAIS, 2013, FPI, 2014, FAIS, 2014). What was found, is that at this point trying to go into detail regarding the percentage of commission split between the company and the IFAs and representatives adds a level of complexity that has no real value at this stage and will only become practically useful once more data is collected, as it can vary from one FSP to another. This is because FSPs can determine the percentage of commission that IFAs and representatives receive on the clients that they serve and bring to the FSP. The level of variation in FSPs are not researched and the difference in the focus areas that these representatives or Independent financial advisors provide, as well as their qualifications, could influence the agreements between the different IFAs within a company.

# Chapter 3:

## Research methodology

The primary research question is answered via the research method and not the discovery questions. For the successful completion of this dissertation, a *mixed methods methodology* is required.

This chapter is divided into five sections, section 3.1 is a review of the literature on mixed methods research. This is followed by presenting the mixed methods phase description including an overview of the goal and intended output of the phases in section 3.2. Section 3.3 presents the data-gathering methods and limitations for each of the phases. Section 3.4 presents the interview questions as used in phase 1. The chapter is concluded with an overview of phase 2 in section 3.5, that includes the two surveys with survey questions.

### 3.1 Mixed methods research literature

This section discusses the literature around mixed methods research, including a definition of mixed methods research used for this study in section 3.1.1, the type of research problems that require mixed methods in section 3.1.2, the advantages of mixed methods in section 3.1.3, the challenges of mixed methods in section 3.1.4 and the key concepts informing mixed methods design in section 3.1.5. The section concludes with an overview of the type of mixed methods required in section 3.1.6.

While McCusker and Gunaydin (2015), focus on the various research methodologies in medicine, the use of mixed methods research is quite common in the medical field, with the top researcher on mixed methods research being Professor John W. Creswell from the Department of Family Medicine at University of Michigan. The use of mixed methods has a strong connection to social sciences. Prof JW Creswell has been the author of multiple publications that was beneficial to this research including: Creswell and Plano Clark (2018), Creswell (2016), Creswell (2014). This study, as will become apparent, requires a strong qualitative methodology but also required a quantitative element to provide a holistic understanding of the decisional aspects for multifocal FSPs.

Venkatesh et al. (2013) published a journal article providing guidelines for conducting mixed methods research in information systems that provided an alternative to the perspective of social and medical sciences. Edmonds and Kennedy (2016) published a book regarding an applied guide to research designs that provide context on quantitative, qualitative, and mixed methods, which provides additional insights. Bergman (2008) provided insights into the advancements that took place in mixed methods research in the mid-2000's and while more than a decade has passed, the advancements of the previous cycle of mixed methods research remains insightful, including a similar publication by Bazeley (2004) regarding the issues with mixed methods research and an insightful more recent paper, also by Bazeley (2018) regarding the divide between quantitative and qualitative research and how to transcend it. An older publication by Azorin and Cameron (2010) provides a literature review on mixed methods research that focussed on the use in organisations. Borrego et al. (2009) propose a research review to open dialog about quantitative, qualitative and mixed research in engineering education research. Almalki (2016) discussed integrating qualitative and quantitative data, including the benefits and challenges researchers face. Finally a recent book publication by Leavy (2022) provides additional insights into the use of mixed methods research.

#### 3.1.1 What is mixed methods research?

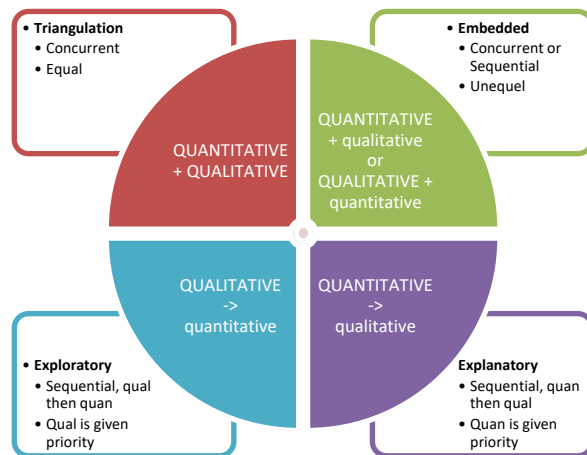
Creswell and Plano Clark (2018) presented a definition for mixed methods research as defined by Johnson et al. (2007) that involve the combination of qualitative and quantitative elements for the purpose of depth and breadth.

While mixed methods research is often connected to medical research as discussed by Leppink (2017), Mertens (2019) discussed the use in education and psychology. Since mixed method research provides the ability for researchers to answer research questions that require both qualitative and quantitative sources it is widely applicable to social research.

Schoonenboom and Johnson (2017) provide a valuable paper on the construction of mixed methods research design, and while the paper was published in German, it is a valuable resource that is available in English as well.

Borrego et al. (2009) presented various interpretations and uses in mixed methods research including five specific design types, that include a table summarising how the timing of phases and the relative weighting for qualitative and quantitative components are structured. The exploratory design type is structured sequentially with qualitative component in phase 1 and is used to inform the research, this is followed by a quantitative component in the second phase to support the design and findings, while the qualitative component is given priority in exploratory designs.

Figure 7, is a visual representation of how different types of mixed methods design uses qualitative (qual) and quantitative (quan) research, as presented in Borrego et al. (2009).



**Figure 7 Design types adapted from Borrego et al. (2009)**

### 3.1.2 What research problems require mixed methods?

Creswell and Plano Clark (2018) discusses several research problems that require the use of mixed methods when the need exists to:

1. Obtain more complete and corroborated results
2. Explain initial results
3. Explore before administering instruments
4. Enhance an experimental study with a qualitative method
5. Describe and compare different types of cases
6. Involve participants in the study
7. Develop, implement, and evaluate a program

Borrego et al. (2009) presented five design types that require mixed methods that were extracted from authors such as Creswell and Clark (2007):

- A. Triangulation
- B. Embedded
- C. Explanatory
- D. Exploratory
- E. Quantitizing qualitative data

Given the discussion provided by Creswell and Plano Clark (2018), the need to first explore before administering instruments, are particularly applicable in this research, as the limited research was available on the topic of multifocal FSPs in South Africa, providing a good motivator why mixed methods was required for this research. Other research problems discussed by Creswell and Plano Clark (2018) include the need to obtain more complete and corroborated results as was the case in this study, when two quantitative surveys were included to expand on the initial findings from interview participants as described in section 3.3.

### 3.1.3 What are the advantages of using Mixed Methods?

Several advantages are described by Creswell and Plano Clark (2018), Creswell (2016), and Creswell (2014) including the opportunity to bridge the gap between quantitative and qualitative research, offering insights that go beyond the insights that quantitative or qualitative studies can provide, and finally answering the questions that qualitative or quantitative research alone cannot answer.

### 3.1.4 What are the challenges in using mixed methods?

Creswell and Plano Clark (2018) highlighted three specific categories for challenges when using mixed methods regarding:

- Researcher skills.
- Time and resources.
- Educating other about the value of mixed methods.

These categories of challenges were all prevalent as the researcher had to spend a considerable amount of time on research, reading the additional 104 book publications as presented in the Appendices to understand the broad context for a variety of business authors to understand how they approach complex problems and uncertainty. Time was certainly a factor as ethical clearance and continuous reflection on findings, was foundational in developing the mixed methods used to conduct the research, as presented in appendix D.

### **3.1.5 Key concepts that inform mixed methods designs**

Key concepts relate to the fixed and emergent designs as well as the distinction in approach to the design which can be interactive, or within a defined typology.

#### ***Fixed and emergent designs***

The key distinction between fixed and emergent design is that with fixed design, the research design is specified at the start of the research process and there is limited variation that will take place during the process of the research, while with emergent design there is inherent discovery and re-evaluation that takes place during the research process (Creswell and Plano Clark, 2018). Fixed design requires extensive experience regarding mixed methods design from both the researcher and the supervisor on the topic of mixed methods design as well as in-depth expertise on the topic to understand what the fixed mixed method is designed for in each stage of the research (Creswell and Plano Clark, 2018).

Given the fact that the research took place on a subject that has not been widely researched, particularly regarding multifocal FSPs in South Africa, frequent re-evaluation took place during the process of the research. An emergent approach applied to the study, requiring additional time in various instances related to an additional ethical clearance application that was submitted once the initial findings from the preceding phases were completed. For future research on the topic of multifocal FSPs, it is possible that a fixed design can be used, as the insight from this study provides great insights and valuable lessons learnt.

#### ***Typology and interactive approaches to design***

Creswell and Plano Clark (2018) stated that in addition to using fixed and emergent mixed methods designs, researchers also use different approaches for designing their mixed methods studies. Several approaches exist to design, broadly classified within two categories: typology-based and interactive.

Typologies have been well defined and categorised by a number of researchers such as presented in Creswell and Plano Clark (2018), providing a description of both the typology and the area of application. None of the typologies presented were specifically suited to the research design that was required for this study. In this study, the approach developed as the research progressed when new insights emerged from each phase.

The approach for this study can be classified as *interactive*, rather than typology based. The emergent mixed methods that were required for this study, took place in close collaboration with the FSPs involved to understand if the method that was used, and the proposed new methods for consecutive phases were practical, in terms of finding participants and the willingness of the participating FSPs to continue in the consecutive phases of the research. Interaction was crucial in this research, as the lack of previous research regarding multifocal FSPs in South Africa made the involvement of participating FSPs critical to the success of the overall research output.

### **3.1.6 Overview of mixed methods research required**

A need existed to first explore before administering instruments as described by Creswell and Plano Clark (2018). This study had unforeseen challenges, and a second approach was added, thus *emergent mixed methods* as discussed by Creswell and Plano Clark (2018) was required. Lastly, this study uses an interactive approach to design, as described by Maxwell (2012), as well as Creswell and Plano Clark (2018).

## **3.2 Method for this study**

This study required interactive, emergent mixed methods research, as described by Creswell and Plano Clark (2018), which aligns with the exploratory design described by Borrego et al. (2009), see Figure 7.

While both quantitative and qualitative research are used, priority is given to the qualitative component during exploratory design types i.e., QUAL -> quan, and phase 1 informs phase 2 (Borrego et al., 2009). While quantitative data is collected, the emphasis is on qualitative data, and quantitative analysis are not conducted.

Data was gathered through informal interviews, expert interviews, and surveys, as discussed in each of the relevant phases. Method triangulation, as described by Patton (2015), was applied, using both interviews and surveys in phases 1 and 2 respectively. Figure 8, is a visual representation of the phases that the research consisted of, i.e., a flow chart of phases, including the various subcomponents of each of the phases.



**Figure 8 Mixed method research phase overview**

The output for phase 0 was presented in section 2.2, while the output from phases 1 and 2 are in sections 5.1 and 5.2 respectively.

### 3.3 Data gathering methods and limitations

This research used convenience sampling in all phases of the research. The findings, while as universal as possible for multifocal FSPs in South Africa, might be limited in the fact that a particular FSP's business configuration might be unique and other decisional aspects might not have been included in the decisional aspects as presented in this dissertation. More research is certainly needed on the configuration of different FSPs, before further research can be done on multifocal FSPs. The purpose of the study was to identify the main decisional aspects that multifocal FSPs should consider for their strategic future, and as such this list provides the most universal decisional aspects that multifocal FSPs should consider for their strategic future.

The findings from the limited responses cannot make the broad claims as in the study by Maree (2012). The participants in this study were selected based on their experience in the financial industry, and the findings can serve as guidance to FSPs, given the high regard and quality of the participating FSPs.

#### *Phase 0a: Interview data gathering*

A broad needs analysis was conducted on four different FSPs in South Africa, to determine what some of the overarching problems are within FSPs in South Africa and guide the research topic. Four FSPs, based in Pretoria South Africa, accessible to the researcher, were investigated regarding the overarching problems that they faced as FSPs. The researcher does not claim that the problems identified from the four FSPs are exhaustive, but a representative sample of 4 FSPs was taken, ensuring that the selected FSPs were dissimilar regarding multiple areas, as described in section 1.3

The selected FSPs had been in the industry for at least more than a decade, using established FSPs for the sample. Three of the four FSPs interviewed are managed by individuals who serve as part of the Jacaranda branch of the Financial Intermediaries Association (FIA) of South Africa, which is the largest association of its kind. The reason this is mentioned is that these individuals as mentioned in section 1.3 have experience of the problems that other FSPs also face as part of their role in the FIA. The participants were asked to indicate problems that the financial industry faces, not merely the problems that they face internally within their own organisations. The reason for seeking general feedback is that their experience within the industry should not be limited to their own FSPs only.

#### *Phase 0b: Literature data gathering*

Since there was limited research available on the financial industry related to FSPs, some industry reports, which were not accessible via the worldcat.org library, was obtained from organisational websites as discussed in section 1.3. These sources were published by reputable organisations and was included in the literature evaluated in Chapter 2. This still left limited insights into what problems FSPs are currently facing and thus primary data collection via expert interviews were required.

Data was extracted from existing literature, both academic and secular. The extended literature review included 104 books, presented in the Appendices, while titles were selected based on the authors credibility within their industry. Many authors, while non-academics, are very well known within their respective industries and have published academic literature in the past. The literature in this section was purposefully chosen to be from different authors and fields over the past three decades, as many of the claims from these authors can be evaluated based on major economic events that followed the publication and have withstood the test of time. Business literature tends to be very theoretical and abstract at the time of publication, but the lessons and thinking processes can be critically evaluated once sufficient time has passed for the literature to be tested by academia and industry practitioners.

### ***Phase 1: Interview data gathering***

Data was collected from four different FSPs in South Africa ranging in their focus area, size, etc. The limitations are that these four FSPs, while being representative of FSPs in South Africa, are limited in not representing all possible variations of FSPs in South Africa financial industry. What is particularly important to note is that none of the FSPs focus on investments as a primary source of business, and if investments are provided to their clients, it is at a limited level, or focussed on the retirement funds of their clients. Investment specific FSPs are not part of the focus of the research, as investment focussed FSPs have different opportunities regarding the commission earned from their clients, and tend to have more capital available, thus this research is focussed on multifocal FSPs in South Africa, who do not focus primarily on investment.

Since the research was limited to only four FSPs in phase 1, the data is limited in the general applicability. The four FSPs were selected with specific criteria to ensure that there are multiple differences in the FSPs, as this is part of a larger ongoing study into the financial industry. The shortcomings and sources of error from phase 1 is not a problem as there is an additional round of external validation that is conducted with a larger sample of FSPs. The findings from phase 0 and phase 1 were published and presented in Monterrey Mexico (Schnetler et al., 2021).

### ***Phase 2: Survey data gathering***

Data is collected from a wider sample of FSPs, using two surveys through convenience sampling as described by Sedgwick (2013), and Taherdoost (2016). The first survey is a 10-year review survey of the original Maree (2012) survey that initiated this research study. The second survey is used to validate the findings from phase 1, and was a survey based on the questions used during the expert interviews of phase 1. These FSPs are contacted by the owner of SW Konsult. The number of responses on these surveys are expected to be low, as the surveys are used as a tool to provide respondents with anonymity when competing the survey. While structured interviews are the preferred method of data collection for smaller sample sizes, the availability of participating FSPs were low during phase 1 due to a general apprehension to share possible sensitive information. It was decided to convert the structured interviews, as used in phase 1, to a survey, as it provides respondents with anonymity in their responses, and the necessary time needed when selecting their responses, as discussed in section 3.5 and section 4.2.

### ***Phase 2a: Survey for context data gathering***

The survey is a duplication of the original study by Maree (2012), and is used to determine how the participants in this study differs from the respondents from the 2012 study. The 2012 study had 567 participants and is deemed critical to understanding the South African financial industry. This study does not aim to replicate the 2012 study, as regulations, time and ethical considerations make it improbable that the number of respondents will be as high. The purpose of this survey is to provide context regarding the participating FSPs, and how they compare to the responses from 2012.

### ***Phase 2b: Survey for decision aspects data gathering***

The questions presented in section 3.5.2 is a variation of the original interview questions presented in section 3.4, with a range of answers that respondents were able to select from. The independent responses on the survey for phase 2b, is used to validate whether the decision aspects that were selected are deemed significant/useful by the respondents.

## **3.4 Phase 1: Decision aspect extension expert interview questions**

Using the literature review as a foundation for further enquiry, four FSPs were selected that range in their business decision aspects to understand how the different business decision aspects can influence an FSPs strategic direction going forward. This section introduces the main data-gathering instrument that was used during phase 1, namely structured expert interviews, in accordance with the guidance provided by (Saunders et al., 2016), as well as the analysis method, i.e. structured coding, following the guidelines of Guest et al. (2011).

Based on the initial list of decision aspects that were extracted from literature, expert interviews with four FSPs highlighted several primary business decision aspects. The expert interviews were used to find alignment between

academic and business literature and what is experienced in the industry by the FSPs directly. These interview questions are used to understand the business environment of the FSPs as well as understand some of the critical decision aspects for independent financial advisory business. The interview questions were divided into three main areas, firstly general problem analysis, which was used to understand a number of fundamental concerns identified in Maree (2012) related to FSPs. Secondly, compliance-specific questions were used to understand the perspective of the FSP with regards to compliance requirements, which was also the focus of the study by Maree (2012) to determine if there have been any noticeable changes over the past decade. Thirdly, questions to identify additional decision aspects. The interview results are presented in section 4.1. A list of the interview questions follows. Note that questions IQ1 to IQ3 as presented in section 1.3 were not included.

#### General concerns of FSP

- IQ4: Is cyber security an area of concern in your organisation?
- IQ5: Do you see ongoing compliance as an area of concern in your organisation?
- IQ6: Do you see the number of acts that you have to adhere to as an area of concern?
- IQ7: Are you in an “audit ready” state now?
- IQ8: How many employees do you have, and how many are you willing to consider employing in the future?
- IQ9: Is the succession plan that you are required to have practical if you, as KI, were to you go missing or pass away?
- IQ10: Will your additional KI continue with the business and pay a fair price for the FSP, or will your family be adversely affected because of it?

#### Compliance requirements

- IQ11: Do you think that the solution that you have in your organisation with regards to compliance is the best possible method available to use?
- IQ12: How did you decide on what the compliance system to use in your organisation?
- IQ13: How many alternatives did you consider before selecting your system? Probe.
- IQ14: What are you going to do with regards to future expansion in your business, are you currently able to handle additional reps, admin staff or even clients? Probe.
- IQ15: What is the process that you follow when you are doing your compliance? Probe.
- IQ16: Do you have to do it manually by copying and pasting information? Probe.
- IQ17: Why did you decide on doing your compliance in this way? Probe.
- IQ18: Does compliance take a lot of your time and/or money? Probe.
- IQ19: Is the system you use costing you a lot of money or have you reduced the cost? Probe.
- IQ20: Is your current system able to be adapted to incorporate new regulatory compliance? Probe.

#### Additional decision aspects

- IQ21: Number of independent financial advisors? (Currently and anticipated in the next five years)
- IQ22: Number of representative(s)? (Currently and anticipated in the next five years)
- IQ23: Number of administrative staff members? (Currently and anticipated in the next five years)
- IQ24: Monthly turnover? (Currently and anticipated in the next five years)
- IQ25: Hourly rate? (Currently and anticipated in the next five years)
- IQ26: Focus area provide by FSP (i.e., short term, life, investment, medical, other)? (Currently and anticipated in the next five years)
- IQ27: Client focus area (i.e., short term, life, investment, medical, other)? (Currently and anticipated in the next five years)
- IQ28: Focus area allocation (as a %)? (Currently and anticipated in the next five years)
- IQ29: Focus area time allocation/requirement (as a %)? (Currently and anticipated in the next five years)
- IQ30: Daily available work hours? (Currently and anticipated in the next five years)
- IQ31: Compliance officer position (internal or external to organisation)? (Currently and anticipated in the next five years)
- IQ32: Business continuity position (internal or external to organisation)? (Currently and anticipated in the next five years)
- IQ33: Client segmentation (i.e., low-value low-time, low-value high-time, high-value low-time, high-value high-time)? (Currently and anticipated in the next five years)
- IQ34: Current information system used (i.e., outsourced administration, built-own system, pay-per-use system, free-to-use system, legacy system)? (Currently and anticipated in the next five years)
- IQ35: Average administration staff salary? (Currently and anticipated in the next five years)
- IQ36: How long do you plan to stay in the industry before selling your business?

### **3.5 Phase 2: Decision aspect refinement surveys**

Survey participation was completely voluntary, responses were anonymised, and individual survey responses are not analysed as per the agreement with the participant. The respondents of the survey were contacted by the owner of SW Konsult, a longstanding member of the Financial Intermediaries Association (FIA) which is the largest

body of its kind in South Africa. Other participants were contacted via personal networks and requested to complete the survey themselves and associates who work in the financial industry.

For the standardised surveys, associated questions were used as in the expert interviews to accelerate data-gathering. The difference between the interviews and standardised survey is that participants were provided with multiple answer options per question. These options, and specified ranges were derived, using inputs from the expert interviews. The suitability of the questions was validated in consultation with the 4 FSPs that were initially interviewed for this study.

There were two different surveys that participants were requested to complete, the one being a *10-year review survey* of the original survey conducted by Maree (2012) and the second being a survey that is similar to the expert interviews, with the difference being that the options that respondents could select, were provided as fixed-format options. Two open ended questions were provided to survey respondents. The first open-ended question inquired whether participants had additional comments. The second question inquired whether decisional aspects in the survey was comprehensive for strategic decision making, including requesting participants to provide any comments or recommendations.

The four groups of FSPs that were sampled are as follows:

- Medical
- Short term (personal and commercial lines combined)
- Life/risk (personal and commercial lines combined)
- Investments (personal and commercial lines combined)

### ***3.5.1 Phase 2a: Context for decisional aspects refinement data collection***

The 27 questions provided below are a duplication of the survey that was used by Maree (2012) and is provided in the same order and options, as were provided to survey participants in 2012. The results for the 2022 survey are provided in section 4.2.1. This survey provides context to the business environment of the participating FSPs.

- CSQ 1: Which one of the following roles applies to you?
  - a. Business Owner
  - b. Representative
  - c. Key Individual
- CSQ 2: Which one of the following licence categories do you fall under? Select those that apply to you?
  - a. Category I
  - b. Category II
  - c. Category IIA
  - d. Category III
  - e. Category IV
- CSQ 3: Which area of financial services is your primary business focus? Select those that apply:
  - a. Risk (Life)
  - b. Investment
  - c. Health
  - d. Short Term
  - e. Employee Benefits
  - f. Other
- CSQ 4: How many years of experience do you have in the industry?
  - a. Less than 3
  - b. 3 to 5 years
  - c. 5 to 10 years
  - d. 10 to 15 years
  - e. More than 20 years
- CSQ 5: Which one of the following qualifications do you have?
  - a. Matrix/Grade 12
  - b. Certificate
  - c. Diploma
  - d. Degree
  - e. Post Graduate Degree
  - f. Other
- CSQ 6: Which one of the following is closest to your hourly rate? (If you do not have an hourly rate, which rate do you believe you would charge as an average for your services)
  - a. Less than R500
  - b. R501 to R750

- c. R751 to R1000
  - d. R1001 to R1250
  - e. R1501 to R2000
  - f. More than R2001 per hour
- CSQ 7: Do you agree with the thinking behind the regulatory exams?
    - a. Yes
    - b. No
    - c. Maybe
  - CSQ 8: Did you pass the regulatory exam for representatives?
    - a. Yes
    - b. No
    - c. Not yet written
    - d. Not applicable
  - CSQ 9: How many hours did you spend preparing for the regulatory exams?
    - a. 0 hours
    - b. Between 1 and 35 hours
    - c. Between 36 and 60 hours
    - d. Between 61 and 80 hours
    - e. Between 81 and 100 hours
    - f. More than 100 hours
  - CSQ 10: How much money have you spent on preparing for the regulatory exams?
    - a. Less than R2000
    - b. Between R2000 and R4000
    - c. Between R4000 and R6000
    - d. More than R6000
    - e. Not applicable
  - CSQ 11: Who does your compliance?
    - a. You are your own compliance officer
    - b. Internal compliance officer
    - c. External compliance officer
    - d. Other
  - CSQ 12: How much do you spend on compliance related costs per month? (Compliance officer, internal rules, monitoring, policies, and procedures, FSB/FSCA licences)
    - a. Less than R1000
    - b. R1000 to R2500
    - c. R4000 to R7000
    - d. More than R7000
    - e. Uncertain about amount
  - CSQ 13: How much of your time is spent on monthly compliance related activities and paperwork?
    - a. 0 to 10%
    - b. 10 to 20%
    - c. 20 to 30%
    - d. 30 to 40%
    - e. 40 to 50%
    - f. More than 50%
  - CSQ 14: By how much has your time on compliance related activities increased in the last three years?
    - a. Less than 5%
    - b. Between 5 to 10%
    - c. Between 10 to 15%
    - d. Between 15 to 20%
    - e. More than 20%
  - CSQ 15: How often does your compliance officer do on-site visits and monitoring?
    - a. Never
    - b. Once per year
    - c. Twice per year
    - d. Three times per year
    - e. Four times per year
    - f. More than four times per year
  - CSQ 16: How often do you assess your business risk management plan?
    - a. Never
    - b. Quarterly

- c. Annually
  - d. Every second year
  - e. Every three years
  - f. Not applicable
- CSQ 17: Do you have a business continuity plan?
  - a. Yes
  - b. No
  - c. Not sure
- CSQ 18: Has your business documented all your policies and procedures? (There are more than 20)
  - a. Yes
  - b. No
  - c. Not sure
- CSQ 19: What plans are there to automate manual processes and controls in your businesses?
  - a. No plans at all
  - b. Minimal plans to automate
  - c. Moderate plans to automate
  - d. Significant plans to automate
  - e. Completed all automation
- CSQ 20: What are the primary benefits your business expects to achieve in the coming fiscal year through FAIS/FICA compliance?
  - a. Increased effectiveness and efficiency of operations
  - b. Enhanced understanding of workflow and business process design
  - c. Improved operational effectiveness
  - d. Reduced compliance costs
  - e. No benefit – simply complying
- CSQ 21: Has your business undergone an FSB audit yet?
  - a. Yes
  - b. No
  - c. Not applicable
- CSQ 22: How many approximated hours did it take your business to prepare for the FSB/FSCA audit?
  - a. Not applicable
  - b. Between 1 to 50 hours
  - c. Between 51 and 75 hours
  - d. Between 76 and 100 hours
  - e. Between 101 and 130 hours
  - f. More than 130 hours
- CSQ 23: Did your business make it through the FSB/FSCA audit without having to develop additional policies and procedures or upgrade existing policies and procedures?
  - a. Yes
  - b. No
  - c. Not applicable
- CSQ 24: Did you find the FSB audit useful to your future business aspirations?
  - a. No, I did not
  - b. Not too sure
  - c. Provided good guidance and assistance
  - d. Absolutely, it was great for my business plans
  - e. Not applicable
- CSQ 25: How much did it cost your business to prepare for the FSB audit? (Time/loss of business or both)
  - a. Not applicable
  - b. Between R0 and R25'000
  - c. Between R25'000 and R50'000
  - d. Between R75'000 and R100'000
  - e. More than R100'000
- CSQ 26: Has your business started preparing for treating customers fairly (TCF)?
  - a. Yes, we are currently implementing changes
  - b. Yes, we are reviewing changes
  - c. No but we are planning to do so shortly
  - d. No plans to do so yet
  - e. I do not know

- CSQ 27: Would you be interested in attending a workshop on how to bullet proof your advisory business based on the responses to the questions above?
  - a. Yes
  - b. No
  - c. Maybe

### 3.5.2 Phase 2b: Decisional aspect refinement data collection

For this survey respondents were provided with options to choose from for each question. Most questions request the respondent to indicate the value currently and expected in 5 years. The questions were provided to participants in the order below, while the results are presented in section 4.2.2.

- RSQ 1: How many registered representatives do the FSP have? [*Persons that appear on the FSPs rep register at the FSCA, including both individuals under supervision and individuals who are out under supervision*]
  - Currently
  - In 5 years
- RSQ 2: How many fully qualified financial advisors are at the FSP? [*i.e., Representatives that have completed all regulatory requirements to be out under supervision and have the necessary qualifications*]
  - Currently
  - In 5 years
- RSQ 3: What is the number of administrative staff members at the FSP?
  - Currently
  - In 5 years
- RSQ 4: What is the average monthly turnover at the FSP?
  - Currently
  - In 5 years
- RSQ 5: What are the average hourly rate clients are charged by the FSP? [*The rate clients are, or will be charged if the FSP does not charge clients currently*]
  - Currently
  - In 5 years
- RSQ 6: What is the focus area(s) provided by the FSP?
  - Currently
  - In 5 years
- RSQ 7: What is the allocation (as a %) of the focus area(s) provided by the FSP currently? [*if the FSP provides both short term, life, and investment services to clients, what is the proportion of the focus area, are they equal (33.33:33.33:33.33), 50:25:25, 50:30:20, etc?*]
  - Currently
  - In 5 years
- RSQ 8: What is the allocation (as a %) of the focus area(s) provided by the FSP expected in 5 years? [*if the FSP provides both short term, life, and investment services to clients, what is the proportion of the focus area, are they equal (33.33:33.33:33.33), 50:25:25, 50:30:20, etc?*]
  - Currently
  - In 5 years
- RSQ 9: What is the time requirement (as a %) of the focus area(s) provided by the FSP currently? [*if the FSP provides both short term, life, and investment services to clients, what is the proportion of the focus area, are they equal (33.33:33.33:33.33), 50:25:25, 50:30:20, etc?*]
  - Currently
  - In 5 years
- RSQ 10: What is the time requirement (as a %) of the focus area(s) provided by the FSP expected in 5 years? [*if the FSP provides both short term, life, and investment services to clients, what is the proportion of the focus area, are they equal (33.33:33.33:33.33), 50:25:25, 50:30:20, etc?*]
  - Currently
  - In 5 years
- RSQ 11: What is the daily average number of work hours spent at the FSP?
  - Currently
  - In 5 years

- RSQ 12: Is the FSPs compliance officer internal to the organisation or external to the organisation?
  - Currently
  - In 5 years
- RSQ 13: Is the FSPs business continuity plan internal or external to the organisation?
  - Currently
  - In 5 years
- RSQ 14: How would you describe the FSPs client segmentation focus?
  - Currently
  - In 5 years
- RSQ 15: What information system is used by the FSP? Information system used (i.e., outsourced administration, built own system, pay-per-use system, free-to-use system, legacy system)?
  - Currently
  - In 5 years
- RSQ 16: What is the average salary of the administration staff in the FSP?
  - Currently
  - In 5 years
- RSQ 17: How long do you plan to stay in the industry before selling your FSP?
  - *Single response*
- RSQ 18: Additional Comments
  - *Participants can add any comments that they have.*
- RSQ 19: Do you feel like these considerations are applicable to understand the factors that an FSP has to consider understanding the business environment. (Any comments or recommendation will be appreciated)
  - *Open ended question, for validation*

# Chapter 4:

## Results and Discussion

This chapter contains the summarised results and findings from phase 1 in section 4.1 and the results from the two surveys of phase 2 in section 4.2, with phase 2a and phase 2b in sections 4.2.1 and 4.2.2 respectively. Section 4.3 is a brief discussion of the practical implications for strategy formulation.

### 4.1 Phase 1: Decisional aspect extension results and discussion

Using the literature review as a foundation for further enquiry, four FSPs were selected that range in their business decision aspects to understand how the different business decision aspects can influence an FSPs strategic direction going forward. This section firstly presents the results on how FSPs, in specific the four participating FSPs, differ and secondly the summarised results are presented and discussed based on the interviews conducted.

#### 4.1.1 How FSPs differ

The samples that were used for the demonstration, used the following differentiators:

- Years in the industry
- Years in the company
- Years before selling
- Number of financial advisors
- Number of representatives
- Number of administrative staff members
- Monthly turnover
- Number of clients

For this study, four FSPs were selected with regards to how long they have been working in the financial industry, how many employees each FSP has and the size of the FSPs. The argument is that a sub-set of the initial decision aspects (*listed in section 2.2*) could be useful to provide background about these four FSPs. The selection indicates that these FSPs represent a more comprehensive range of FSPs.

Figure 9, compares the FSPs in terms of years in the industry, years in company, and years before selling. As indicated in Figure 9, the relationship between the total time in the industry and how long the FSP expects to stay in the industry indicates that FSPs 1, 2, and 4 have been in the industry before the current regulations have been imposed. It was interesting to see the effect that it has had on their view of these regulations. While FSP3 who still has several decades left in the industry, started when regulatory requirements were already imposed. Also, FSP 3 had work experience at an insurer prior to starting as an FSP.

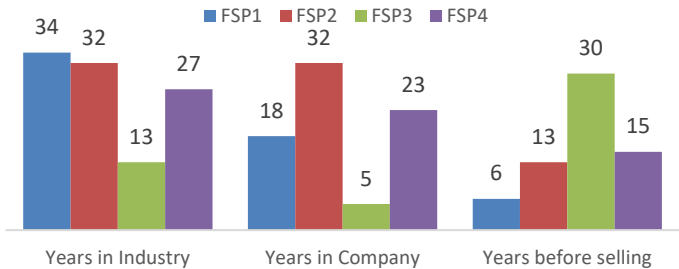
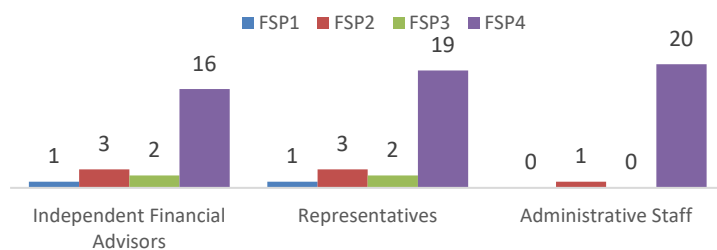


Figure 9 FSP comparison in years

FSP 1, 2, and 4 have been in the financial industry before the introduction of the FAIS Act and other subsequent regulatory and compliance requirements and provide insight into how the industry has developed over the past several decades from an operational point of view as well as serving on various advisory boards to the industry during the past two decades. FSP 3 started in the industry by working for one of the large insurers in South Africa as a brokerage strategic decision-making facilitator before registering the FSP in early 2016, thus providing needed input from a slightly younger demographic in this study, as FAIS had already been a requirement before FSP 3 registered the company.

Figure 10 compares the number of employees between the four FSPs. The number of employees has a significant impact on the capacity to serve clients in various areas. FSP 1 and 2 provide multiple financial services to their

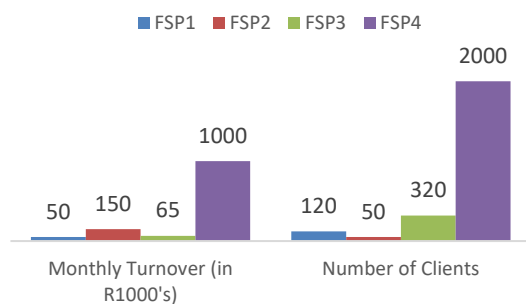
clients, while FSP 3 and 4 provide only specific services, with FSP 3 specialising in short term and FSP 4 specialising in medical advisory services.



**Figure 10 FSP comparison between number of employees**

The current employee requirements at these FSPs, from the data suggests that FSP 4 has a much larger administrative requirement as opposed to FSP 1, 2, and 3, operating with fewer employees.

Figure 11 is a side-by-side comparison of the size of the FSPs and adds a final summary of the differences between the earning of the FSPs and their potential. Although FSP 4 has a monthly turnover of R1 000 000, its administrative expenses alone are R730 000 and the FSP has its own custom-built system and other fixed expenses.



**Figure 11 FSP comparison in size**

Lastly, the FSPs range significantly in their monthly turnover and the number of clients that they service. The type of short-term insurance (commercial versus personal) moderates the relationship between turnover and the number of clients. While there could be fewer clients and more commission per client, the extent of administrative and time requirements for the FSP can differ quite significantly, as is noted with the client segmentation discussed in section 4.1.2.

A sub-set of decision aspects used to provide background on the four FSPs that were sampled, already indicates that FSPs may have different strategic requirements, based on their context.

#### 4.1.2 Results and discussion

This section presents the results from the expert interviews, concluding with a discussion about the suitability and applicability of the initial list of decision aspects. The decision aspects were grouped into two tables to assist in the discussion process.

The data that is presented in Table 23 and Table 24 presents the data that was collected from the FSPs during the interview process, including the influence and limitations of these decision aspects, as they relate to the FSPs. With most decision aspects, data was captured about current decision aspects of the FSP as well as what the FSPs expect in five years, to gain insights into the expected future state of the FSP.

Due to confidentiality agreements with the participating FSPs the individuals' transcribed responses provided by the FSPs cannot be provided directly. The recordings from the expert interviews were summarised and discussed in Table 23 and Table 24.

Table 23, presents the data that was extracted from the expert interviews with the four FSPs that focus on the organisational decision aspects, while Table 24, is the focus on growth factors, with a discussion on the significance following each of the tables.

**Table 23 FSP organisational decision aspects from interviews**

Decision aspect	FSP1	FSP2	FSP3	FSP4
How long do you plan to stay in the industry before selling your business?	6 years	13 years	30 years	15 years
How long have you been in the industry?	34 years	32 years	16 years	27 years
How long have you had your business?	18 years	32 years	5 years	23 years
Compliance Officer Position ( <i>Internal or External to organisation</i> )?	0-Internal 5-Internal	0-External 5-External	0-External 5-External	0-External 5-External
Business Continuity Position ( <i>Internal or External to organisation</i> )?	0-External 5-External	0-External 5-Internal/ External	0-External 5-Internal/ External	0-Internal 5-Internal/ External
Current Information System used ( <i>i.e., outsourced administration, built own system, pay-per-use system, free-to-use system, legacy system</i> )?	0-Legacy 5-Outsourced Administration	0-Legacy 5-Legacy	0-Free-to-use system 5-Free-to-use system	0-Built own system 5-Built own system
Client Segmentation ( <i>i.e., Low-Value Low-Time, Low-Value High-Time, High-Value Low-Time, High-Value High-Time</i> )?	0-All 5-All	0-HV-LT HV- HT 5-HV-LT HV- HT	0-LV-LT HV- LT 5-LV-LT HV- LT	0-All 5-All
Focus area provided by FSP ( <i>i.e., Short Term, Life, Investment, Medical, Other</i> )?	0-ST, L, I 5-ST, L, I	0-ST, L, I 5-ST, L, I	0-ST 5-ST	0-M 5-M
Client focus area ( <i>i.e., Short Term, Life, Investment, Medical, Other</i> )?	0-ST, L, I 5-ST, L, I	0-ST, L, I 5-ST, L, I	0-ST 5-ST	0-M 5-M

When looking at Table 23, the first three decision aspects relate to the amount of time the FSPs have been in the industry, to provide some perspective on the experience of these participating FSPs, but also to understand how long they plan on staying in the industry before retirement. Currently various small FSPs have either opted for becoming part of another FSP in the role of representative, who gave up a percentage of their commission and became an IFA under a different FSP. This trend is due to regulatory requirements and compliance burdens.

The second part of the table is followed by the position of the FSP’s compliance officer, and the business continuity position, which indicates whether the person who will take over at the FSP when the primary key individual will leave the FSP. Thirdly, it is essential as it will indicate whether the company will continue to use their current systems at the time of transition of responsibility, or if the secondary key individual will convert the FSP to a different information system. That is once again the reason it is essential to consider if a significant capital investment is feasible from a short-medium-term strategic point of view.

Fourthly, the client segmentation can influence the strategic decisions that will be available to the FSP, as any strategic decision aspects should align with the segment of clients that the FSP is focusing on. Clients that are in the high-value segment and the low-time segment could be clients that prefer personal contact with a financial advisor on an infrequent basis, whereas a high-value client in the high-time quadrant may require frequent contact on things such as market movements or changes in business environments and some of these requests, could be supplemented by the introduction of newsletters or an online dashboard. Thus, adding an additional consideration that could influence the applicability of strategic decision aspects if these are not considered.

When considering the data that was collected from the FSPs, the focus areas and the differences in business decision aspects are highlighted. These values were not particularly useful in this study apart from providing an example of how these values for different FSPs can vary, but it is important to note that these FSPs vary in different decision aspects to ensure that a representative sample of FSPs was consulted to limit the effect of bias on the decision aspects. Table 24, is the data extracted from the expert interviews that relate to the growth of the FSP in specific, with a discussion on the significance that follows.

**Table 24 FSP growth decision aspects from interviews**

Decision aspect	FSP1	FSP2	FSP3	FSP4
Number of Independent Financial Advisors (IFAs)	0-1 5-1	0-1 5-3	0-2 5-3	0-16 5-20
Number of Representatives (Rep registry)	0-1 5-1	0-1 5-3	0-2 5-7	0-20 5-30
Number of Administrative Staff	0-0 5-1	0-1 5-3	0-0 5-2	0-20 5-20
Average Administration Staff Salary?	0-R0 5-R12000	0-R9000 5-R12000	0-R0 5-R12000	0-R30000 5-R35000
Daily available work hours?	0-10 hours 5-6 hours	0-11 hours 5-8 hours	0-8 hours 5-6 hours	0-8 hours 5-8 hours
Number of Clients	0-120 5-200	0-50 5-150	0-320 5-900	0-2000 5-3000
Monthly Turnover	0-R50000 5-R90000	0-R150000 5-R300000	0-R65000 5-R250000	0-R1000000 5-R1500000

From Table 24, data that relates to the number of IFAs, representatives, and administrative staff is provided and shows that some FSPs range in the number of individuals employed by the organisations and is the same data that was presented in section 4.1.1 on the selection of these specific FSPs. The discussion related to the data in Table 24 was already discussed in detail, with the exclusion of the anticipated change over the next five years. What is noticeable is the fact that the decision aspects can indicate if the FSP is planning to expand on the number of employees as well as if the planned growth is anticipated to include an increase in the number of clients that are served by the current employees or if the increased capacity will be achieved through the introduction of additional capacity. All the FSPs indicated that they expect to have growth in the next five years, but whether the FSPs will achieve the expected growth, will have to be evaluated. What is evident is that these decision aspects provide valuable insights into what the strategic future of the FSPs will be and what they are anticipating over the next five years.

Finally, what assists in understanding this table further and how the FSPs differ, is understanding how much the FSPs make in a month in terms of commissions received for the FSP in its totality. A challenge is to understand the effect of individual commissions earned by a representative or IFAs, as commission-earnings can range significantly and will provide an additional level of detail, which has limited practical use for this study. Individuals do not earn a fixed salary, but are dependent on the commission they earn, which could change from month to month. Rather, monthly turnover should be considered for the entire FSP.

## **4.2 Phase 2: Decisional aspect refinement results**

During the expert interviews from phase 1 in section 4.1, it was noted by the researcher that the four initial FSPs, were optimistic in their estimation of their future state, as their responses could be linked back to them. This led the researcher to reflect on the interview process and refine the key questions that were pertinent to the research. Thus, the use of a survey tool, was to provide respondents with anonymity thus reducing the need to be overly optimistic about the future, and to encourage participants to be honest in their responses regarding the current state of their FSP as well as what their future state might be.

The figures presented in section 4.2.1 and section 4.2.2, are the results to the questions provided to participants in the form of two surveys, as described in sections 3.5.1 and 3.5.2 respectively.

Survey participants were selected based on convenience sampling, and the own/manages at high quality, established multifocal FSPs were contacted through a network of FSPs by the owner of SW Konsult.

The two surveys had 7 and 9 responses, respectively during the 30-day sampling period. While the same participants completed the two surveys, there were two participants who only completed the second survey and not the context survey. This did not have an adverse effect on the findings from phase 2, as phase 2a is largely independent of phase 2b.

### **4.2.1 Phase 2a: Context results for decisional aspect refinement**

The following figures, Figure 12 to Figure 38, were the results of the data that was collected from the context survey completed by FSPs. The graphs in the figures were created based on the survey results as they were collected from survey participants in 2022. The graphs include the results from the 2012 survey in blue (bottom) and the results for the 2022 survey in red (top).

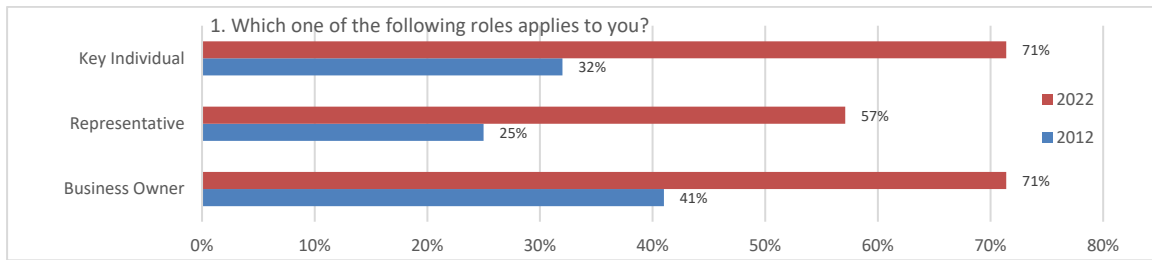
What is crucial to note is that the results were converted to percentages, to give a clearer indication of how the survey participants in the 2022 survey compared against the survey participants of 2012. The graphs cannot be used to draw conclusions for FSPs as was the case in 2012, as in 2012 567 participants completed the industry survey, with the assistance of FANews (Maree, 2012).

Details regarding the duration that survey responses were collected are not clear from the report by Maree (2012), as the study was conducted and completed to add value to the industry. The purpose of the survey results was to determine how the FSPs used in the convenience sample compare to the original survey results from 2012.

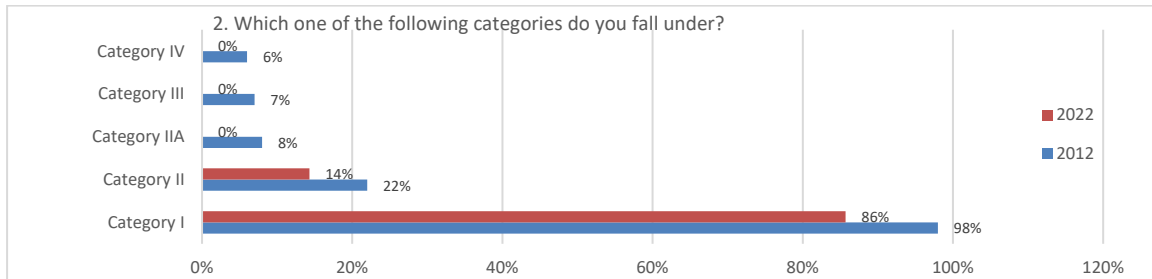
A brief discussion is provided at the end of the results to highlight key observations from the survey results. Given that the survey is intended to provide context of the participating FSPs, not all 27 questions were discussed or analysed. While all the comparison graphs are provided, not all the questions require individual discussion as the questions related to regulatory exams are not deemed critical towards understanding the context of the participating FSPs.

Specific observations are highlighted and discussed at the end of the section and includes observation that were deemed of significant importance to this study during the analysis synthesis. Figure 12 to Figure 38 depict the results of the 2022 survey participants as compared to those of 2012.

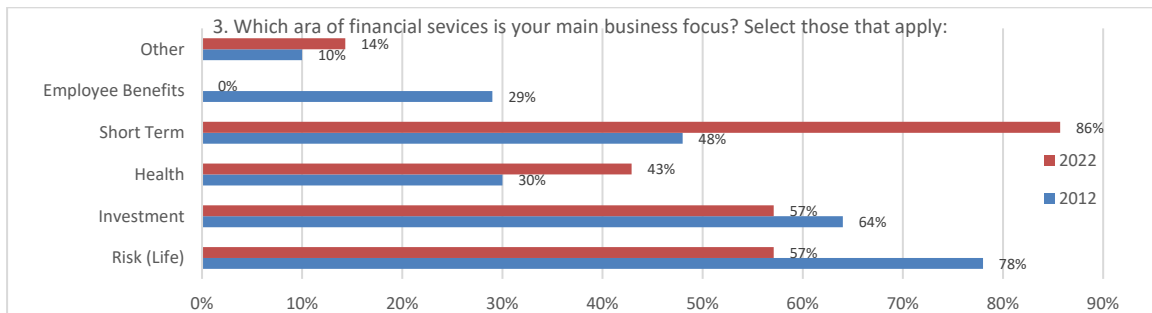
**Data presentation of survey results**



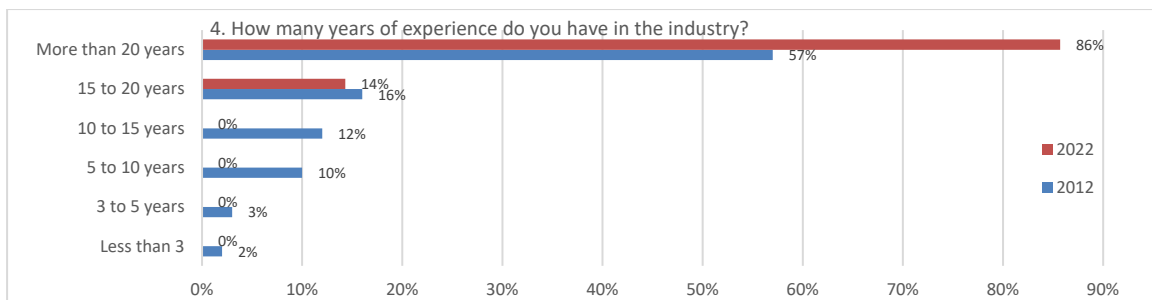
**Figure 12 CSQ1: Which one of the following roles applies to you?**



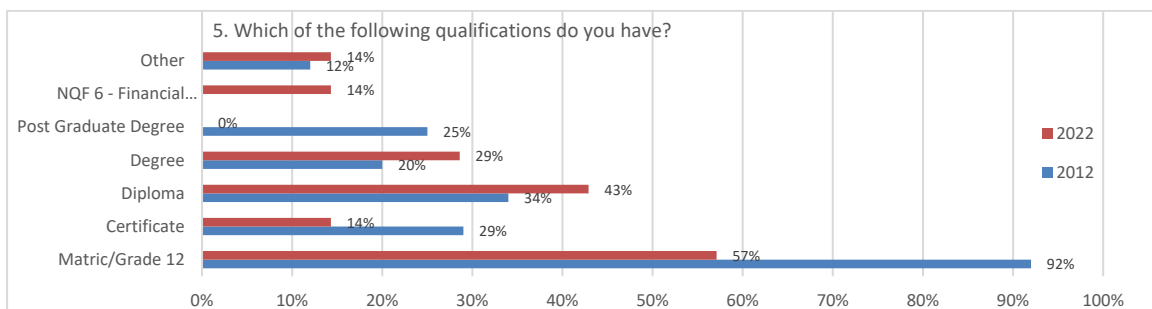
**Figure 13 CSQ2: Which one of the following categories do you fall under?**



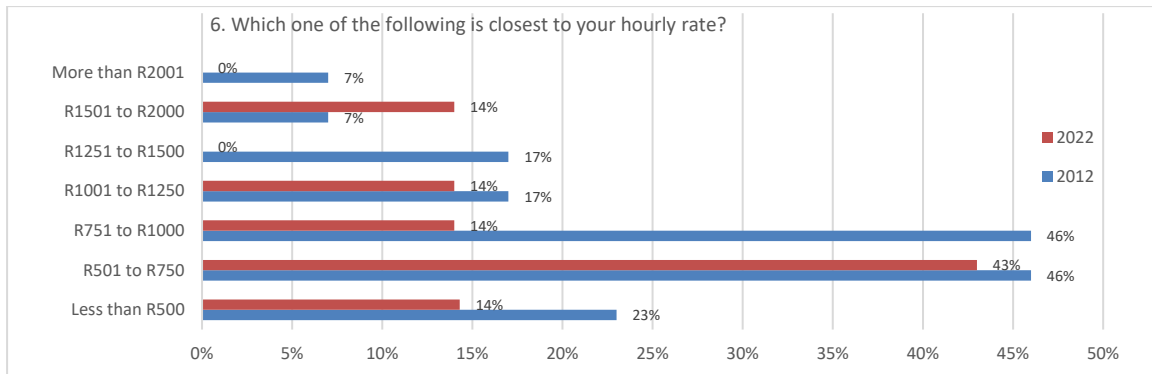
**Figure 14 CSQ3: Which are of financial services is your primary business focus?**



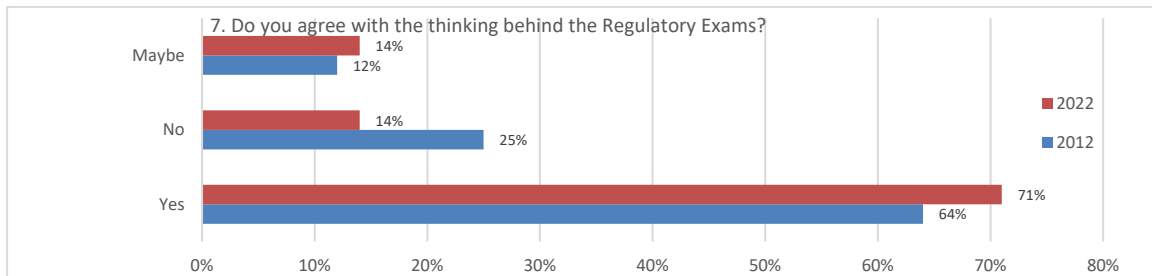
**Figure 15 CSQ4: How many years of experience do you have in the industry?**



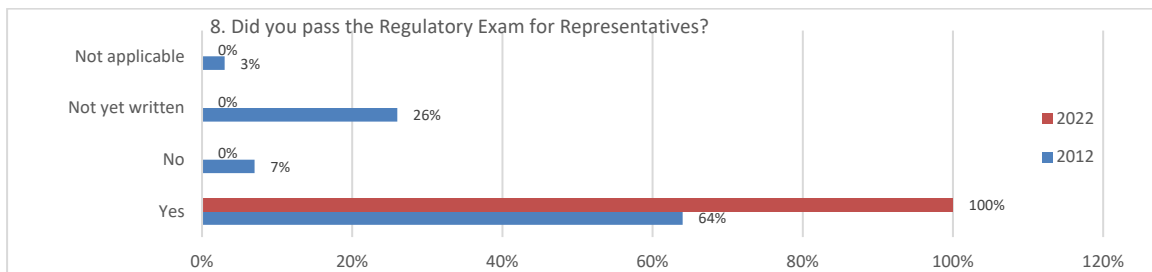
**Figure 16 CSQ5: Which of the following qualifications do you have?**



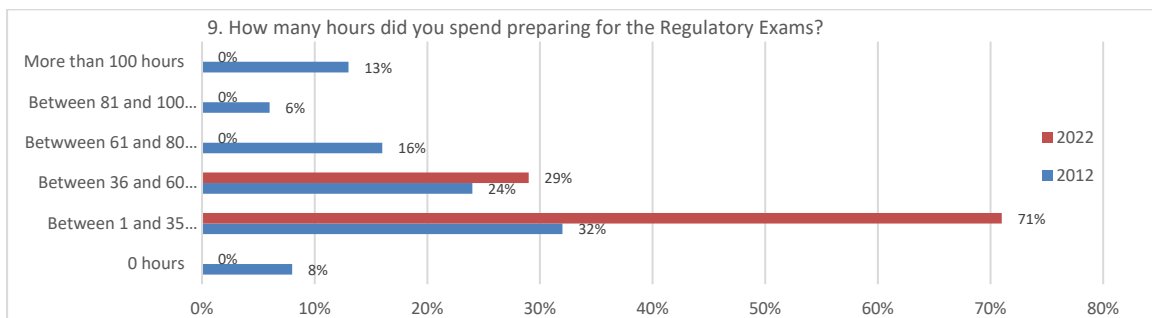
**Figure 17 CSQ6: Which one of the following is closest to your hourly rate?**



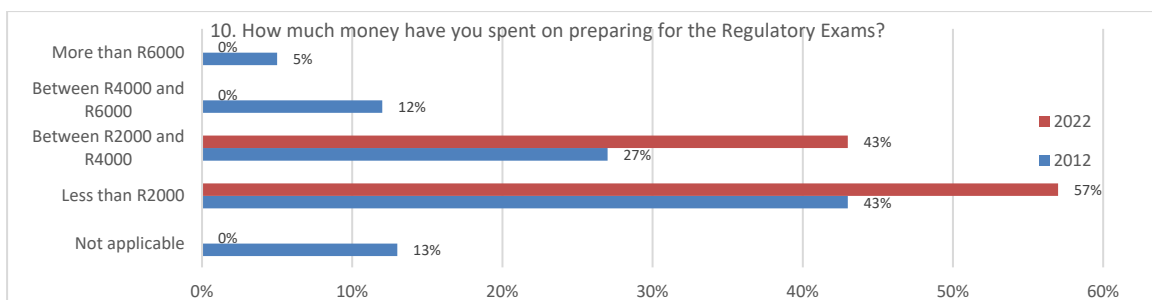
**Figure 18 CSQ7: Do you agree with the thinking behind the regulatory exams?**



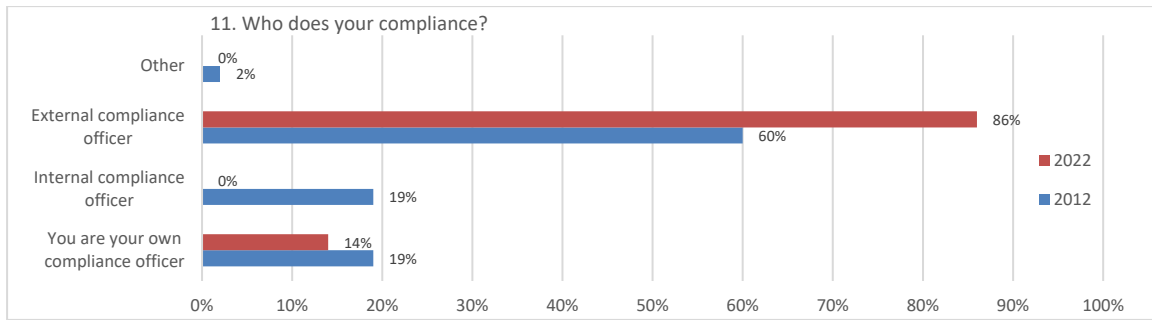
**Figure 19 CSQ8: Did you pass the regulatory exam for representatives?**



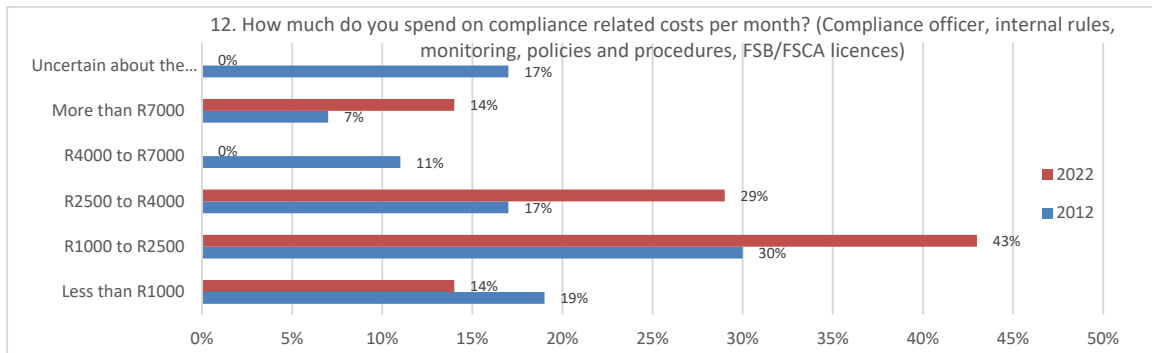
**Figure 20 CSQ9: How many hours did you spend preparing for the regulatory exams?**



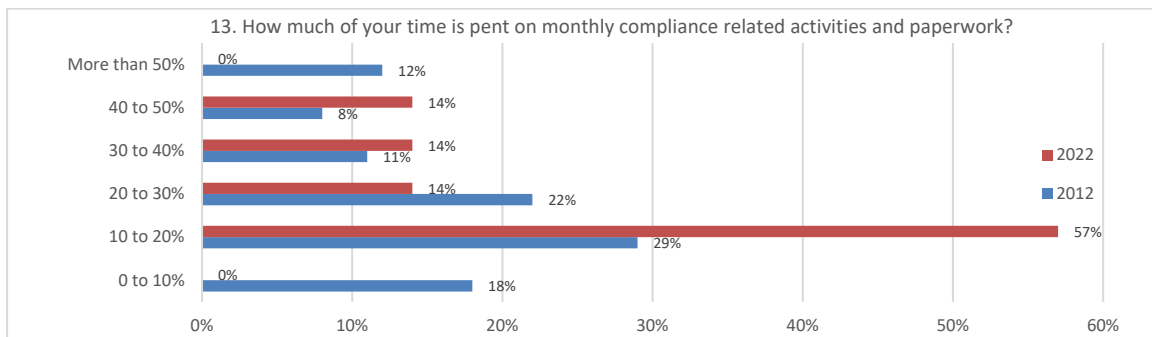
**Figure 21 CSQ10: How much money have you spent on preparing for the regulatory exams?**



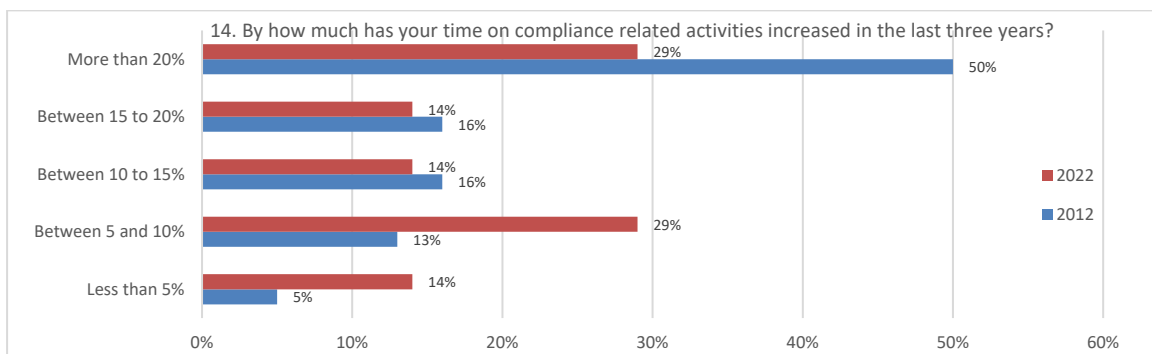
**Figure 22 CSQ11: Who does your compliance?**



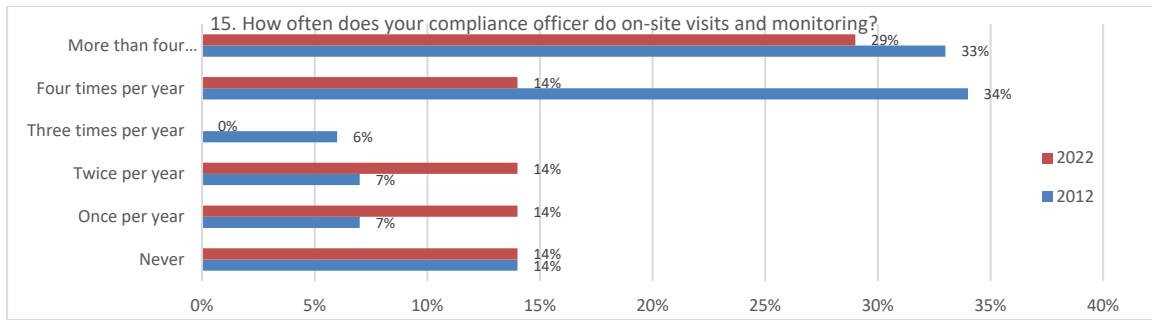
**Figure 23 CSQ12: How much do you spend on compliance related costs per month?**



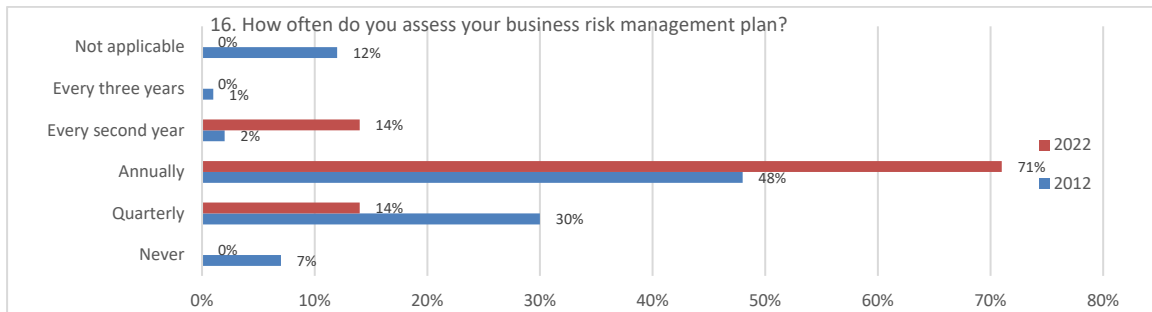
**Figure 24 CSQ13: How much of your time is spent on monthly compliance related activities and paperwork?**



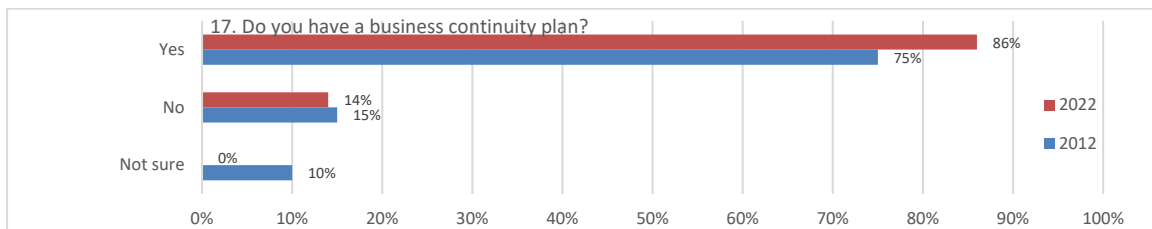
**Figure 25 CSQ14: By how much has your time on compliance related activities increased in the last three years?**



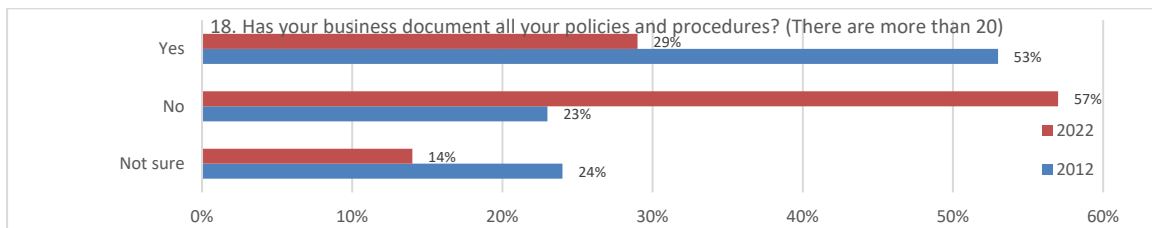
**Figure 26 CSQ15: How often does your compliance officer do on-site visits and monitoring?**



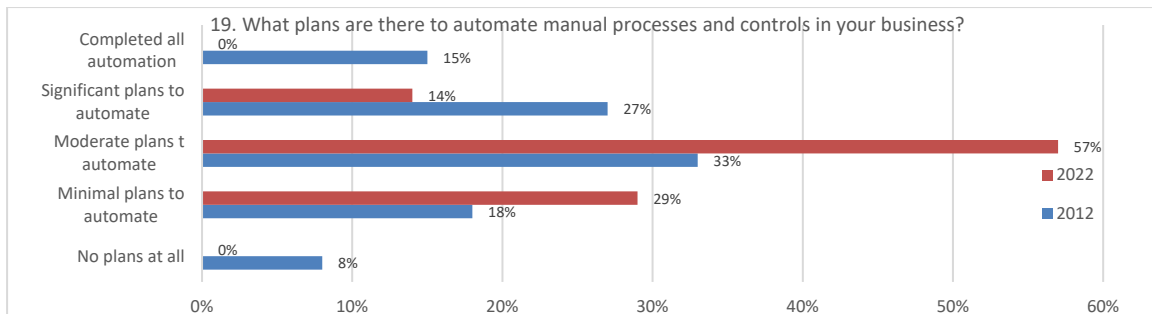
**Figure 27 CSQ16: How often do you assess your business risk management plan?**



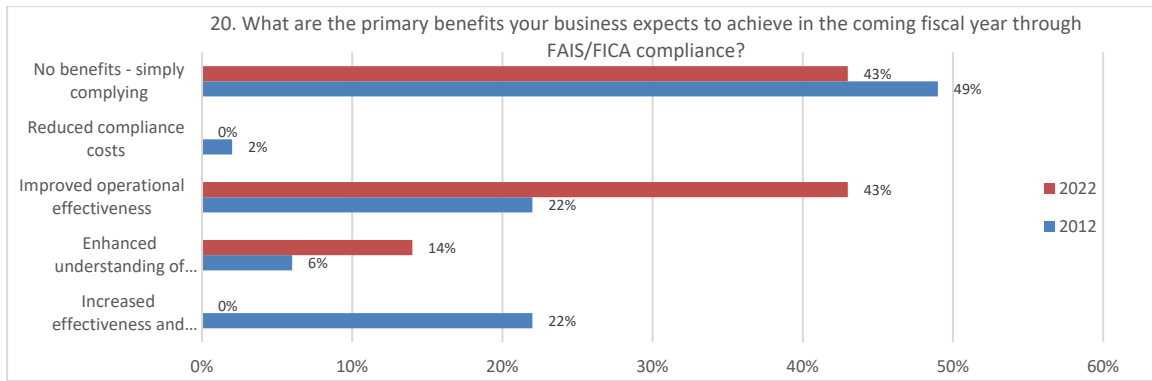
**Figure 28 CSQ17: Do you have a business continuity plan?**



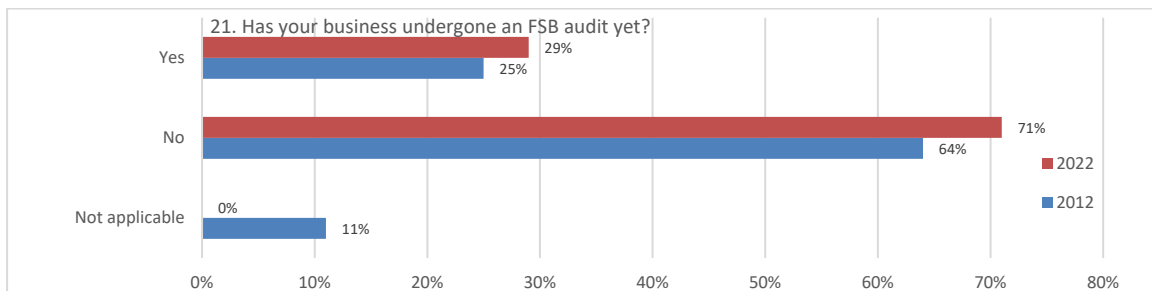
**Figure 29 CSQ18: Has your business document all your policies and procedures?**



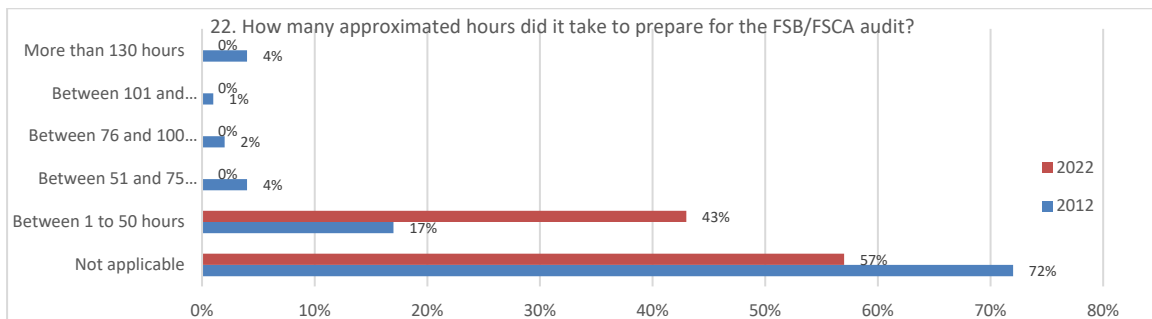
**Figure 30 CSQ19: What plans are there to automate manual processes and controls in your business?**



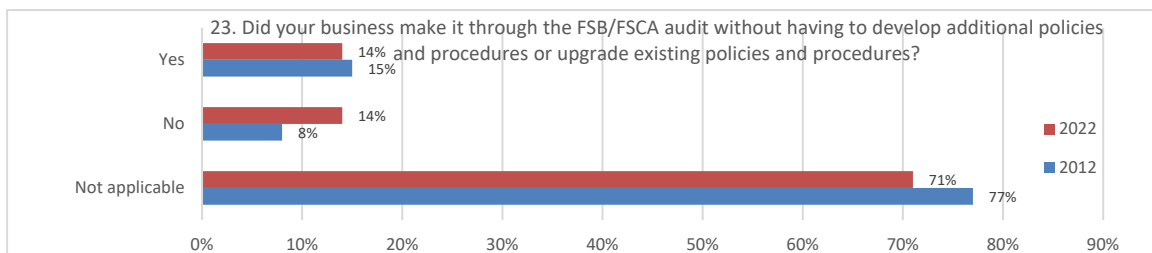
**Figure 31 CSQ20: What are the primary benefits your business expects to achieve in the coming fiscal year through FAIS/FICA compliance?**



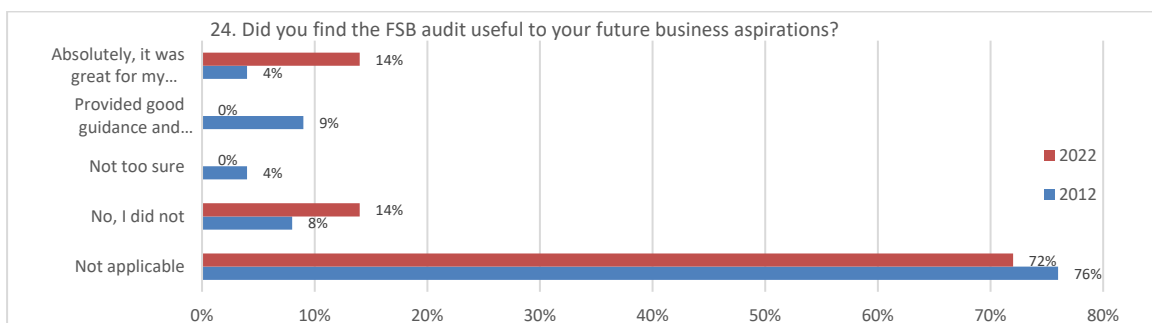
**Figure 32 CSQ21: Has your business undergone an FSB audit yet?**



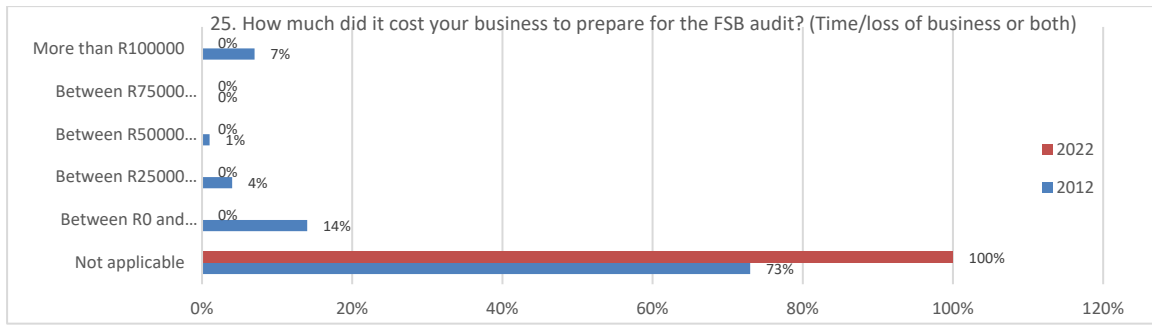
**Figure 33 CSQ22: How many approximated hours did it take to prepare for the FSB/FSCA audit?**



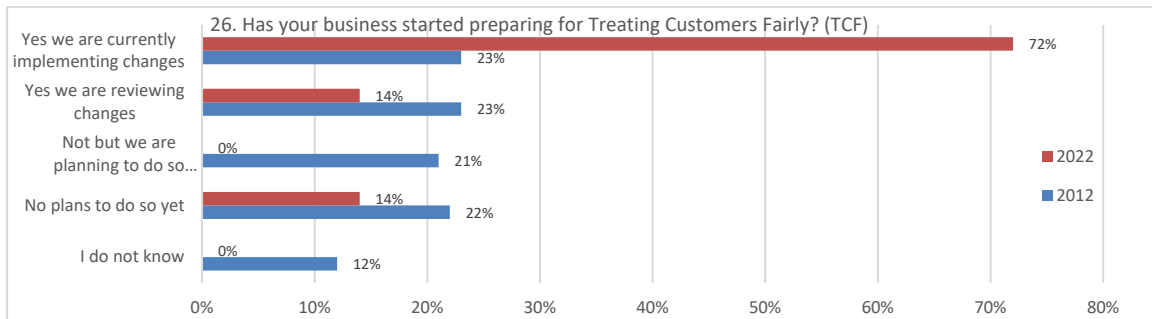
**Figure 34 CSQ23: Did your business make it through the FSB/FSCA audit without having to develop additional policies and procedures or upgrade existing policies and procedures?**



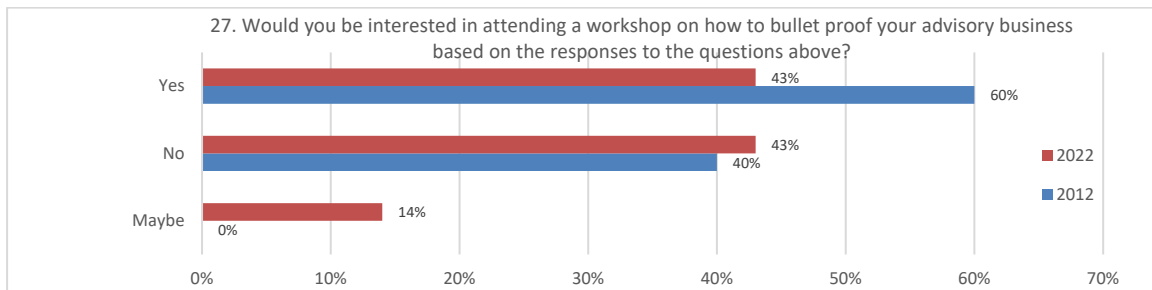
**Figure 35 CSQ24: Did you find the FSB audit useful to your future business aspirations?**



**Figure 36 CSQ25: How much did it cost your business to prepare for the FSB audit?**



**Figure 37 CSQ26: Has your business started preparing for Treating Customers Fairly? (TCF)**



**Figure 38 CSQ27: Would you be interested in attending a workshop on how to bullet proof your advisory business based on the responses to the questions above?**

***Analysis and synthesis of survey results***

Overall, the participating FSPs indicated that there was significant time and effort invested to improve their FSP and that they are preparing their FSPs for the future, including moderate plans to automate manual processes and controls.

There are some key distinctions, such as the fact that the 2022 survey respondents mostly had Category I and II FSPs only. The majority indicating that short term is their primary business focus, and that they have more than 20 years of experience in the industry which aligns with the scope demarcation and users of this study.

Most respondents indicated that they have regular visits by their compliance officer and assess their risk management plan, which is a very positive finding, as this ensures a mitigation to the overall risk, if these crucial business functions are completed regularly to ensure that business risks and non-compliance are addressed when the FSP becomes aware of it.

Further investigation might be warranted regarding why most respondents indicated that they have not documented all the needed policies and procedures, which might be due to a lack of guidance from the regulator, and why it is that the majority also indicated that they have not undergone an FSB/FSCA audit yet, which might be due to a lack of capacity on the side of the FSCA.

When considering the overall response provided by the seven participating FSPs, there is a sense of stability in the responses as compared to those of 2012, as there is no large variation in the 2012 responses compared to the responses of 2022. From the use of convenience sampling, it is clear that some improvements have taken place in the financial industry over the past decade for the participating FSPs, when comparing their responses to those collected in 2012.

#### 4.2.2 Phase 2b: Decisional aspect refinement results

This section includes the results from phase 2b, Figure 39 to Figure 57, and is followed by the analysis and synthesis of the results, highlighting the key observations from the results.

The use of a survey tool assisted the researcher in considering the summary results for all participants, as to ensure that individual responses are not analysed and compared. The information provided by the respondents, were completed under the understanding that individual responses would not be analysed and compared.

While this might limit the research potential of conducting analysis of the individual responses at this stage, this was a condition, that the researcher introduced when completing the initial ethical clearance applications, as some of the questions that respondents were asked, could be seen as invasive and private, and as such participation in this study would not take place unless anonymity could be ensured by the researcher.

Figure 39 to Figure 57 is the summarised results from FSPs in the order that it was provide to participant as well as in section 3.5.2.

#### Data presentation of survey results

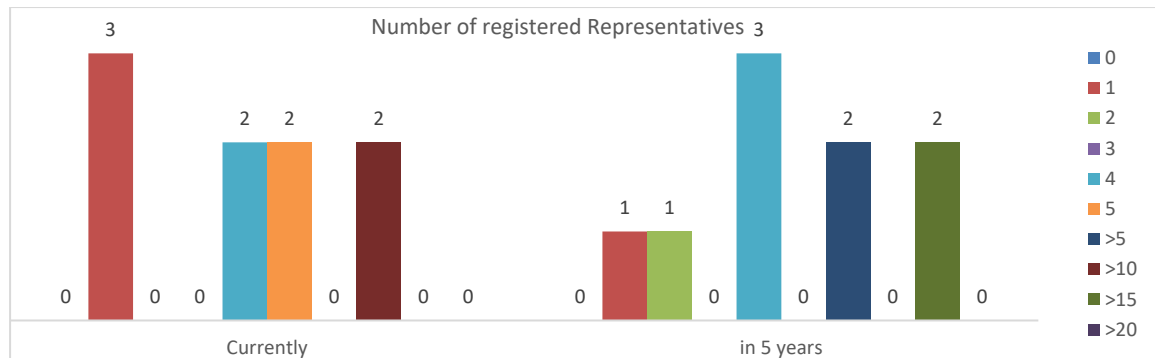


Figure 39 RSQ 1: Number of registered representatives

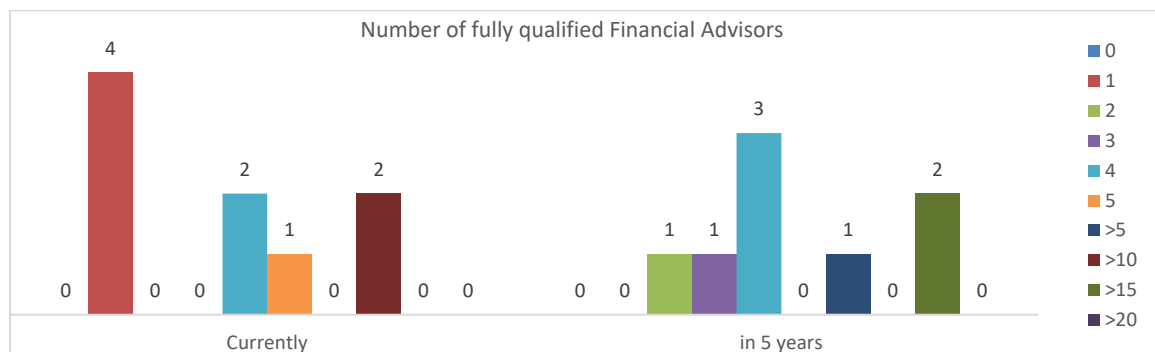


Figure 40 RSQ 2: Number of fully qualified financial advisors

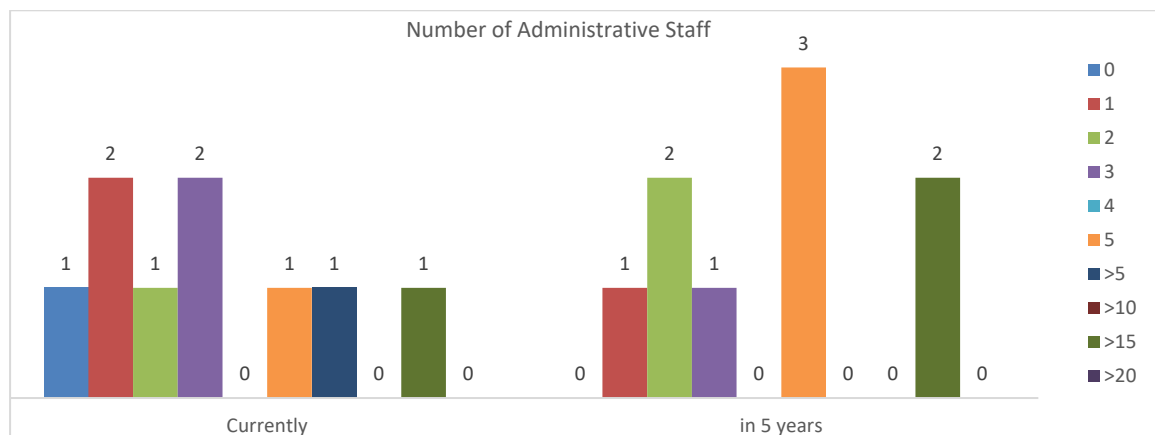


Figure 41 RSQ 3: Number of administrative staff members

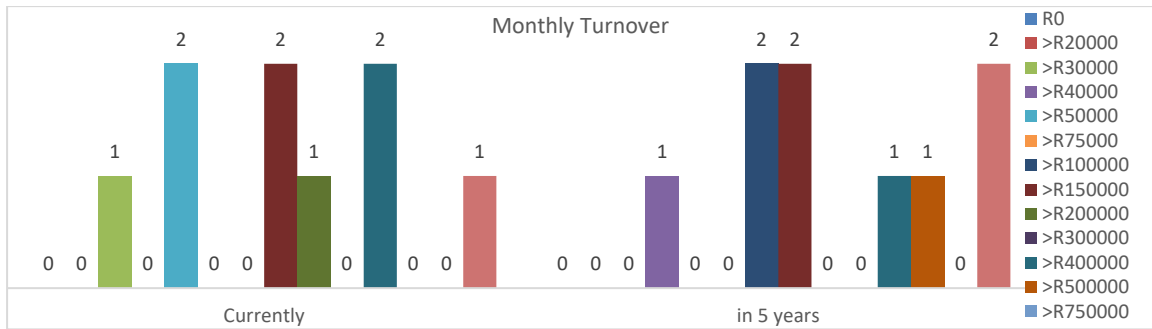


Figure 42 RSQ 4: Monthly turnover

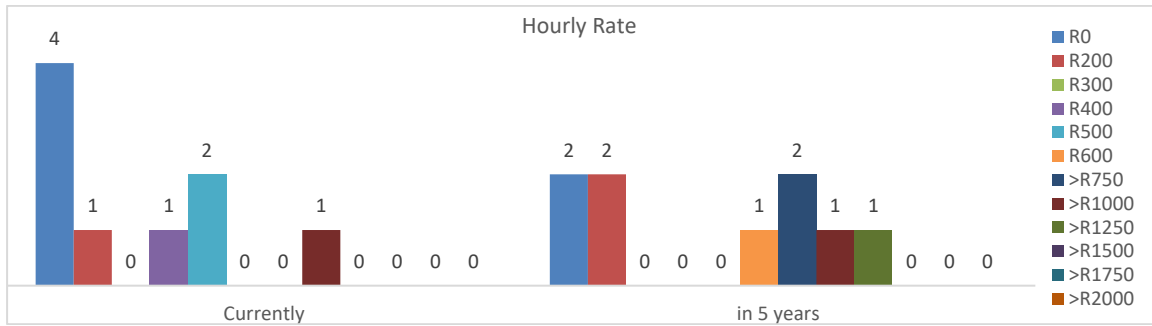


Figure 43 RSQ 5: Hourly rate

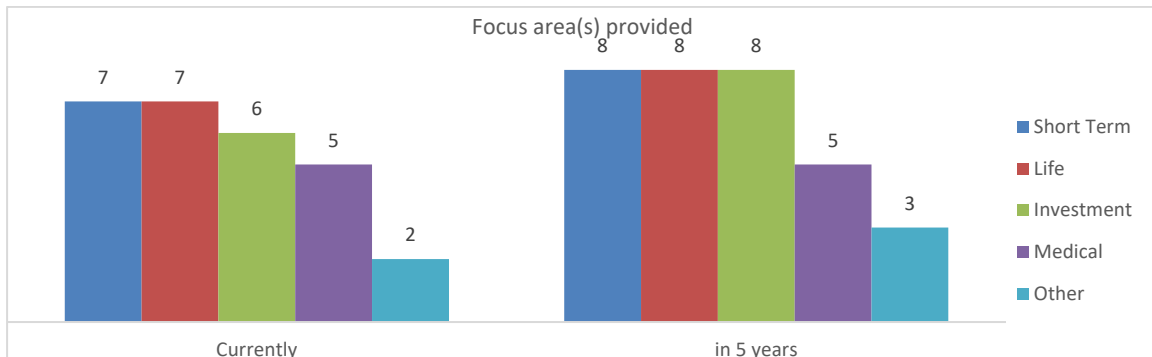


Figure 44 RSQ 6: Focus area(s) provided

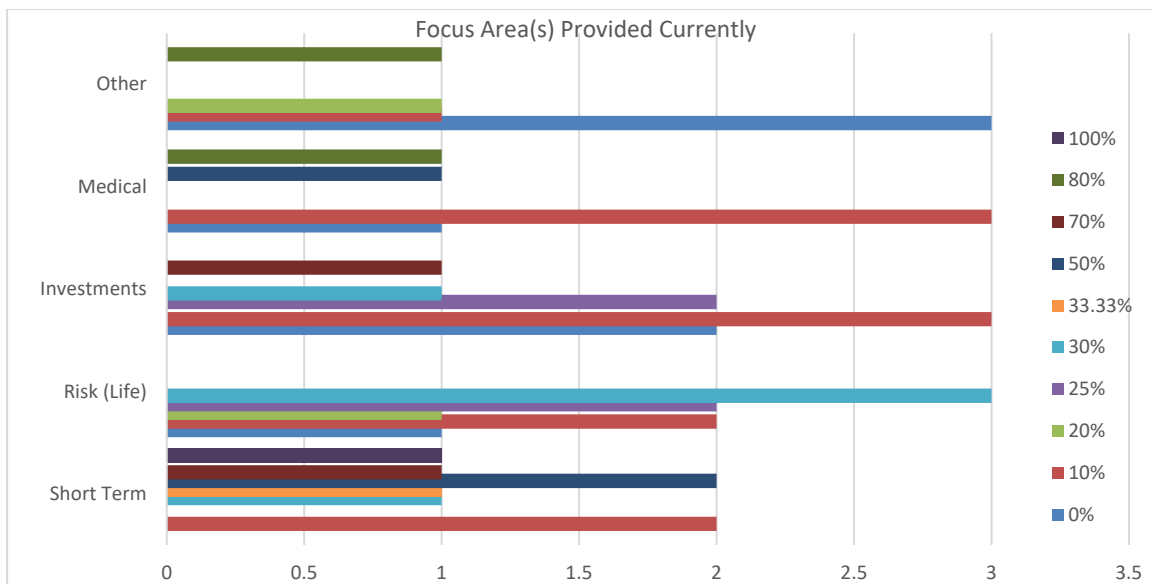


Figure 45 RSQ 7: Focus area(s) provided currently

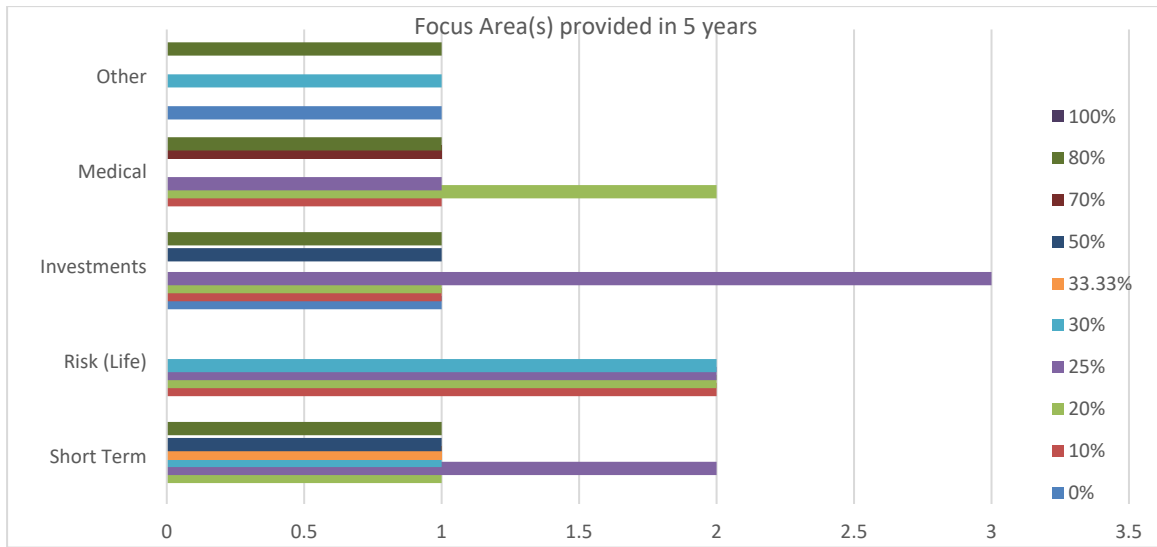


Figure 46 RSQ 8: Focus area(s) provided in 5 years

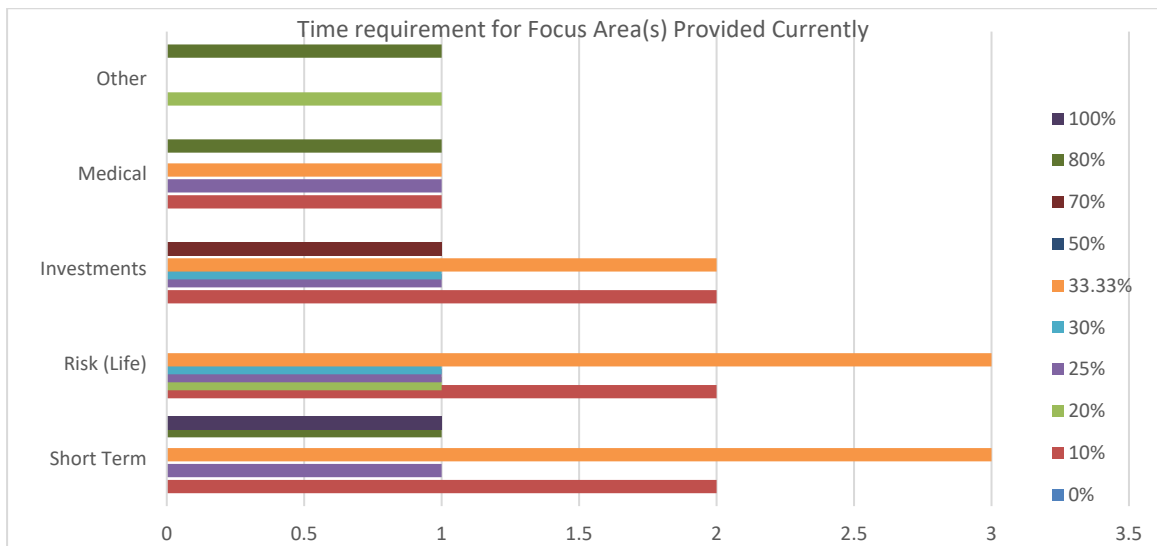


Figure 47 RSQ 9: Time requirement for focus area(s) provided currently

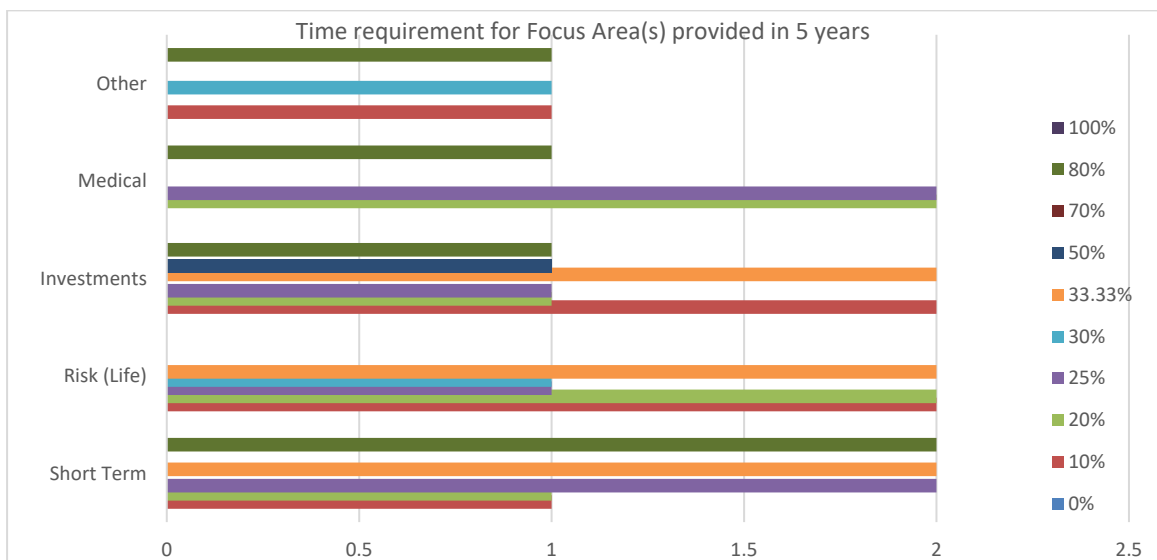


Figure 48 RSQ 10: Time requirement for focus area(s) provided in 5 years

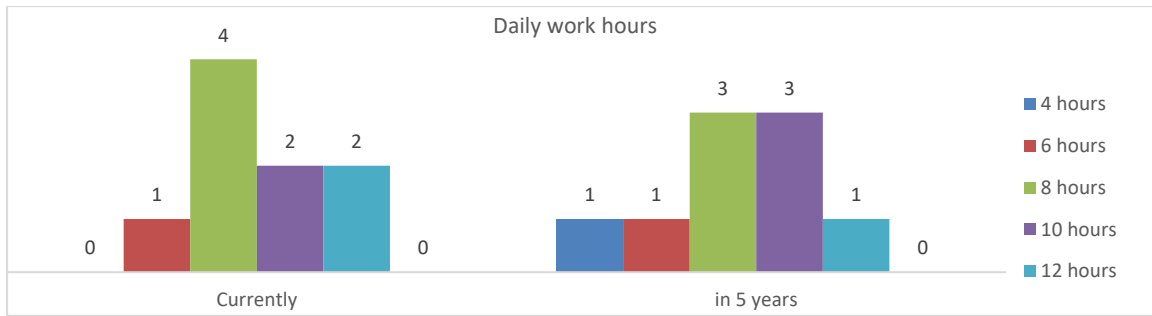


Figure 49 RSQ 11: Daily work hours

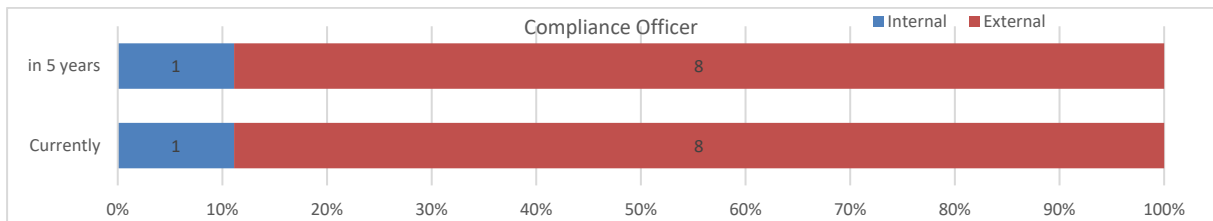


Figure 50 RSQ 12: Compliance officer

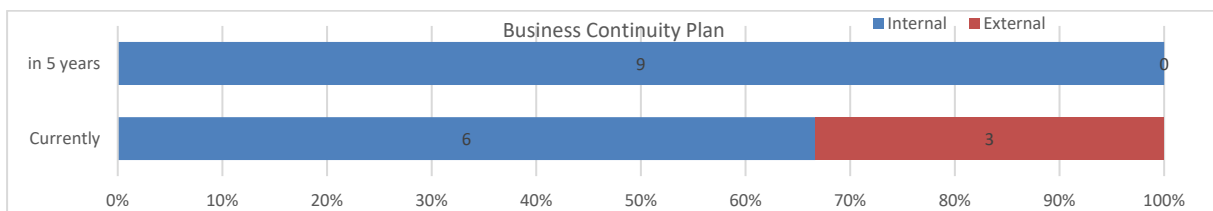


Figure 51 RSQ 13: Business continuity plan

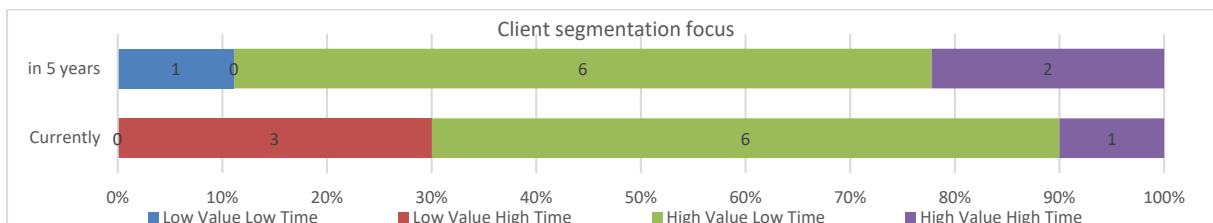


Figure 52 RSQ 14: Client segmentation focus

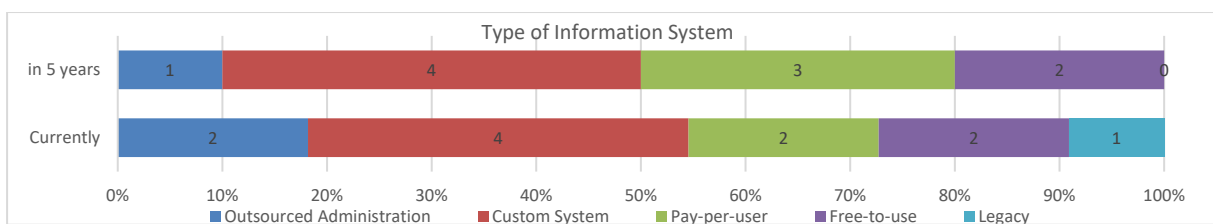


Figure 53 RSQ 15: Type of information system

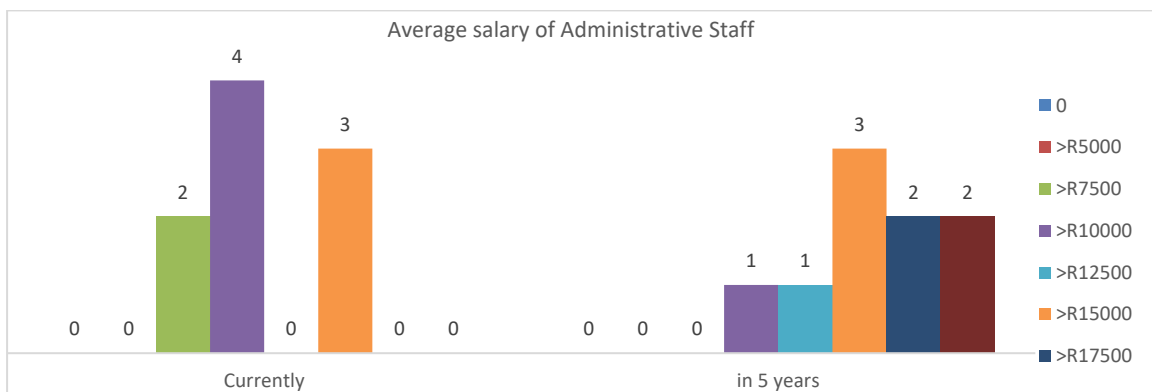
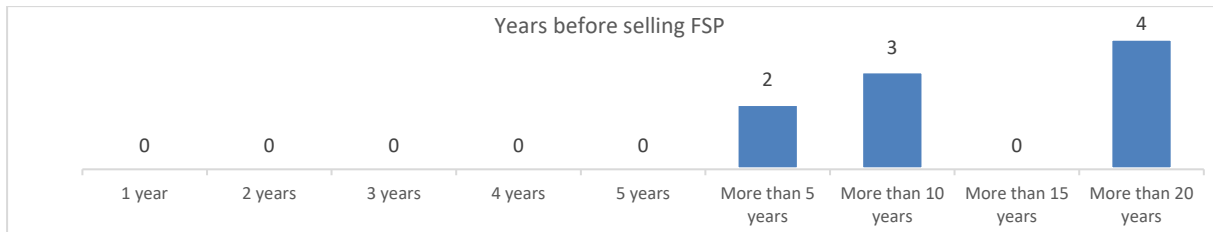


Figure 54 RSQ 16: Average salary of administrative staff



**Figure 55 RSQ 17: Years before selling FSP**

#### Additional Comments

2 responses

Always looking for more Representatives

None

**Figure 56 RSQ 18: Additional comments - responses**

Do you feel like these considerations are applicable in order to understand the factors that an FSP has to consider in order to understand the business environment. (Any comments or recommendation will be appreciated)

7 responses

Yes (x 3 responses)

yes (x 2 responses)

Yes. (x 1 response)

YES (x 1 response)

**Figure 57 RSQ 19: Responses**

#### *Analysis and syntheses of survey results*

Overall, the responses from the nine participants indicate that they are planning to increase the number of representatives at their FSPs in 5 years, Figure 39-*RSQ1*, with a balance between representatives and fully qualified financial advisors, Figure 40-*RSQ2*. FSPs indicated that the number of administrative staff members they currently have, will increase in 5 years, Figure 41-*RSQ3*.

Strategic decision-making facilitators could investigate whether the increased number of administrative staff members is a negative finding, reasoning that FSPs must employ more administrative staff due to additional compliancy-related tasks. Another interpretation may be positive, when FSPs want to employ more administrative staff, to free up the capacity of the representative to engage with more clients, and thus strengthening or even increasing their client base at the FSP.

Monthly turnover, Figure 42-*RSQ4*, and the average administrative staff salary, Figure 54-*RSQ16*, are also indicating that participating FSPs are planning on growing in the next 5 years, with the majority of participants indicating that they are expecting to pay more than R15 000 per month per administrative staff member, while the majority indicated that they pay less than R15 000 currently, which indicates a positive expectation.

The number of hours that FSPs are expecting to work in 5 years, is quite stable, around 8 hours per day, Figure 49-*RSQ11*.

The hourly rate at participating FSPs is virtually non-existent, Figure 43-*RSQ5*, and this is expected to improve in the future. FSPs mainly earn commission and as described by Maree (2012) consider not charging clients an hourly rate as the cost of business. The FSCA proposed that FSPs move to a fee-based structure, for the past decade, as discussed by Maree (2012), but FSPs seem to be apprehensive towards this change, as financial services is a red ocean as defined by Kim and Mauborgne (2005).

Only two FSPs indicate that they plan on staying in the industry between 5 and 10 years, whereas three participants indicated that they plan on staying in the industry between 10 and 15 years, Figure 55-RSQ17. Four participants indicated that they are planning on staying in the industry for more than 20 years, which might indicate that they are anticipating to possibly have an internal secondary key individual, who can take on more responsibility, as the participants near their mid-70s.

The responses align well with the responses for business continuity, Figure 51-RSQ13, as all participants indicated that they expect to have their business continuity plan internal to the FSP in 5 years, as opposed to the three participants that indicated that their business continuity plan is currently external to the FSP. The result is positive, as this would reduce a lot of risk associated with succession planning.

FSPs indicated that there is little change related to the compliance officer, Figure 50-RSQ12, type of information systems, Figure 53-RSQ15, focus area(s) provided, Figure 44-RSQ6, and customer segmentation, Figure 52-RSQ14, there seems to be stability in the responses provided.

The results relating to the relative importance in percentage each focus area currently requires, Figure 45-RSQ7, and in 5 years, Figure 46-RSQ8, is difficult to analyse given the agreement that individual responses would not be analysed, is certainly a limitation with only analysing the summarised responses in survey tool. This includes the time requirement as a percentage currently, Figure 47-RSQ9, and in 5 years, Figure 48-RSQ10. These four figures do indicate a difference when comparing the current state and in 5 years, but re-evaluation of the mode of analysis and testing is certainly required for more clear insights.

Overall, the FSPs indicated that there are some changes that they expect in the coming years, but the key regulatory risks will be mitigated based on the responses provided.

Seven of the participating FSPs indicate that the decision aspects presented are in fact applicable to understand their business environment, Figure 57-RSQ19. The finding validates that the decisional aspects are relevant for multifocal FSPs in South Africa.

### **4.3 Practical implications for strategy formulation**

Not all of the figures in section 4.2 were discussed, due to the fact that the first survey in section 4.2.1 was a used to provide context of the participating FSPs. The responses that were deemed of significance were presented after Figure 38, and while the results were presented alongside the results from the 2012 results by Maree (2012), the purpose was to provide context with regards to how the participating FSPs in 2022 compared to the 567 FSPs that completed the industry survey in 2012.

While the results that were deemed significant were discussed in sections 4.2.1 and 4.2.2, the decisional aspects should be comprehensive and hence additional evolution of the aspects are required, especially if strategy should be formulated based on a comprehensive set of aspects.

The refined decisional aspects should be used to guide decision-making during a practical workshop and an additional artefact would be require demonstrating the practical implications of using the decision aspects.

Chapter 5 is the evolution of the decision aspects across phases 1 and 2, as described in section 3.2. The iterative nature of the research led to creation of a chapter that summarised the list of decision aspects, as it was expanded and refined through each of the phases. This included the creation of a waterfall classification based on the list of primary decision aspects from phase 2, section 5.2 in order to demonstrate how the decision aspects can be used in a fictional FSP.

Chapter 5, further evolves the decision aspects to ensure that a comprehensive set of aspects are extracted from the research participants. It serves as a complete overview of the decision aspects across the phases and include cross references to the relevant sections in the document, to assist practitioners and researchers on having an overview of the research and the sections that might be of particular interest. Given the breadth of the research included, this chapter was specifically included to provide value to future research and practitioners, without having to page through different sections to piece together the decision aspects across the various chapters.

# Chapter 5:

## Evolution of decisional aspects

This chapter provides the evolution of the decision aspects through the phases as described in section 3.1. Phase 0 was the initial decision aspects, which was discussed in section 2.2. Section 5.1 is the decision aspects extension from phase 1, while section 5.2 is the refined decision aspects from phase 2. Section 5.3 is an example of a waterfall classification for refined decision aspect, and the chapter is concluded with a demonstration of the decision aspects on a fictional FSP.

### 5.1 Phase 1: Decision aspects extension

This section start with the findings from phase 0 in 5.1.1, with the extended list of decision aspects in from phase 1 in section 5.1.2, and the classification of the extended decision aspects in section 5.1.3.

Validation was completed with the use of four FSPs that were interviewed separately and then asked to validate the questions, decision aspects, and results for the other three FSPs results apart from their own, as presented in section 4.1.2. Thus, every FSPs response, recommendations, and observations were validated by three other, independent FSPs that have different business environments to ensure that these observations limit the influence of bias from a particular type of independent FSP. The findings from phases 0 and 1 were presented and published during the 6<sup>th</sup> annual North American Conference in Monterrey Mexico with the Industrial Engineering and Operations Management (IEOM) society international (Schnetler et al., 2021).

#### 5.1.1 Findings from phase 0

The findings of phase 0 in Chapter 2 were as follows:

1. Number of Independent Financial Advisors (IFAs)
2. Number of representatives
3. Number of administrative staff members
4. Monthly turnover
5. Focus area of the business
6. Focus area that clients make use of
7. Average time that a focus area requires
8. Whether the compliance officer is internal or external to the organisation
9. Whether business continuity planning is internal or external to the organisation
10. How long an FSP is planning to stay in the industry before selling the business
11. What client segmentation is targeted
12. The adoption rate of technology of the FSP
13. The information system currently being used
14. What the average administrative staff salary is
15. Percentage commission split for IFAs
16. Percentage commission split for representatives

This list was discussed with industry expert during the interview process and refinements were made to the list. The initial list of decision aspects was expanded from 16 in phase 0 to 19 in phase 1.

#### 5.1.2 Extended list of decision aspects for phase 1

The extended decision aspects for phase 1 were as follows:

1. Number of Independent Financial Advisors (IFAs)
2. Number of representatives
3. Number of administrative staff
4. Monthly turnover
5. Focus area of the business
6. Focus area that clients make use of
7. Average time that a focus area requires
8. Whether the compliance officer is internal or external to the organisation
9. Whether business continuity planning is internal or external to the organisation
10. How long an FSP is planning to stay in the industry before selling the business
11. What client segmentation is targeted

12. The adoption rate of technology of the FSP
13. The information system currently being used
14. What the average administrative staff salary is
15. Percentage commission split for IFAs
16. Percentage commission split for representatives
17. *Total number of clients*
18. *How long the FSP has been in the industry*
19. *Daily available working hours*

The original list of 16 decision aspects was extended with the inclusion of decision aspects 17, 18 and 19, respectively.

The extended decision aspect list of decision aspects of 19 was further classified into two groups, with 11 primary and 8 secondary decision aspects in phase 1, which were further validated during the presentation in Monterrey Mexico by Schnetler et al. (2021).

### **5.1.3 Extended decision aspects primary and secondary classification for phase 1**

The primary decision aspects that were found was:

1. Number of IFAs
2. Number of representatives
3. Number of administrative staff members
4. The average administrative staff salary
5. Monthly turnover
6. Focus area(s) provided
7. Total number of clients
8. Targeted client segmentation
9. The information system currently being used
10. Whether business continuity planning is internal or external to the organisation
11. How long an FSP is planning to stay in the industry before selling the business

The following were deemed as secondary decision aspects that can be useful in future research:

1. Percentage commission split for IFAs
2. Percentage commission split for representatives
3. Whether the compliance officer is internal or external to the organisation
4. The adoption rate of technology of the FSP
5. How long the FSP has been in the industry
6. Daily available working hours
7. Focus area(s) that clients require
8. Average time that the focus area(s) require

The primary decision aspects should aid in understanding the business environment of an FSP before moving to secondary decision aspects that can be used to extend future research into the topic of model building in the financial industry.

## **5.2 Phase 2: Decisional aspects refinement**

From phase 1 to phase 2 the primary decision aspects were evaluate, with the adjustment of moving *targeted client segmentation*, and *total number of clients*, to the list of secondary decision aspects. While *whether the compliance officer is internal or external to the organisation* and the *average time that the focus area(s) require* were moved to the primary decision aspects.

The 11 primary decision aspects from phase 1 were also expanded to include the *hourly rate* and *daily available working hours*, as the 2012 participants from Maree (2012), would currently be in their mid-sixties on average and as such, there might be a difference in the number of hours that they work currently.

The refined decisional aspects for phase 2 was 14, with 2 of the 14 aspects, namely *hourly rate* and *targeted client segmentation* being classified as secondary decision aspects.

Section 5.2.1, is the extended list of decision aspects for phase 2, followed by the refined decision aspects list of primary decision aspects in section 5.2.2. Section 5.2.3, is the refined primary and secondary considerations for phase 2, and section 5.2.4 is the refined decision aspects evaluated for phase 2.

### 5.2.1 *Extended list of decision aspects for phase 2*

The extended decision aspects from phase 1 were as follows:

1. Number of Independent Financial Advisors (IFAs)
2. Number of representatives
3. Number of administrative staff members
4. Monthly turnover
5. Focus area of the business
6. Focus area that clients make use of
7. Average time that a focus area requires
8. Whether the compliance officer is internal or external to the organisation
9. Whether business continuity planning is internal or external to the organisation
10. How long an FSP is planning to stay in the industry before selling the business
11. What client segmentation is targeted
12. The adoption rate of technology of the FSP
13. The information system currently being used
14. What the average administrative staff salary is
15. Percentage commission split for IFAs
16. Percentage commission split for representatives
17. Total number of clients
18. How long the FSP has been in the industry
19. Daily available working hours
20. *Hourly rate*

The extended list of 19 decision aspects was further extended with the inclusion of consideration 20 regarding *hourly rate*.

### 5.2.2 *Refined decision aspects list of primary decision aspects*

The primary decision aspects from phase 1 was updated to include the secondary consideration *daily work hours*, thus expanding the list of primary consideration to 12:

1. Number of IFAs
2. Number of representatives
3. Number of administrative staff members
4. The average administrative staff salary
5. Monthly turnover
6. Focus area(s) provided
7. *Average time that the focus area(s) require*
8. *Daily available working hours*
9. The information system currently being used
10. Whether business continuity planning is internal or external to the organisation
11. How long an FSP is planning to stay in the industry before selling the business
12. *Whether the compliance officer is internal or external to the organisation*

Consideration 7 from section 5.1.3, *total number of clients*, was replaced with *average time that the focus area(s) require*. Participants were not requested to indicate the *number of clients*, as this was deemed sensitive by the participants from phase 1 and is more suitable as a secondary consideration. The participants were requested to indicate the *average time that focus area(s) require*, and the results from participants can be found in section 4.2.2.

Consideration 8, from section 5.1.3, *targeted client segmentation*, was replaced with *daily available working hours*. Participants were requested to indicate the *daily available working hours*, as well as the *targeted client segmentation*, although it was reclassified as a secondary consideration.

Consideration 12, *whether the compliance officer is internal or external to the organisation*, was added to the list of primary decision aspects for phase 2. Participants were also requested to indicate whether the *compliance officer was internal or external to the organisation*.

Consideration 20, *hourly rate*, was classified as a secondary consideration, as there is large variability in the rate, within FSPs and various FSPs are not working from a fee-based structure and thus work for commission only. Participants were requested to indicate the *hourly rate*, as a key secondary consideration, to see whether the participants currently charge clients an hourly rate, or if they are planning to do so in the future.

### 5.2.3 *Refined primary and secondary decision aspects for phase 2*

The refined primary decision aspects for phase 2 that were found was:

1. Number of IFAs
2. Number of representatives
3. Number of administrative staff members
4. The average administrative staff salary
5. Monthly turnover
6. Focus area(s) provided
7. Average time that the focus area(s) require
8. Daily available working hours
9. The information system currently being used
10. Whether business continuity planning is internal or external to the organisation
11. How long an FSP is planning to stay in the industry before selling the business
12. Whether the compliance officer is internal or external to the organisation

The refined secondary decision aspects for phase 2 that can be useful in future research and consultations:

1. Percentage commission split for IFAs
2. Percentage commission split for representatives
3. The adoption rate of technology of the FSP
4. How long the FSP has been in the industry
5. Focus area(s) that clients require
6. *Targeted client segmentation*
7. *Hourly rate*
8. Total number of clients

The secondary decision aspects *hourly rate* and *targeted client segmentation* was included in the surveys for phase 2 and is presented as part of the further grouping of primary decision aspects that follows.

### 5.2.4 *Refined decision aspects evaluated for phase 2*

The refined decisional aspects evaluated for phase 2:

1. Number of IFAs
2. Number of representatives
3. Number of administrative staff members
4. The average administrative staff salary
5. Monthly turnover
6. Focus area(s) provided
7. Average time that the focus area(s) require
8. Daily available working hours
9. The information system currently being used
10. Whether business continuity planning is internal or external to the organisation
11. How long an FSP is planning to stay in the industry before selling the business
12. Whether the compliance officer is internal or external to the organisation
13. *Targeted client segmentation*
14. *Hourly rate*

The list of refined decisional aspects for phase 2 are non-hierarchical, as the 12 decision aspects that was evaluated during phase 2, was re-evaluated based on the feedback from the conference in Monterrey Mexico (Schnetler et al., 2021). What influenced the refinement of the decisional aspects were the ability to incorporate it in a survey that participants were to complete independently. Ambiguity with regards to how the number of clients overall, relate directly to the focus area(s) that an FSP provides, would be more suitable if a strategic decision-making facilitator wants to understand the FSP to that level of detail. Thus, the secondary decision aspects, as previously stated, should be considered, but it requires direct interaction with the FSP.

## 5.3 **Example of refined decision aspects waterfall classification**

To assist further research, a waterfall classification was created that aids in the facilitation process and application of the refined decision aspects. This is not to be confused with a waterfall methodology of waterfall model.

The main deliverable was not the waterfall classification as an artefact, but rather the list of key decisional aspects. The decision to include the waterfall classification was as a result of further interaction with FSPs, and the resulting

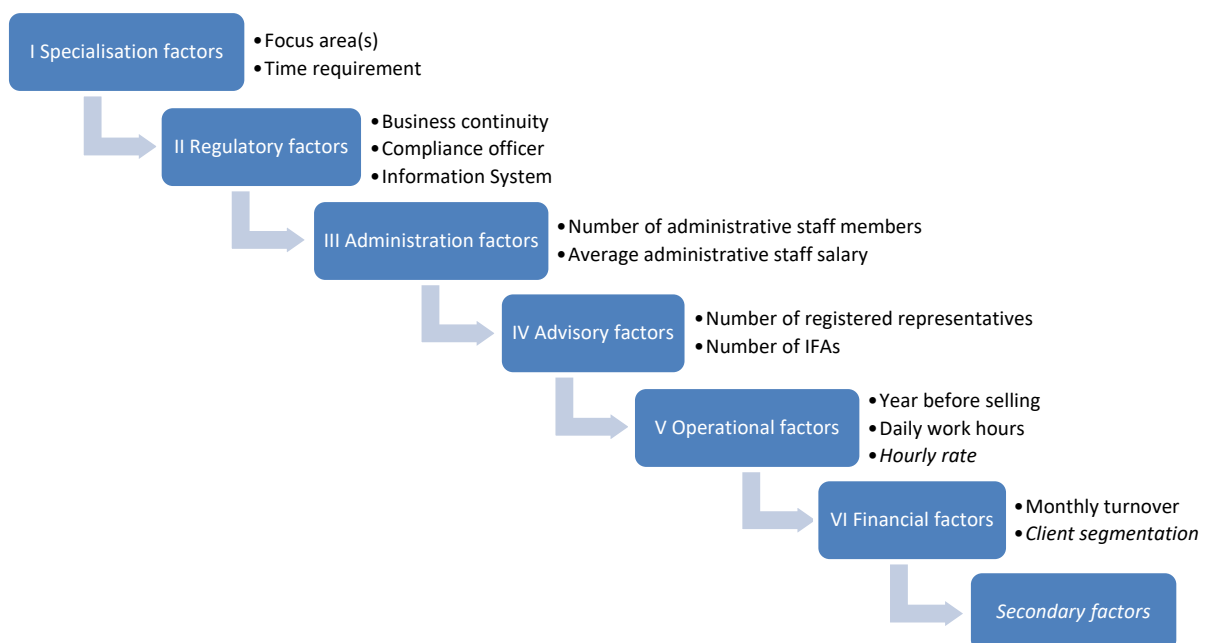
difficult experienced with the order in which to consider the list of refined decision aspects. A waterfall classification was merely selected to provide a visual representation of the decision aspects. The order of the waterfall classification is not fixed, and further research on different configurations are encouraged.

While topics such as the Analytical Hierarchy Process (AHP) and decision trees have a future application, related to this research, the author emphasizes the focus of this study in answering the research question: *What are the decisional aspects that need to be considered for the strategic future of multifocal FSPs in South Africa?*

Given the lack of research available on multifocal FSPs in South Africa, subsequent research can build on this foundational research that was aimed at identifying a list of the key decisional aspects for multifocal FSPs in South Africa.

The results for the decisional aspects refinement from section 5.2.4, was further grouped under six categories, with each category relating to a question to make it easier for demonstration and discussion purposes.

Figure 58, is an example of how the primary decision aspects as presented in 4.2.2 can be used and is followed by a discussion of each category and related decision aspects. The order in which the primary decision aspects are arranged, starts with an understanding of the type of FSP and how the FSP is set up related to specialisation and regulatory factors. The five decision aspects in these categories will provide an overview of the type of FSP that is considered. The two categories related to employees, regarding administrative and advisory factors provide a deeper understanding of the capacity of the FSP. Finally, the operational and financial factors will provide an understanding of the planning horizon and further focus in the FSP.



**Figure 58 Waterfall classification of primary decision aspects**

The order and grouping of decisional aspects are not rigid, as researchers and practitioners are encouraged to arrange the decision aspects in such a way that adds the most value to their FSP. The results and discussion of the responses will be structured in this dissertation according to Figure 58.

The discussion of categories and decision aspects that follows is done with reference to the figures, Figure 38 to Figure 57, that were presented in section 4.2.2, as it relates to the specific decision aspect, to aid readers with limited experience of multifocal FSPs in South Africa, with examples of how the aspects differ related to the participating FSPs, as well as provide guidance for future research.

The following discussion of the decision aspects should provide guidance to both experienced and novice users, given the limited literature available on multifocal FSPs in South Africa. Experienced practitioners will have a deeper understanding of the decision aspects and are encouraged to experiment with the use of the list of decision aspects provided.

## **I. Specialisation factors (*What type of FSP is it we are looking at?*)**

- 1. Focus Area**
- 2. Focus Area Time Requirement**

Firstly, we must start by understanding what part of the financial industry it is that an FSP focussed on and how much time it requires. The *focus area(s)* and *time requirements*, currently and in 5 years are provided in Figure 45, Figure 46, Figure 47 and Figure 48 in section 4.2.2. Once a strategic decision-making facilitator understands the *focus area(s)* and *time requirements* currently and in the future, it is possible to understand the type of FSP. An overview of the influence that the focus area has on the research is presented in section 2.2.

Now that we know where the company is focusing, currently and anticipated in the future, it is important to understand some basic concepts with regards to the company, related to when the FSP is whether the business continuity plan and the compliance officer is internal or external to the FSP, as well as what information system is used currently and anticipated in the future.

## **II. Regulatory factors (*How is the FSP set up in terms of systems and regulations?*)**

- 1. Business continuity plan**
- 2. Compliance officer**
- 3. Information system**

Secondly, a strategic decision-making facilitator can look at the *regulatory factors*, by asking the question “How is the FSP set up in terms of systems and regulations?” This includes the *business continuity plan*, see Figure 51, the *compliance officer*, see Figure 50, and the *information system*, see Figure 53, presented in section 4.2.2. The *business continuity plan* indicates if the FSP has an internal secondary KI, which will take over the company if something untoward happens to the primary KI as discussed in section 2.2. The *compliance officer*, discussed in section 2.2, indicates if the FSP has an internal compliance officer or an external compliance officer and what they anticipate in 5 years. Lastly, the information system, indicates what type of system the FSPs currently has, and what the FSP expects in 5 years.

Now that we understand the FSPs focus as well as an overview of regulatory factors, it is now possible to consider the size of the FSP, related to the administrative part of the FSP.

## **III. Administration factors (*Does the FSP have administrative staff and how much are they paid?*)**

- 1. Number of administrative staff members**
- 2. Average administrative staff salary**

Thirdly, a strategic decision-making facilitator can look at the *administration factors*, by asking the question “Does the FSP have administrative staff and how much are they paid?” This includes the *number of administrative staff members*, see Figure 41, and *average administrative staff salary*, see Figure 54, in section 4.2.2. As illustrated in the results from section 4.2.2, both the current and future state that the FSP is expecting should be considered, as the requirement for administrative staff, as described in section 2.2, can vary based on the focus area(s) provided as well as the type of information system used by the FSP.

At this point the strategic decision-making facilitators will have an overview of the type of FSP that they are working with, without considering the FSP in terms of advisory, operational, or financial factors. The purpose for this structure is to ensure that the strategic decision-making facilitator understands the type of FSP with which they are working. With a general understanding of the FSP, the strategic decision-making facilitator can look at the FSP in relation to the factors defining the FSPs in terms of the FSP's available capacity. The core business for multifocal FSPs that can differ quite substantially from FSP to FSP is the advisory, operational, and financial factors, as they relate back to financial advice.

Now that we understand administration factors of the FSP, it is possible to look at the advice side of the FSP. It is important to consider how many fully qualified IFAs the company has, as well as the number of representatives that the company has.

## **IV. Advisory factors (*What is the FSPs capacity in terms of advisory functions?*)**

- 1. Number of registered representatives**
- 2. Number of fully qualified IFAs**

Fourthly, a strategic decision-making facilitator can look at the *advisory factors*, by asking the question “What is the FSPs capacity in terms of advisory functions?” This includes the *number of registered representatives*, see Figure 39, and *number of fully qualified IFAs*, see Figure 40, presented in section 4.2.2, that the FSP has.

It is important to note the difference between registered representatives in an FSP and the number of fully qualified IFAs as all employees who provide financial advice to clients, must be registered representatives at the FSCA, a

key distinction comes in with representative that are acting under supervision, and those that have completed then necessary qualifications to be recognised as IFAs.

The discussion of FSP representation is provided in section 2.2, as all employees that provided financial advice in an FSP must be registered representatives, with a distinction related to whether the advisory is under supervision or not. It is once again recommended that the strategic decision-making facilitator considers both the current and anticipated future capacity of the FSP in terms of the advisory functions.

Now that we have an idea of the number of IFAs and representatives the company has, as well as what is expected in 5 years' time, we can look at the operational factors as it relates to the advisory part of the FSP currently, as well as what is expected in the next 5 years.

**V. Operational factors (*How many hours a day do they work and at what rate?*)**

- 1. Years before selling**
- 2. Daily work hours**
- 3. Hourly rate – *this can merely indicate the ideal future state, but it does not apply yet, as FSPs do not charge their clients such as lawyers, but receive commissions, and as such they do not invoice clients directly.***

Fifthly, a strategic decision-making facilitator can look at the *operational factors*, by asking the question “What is the rate and availability of the advisors at the FSP?” This includes the *years before selling*, see Figure 55, *daily work hours*, see Figure 49, and *hourly rate*, see Figure 43, presented in section 4.2.2.

The number of *years before selling*, indicates to the strategic decision-making facilitator what the time horizon for the FSP is, as it is not recommended that largescale new initiatives be recommended to the FSP, if the time horizon is less than 5 to 10 years, and if it is less than 5 years, the recommendations provided to an FSP should be directed at ensuring that the FSP can get the value, at the time of sale. Thus, if an FSP indicated that in 5 years they plan to have a bespoke system, while having a legacy system currently, that aspect should be critically re-evaluated considering how and if any of the previous decision aspects will aid in providing the maximum value. The aspect related to the years before selling, can be considered at the start of the process, but the benefit of having it considered at this stage is that the FSP already indicated where they want to be in 5 years, and the answers provided by the FSP can be re-evaluated considering the number of years before selling. What was noticed in section 4.2.2, was that most of the participants indicated that they have a longer planning horizon, and therefor re-evaluation of the decision aspects is not necessarily required.

The *daily work hours* and *hourly rate* is related to the advisory functions of the FSP and not related to the administrative functions of the FSP, as many financial advisors do not work a standard 8 hours per day, with many financial advisors in FSPs working longer hours as they earn commission and are not salaried employees. The hourly rate of the FSP should be considered by the strategic decision-making facilitators, as it might provide an indication of whether the FSP currently is or is planning to charge their clients for financial advice in the future. This is a secondary consideration, which might influence the recommendations made to the FSP, as the FSCA has recommended that FSPs move towards a fee-based structure. The hourly rate might differ between the focus areas, specific financial advisors, or other factors; thus, this is important to take note of and requires direct interaction with the FSP to be of practical use.

Now that we understand the FSPs in terms of advisory factors and what it is expected to cost, we can look at the monthly turnover of the FSP, as well as the client segmentation focus of the FSP.

**VI. Financial factors (*How much is the monthly turnover?*)**

- 1. Monthly turnover**
- 2. Client segmentation focus – *this is merely an indication but does not apply yet, as this is specific to the combination of the other refined decisional aspects.***

Finally, a strategic decision-making facilitator can look at the financial factors, by asking the question “How much money does the FSP make and what clients do they try and focus on?” This includes the *monthly turnover*, see Figure 42, and the *client segmentation focus*, see Figure 52, presented in section 4.2.2.

The reason monthly turnover is considered at the end, is because the monthly turnover of the FSP is influenced by most of the proceeding decisional aspects. Alternatively, one could change the order in which these decisional aspects are considered, but in this case, the order should guide the user through the process with minimum effort, as the order was set up in a way to understand the FSPs focus, organisation, and admin, before considering the fundamentals to an FSP, which is: (1) What is their hourly rate? (2) How many representatives and IFAs do they have? and (3) What is the monthly turnover of the FSP?

## 5.4 Demonstration of decision aspects at a fictional FSP

The decisional aspects should be used in a brainstorming/collaborative/experimental environment, where there is contact discuss with the FSP on how and why the decisional aspect may influence strategic decision making. Strategic decision-making facilitators can decide to follow one of two methods regarding the process:

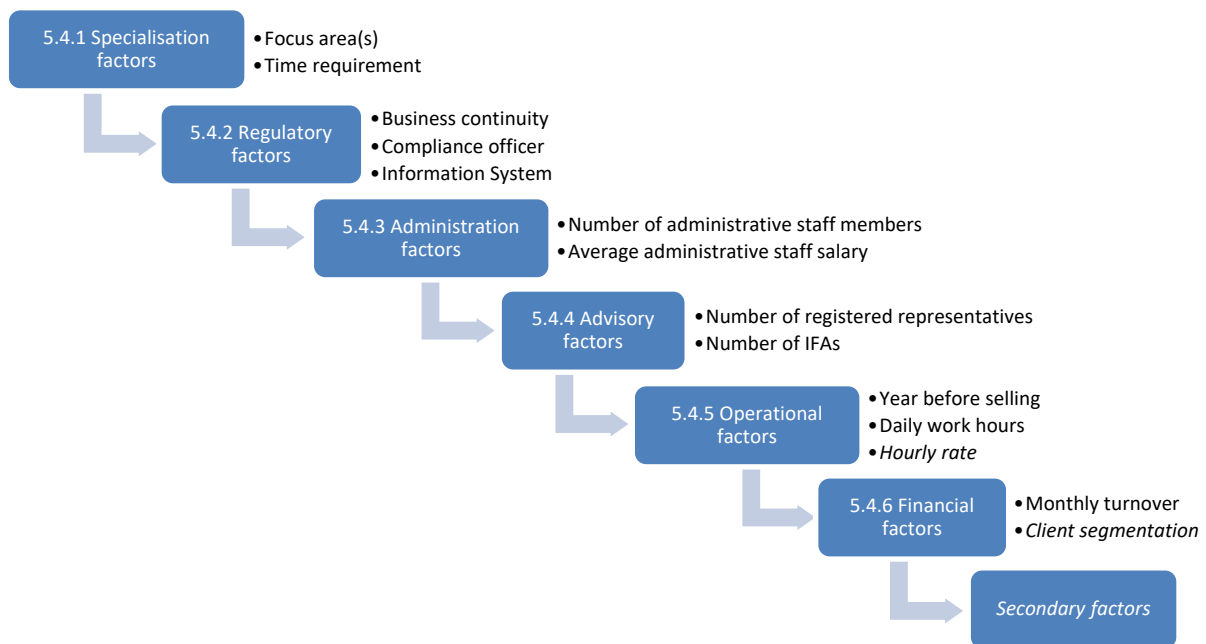
1. Request the FSP to complete both the current and future state at the same time
2. Request the FSP to complete the current state first, and then repeat the process for the future state

The first method was used for the fictional example, as the second method requires much more interaction with the FSP regarding time require to complete the process. The first process is much more suited to workshop settings with larger groups, while the second method is more suitable for one-on-one interactions that require a facilitator experienced in multifocal FSPs.

The first method was used in the survey in section 4.2.2, and in sections 5.4.1 to 5.4.6 where participants were requested to complete both the current and future state at the same time, without facilitation required during the process of data collection.

The fictional FSP was selected to present the application of the decisional aspects and the influence in a case where there is a sense of stability. Due to the nature of the decision aspects, it is recommended strategic decision-making facilitators set aside time to complete a thorough strategic evaluation on FSPs.

Figure 59 is a duplication of Figure 58 to demonstrate the waterfall classification approach of using the primary decision aspects to guide strategic planning at a fictitious enterprise for which an ad hoc name is given, i.e., WSI,



**Figure 59 Waterfall classification for fictional FSP demonstration**

Sections 5.4.1 to 5.4.6 includes the discussion of each of the sections as presented in Figure 59. Each section highlights the decision aspects that are used an input. The strategic decision-making facilitator would have a discussion with the FSP participant to gather inputs that will *guide* subsequent decisions.

WSI (Pty) Ltd is an FSP that has a single financial advisor, who is currently in his mid-60's. The owner, who is also the KI of the FSP has been in the industry for 25 years and is starting to consider his options for the future of his FSP. WSI has a single financial advisor and there are no serious plans for the FSP to expand in the future.

### 5.4.1 Specialisation factors

The first set of decision aspects answer the question: *What type of FSP is it we are looking at?*

#### **Focus Area**

Life and Investments only. WSI is not planning on adding any other focus areas in the future.

### ***Focus area time requirement***

The time requirement indicated by the FSP is 50:50 currently. WSI is not planning to focussing more on either of these focus areas and anticipate that the time requirement will be 50:50 in the future as well.

**Guidance:** At this point the strategic decision-making facilitator - knows that all recommendations and strategic decisions will only have to be focused on life and investments. Regulatory factors that are applicable to life and investments must be consider, while regulations that are applicable to short-term, medical, and other parts of the financial industry are not directly applicable to the FSP.

### ***5.4.2 Regulatory factors***

Decision aspects now need to answer the question: *How is the FSP set up in terms of systems and regulations?*

#### ***Business continuity plan***

External to the organisation currently and is planning on keeping it the same in the future.

#### ***Compliance officer***

External to the organisations currently and will stay external in the future.

#### ***Information system***

Using a legacy system currently (possible risk) and planning to use an external system in the future. The FSP also indicated that WSI will consider free to use or pay-per-user systems in the future.

**Guidance:** The strategic decision-making facilitator will be able to understand how the FSP is set up in terms of systems and regulations. In this case, the FSP is not planning on changing the position of the business continuity or compliance officer position. What might need investigation is to ensure that the business continuity plan has the needed partnerships in place if something untoward should happen to the KI in WSI, to ensure that regulatory risks are mitigated.

With respect to the information system, there is always risk when a legacy system is used, as the system might only be understood by the current staff members and poses a risk regarding succession. A decision should be made on the suitability of outsource administration, free-to-use, or pay-per-user system and what will be the best strategic system in the future.

### ***5.4.3 Administrative factors***

Decision aspects now need to answer the question: *Does the FSP have administrative staff members and how much are they paid?*

#### ***Number of administrative staff members***

WSI has no administrative staff members currently and is not planning on employing administrative staff in the future. One reason is that WSI provides life and investments products for their clients, which include financial advice which is sensitive and personal to their clients.

#### ***Average administrative staff salary***

WSI, whilst not currently employing an administrative staff member, and has indicated that they if they require administrative staff in the future, WSI will require a competent individual, which will cost between R10 000 and R15 000 per month.

**Guidance:** WSI does not have any administrative staff members and are not planning to employ any in the future. WSI will continue to complete all task personally, thus if outsourced administration is considered, this will mainly be for the purpose of using a different FSP's existing systems. The administrative needs of the FSP will not necessarily increase substantially, thus these decision aspects will not influence the strategic future of the FSP.

### ***5.4.4 Advisory factors***

Decision aspects now need to answer the question: *How many registered representatives are there, and how many of those representatives are fully qualified IFAs?*

#### ***Number of registered representatives***

WSI has one registered representative and is not planning on expanding in future.

### ***Number of fully qualified IFAs***

The one registered representative is also a fully qualified IFA.

**Guidance:** The advisory capacity is not set to increase in the future as the KI is in his mid-60s and is currently planning on strengthening the relationship with the secondary KI, to ensure that the clients will have a seamless transition if the financial advisor wants to leave the industry.

### ***5.4.5 Operational factors***

Decision aspects now need to answer the question: *How many hours per day do advisory staff work, and what is their hourly rate?*

#### ***Years before selling***

5-10 years

#### ***Daily work hours***

8 hours currently; 6 hours in 5 years

#### ***Hourly rate***

R0

**Guidance:** WSI will leave the industry in 5 to 10 years, which aligns with all previous decision aspects regarding an active effort to prepare for the transition. WSI also does not charge their clients an hourly rate for the services provided as the clients that they have, are clients that are of high quality and have been with the FSP for many years already. The FSP earns commission on the financial products that their clients use and as such will continue to not charge their clients an hourly rate for services.

### ***5.4.6 Financial factors***

Decision aspects now need to answer the question: *What is the monthly turnover and targeted client segmentation for the FSP?*

#### ***Monthly turnover***

R40 000 to R60 000

#### ***Client segmentation focus***

High Value clients only

**Guidance:** The overheads at WSI are quite low, and as such the monthly turnover is largely the commission earned by the IFA. The IFA also targets high value clients only and works with wealth multigenerational clients. In this case, given the fact that there is a single IFA and the clients have been with the FSP for a long time, it is likely that the clients will stay with the FSP.

### ***5.4.7 What is the overall recommendation to WSI***

WSI should continue with the current strategy of investigating which information systems would provide the most value for the future. There is a risk regarding the need to document the current legacy process that the FSP uses. Given the fact that the FSP does not plan on expanding in the future, there is a sense of control and the most important factor that the FSP should focus on is ensuring that if something untoward takes place, that the FSP and their clients can continue with minimal disruption. It would also be recommended that the FSP obtains the necessary contracts that specify what the IFA will be paid for the sale of the FSP, if he should pass away or become incapacitated for an extended period.

WSI is in the fortunate position that there is limited risk. Other FSPs are not necessarily as simple regarding their business decision aspects as presented in section 4.2.2. This section only provided a demonstration of how the decision aspects could guide a strategic decision-making facilitator during a strategic decision-making discussion with an FSP.

# Chapter 6:

## Conclusion and recommendations for future research

This chapter concludes the research. Section 6.1 is a summary of the study, whereas section 6.2 presents the main contribution, concluding with section 6.3 on limitations and future research.

### 6.1 Summary of the study

This research consisted of various phases, that started with phase 0 which included informal interviews with four multifocal FSPs in Pretoria South Africa, presented in section 1.3, that was followed by a literature review that was conducted based on Okoli and Schabram (2010) and Okoli (2015) in Chapter 2.

An industry study conducted by Maree (2012), in partnership with FANews presented early insights into FSPs in South Africa. This was followed by a study by Hoque and Peter (2016), that focussed on FSPs in KZN, South Africa.

A gap in the literature review (answering the discovery research questions *DQ1-DQ7*) highlighted the need to answer the following primary research question: *What are the decisional aspects that need to be considered for the strategic future of multifocal FSPs in South Africa?*

Interactive, emergent mixed methods, as described by Creswell and Plano Clark (2018), was identified in section 3.1, as the methodology that would be most suited to answering the primary research question, which included three phases, phase 0 - initial decision aspects, phase 1 - decision aspect extension, and phase 2 – decision aspect refinement, as discussed in Chapter 3.

At the end of phase 1 – decision aspect extension; a conference paper was presented in Monterrey Mexico with the IEOM society international, by Schnetler et al. (2021). The positive response to the initial findings, led to phase 2, that consisted of two standardised surveys to increase the number of participation from the four initial FSPs to nine FSPs who completed the survey for phase 2b, as described and presented in sections 3.5 and 4.2.

The evolution of the decision aspects across each of the phases were presented in Chapter 5, that delineates the decision aspects and the evolution thereof per phase and included a waterfall classification that was created to assist both researchers and practitioners on how the list of primary and secondary considerations could be grouped.

The waterfall classification is not an artefact that was developed based on Peffers et al. (2007) that was designed to be rigorous as an artefact, as the research was focussed on *identifying* the key decision aspects. It was created to assist researchers and users, by providing a starting point in understanding multifocal FSPs in South Africa.

The waterfall classification as discussed in section 5.3, was created based on the researchers experiences with FSPs over the past decade and particularly the difficulties that FSPs experienced when presented with the final list of 20 decision aspects, of which 12 were classified as primary and 8 as secondary considerations as discussed in 5.2.

When presented with the final list of decision aspects, FSPs were uncertain how this could be used in their strategic decision-making process, which sparked the need for further guidance on how FSPs can use the research in the process of strategic decision-making. A fictional example was presented in section 5.4, to demonstrate how the waterfall classification can be used to guide strategic decision-making in an FSP.

While more research on multifocal FSPs in South Africa is planned, the results of the study provide sufficient evidence to support the thesis statement: *Key decisional aspects can be used to guide the strategic future of multifocal FSPs in South Africa.*

### 6.2 Main contribution

The main contribution of the study is the list of 20 decisional aspects in section 6.2.1, with two additional contribution, the classification of decision aspects in section 6.2.2, and a waterfall model for classifying decision-making aspects to guide an FSP during a strategic decision-making discussion in section 6.2.3, and is concluded with an overview of who needs this research in section 6.2.4. Chapter 5 includes the evolution of decision aspects that provide further detail to the main contribution of the research.

### **6.2.1 List of decisional aspects**

The extended decision aspects from phases 1 and 2 were as follows:

1. Number of Independent Financial Advisors (IFAs)
2. Number of representatives
3. Number of administrative staff members
4. Monthly turnover
5. Focus area of the business
6. Focus area that clients make use of
7. Average time that a focus area requires
8. Whether the compliance officer is internal or external to the organisation
9. Whether business continuity planning is internal or external to the organisation
10. How long an FSP is planning to stay in the industry before selling the business
11. What client segmentation is targeted
12. The adoption rate of technology of the FSP
13. The information system currently being used
14. What the average administrative staff salary is
15. Percentage commission split for IFAs
16. Percentage commission split for representatives
17. Total number of clients
18. How long the FSP has been in the industry
19. Daily available working hours
20. *Hourly rate*

The extended list of 19 decision aspects from phase 1 in section 5.1 was further extended with the inclusion of decision aspect 20 regarding *hourly rate*, see section 5.2.

### **6.2.2 Classification of decisional aspects**

The refined primary decision aspects for phase 2 that were found was:

1. Number of IFAs
2. Number of representatives
3. Number of administrative staff members
4. The average administrative staff salary
5. Monthly turnover
6. Focus area(s) provided
7. Average time that the focus area(s) require
8. Daily available working hours
9. The information system currently being used
10. Whether business continuity planning is internal or external to the organisation
11. How long an FSP is planning to stay in the industry before selling the business
12. Whether the compliance officer is internal or external to the organisation

The refined secondary decision aspects for phase 2 that can be useful in future research and consultations:

1. Percentage commission split for IFAs
2. Percentage commission split for representatives
3. The adoption rate of technology of the FSP
4. How long the FSP has been in the industry
5. Focus area(s) that clients require
6. *Targeted client segmentation*
7. *Hourly rate*
8. Total number of clients

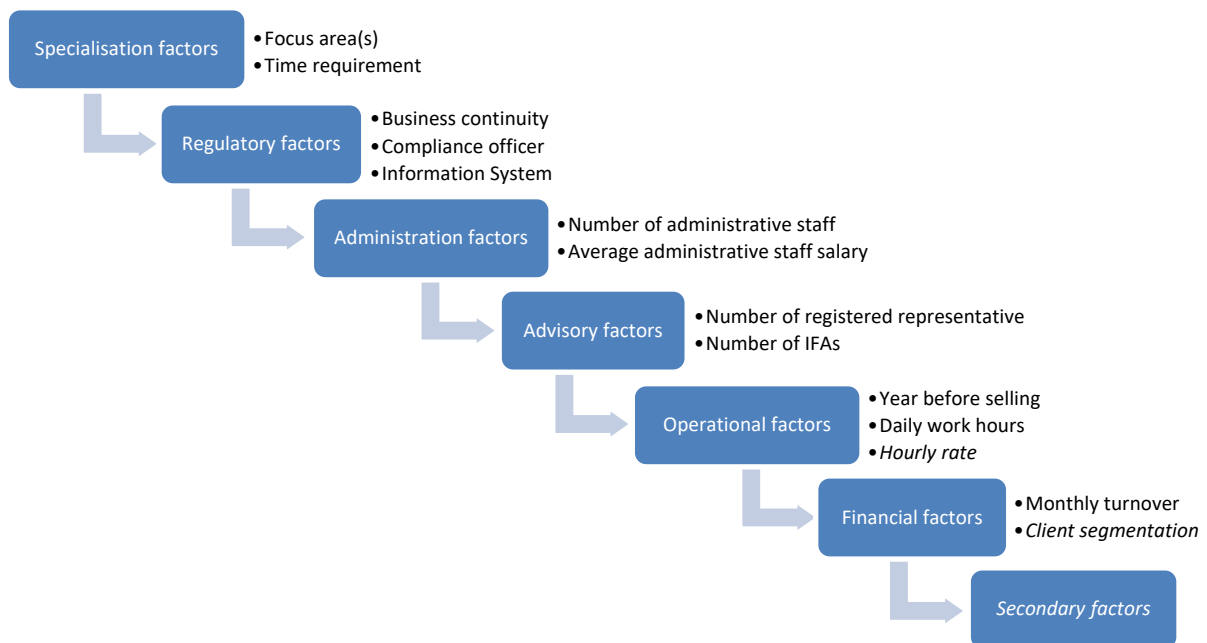
The secondary decision aspects, *hourly rate* and *targeted client segmentation*, was included in the surveys for phase 2 and is presented as part of the further grouping of primary decision aspects that follows, see section 5.2.4.

### **6.2.3 Waterfall classification of primary decision aspects**

The main deliverable was not the waterfall classification as an artefact, but rather the list of key decisional aspect. The decision to include the waterfall classification was as a result of further interact with FSPs, and the resulting difficult experienced with the order in which to consider the list of refined decision aspects. A waterfall

classification was merely selected to provide a visual representation of the decision aspects, see section 5.3. The order of the waterfall classification is not fixed, and further research on different configurations are encouraged.

Figure 60, is the waterfall model created from the refined decision aspects of phase 2. The order in which the primary decision aspects are arranged, starts with understanding the type of FSP and how the FSP is set up related to specialisation and regulatory factors. The five decision aspects in these categories will provide an overview of the type of FSP that is considered. The two categories related to employees, regarding administrative and advisory factors provides a deeper understanding of the capacity of the FSP. Finally, the operational and financial factors will provide an understanding of the planning horizon and further focus in the FSP.



**Figure 60 Waterfall classification of primary decision aspects**

The order and grouping of decisional aspects are not rigid, as strategic decision-making facilitators are encouraged to arrange the decision aspects in such a way that adds the most value to their FSP. The results and discussion of the responses will be structured in this dissertation in the following order.

- I. Specialisation factors (*What type of FSP is it we are looking at?*)
  1. Focus Area
  2. Focus Area Time Requirement
- II. Regulatory factors (*How is the FSP set up in terms of systems and regulations?*)
  1. Business continuity plan
  2. Compliance officer
  3. Information system
- III. Administration factors (*Does the FSP have administrative staff and how much are they paid?*)
  1. Number of administrative staff members
  2. Average administrative staff salary
- IV. Advisory factors (*How many register Reps, how many are fully qualified IFAs?*)
  1. Number of registered representatives
  2. Number of fully qualified IFAs
- V. Operational factors (*How many hours a day do they work and at what rate?*)
  1. Years before selling
  2. Daily work hours
  3. Hourly rate – *this can merely indicate the ideal future state, but it does not apply yet, as FSPs do not charge their clients such as lawyers, but receive commissions, and as such they do not invoice clients directly.*
- VI. Financial factors (*How much is the monthly turnover?*)
  1. Monthly turnover
  2. Client segmentation focus – *this is merely an indication but does not apply yet, as this is specific to the combination of the other refined decisional aspects.*

#### **6.2.4 Who needs this research**

This research worked towards finding agreement and consensus between academia and the industry regarding what the primary decision aspects are that can be used in the future, to provide guidance to FSPs in South Africa and possibly towards understanding it on a global level, given the worldwide push towards global financial regulatory standards (Ugeux, 2014).

This research focused on discussing and evaluating what the current business environment for FSPs looks like in the South African financial industry in specific. What was found is that the decision aspects as identified from literature and previous studies do provide valuable feedback in understanding the business environment and why these decision aspects are applicable. It was also found that the initial decision aspects that were identified are applicable across different IFA businesses and that these decision aspects assist in understanding what needs to be accounted for in models for the financial industry related to the strategic decisions that are made for the future of the FSP.

The decision aspects are not only important to the FSPs internally, but they can also assist regulators in understanding the business environments of the FSPs before new regulations are imposed. In some cases regulations do not seem to be tested in the industry with regards to how it will be implemented by the FSPs before the introduction of new regulations, as well as a lack of best practices from the regulator that smaller FSPs can use as a guideline to assist in the introduction and adherence to new regulations (Barefoot, 2018). While regulations are crucial to the financial industry, there is a need to critically look from the regulators' side where preventative regulation is required and, rather than imposing regulations as a reactionary measure by having collaboration between industry leaders, academia, and regulators.

The study gained insight from past research, regulations, legislations, and business literature as well as current and future developments in the financial industry, which can provide a basis for future research on this topic.

### **6.3 Validation of decision aspects, limitations and future research**

This section summarises the validation of decision aspects, limitations of the research method that was applied and the decision aspects that were derived as the main results of this study, as well as future research.

#### **6.3.1 Validation of decision aspects**

The validation of decision aspects took place at multiple stages throughout the research process, through the use of an iterative process, that consisted of multiple phases as well as the use of different tools.

During phase 1, the four participating FSPs were asked after completing the structured interview to validate the responses of the other participants. This was followed by the feedback from the 2021 IEOM conference by Schmetler et al. (2021) where decision aspects were refined before the start of phase 2.

Phase 2 was validated with the use of a survey tool as opposed to the structured interviews that were used in phase 1, as well as the example of refined decision aspects in section 5.3, presented as a waterfall classification and demonstration of the decision aspect with the use of a fictional FSP in section 5.4.

#### **6.3.2 Method limitations**

In accordance with the guidance provided by Borrego et al. (2009) the research question has to determine whether a qualitative, quantitative or mixed methods approach should be used. Since this study was exploratory in nature, a mixed methods approach was appropriate with the limitation that generalizations cannot be made about the decision aspects and the relationships between the decision aspects. The intricate behavioural relationships between the decision aspects and required decision-making heuristics that may guide strategic decision-making will be investigated in future research.

Although a model was introduced, called the *waterfall classification of decision aspects*, the model was not developed by following any model-development techniques from literature. The model has several limitations when it must be used in practice by the strategic decision-making facilitator. As an example, the iterative nature of the decisions is not included in the model. For future work the model may be developed further using design science research (Peffer et al., 2007) or action design research (Sein et al., 2011). Also, a facilitator must guide strategic decision-making, the facilitator must be skilled in how-to-facilitate, and the rules and regulations of multifocal FSPs.

#### **6.3.3 Decision aspect result limitations**

The purpose of these decision aspects from phase 1 was to indicate to FSPs what they need to consider going forward with strategic decision aspects for the next five years, based on their responses in the interviews. This was

to provide them with a way of understanding the decision aspects that might influence their business decisions concerning internal business configuration to ensure that they can serve their clients as best as possible through the process.

Research was required on a broader range of FSPs to validate observations by use of a standardised survey to receive more data for future research, which initiating phase 2. What was found between using expert interviews and the standardised survey was that the decision aspects that were identified from the literature and enhanced using expert interviews were successfully validated.

From analysis of the survey data, it was found that the opinions of participants are influenced by their age and years of experience. This is not surprising as participants that are starting off in the financial industry or that might not aspire to have their own FSP, do not need to think as wide as those individuals who have ownership or high positional authority in an FSP. The participant in the survey did not necessarily study towards a degree in finance or business but learnt what they needed from internal training and development programs.

While it was vital to collect information related to *focus areas* and *hourly rates*, it will be quite some time before such decision aspects will be able to be useable for both academia and regulators as clients of most FSPs are not yet willing to pay fees for advice. Advice is currently considered as the cost of gaining new clients and thus the FSP receives a commission from the premiums paid by the client to the medical aid, investment, or insurance houses. Thus, the FSP is not necessarily paid by their clients directly, where in the case of a fee structure, as proposed by the FSCA, the FSP will start to invoice the client for their time on top of their monthly premiums.

The researcher purposefully did not include a specific example of how the decision aspects can be applied to an FSP, as FSPs can differ in all 20 of the decision aspects identified in the research and as such, to provide an example of how these decision aspects can be applied to an FSP, would merely serve in limiting the creative potential of individual FSPs to apply the decision aspects. Human nature would cause FSPs who are looking at using the decision aspects for their FSP to “fit” the example provided and try and find an answer for their FSP. This research was focussed on *identifying* the key decision aspects for multifocal FSPs in South Africa, and not to present how it can be applied to FSPs.

#### **6.3.4 Future research**

Due to the sample sizes, statistical analysis was not possible. Future work is suggested that can focus on the quantitative aspects of the research, given that a qualitative foundation is complete for future work, regression equations and sensitivity analysis can be conducted in future.

While a comparative analysis could have been considered for the second survey in section 4.2.2, this was not possible, given the low number of participants in 2022 as opposed to the 567 participants in 2012 with the study by Maree (2012), which was an industry report, intended for industry and not academia. Other challenges in doing such an analysis include the introduction of the POPI Act in South Africa and the overall apprehension of FSPs to participate in such studies.

There is an overall lack of research available due to the various challenges and difficulties regarding conducting research with financial service providers, leading to an academic research area that is not active. The researcher has worked with FSPs for the past decade and given the personal network FSPs were willing to participate in the study, but due to the sensitive nature of research on FSPs, there is low participation. A big challenge for future research will be finding FSPs that are willing to participate, which will be a major challenge when quantitative research is conducted on this research area.

Uncertainties still existed with regards to the relative importance of the decision aspects and how the interrelations between decisional aspects might be applied in different multifocal FSPs in South Africa. Any research that is conducted in this area has stringent requirements, as knowledge of both the operational and regulatory requirements are needed. Maree (2012) stated that more than 20 policies and procedures had to be implemented, documented, and updated regularly in an advisory business. These policies and procedures have merit and can add value in isolation, but they add a layer of complexity that can create an administrative burden to the individuals in the industry.

In some cases where regulations from different regulatory bodies are imposed, some requirements can introduce regulations that are contradictory and cause frustration to FSPs who must ensure that they comply with all regulations or risk being heavily fined, i.e. the Financial Advisory and Intermediary Services Act (FAIS Act) and the Protection of Personal Information Act (POPI Act), where these acts require a minimum duration for which records have to be kept (Theys et al., 2021).

Within the next several years further research can be done on the financial industry to understand the myriad of factors that can influence the recommendations that can be provided to the industry. Unfortunately, at this point,

it is difficult to conduct quantitative research on topics related to independent financial advisory businesses as there is a lack of research in this field, with access to information and regulatory complexities being two of the main deterrents in this area. Workshops are encouraged as a method of data-collection for future research as this could increase the participation from different FSPs, if the researcher has access to a large number of FSPs.

Future work may investigate the possibility of creating a commercial decision support system (DSS) that incorporate all decision-making aspects within an optimization model that facilitates scenario-building for strategic planning. The FSPs should be able to experiment with different configurations and scenarios of their companies and observe the effect on other aspects. Multi-criteria decision support systems (MCDSSs) can be investigated by incorporating multi-criteria decision aid (MCDA), as discussed by Razmak and Aouni (2015) and the earlier work by Stewart (1991). Vaz de Almeida et al. (2019) focused on developing a MCDSS for knowledge transfer and will be an additional insight into how an MCDSS can be created that adds value. The comparative analysis completed by Baizylidayeva et al. (2013) will also be used to ensure that future research leverages the findings from this research and expands on the MCDSS phase from the research.

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# Appendices

## Appendix A: Definition of terms

**Table 25 Definition of terms**

<i>Term</i>	<i>Definition</i>	<i>Source</i>
Advice	<i>“Advice is defined as any recommendation, guidance or proposal of a financial nature furnished, by any means or medium, to a client or group of clients in respect of the purchase or investment in any financial product, the conclusion of any other transaction aimed at incurring any right or benefit or liability in respect of any financial product (this includes a loan or cession), or the variation, replacement or termination of any financial product.”(2013, 2014)</i>	<i>(FAIS, 2013) (FAIS, 2014)</i>
Intermediary Service	<i>“Intermediary Service means any activity other than the furnishing of advice that is performed by a person for or on behalf of a client or product supplier.”(2013, 2014)</i>	<i>(FAIS, 2013) (FAIS, 2014)</i>
FSP	<i>“In terms of the Act, an FSP is defined as any person, other than a representative, who as a regular feature of the business of such person furnishes advice, or renders any intermediary service, or both”(2013, 2014)</i>	<i>(FAIS, 2013) (FAIS, 2014)</i>
Key individuals	<i>“These are natural persons within the FSP who are either managing or overseeing the activities of the FSP relating to financial services (for example a manager of a distribution unit in an FSP).”(2013, 2014)</i>	<i>(FAIS, 2013) (FAIS, 2014)</i>
Representatives	<i>“These are the persons who render a financial service to clients for or on behalf of an FSP, in terms of an employment or any other mandatory agreement. An example of a representative would be a tied agent of a large corporate or a financial advisor who operates under the auspices of an independent brokerage.”(2014)</i>	<i>(FAIS, 2013) (FAIS, 2014)</i>
Support staff	<i>“These are the staff that supports the function of the sales staff within the administrative functions of an FSP.”(2013, 2014)</i>	<i>(FAIS, 2014, FAIS, 2013)</i>
FSP Category II (Discretionary FSP)	<i>“Discretionary FSP means an FSP: (a) that renders intermediary services of a discretionary nature as regards the choice of a particular financial product referred to in the definition of “administrative FSP” in this subsection, but without implementing any bulking; and (b) acting for that purpose specifically in accordance with the provisions of the Code set out in Chapter II of this Schedule, read with the Act, the General Code (where applicable) and any other applicable law.”(2013, 2014)</i>	<i>(FAIS, 2013) (FAIS, 2014)</i>
FSP Category III (Administrative FSP)	<i>“Administrative FSP means an FSP, other than a discretionary FSP – (a) that renders intermediary services in respect of financial products referred to in paragraphs (a), (b), (c) (excluding any short-term insurance contract or policy referred to therein), (d) and (e), read with paragraphs (h), (i) and (j) of the definition of “financial product” in section 1(1) of the Act, on the instructions of a client or another FSP and through the method of bulking; and (b) acting for that purpose specifically in accordance with the provisions of this Code, read with the Act, the General Code (where applicable), and any other applicable law;”(2013, 2014)</i>	<i>(FAIS, 2013) (FAIS, 2014)</i>
FSP Category I	<i>This Category of FSP has been defined in the Determination of Fit and Proper as: “All persons, other than persons referred to in Categories II and III, who require licences to render the financial services ...”(2013, 2014)</i>	<i>(FAIS, 2013) (FAIS, 2014)</i>
Compliance Officer	<i>“A compliance officer is an employee of a company that ensures the firm is following its outside regulatory and legal requirements as well as internal policies and bylaws. Compliance officers have a duty to their employer to work with management and staff to identify and manage regulatory risk. Their objective is to ensure that an organisation has internal controls that measure and manage the risks it faces. Compliance officers provide an in-house service that effectively supports business areas in their duty to comply with relevant laws and regulations and internal procedures. The compliance officer is usually the company’s general counsel, but not always.”(2013, 2020)</i>	<i>(FAIS, 2013) (Hayes, 2020)</i>

## Appendix B

From the SLR, we find that there is not an abundance of research available on FSPs, that is why this research moves towards using primary data-gathering methods to ensure that there is experience that this research is focussed on. There were multiple published books read to supplement this research done during 2020 and 2021 to supplement the limited results from academic literature. During 2021 a second phase of the literature review was conducted where 104 books were completed that differ in subject matter and focus.

The list of books are as follows:

1. Blue Ocean Strategy – W. Chan Kim & Renee Mauborgne (Kim and Mauborgne, 2005)
2. The Potential Principle – Mark Sanborn (Sanborn, 2017)
3. Developing the Leader Within You – John C. Maxwell (Maxwell, 1993)
4. Animal Farm – George Orwell (Orwell, 2000)
5. Leaders Eat Last : why some teams pull together and others don't – Simon Sinek (Sinek, 2019)
6. Think big : make it happen in business and life – Trump & Bill Zanker (Trump and Zanker, 2010)
7. The 5 Love Languages – Gary Chapman (Chapman, 2021)
8. Becoming a Person of Influence – John C. Maxwell (Maxwell, 2004)
9. Developing the Leaders Around You – John C. Maxwell (Maxwell, 2004)
10. The Winning Attitude – John C. Maxwell (Maxwell, 2004)
11. The Speed of Trust – Stephen M.R. Covey with Rebecca R. Merrill (Covey, 2006)
12. Dogfight – Fred Vogelstein (Vogelstein, 2013)
13. There's No Such Thing As Business Ethics – John C. Maxwell (Maxwell, 2003)
14. Drucker and Me – Bob Buford (Buford, 2014)
15. How to Become a Great Boss – Jeffrey J. Fox (Fox, 2010)
16. The 10X Rule – Grant Cardone (Cardone, 2011)
17. Nearing Home – Billy Graham (Graham, 2011)
18. Constructing a Good Dissertation – Erik Hofstee (Hofstee, 2006)
19. How to Succeed In Your Masters and Doctoral Studies – Johann Mouton (Mouton, 2001)
20. How Successful People Grow – John C. Maxwell (Maxwell, 2014)
21. Master Leaders – George Barna with Bill Dallas (Barna and Dallas, 2010)
22. Attitude 101 – John C. Maxwell (Maxwell, 2007a)
23. Corporate Social Investment – Setlogane Manchidi (Manchidi, 2018)
24. The Family Business – Doug Banister with Jeff Fray, John Secrest, and Steven Hall (Banister, 2004)
25. The Prayer of Jabez – Bruce Wilkinson (Wilkinson and Kopp, 2010)
26. The Seven Habits of Highly Effective People – Stephen R. Covey (Covey and Collins, 2013)
27. On Strategy – HBR's 10 Must Reads (2011)
28. A Passion for Excellence – Tom Peters and Nancy Austin (Peters and Austin, 1994)
29. The Age of Turbulence – Alan Greenspan (Greenspan, 2007)
30. Steve Jobs – Walter Isaacson (Isaacson, 2011)
31. Business at the Speed of Thought – Bill Gates (Gates and Hemingway, 1999)
32. Winning! – Jack Welch with Suzy Welch (Welch and Welch, 2005)
33. Leadership – Rudolph W. Giuliani (Giuliani and Kurson, 2002)
34. The Undoing Project – Michael Lewis (Lewis, 2017)
35. The Definitive Drucker – Elizabeth Haas Edersheim (Edersheim and Drucker, 2007)
36. Goldman Sachs The Culture of Success – Lisa Endlich (Endlich, 1999)
37. Good to Great – Jim Collins (Collins, 2001)
38. All Marketers are Liars – Seth Godin (Godin, 2006)
39. Just One Thing – John Mauldin, Editor (Maulden, 2006)
40. Awakening the Entrepreneur Within – Michael E. Gerber (Gerber, 2009)
41. Asset Protection 101 – J.J. Childers, J.D. (Childers and Trump, 2008)
42. Rogue Economics – Loretta Napoleoni (Napoleoni, 2008)
43. The Search – John Battelle (Battelle, 2006)
44. The Battle for Wall-Street – Richard Goldberg (Goldberg, 2009)
45. Models Behaving Badly – Emanuel Derman (Derman, 2011)
46. Econospinning – Gene Epstein (Epstein, 2006)
47. The Upside of Irrationality – Dan Ariely (Ariely, 2010)
48. Irrational Exuberance – Robert J. Shiller (Shiller, 2000)
49. The Jack Welch Lexicon of Leadership – Jeffrey A. Krames (Krames, 2001)
50. The Leadership Mystique – Manfred Kets De Vries (Kets de Vries, 2001)
51. The Executive Trap – Jay Hall (Hall, 1992)
52. Strategy Pure & Simple – Michel Robert (Robert, 1993)
53. How to Make Your Life Easier at Work – Al Kelly (Kelly, 1990)
54. Riding the Blue Train – Bart Sayle and Surinder Kumar (Sayle and Kumar, 2006)
55. Diary Of A Hedge Fund Manager – Keith McCullough with Rich Blake (McCullough and Blake, 2010)
56. Self-Made Man – Norah Vincent (Vincent, 2006)

57. The Six Step Process and Compliance – Anton Swanepoel
58. You Changed My Life – Max Lucado (Lucado, 2010)
59. The Goldwatchers – John Katz and Frank Holmes (Katz and Holmes, 2008)
60. Running With The Giants – John C. Maxwell (Maxwell, 2007b)
61. The Leading Edge – Jack Hayford (Hayford, 2006)
62. Business Masterminds Tom Peters – Robert Heller (Heller, 2000)
63. The New Paradigm For Financial Markets – George Soros (Soros, 2008)
64. Playing Your Business Like a Pro – Anton Swanepoel (Swanepoel and Player, 2005)
65. eStrategy Pure & Simple – Michel Robert and Bernard Racine (Robert and Racine, 2001)
66. A Creative Environment for Creative Leadership – IEDC (European Leadership Centre . Business et al., 2013)
67. Boomerang – Michael Lewis (Lewis, 2012)
68. The Art of Pricing – Rafi Mohammed (Mohammed, 2005)
69. Free – Chris Anderson (Anderson, 2010)
70. Global Tilt – Ram Charan (Charan, 2014)
71. Think – John Piper (Piper, 2010)
72. Treat Your Customers – Bob Miglani (Miglani, 2006)
73. The Secret – Ken Blanchard & Mark Miller (Blanchard and Miller, 2014)
74. Leading Like Madiba – Martin Kalungu-Banda (Kalungu-Banda, 2006)
75. Mentorship – Rita S. Boags Ph.D. (Boags, 2008)
76. Virtual Leadership – Jaclyn Kostner Ph.D. (Kostner, 1996)
77. When Heaven Invades Earth – Bill Johnson (Johnson, 2013)
78. Leading In A Changing World – Keith Coats & Graeme Cadrington (Coats and Cadrington, 2015)
79. Discovering The Essence of Leadership – Tony Manning (Manning, 1999)
80. The Power of Partnership – Jim Dornan (Dornan, 1998)
81. The Fred Factor – Mark Sanborn (Sanborn, 2004)
82. How To Meet The Enemy – John MacArthur (MacArthur, 2002)
83. Surviving Financial Meltdown – Ron Blue and Jeremy White, CPA (Blue and White, 2009)
84. Who Gets Promoted Who Doesn't and Why – Donald Asher (Asher, 2007)
85. The Growth Map – Jim O'Neill (O'Neill, 2013)
86. The Sacred 6 – JB Glossinger (Glossinger, 2016)
87. Necessary But Not Sufficient – Eliyahu M. Goldratt (Goldratt et al., 2000)
88. Ordering Your Private World – Gordon MacDonald (MacDonald, 1997)
89. Levels Of Excellence – Julian Fairfield (Fairfield, 2002)
90. It's Not Luck – Eliyahu M. Goldratt (Goldratt, 1994)
91. How To Be Rich – Andy Stanley (Stanley, 2014)
92. The End of Average – Todd Rose (Rose, 2017)
93. Anger – Gary Chapman (Chapman, 2015)
94. Howard's Gift – Eric C. Sinoway with Merrill Meadow (Sinoway and Meadow, 2013)
95. The Happiness Trap – Russ Harris (Harris, 2008)
96. Identity – T.D Jakes (Jakes, 2015)
97. Leading From the Front – John Barry (Barry, 2007)
98. Six Pixels of Separation – Mitch Joel (Joel, 2010)
99. How Much is Enough – Andrew Bradley, Arun Abey & Andrew Ford (Bradley et al., 2015)
100. Good Strategy Bad Strategy – Richard Rumelt (Rumelt, 2017)
101. Dare to Lead – Brené Brown (Brown, 2018)
102. Spellbound – David Kwong (Kwong, 2017)
103. Buyology – Martin Lindstrom (Lindstrom, 2010)
104. Range – David Epstein (Epstein, 2020)

This list includes the books read in 2021 to search for information on a wider area, as the results from the initial literature review were very limiting in identifying what the most pressing concerns are in the South African Financial industry for multifocal FSPs.

These books were integral to understanding the research on a wider basis of international research and researchers that are at the top of their fields at the time of the publications. During the reading process a research journal was kept highlighting the key learnings and insights from each book that was completed during the 2021 reading period. Due to the length of the research journals, the documents are not provided in this study, but are available on special request.

# Appendix C

## Main Concepts Codebook

### Code CMC

- Code name: Compliance Costs
- Brief definition: Main Concepts Related Costs associated with Compliance or regulatory functions
- Full definition: There are various cost that are related to compliance or regulatory functions within FSP's that are not only related to actual cost, but also time that is spent on compliance functions.
- When to use: Whenever it is suggested or stated that there is an issue with regards to the cost associated with compliance. It could also state that it takes a lot of time, resources, training, or anything similar.
- When not to use: When it refers costs in general that are unrelated to compliance functions, such as office rentals etc.

### Code RMC

- Code name: Regulatory Burden/Requirements
- Brief definition: Main Concepts Related Regulatory Burdens that are experienced by FSP's
- Full definition: There are continuous revisions related to compliance and the number of regulations that FSP's must comply with.
- When to use: When an ever there is a mention of regulations or compliance aspect that are introduced, amended, or replaced as well as when it mentions what the requirements are that an FSP must comply with.
- When not to use: When it refers to the regulation in general, such as what the regulation states or what the definition is.

### Code SMC 1

- Code name: System Capabilities
- Brief definition: Main Concepts Related Capabilities of the system
- Full definition: The capabilities of the FSP's system.
- When to use: When it mentions limitations regarding the systems a particular FSP has or the role that it plays.
- When not to use: When it refers to limitation with regards to the organisation or a person and not a system

### Code SMC 2

- Code name: Security Risks
- Brief definition: Cyber Security Risks
- Full definition: Main Concepts Related Cyber risks that are experienced by the FSP's related to their online systems.
- When to use: When it mentions a cyber risk that a particular FSP has or the role that it plays.
- When not to use: When it mentions physical security, unrelated to data or client information

### Code IMC

- Code name: Implementation
- Brief definition: Main Concepts Related Implementation expectation misalignment or inconsistency
- Full definition: There is some difficulty/inconsistencies or limitation/misalignments in the Implementation of the software system.
- When to use: When there is mention of the implementation of a solution area that is either partly successful or unsuccessful.
- When not to use: When it mentions fully satisfactory implementation.

### Code UMC

- Code name: Solution Uncertainty
- Brief definition: Main Concepts Related Uncertainty with regards to the viable alternative solutions,
- Full definition: There are various solutions available and there is uncertainty with regards to the suitability of the software system.
- When to use: When there is mention of the uncertainty regarding a solution area.
- When not to use: When there is absolute certainty mentioned.

## Table with the articles for main concepts discovery questions

DQ4: What concepts are associated with the main knowledge area?

DQ6: What knowledge areas could be useful to develop a solution to the class-of-problems?

<b>Discovery Question 4 What concepts are associated with the main knowledge area?</b>			
Author	Title	Code	Relation to theme
Farkas (2017)	"A Systems View of IS Governance and IT Governance: A Case Study of the Virginia Department of Transportation"	SMC1 UMC IMC	Contains a taxonomy for information systems that includes behavioural aspects of IS design.
	"Regulatory strategy of the financial sector conduct authority October 2018 to September 2021"	RMC SMC1 SMC2	Contains an overview of the regulatory strategy from the FSCA and is a key document for understanding the key regulator.
FSCA (2020)	"Financial Sector Conduct Authority Strategic Plan 2020 – 2025"	RMC SMC1 SMC2	Contains the strategic plan for the FSCA and is crucial to understand where the regulator is moving towards for the future.
Pedron et al. (2016)	"Value-focused objectives for CRM system adoption"	IMC UMC	The success and failure of CRM project have as much to do with the user as with the system that is selected.
<b>Discovery Question 6 What knowledge areas could be useful to develop a solution to the class-of-problems?</b>			
Farkas (2017)	"A Systems View of IS Governance and IT Governance: A Case Study of the Virginia Department of Transportation"	SMC1 UMC IMC	The description of information systems and the challenges are comprehensively covered.
Pedron et al. (2016)	"Value-focused objectives for CRM system adoption"	IMC UMC	Change management and buy-in from clients are crucial to the success of implementations.
Arner et al. (2017b)	"FinTech and RegTech in a Nutshell, and the Future in a Sandbox"	SCM1 UMC	FinTech and RegTech are main knowledge areas that play a role for future development.

## Class of Problem Codebook

### Code CCP

- Code name: Compliance Costs
- Brief definition: Costs associated with Compliance or regulatory functions
- Full definition: There are various cost that are related to compliance or regulatory functions within FSP's that are not only related to actual cost, but also time that is spent on compliance functions.
- When to use: Whenever it is suggested or stated that there is an issue with regards to the cost associated with compliance. It could also state that it takes a lot of time, resources, training, or anything similar.
- When not to use: When there is no relation to compliance cost in any way

### Code RCP

- Code name: Regulatory Burden/Requirements
- Brief definition: Regulatory Burdens that are experienced by FSP's
- Full definition: There are continuous revisions related to compliance and the number of regulations that FSP's must comply with.
- When to use: Whenever there is a mention of regulations or compliance aspect that are introduced, amended, or replaced as well as when it mentions what the requirements are that an FSP must comply with.
- When not to use: When it refers to the regulation in general, such as what the regulations states or what the definition is.

### Code SCP 1

- Code name: System Capabilities
- Brief definition: Capabilities of the system
- Full definition: The capabilities of the FSP's system.
- When to use: When it mentions limitations regarding the systems a particular FSP has or the role that it plays.
- When not to use: When it refers to limitation with regards to the organisation or a person and not a system

### Code SCP 2

- Code name: Security Risks
- Brief definition: Cyber Security Risks
- Full definition: Cyber risks that are experienced by the FSP's related to their online systems.
- When to use: When it mentions a cyber risk that a particular FSP has or the role that it plays.
- When not to use: When it mentions physical security, unrelated to data or client information

### Code ICP

- Code name: Implementation
- Brief definition: Implementation expectation misalignment or inconsistency
- Full definition: There is some inconsistencies or limitation/misalignments in the Implementation of the software system.
- When to use: When there is mention of the implementation of a solution area that is either partly successful or unsuccessful.
- When not to use: When it mentions fully satisfactory implementation.

### Code UCP

- Code name: Solution Uncertainty
- Brief definition: Uncertainty with regards to the viable alternative solutions,
- Full definition: There are various solutions available and there is uncertainty with regards to the suitability of the software system.
- When to use: When there is mention of the uncertainty regarding a solution area.
- When not to use: When there is absolute certainty mentioned.

## Table with the articles for class of problem discovery questions

DQ1: What are the problems experienced at FSPs that hampers compliance?

DQ2: What are the requirements/regulations that an FSP must comply with?

DQ3: Has compliance requirements increased in South Africa?

DQ5: Does the problem instance feature as a class-of-problems in existing literature?

<b>Discovery Question 2 What are the requirements/regulations that an FSP must comply with?</b>			
Author	Title	Code	Relation to theme
Brittz (2005)	The impact of the FAIS Act on the South African insurance industry	RCP	A thesis that focussed on the early impact that the FAIS Act was expected to have on the South African insurance industry.
Buonanno (2016)	A jurisdictional comparison of the twin peaks model of financial regulation	RCP	Legal view of the change to the twin peaks model.
Elliott et al. (2012)	Assessing the cost of financial regulation	CCP	Focussed on the cost of financial regulation.
IMF and MCM (2015)	South Africa: Financial Sector Assessment Program: detailed assessment of implementation on the IOSCO objectives and principles of securities regulation.	RCP UCP	The 2015 industry outlook by the IMF.
Sham (2019)	A comparison between the COFI Bill and the FAIS Act considering the TCF requirements	RCP	Comparison between COFI, FAIS and TCF.
South and Juta (2011)	Financial Intelligence Centre Act, 38 of 2001; Financial Advisory and Intermediary Services Act, 37 of 2002	RCP	The FAIS Act
Swart and Lawack-Davids (2010)	Understanding the South African financial markets: an overview of the regulators	RCP	The regulations that FSP's must comply with
<b>Discovery Question 3 Has compliance requirements increased in South Africa?</b>			
Compli-Serve (2019)	Regulatory Risk Log August 2019	RCP	Indication of the risk of each of the regulations.
Maree (2012)	The Cost of Financial Advisory Business Compliance in South Africa	CCP RCP	A foundation piece of research regarding FSPs.

**Discovery Question 1 What are the problems experienced at FSPs that hampers compliance?**

Author	Title	Code	Relation to theme
Hoque and Peter (2016)	Factors affecting the sustainability of independent financial planners in KwaZulu-Natal Province, South Africa	CCP RCP UCP	Focussing on IFAs in KZN in South Africa, Multiple problems identified.
Maree (2012)	The Cost of Financial Advisory Business Compliance in South Africa	CCP SCP RCP	The key report for this study.
Price (2018)	The Core Challenges of Financial Regulation	CCP RCP	Challenges and regulations focussed on the US.
Schnetler (2019)	From Legacy system to Industry 4.0 ready system, in the South African financial industry	ICP SCP1 SCP2	An industrial engineering study focussed on a specific FSP.

**Discovery Question 5 Does the problem instance feature as a class-of-problems in existing literature?**

Hoque and Peter (2016)	Factors affecting the sustainability of independent financial planners in KwaZulu-Natal Province, South Africa	CCP RCP UCP	Focussing on IFAs in KZN in South Africa, Multiple problems identified.
Maree (2012)	The Cost of Financial Advisory Business Compliance in South Africa	CCP SCP RCP	The key report for this study.
Pedron et al. (2016)	Value-focused objectives for CRM system adoption	ICP SCP	CRM adoption is a challenge faced by multiple industries.
Yadav (2020)	Fintech and International Financial Regulation	RCP UCP ICP	Fintech exacerbates difficulties in standard setting.
Bohnert et al. (2019)	Digital agendas in the insurance industry: the importance of comprehensive approaches	RCP UCP	Focussed on European insurers.
Capie (2016)	Trust, Financial Regulation, and Growth	RCP CCP	UK paper focussed on how trust can be restored.
Loesch (2018)	A guide to financial regulation for fintech entrepreneurs	RCP ICP	Book focused on guiding fintech entrepreneurs.

## Solution Area Codebook

### Code: CSA 1

- Code name: Cost reduction
- Brief definition: Reduction in the cost
- Full definition: Diverse ways that compliance related cost can be reduced.
- When to use: Use this for all references stating the possible reduction in compliance related cost.
- When not to use: Do not use this code when mentions neglecting requirements.

### Code: CSA 2

- Code name: Process standardisation
- Brief definition: Compliance process standardisation
- Full definition: The compliance process could be standardised across the world.
- When to use: Use this whenever a reference states/infers that a standardised method of compliance can be created.
- When not to use: Do not use this code when a reference states a specific software standardisation, that is for an extremely specific software solution only.

### Code: RSA

- Code name: Regulatory automation
- Brief definition: Automation of the regulatory functions.
- Full definition: The regulatory compliance process could be automated in certain areas with guidelines or system automation plug-ins.
- When to use: Whenever a change or an update is proposed to the regulatory process to automate functions.
- When not to use: When the suggested solution expects the system to be altered to accommodate automation plug-in is or makes changes to a particular solution system only.

### Code: SSA 1

- Code name: Solution availability
- Brief definition: Availability of a Software Solution
- Full definition: The availability of a software solution that is applicable to an FSP.
- When to use: When it mentions limitations regarding the systems a particular FSP has or the role that it plays.
- When not to use: When it refers to limitation with regards to the organisation or a person and not a system

### Code: SSA 2

- Code name: System automation
- Brief definition: Automation within a solution system
- Full definition: Automation of function within a solution system.
- When to use: Use this whenever a reference states/infers that a process can be automated or semi-automated in general or in a solution system.
- When not to use: When the suggested solution proposes regulatory automation (See RSA)

### Code: ISA

- Code name: Implementation Modularity
- Brief definition: Availability of modular implementation of a solution system
- Full definition: The ability to implement modules of a solution system as and when needed.
- When to use: It suggest a solution available to implement systems or solutions in a modular way, or the ability
- When not to use: When it refers to various software requirements that adds complexity to the solution.

**Code USA**

- **Code name:** *Solution Uncertainty*
- **Brief definition:** *Related Uncertainty with regards to the viable alternative solutions,*
- **Full definition:** *There are various solutions available and there is uncertainty with regards to the suitability of the software system.*
- **When to use:** *When there is mention of the uncertainty regarding a solution area.*
- **When not to use:** *When there is absolute certainty mentioned.*

**Table with the articles for solution area discovery questions**

*DQ7: What viable solutions are available to solve the class-of-problem?*

**Discovery Question 7 What viable solutions are available to solve the class-of-problem?**

Author	Title	Code	Relation to theme
<i>Kotz (2015)</i>	Digital agendas in the insurance industry: the importance of comprehensive approaches	USA CSA	Digital agendas for insurance.
<i>Rolan (2017)</i>	Towards interoperable recordkeeping systems	RSA ISA	API usage and interfacing systems.
<i>Arner et al. (2017a)</i>	FinTech, RegTech, and the reconceptualization of financial regulation	SSA CSA	Comprehensive article
<i>Arner et al. (2017b)</i>	FinTech and RegTech in a Nutshell, and the Future in a Sandbox	RSA CSA SSA	Overview of fintech and regtech.
<i>Barefoot (2018)</i>	Regulatory Innovation	RSA SSA ISA	Video recording This is particularly important and use this in your SLR as it is a key piece of research to include as it is from a reputable source.
<i>Baber (2019)</i>	Financial inclusion and FinTech	CSA	The discussion of financial inclusion.
<i>Truby (2020)</i>	Fintech and the city: Sandbox 2.0 policy and regulatory reform proposals	ISA	The UK/London is the best place in the world to start a FinTech company currently.
<i>Brophy (2019)</i>	Blockchain and insurance: a review for operations and regulation	RSA	Blockchain might be the future.
<i>Gomber et al. (2017)</i>	Digital Finance and FinTech: current research and future research directions	SSA	Future research opportunities identified.
<i>Allen et al. (2018)</i>	The Interplay among Financial Regulations, Resilience, and Growth	CSA	Comprehensive article.
<i>Das (2019)</i>	The future of fintech	SSA	Important article on the future of fintech.
<i>Azarenkova et al. (2018)</i>	The influence of financial technologies on the global financial system stability	RSA USA	Stability is needed for technologies to be implemented widely.

## Appendix D

Data triangulation is used throughout the research with the use of reports and surveys by practitioners that are supported by peer-reviewed/academic publications where possible. Thirdly, process participant observation at the first four FSPs are done to ensure that the information that is provided in the interviews reflects the real process that is used within these organisations. Maximum variation sampling is described along with the ethical application dates, purpose, and the considerations for each application.

Table 26 is an overview of the timeline that took place during this research study. As this research was dependent on obtaining ethical clearance at each phase of the mixed methods methodology.

**Table 26 Ethical clearance applications**

<i>Ethical Clearance Application No</i>	<i>Anticipated Submission Date</i>	<i>Actual Submission Date</i>	<i>Date of Approval</i>
1	August 2020	August 2020	October 2020
2	January 2021	March 2021	May 2021
3	March 2021	March 2022	June 2022

Initial ethical approval was obtained in August 2020, to interview and observe four FSPs that differ in various functional and organisational aspects. The initial interviews were conducted and the results from the interviews were used in section 1.3.

The initial interview questions were expanded on after the interview process in preparation for the second round of interviews and was continually refined through the process of investigating into which considerations should be considered for the investigation of key decisional aspects.

The application for the second round of interview questions, was intended to be submitted at start of January 2021 to continue with the interviews during March 2021, this application was unfortunately delayed due to administrative problems and the interviews only took place after approval was granted in May 2021. The interviews, therefore, only took place during June 2021 and July 2021.

A third round of ethical application was to be submitted at the start of April 2021, but only took place in March 2022, due to further delays in the research. The survey questions were adapted from the second phase interview questions, to evaluate and validate if Theoretical Saturation was in fact reached, for the specific considerations considered with the development of the artefact.

Legal practitioners in the industry were consulted, to ensure that the proper disclaimers are in place with regards to the use of the guidelines. This is to ensure that researchers business owners and consultants understand the practical and legal limitations that the artefact possesses, and thereby avoid any lawsuits. The companies that use the artefact are responsible to ensure that they do the proper due diligence before making changes to their organisations.