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Factors influencing umbrella fund selection offered by the employee benefits industry in South Africa

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

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ABSTRACT

This research addresses the factors, which influence an employers or companies decision in umbrella fund selection, which are offered by the employee benefits industry in South Africa.

Fuzzy Cognitive Mapping (FCM) was the research methodology utilised as a result of the qualitative and quantitative nature of the study. Nine interviews were carried out with decision makers and industry experts where applicable, based on an initial FCM produced from literature. Thereafter, a reinforced validated FCM was produced which allowed simulations to be run, based on the results from interviews.

The research results did not deviate far from the literature with major factors influencing umbrella fund selection being explicit such as administration and servicing, costs, the value add by the employee benefits consultant, the risk benefits provider as well as the investment manager chosen. Furthermore, additional factors such as product marketing, global contractual agreements, industry regulations, decision making bureaucracy as well as the company outlook were identified.

This research and its implications are key to providing guidance to employers or companies when selecting products from service providers. Furthermore, the results of this study may allow employee benefits providers to position themselves in such a way so as to take advantage of opportunities within the industry and also to be aware of the potential risks that may arise when developing and marketing products.

DECLARATION

I, Irshaad Bapoo, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Irshaad Bapoo

Signed at ……

On the …….. day of …… 20…..

DEDICATION

This thesis is dedicated to my family, in particular, my wife Zahira, my children Amani, Kayla, Zia and the boy, who is expected to be born in April 2016, who will be named Ilan. Zahira has been an exceptional wife who made great sacrifices, whilst inspiring me tremendously to complete this research report and I thank my wife profusely for the support she has always given me.

Bhavesh, I would like to sincerely thank you for all your support throughout this MBA programme. Words cannot describe what a great friend and pillar of support you have been to me throughout this programme and I hope that our friendship will continue to prosper.

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I owe a significant debt of acknowledgement to my supervisor, Mike Mundy whose invaluable guidance and advice was relentless.

I would also like to acknowledge Bhavesh and Amit for their motivation and guidance on my research, which is indeed appreciated.

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TABLE OF CONTENTS

ABSTRACT i

DECLARATION ii

DEDICATION iii

ACKNOWLEDGEMENTS iv

LIST OF TABLES viii

LIST OF FIGURES ix

CHAPTER 1. INTRODUCTION 1

1.1 PURPOSE OF THE STUDY 1
1.2 CONTEXT OF THE STUDY 1
1.3 PROBLEM STATEMENT 4
1.3.1 MAIN PROBLEM 4
1.4 SIGNIFICANCE OF THE STUDY 4
1.5 DELIMITATIONS OF THE STUDY 5
1.6 DEFINITION OF TERMS 5
1.7 ASSUMPTIONS 6

CHAPTER 2. LITERATURE REVIEW 7

2.1 INTRODUCTION 7
2.2 BACKGROUND DISCUSSION 7
2.3 CONTRIBUTING FACTORS INFLUENCING UMBRELLA FUND SELECTION 9
2.3.1 ADMINISTRATION AND SERVICING 11
2.3.2 COSTS 12
2.3.3 EMPLOYEE BENEFITS CONSULTANT 14
2.3.4 RISK BENEFITS PROVIDER 15
2.3.5 INVESTMENT MANAGER 16
2.3.6 PROPOSITION 16
2.4 CONCLUSION OF LITERATURE REVIEW 17
2.4.1 PROPOSITION 17

CHAPTER 3. RESEARCH METHODOLOGY 18

3.1 Research methodology / paradigm 19
3.2 Research Design 19
3.3 The initial FCM 20
3.4 Population and sample 23
3.4.1 Population 23
3.4.2 Sample and sampling method 23
3.5 The research instrument 24
3.6 Procedure for data collection 24
3.7 Data analysis and interpretation 24
3.8 Limitations of the study 25
3.9 Validity and reliability 25
3.9.1 External validity 25
3.9.2 Internal validity 25
3.9.3 Reliability 29
3.10 Demographic profile of respondents 29

CHAPTER 4. PRESENTATION OF RESULTS 30

4.1 Introduction 30
4.2 Results pertaining to Proposition 30
4.2.1 Classification of factors enabling or inhibiting umbrella fund selection 30
4.2.2 Identification of other potentially dominant inhibiting or enabling factors. 31
4.3 Summary of the results 33

CHAPTER 5. DISCUSSION OF THE RESULTS 36

5.1 Introduction 36
5.2 Demographic profile of respondents 36
5.3 Discussion pertaining to proposition 36
5.3.1 Scenario 1: The current state of the umbrella fund industry 37
5.3.2 Scenario 2: No industry regulations pertaining to umbrella fund selection 39
5.3.3 Scenario 3: Low cost and positive company outlook 41
5.3.4 Scenario 4: Poor administration, investment manager and risk benefits provider 43
5.3.5 Scenario 5: Poor employee benefits consultant, low costs, lack of product marketing, positive company outlook, no global contractual agreements and no decision making bureaucracy 45
5.3.6 Scenario 6: Maintain the industry status quo with no inhibiting factors 47
5.3.7 Conclusion 49

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS 51

6.1 Introduction 51
6.2 Conclusions of the study 51
6.3 Recommendations 52

6.4 SUGGESTIONS FOR FURTHER RESEARCH 53

REFERENCES.....54

APPENDIX A: Sample email utilised to confirm interview 57

APPENDIX B: Transmitter nodes for Scenario 1.....58

APPENDIX C: Transmitter nodes for Scenario 2.....59

APPENDIX D: Transmitter nodes for Scenario 3.....60

APPENDIX E: Transmitter nodes for Scenario 4.....61

APPENDIX F: Transmitter nodes for Scenario 5.....62

APPENDIX G: Transmitter nodes for Scenario 6 63

APPENDIX H: Consistency matrix 64

LIST OF TABLES

Table 1: 2014 Largest umbrella funds (Sanlam, 2014) 3

Table 2: List of potential respondents to be interviewed 23

Table 3: Profile of actual respondents interviewed..... 29

Table 4: Classification of dominant inhibiting and enabling factors 31

Table 5: Identification and categorisation of potentially new dominant enabling or inhibiting factors 33

LIST OF FIGURES

Figure 1: Defined contribution umbrella funds (Liberty Corporate, 2012) 3

Figure 2: Defined contribution umbrella (Sanlam, 2015) 10

Figure 3: Administration Cost Overview (Hennie Bester et al., 2008) 13

Figure 4: A construct of the dependency by client on financial adviser 14

Figure 5: Knowledge Claims, Strategies of Inquiry, and Methods Leading to Approaches and the Design Process (Creswell, 2003) 18

Figure 6: Advantages and disadvantages of FCM (Özesmi & Özesmi, 2004) 20

Figure 7: Initial FCM 21

Figure 8: Initial adjacency matrix 22

Figure 9: Graphical illustration of first simulation of initial FCM 26

Figure 10: Graphical illustration of second simulation of initial FCM 27

Figure 11: Graphical illustration of third simulation of initial FCM 28

Figure 12: The simplified enhanced FCM 34

Figure 13: Adjacency matrix for enhanced FCM 35

Figure 14: Graphical illustration of outcome: Scenario 1 38

Figure 15: Graphical illustration of outcome: Scenario 2 40

Figure 16: Graphical illustration of outcome: Scenario 3 42

Figure 17: Graphical illustration of outcome: Scenario 4 44

Figure 18: Graphical representation of outcome: Scenario 5 46

Figure 19: Graphical representation of outcome: Scenario 6 48

CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The purpose of this research is to understand the factors which influence management's decision when choosing a group umbrella fund for their companies and hence employees within the South African market.

1.2 Context of the study

A retirement benefit plan is an essential component of every employer's staff value proposition (St Giles, Alexeeva, & Buxton, 2005). Social, moral and economic factors stipulate that every employee's remuneration structure should include a savings vehicle. Furthermore, social security and retirement reform in South Africa has increased the popularity of these investment vehicles (Liberty Corporate, 2012).

An umbrella fund is a single fund established by a retirement fund administrator in which many participating employers, who do not form a group of a holding company or subsidiaries, may participate and thus addresses the need for a retirement savings vehicle for employees of such companies (Department of National Treasury, 2005).

Umbrella funds were first established in the 1980s in South Africa and targeted small to medium enterprises (SME), with 50 or fewer employees. By the year 2005, the popularity of the fund lead to companies with a staff complement of approximately 1,000 employees considering participating in an umbrella fund arrangement, this has subsequently grown to about 5,000 employees by the year 2010 (Helena, 2010).

The advantages of umbrella funds are in economies of scale. Management costs are lower than if each participating employer were to establish its own fund and

risk benefits such as group life cover or group dread disease cover costs are expected to be lower as well. Regulatory costs, in particular tend to be cheaper with umbrella funds. Research by Rusconi (2005) indicated that there was clear evidence of a relationship between management costs and fund size, whereby larger funds experienced lower costs per member, the study further suggested that this indeed supported a move towards an umbrella fund arrangement.

Additionally, an added advantage for employers moving to an umbrella arrangement would be the exemption from member-elected trustees, whereby with standalone funds 50% of trustees need to be member elected. This therefore eliminates the aspect of fund management and costs from a participating employer in an umbrella arrangement. Generally SME's have neither the skill nor resources to undertake the onerous responsibilities of a board of trustees (Liberty Corporate, 2012).

One of the main advantages of an umbrella fund arrangement is that the participating employer can join a fund, which is already registered with the Financial Services Board (FSB) and approved with its own board of trustees, which have been established by the product provider. With a standalone fund, general rules need to be established for each employer whereas a master set of rules exists in an umbrella arrangement which makes this more cost effective and easier to administer. The master set of rules governs all participating employers and within the master set of rules, exists special rules which are registered in accordance with each participating employers benefit structure (Department of National Treasury, 2005).

The study will focus on defined contribution umbrella funds. Figure 1 outlines the characteristics of such a fund.

	Defined contribution / money purchase
Retirement benefit	Based upon accumulated contributions and fund growth
Early retirement penalties	None, but the benefit is limited to whatever has been accumulated.
Amount of member's interest in fund	Share of fund
Ease of understanding	Easy, since benefits are directly linked to amounts contributed.
Suitability	Small, medium or large companies
Advantages	Contributions are limited to a predetermined, affordable level Transparency: Accrued benefits are easily identifiable and member can see savings grow Flexibility: Individual choice can be offered
Disadvantages	Risk of poor investment returns borne by member, as poor investment returns may result in lower retirement benefit

Figure 1: Defined contribution umbrella funds (Liberty Corporate, 2012)

Table 1, illustrates the five largest umbrella fund providers in South Africa, characterised by assets, number of members and participating employers, based on data published by the FSB as at March 2014 (Sanlam, 2014).

Table 1: 2014 Largest umbrella funds (Sanlam, 2014)

Umbrella Fund Provider	Total Assets	Number of Members	Number of Participating Employers
Alexander Forbes	R 41,9 bn	221,559	979
Liberty Group	R 23,6 bn	315,442	7,952
MMI	R 17,8 bn	213,821	4,993
Old Mutual	R 24,0 bn	288,924	6,161
Sanlam	R 9,7 bn	106,605	2,163
Total	**R 117,0 bn**	**1,146,351**	**22,248**

1.3 Problem statement

1.3.1 *Main problem*

Based on this context, it is the aim of the research study to:

Identify the factors, which influence company's decisions in the selection of umbrella funds within the South African market.

1.4 Significance of the study

This study is of relevance to any organisation, which offers employee benefit solutions to its employees as a means of retaining its current staff as well as attracting new staff as part of its employee value proposition.

The study may provide guidance to business owners looking to implement a retirement and/or risk solution for their employees on a group basis, within South Africa.

Furthermore, this research may be of significance to Financial Services Providers (FSP) who offer these products as part of their core strategy.

Gaps in the current research performed into umbrella funds exists as indicated by the research performed by St Giles et al. (2005), which highlighted that predominate focus has been placed on collective investment vehicles without making a distinction of the unique features of umbrella funds. These views have been supported by Bovenberg, Koijen, Nijman, and Teulings (2007) based on their review of collective investment vehicles.

Organisations can also familiarise themselves with the factors pertaining to the makeup of the key differentiators involved in the selection process which will help them to make more informed decisions when selecting an umbrella product for their organisation.

1.5 Delimitations of the study

The research will be limited to group employee benefit consumers within the South African market place.

1.6 Definition of terms

- **Defined Contribution (DC)** is defined as member contributions paid to an account where fees are charged depending on the benefits chosen, with the rest being invested in investments chosen by the employer or member. (Van Den Heever, 2007)
- **Financial Services Board (FSB)** acts as a regulator, supervisor and promoter with regards to financial services offered by financial institutions and are particularly responsible for the supervision of compliance pertaining to the Pension Funds Act No 24 of 1956 (Republic of South Africa, 2014).
- **Financial Service Provider (FSP)** an organisation who develops and distributes financial service products to consumers either directly or via intermediates (Colgate & Lang, 2001).
- **Fuzzy Cognitive Map/Mapping (FCM)** can be used to map a continuous system referring to indefinite quantities, by regulating a real system (Kosko & Isaka, 1993).
- **Risk Cover** can be defined as benefits provided in the event of an occurrence of death, disability or loss of income and dread disease (Rosenbloom & Hallman, 1991).
- **Section 13B** as part of the Pension Funds Act of 1956 mandates the administrator who administers investments of a pension fund to obtain approval by the FSB and hence comply with any conditions which the FSB or registrar may prescribe (Republic of South Africa, 2014).
- **Umbrella fund** is characterised as a pooled fund, which allows multiple participants to join one arrangement, which is already established and legally compliant. By joining an umbrella fund which is already established,

participants can benefit from economies of scale (Tania & Swanepoel, 2013).

1.7 Assumptions

The following assumptions have been made regarding the study:

- Access to senior management of companies who intend on participating in an umbrella fund arrangement was forthcoming during the research process.
- Business owners or decision makers acting on behalf of the company interviewed provided accurate information, as inaccurate information would have skewed the research results.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

The focus of this report is umbrella funds and the associated factors which influence decision making by employers who have opted for these funds, which are offered primarily by large FSP's who specialise in this offering as part of their core business strategy.

2.2 Background discussion

In developed countries, companies and its employees prefer to invest directly through funds offered by insurance or investment companies such as umbrella funds or collective schemes, allowing them to have access to investments via the service provider as opposed to directly purchasing those investments by themselves. This may be done individually or on a group basis via their employers which is an attractive way of investing as it allows risk reduction through diversity, flexibility, professional fund management, cost reduction through scaled economies as well as investor protection (St Giles et al., 2005).

An employer acts as a catalyst for their employees when it comes to the provision for retirement, as ultimately they make the decision whether to invest or not in their employee's future well-being, whether it may be offering a solution pertaining to savings, risk or combination of both for their employees (Kelly, 2003).

An enables employers to attract staff as well as retain staff. Additionally, having employee benefits in place for their staff, gives employers peace of mind, knowing that their employees have some form of cover in place (Chambers, Foulon, Handfield-Jones, Hankin, & Michaels, 1998).

Choices available to employers, from an employee benefits perspective would be umbrella funds, retirement annuity funds, group risk funds or probably individual policies covering key staff (Cole & Flint, 2004).

An umbrella fund can be defined as a pension or a provident fund or a combination of both (Tania & Swanepoel, 2013). The fund may be used as a conduit for risk benefits such as group life cover, dread disease cover, disability cover, funeral cover etc. (Van Den Heever, 2007).

A pension fund can be defined as a fund established to provide a monthly income stream or an annuity at retirement. At retirement, a minimum of two thirds of the members accumulated fund value has to be used to purchase an annuity with a maximum of one third being allowed to be commutable in cash, as per legislation (Van Den Heever, 2007).

A provident fund can be defined as a fund established to provide an amount equal to the members fund value at retirement. With a provident fund, the whole amount may be commuted in cash at retirement subject to the applicable tax laws. An annuity however may also be purchased with the members fund value at his/her retirement age (Van Den Heever, 2007).

Umbrella funds operate on a Defined Contribution (DC) basis and therefore works similar to a bank account. Member's contributions are paid to this account and fees are charged depending on the benefits chosen, with the rest being invested in investments chosen by the employer or member. Umbrella funds do not have employer elected trustees and these are chosen by the administration company providing the service (Bodie, Marcus, & Merton, 1988).

Research performed by Thompson and Choi (2001) has shown that there is an increased demand for long term insurance products such as umbrella fund products and this has been emphasised by the need to build enough savings to ensure a healthy retirement. This view is further endorsed by Bovenberg et al.

(2007), which makes reference to the individuals maintaining their standard of living at retirement by securing financial capital during their working life.

Market research performed by Sanlam (2015) has indicated that umbrella funds were established to offer suitable, cost effective retirement fund solutions to employers to allow trustees to relinquish the governance burden concomitant to stand alone funds. The choice to move to umbrella funds has picked up significant pace over the past decade and recent reports from the FSB corroborates the decrease in the number of stand alone funds (Huo, 2003).

About 60% of employers make provision for risk benefits as part of their umbrella fund offering to their employees and approximately 25% do this by means of a separate risk fund (Sanlam, 2015).

The analysis by Sanlam (2015) further indicates the most common risk benefits provided as part of the umbrella fund solution is group life cover or death cover at 100%, disability cover at 84% and funeral cover at 67%.

2.3 Contributing factors influencing umbrella fund selection

Trade unions play a significant role in influencing employer's decisions as they act on behalf of selected groups. According to Sanlam (2015), the items highlighted in Figure 2 are the major factors which are taken into consideration by employers for the services provided by umbrella product providers.

	First	Second	Third
Retirement fund administration	Paying claims timeously	Transparency of cost	Loading & investing contributions timeously
Employee Benefits Consultant	Service levels of the Employee Benefits Consultancy	Fee level	Level of experience and track record of regulatory compliance of the Employee Benefits Consultancy
Risk Benefits provider	Price	Confidence that valid claims will be paid	Service levels of the insurer
Investment manager	Past performance of the investment manager	Organisational stability	Size of the investment manager

Figure 2: Defined contribution umbrella (Sanlam, 2015)

As alluded to earlier in this report, an umbrella fund can be made up of a savings component as well as a risk component. The savings component is invested in specific investment portfolios (chosen by the employer or employee) which are designed and managed by asset managers such that the strategy is to generate a positive investment return which is risk profiled, for their clients (Gluckman & Esterhuysen, 2011). Further to this, if risk cover is included as part of the arrangement, members will enjoy these benefits subject to the applicable benefits chosen by the employer on behalf of the member or after consultation with the member and as delineated in the rules of the fund.

Notwithstanding investment risks, umbrella funds can be used as a vehicle to abet their members on their journey towards retirement by allowing them to understand the risks involved, such as death, disability, divorce, dismissal as well as longevity risks (Asher, 2007b).

People employed in the private sector are mostly covered by retirement arrangements that could be either voluntarily chosen or as part of their contracts of employment with the extent of their coverage being somewhat debatable (Asher, 2007a).

The South African tax regime allows subsidies to retirement funds which allows individuals and companies to deviate from the normal tax legislation concomitant to contributions being made to an approved retirement fund arrangement in one form or another, hence encouraging a culture of savings (Van Den Heever, 2007). This endorses the fact that umbrella funds are an attractive way of leveraging of tax concessions which benefits employers as well as their employees.

Based on the findings of the Sanlam benchmark survey (2015) as indicated in figure 2, the major factors which influence umbrella fund selection are indicated below. Support for these factors being the major contributing influence on management's decision to select an umbrella fund have been explored in various studies (Asher, 2007a; Basu & Drew, 2009; Hennie Bester et al., 2008; Rusconi, 2005).

- Administration and servicing;
- Costs;
- Employee benefits consultant;
- Risk benefits provider; and
- Investment manager.

The factors mentioned above are explored in more detail in the remaining sections of the literature review.

2.3.1 *Administration and servicing*

The social pensions market can be described as an area where effective administration generally seems to be lacking when payments fall due to members, specifically those in the rural areas (Case & Deaton, 1996). Some of these

members also do not have sufficient knowledge to understand what they are entitled to and how to go about claiming this.

Fund administration refers to the ability of a service provider to ensure that an administrative platform exists which allows the ongoing operation of the fund. A Section 13B license as per the Pension Funds Act of 1956 (Republic of South Africa, 2014), will allow service providers offering investment administration services to a fund, to operate such that compliancy requirements are met and this is approved by the FSB.

This variable forms a fundamental component of the day to day operation of the fund and includes amongst others, the time taken in allocating contributions, service levels relating to claim payments, access to member information etc. Research performed Sanlam (2014), indicates that approximately 40% of employers have transferred their fund to a different administrator, seeking better or easier administration and servicing solutions.

2.3.2 *Costs*

Costs are also seen as a significant factor in most cases and attention needs to be paid to the distortion or misrepresentation of costs by employee benefits consultants or financial advisers and insurance companies and hence the client should have a thorough understanding of costs which are transparent with simple fee structures (Butler, 2011).

Based on the Liberty Corporate Scheme in Detail (Liberty Corporate, 2015) costs can be broken down into the following subtopics for umbrella funds:

- Administration costs;
- Employee benefits consultant costs (commission);
- Investment cost (implicit, explicit, switching costs, performance costs);
- Risk benefit cost;
- Compliance and governance costs; and
- Other costs (termination costs etc.).

Figure 3 provides an indication of administration fees previously charged in 2008 by different arrangements and Hennie Bester et al. (2008) alludes to the fact that whilst some members were being charged as little as R10 per member per month or on average closer to R20 per member per month, this could easily work out to more than 10% of the contribution rate for a member earning approximately R2000 per month.

	Number of members in fund	Average R cost per member per month
Umbrella DC arrangement	0-20	44.21
	20-40	20.07
	40-100	15.67
	100-500	10.78
	>500	8.94
Union-sponsored DC umbrella arrangement	0-20	15.79
	20-40	15.79
	40-100	15.79
	100-500	15.79
	>500	15.79
Government Employees Pension Fund	1.3m	17.76
Average fund supervised by FSB	-	17.91

Figure 3: Administration Cost Overview (Hennie Bester et al., 2008)

The costs indicated in Figure 3 also excludes other significant fees such as investment fees, governance fees etc.

Research performed by Sanlam (2014), indicates that approximately 57% of employers have transferred their fund to a different provider in search of lower costs.

2.3.3 *Employee benefits consultant*

In almost all instances, an employee benefits consultant or financial adviser is appointed to the fund and is responsible for providing financial advice to the employer and its employees.

This is seen as an important factor as the financial adviser coordinates and facilitates the relationship between the client as well as any applicable party required to provide a service to the client. The financial adviser is usually the client's first port of call pertaining to the fund. They provide financial advice to the client to ensure that the client understands all fund related matters. Financial advisers will provide ongoing advice to the fund from an investment, risk, administration and compliance perspective. In addition, they should ensure that the client is kept up to date with current affairs (industry updates, market conditions etc.) accordingly such that the client is able to make an informed decision.

Figure 4 shows the dependency of the client on a financial adviser.

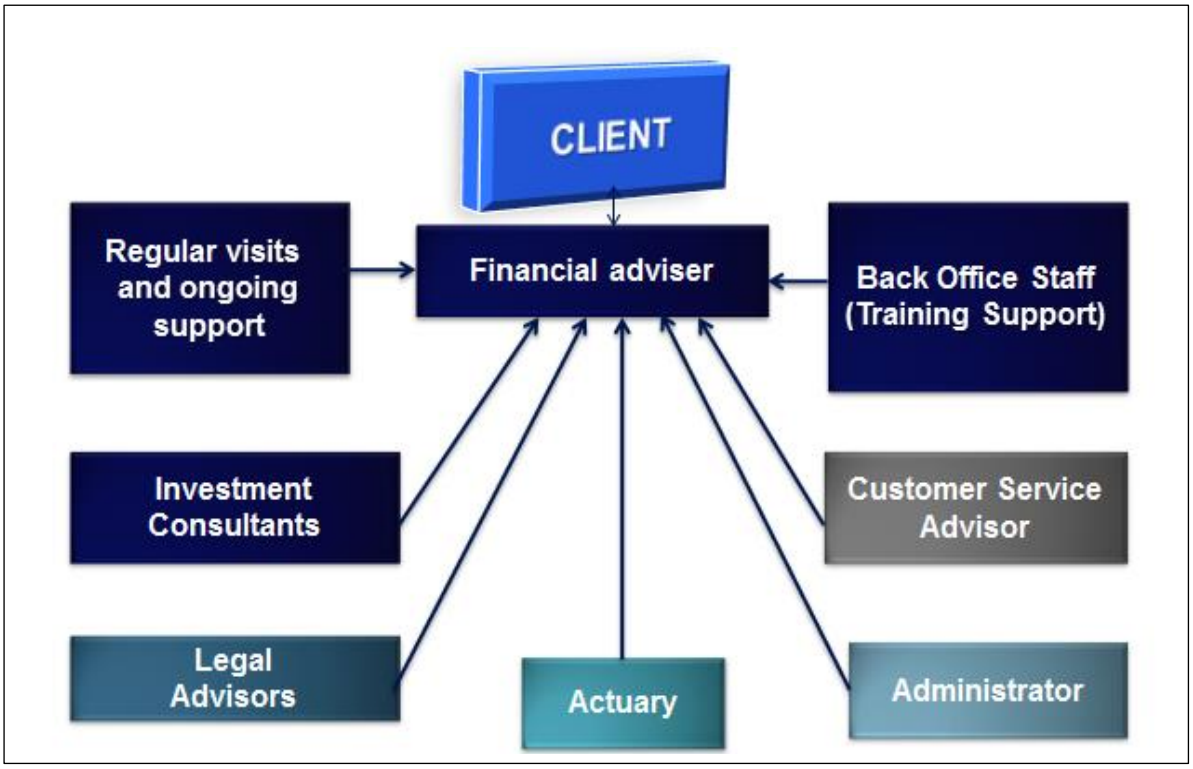

Figure 4: A construct of the dependency by client on financial adviser

Financial advisers are responsible for providing investment advice and it is critically important that the best advice is given to ensure investment growth.

To contradict the above statement made, many financial advisers tend to recommend a typical life stage strategy in a retirement scheme which in most instances is the trustee default portfolio which focusses on growth maximisation in the early years and reduces volatility or risk faced by an investor in the later years, however, findings from Basu and Drew (2009) conclude that majority of growth of accumulated wealth takes place in later years which proves to be counterproductive to the members wealth objective and the advice given.

As indicated by market research performed by Sanlam (2014), approximately 35% of employers have transferred their fund to a different provider, seeking better expertise or financial advice pertaining to their fund.

2.3.4 *Risk benefits provider*

Risk benefits which include amongst others, death, disability, dread disease cover etc., are usually an option that can be attached to an umbrella fund or can be offered as a separate group policy without a savings component. These may be approved (tax deductible) or unapproved (not tax deductible) and generally more employers opt for approved risk benefits as opposed to unapproved risk benefits as per the Sanlam benchmark survey (Sanlam, 2015). The survey further highlights that the main factors when choosing a service provider for risk benefits would be price, service level agreements as well as the confidence levels that clients have in insurance companies pertaining to claim pay outs (Sanlam, 2015).

Sanlam (2014), indicates that approximately 27% of employers have transferred their fund to a different provider, seeking better risk benefits for their organisation.

2.3.5 *Investment manager*

Investment offerings by many large service providers seem to be quite diverse allowing for client flexibility and choice and it is important that clients' needs are met (Asher, 2007a). Investments are profiled from low risk to high risk and different asset managers may be on a service provider's investment platform such that tailor made investment solutions can be achieved by clients, resulting in the importance of this variable in the overall selection process.

In addition, research developed by Sanlam (2014), indicates that approximately 24% of employers have transferred their fund to a different provider, seeking improved fund investment returns.

2.3.6 *Proposition*

Based on the theory analysed, it has been determined that the following factors play an important role in the selection of a retirement or risk scheme or a combination of both as offered by an umbrella fund:

- Administration and servicing;
- Costs;
- Employee benefits consultant;
- Investment manager; and
- Risk benefits provider.

2.4 Conclusion of Literature Review

Based on the literature review performed and the key factors identified which influence umbrella fund selection, it is evident that a complex set of variables would impact an employers' decision in selecting an umbrella solution for their employees.

The development and the history of the umbrella fund has shown the importance of attracting and retaining employees in the long term to allow the business to remain competitive. In addition, legislative changes have contributed in the popularity of such schemes arising and the mandated requirements by certain industries (motor industry, metal industry etc.) to either belong to a compulsory fund as provided by the industry as a default option, or to belong to another suitable fund such as an umbrella fund where benefits have to meet the minimum expectation of the applicable industry.

The factors identified reflect the value chain within the employee benefits space and these factors provide fund managers with the opportunity to enhance the effectiveness and efficiencies of their operations to increase their attractiveness to employers.

2.4.1 *Proposition*

Based on the theory analysed, it has been determined that the following factors play an important role in the selection of a retirement or risk scheme or a combination of both as offered by an umbrella fund:

- Administration and servicing;
- Costs;
- Employee benefits consultant;
- Investment manager; and
- Risk benefits provider.

CHAPTER 3. RESEARCH METHODOLOGY

Research design has evolved significantly over the past two decades allowing for more flexibility and choice to be used by researchers when conducting their studies (Creswell, 2003). A make-up of the different research methodologies that could be used can be seen in Figure 5.

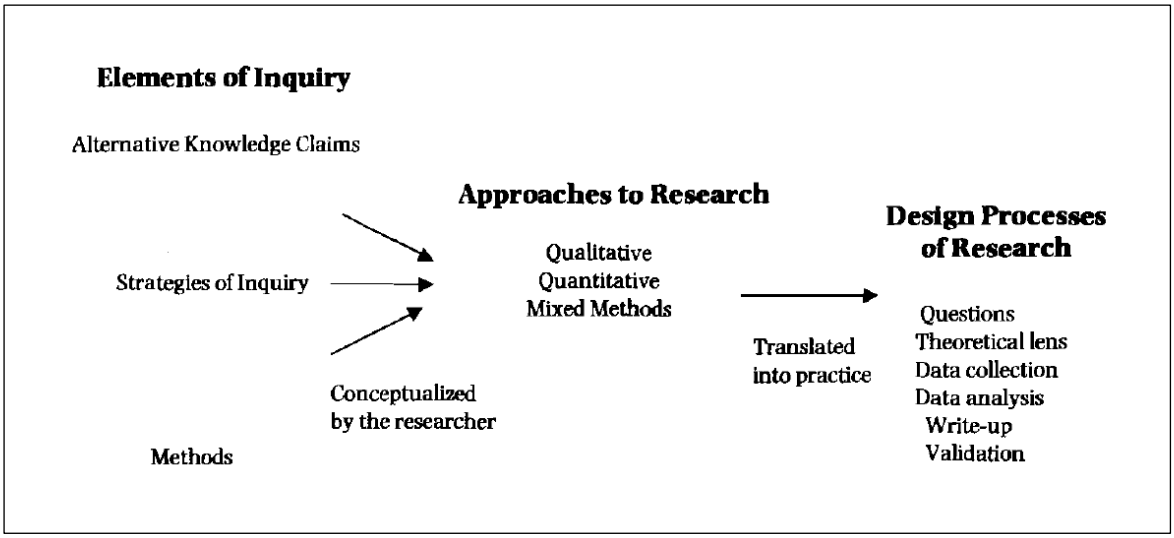

Figure 5: Knowledge Claims, Strategies of Inquiry, and Methods Leading to Approaches and the Design Process (Creswell, 2003)

The research methodology approach followed for the study has been by way of a mixed methods approach, which involves both qualitative and quantitative approaches. This supports the approach of collecting a combination of textual and numerical data.

The research is based on investigating the factors, which influence an employer's decision in selecting an umbrella product for their employees. The research involved obtaining and analysing data of a quantitative nature (e.g. costs), versus interviews resulting in open ended responses with the intent of establishing suitable patterns which validates the research proposition.

3.1 Research methodology / paradigm

Fuzzy Cognitive Mapping (FCM) was used as a research method to simulate scenarios pertaining to the selection of umbrella funds by employers by detailing causal relationships between events or processes and policies or objectives.

Fuzzy logic was first used in the analysis and understanding of intramural aspects of insurance underwriting (Shapiro, 2002). Further to this, it was then used as a tool to model selection processes on group insurance schemes and hence contributed to the applicability of the better classification of risks in insurance products as well as pricing decisions (Shapiro, 2002).

According to Kosko and Isaka (1993) fuzzy logic can be used to map a continuous system referring to indefinite quantities, by regulating a real system. In this case, the factors to be analysed which influence umbrella fund selection by employers will consists of inhibiting factors (e.g. costs) as well as enabling factors (e.g. experienced investment managers).

3.2 Research Design

FCM allowed the respondents maps to take into account the differences and similarities to be examined and compared. Furthermore, the various effects of the influencing factors (e.g. costs, employee benefits consultant etc.) in umbrella fund selection by employers were modelled. Input by such respondents has therefore been of great importance to any party wanting to use this information to make similar decisions.

The research method was simulation-based and the different influencing factors were changed to understand the impact it had on umbrella fund selection. Initially a FCM was generated which was then further reinforced.

Respondents were shown the initial FCM in person and their views were then integrated into the model to generate a reinforced or improved FCM.

Figure 6 outlines the advantages and disadvantages of a FCM modelling approach.

Advantages	Disadvantages
The ability to allow feedback processes	Although what–if's can be modeled in FCMs why's cannot be determined
The ability to deal with many variables which may be not well-defined	They do not provide real-value parameter estimates or inferential statistical tests
The ability to model relationships between variables that are not known with certainty, but can be described in degrees such as a little or a lot	The lack of a concept of time; that is, they cannot model transient behaviour
The ability to model systems where scientific information is limited but expert and/or local knowledge is available	Cannot deal with co-occurrence of multiple causes
The ease and speed with which cognitive maps may be obtained and reach similar results with lower sample sizes as compared to other techniques	The interviewees' knowledge, ignorance, misconceptions and biases are all encoded in the maps, unless these presumed ignorance and misconceptions are the subject of study
The ease and speed with which many different knowledge sources can be combined, including expert and local knowledge	
The ease and speed of modeling the system and the effect of different policy options	

Figure 6: Advantages and disadvantages of FCM (Özesmi & Özesmi, 2004)

3.3 The initial FCM

The initial FCM has been constructed based on the literature examined in section 3 above and formed the basis such that any improvements or enhancements pertaining to respondents views, were to be incorporated into the reinforced FCM.

The initial FCM can be seen in Figure 7.

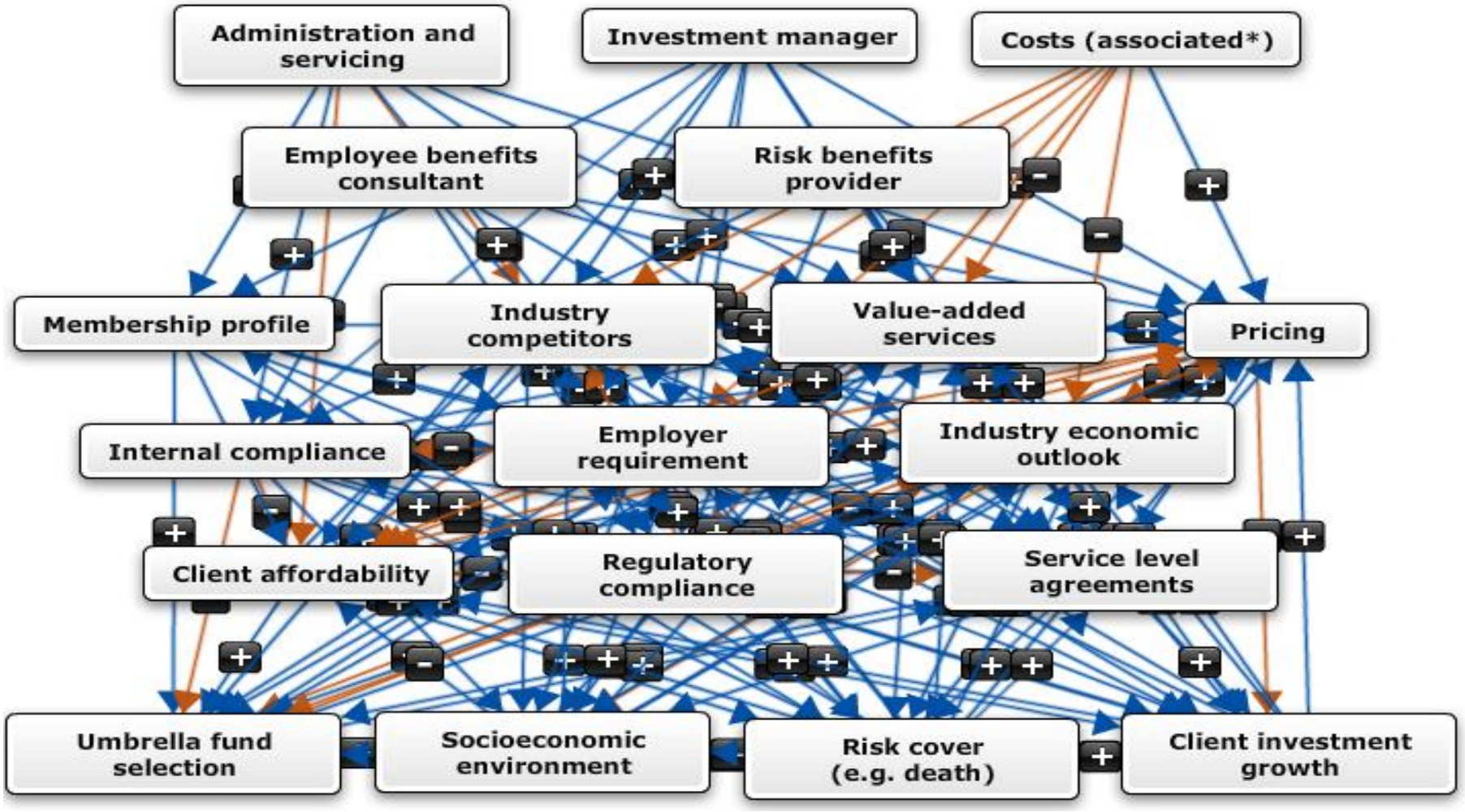

Figure 7: Initial FCM

The corresponding adjacency matrix is reflected in Figure 8.

Adjacency Matrix	Administration and servicing	Costs (associated*)	Employee benefits consultant	Investment manager	Risk benefits provider	Pricing	Industry competitors	Internal compliance	Client affordability	Employer requirement	Service level agreements	Value-added services	Membership profile	Regulatory compliance	Industry economic outlook	Umbrella fund selection	Socioeconomic environment	Risk cover (e.g. death)	Client investment growth
Administration and servicing	Transmitter nodes					+	-	+	-	+	+	+	+						
Costs (associated*)						+	-		-	-		-		-	-				
Employee benefits consultant						+		+		+	+	+		+					
Investment manager						+	+	+	+	+	+	+	+	+					
Risk benefits provider								+			+	+		+	+				
Pricing	Normal and Receiver Nodes						+		-		+	+		+	-	+	-	+	-
Industry competitors						+			+	+	+	+		+	+	+	+	+	+
Internal compliance						+			-	+	+	+		+		+	+	+	+
Client affordability						-	+				+			+	+	+		+	+
Employer requirement						-		-	-		+	+			+	+	+	+	+
Service level agreements																+	+	+	+
Value-added services						+	+		-	+	+				+	+	+	+	+
Membership profile						+			+	+	+					+		+	+
Regulatory compliance						+	-	+	-		-				-	+	+	+	+
Industry economic outlook						+	+		+	+	+	+		+		+	+	+	+
Umbrella fund selection						-				+	+	+			+		+	+	+
Socioeconomic environment						+	+		+	+		+			+	+		+	+
Risk cover (e.g. death)						+	+		+	+	+	+	+		+	+	+		+
Client investment growth						+	+		+	+		+			+	+	+	+	

Figure 8: Initial adjacency matrix

3.4 Population and sample

3.4.1 *Population*

The population for this research has been employers who already belong to an umbrella fund arrangement and the key respondents will be those who had an influence in the decision making process to choose the particular umbrella product, which they participate in.

3.4.2 *Sample and sampling method*

A sampling method of a purposive nature was followed. The table below outlines the various respondents targeted for the research. Section 3.10 reflects the actual number of respondents interviewed.

Table 2: List of potential respondents to be interviewed

Type of respondent	Operating industry of company	Number to be sampled
Managing Director	Steel Processing	1
HR Executive	Management Consultants	1
Chief Financial Officer	Financial Services	1
HR Executive	Logistics	1
Chief Financial Officer	Investment Banking	1
HR Executive	Coal Mining	1
Financial Director	Payroll	1
Financial Manager:	Opencast mining	1
Financial Manager	Retailers	1
Managing Director	Insurance Brokers	1
Managing Director	Short Term Insurance Brokers	1

3.5 The research instrument

The research instrument was by way of an unstructured interview with the various respondents, which referenced the initial FCM. This was performed by face-to-face interviews. The initial FCM was then expanded further into an improved FCM based on the respondents' views.

An e-mail attempting to confirm a respondents' participation has been established and can be seen in Appendix A.

3.6 Procedure for data collection

Respondents were communicated to initially by telephone to confirm their participation in the data collection process. A subsequent e-mail to the relevant respondent was then sent to further introduce the rationale for the interview as well as to enquire about the respondents' availability to meet for a face-to-face interview. Post confirmation a meeting was held with the respondent.

3.7 Data analysis and interpretation

Respondents were privy to the initial FCM produced which was required to be interrogated and hence improved on based on factors being omitted or being irrelevant in the initial FCM.

A reinforced FCM was then developed based on the revised factors established during the interview process by expanding on the causal links in the umbrella fund selection process by employers and as substantiated by the literature.

3.8 Limitations of the study

Potential weaknesses in the study exist as a result of the exhaustive list of variables that affect umbrella fund selection by employers and as such could go beyond the scope of this study. The sample size has therefore been limited and the research was therefore restricted to consider the main variables that could influence the selection of umbrella funds by participating employers.

3.9 Validity and reliability

3.9.1 *External validity*

Bryman (2012) describes external validity to generalise the findings beyond the specific research environment, which it was conducted in.

The results as provided by the limited sample has been very much context specific as the views depend heavily on insights and perspective of the respondents. A content analysis approach has been used to limit the impact pertaining to interview consistency. The sample chosen for this study was purposive and not representative of the general unanimity of umbrella fund selection by employers in future and hence the ability to generalise would be affected.

3.9.2 *Internal validity*

Internal validity relates to whether the findings integrate a causal relationship between two or more variables by understanding whether a match exists between an operational definition and a conceptual definition (Bryman, 2012).

In this study, this is ensured firstly through literature with the causal links being established in the initial FCM.

Three initial FCM models were simulated and are described below.

The first simulation was based on all factors influencing umbrella fund selection to be a positive factor in the selection process by employers by switching on all the enabling factors in the model. The output of concern was “umbrella fund selection” since this is centric to the research outcome endeavoured to be reached. The results yielded that all the factors were positive contributors to the selection of umbrella fund products by employers. A graphical illustration of the results of the first simulation can be seen in Figure 9 below.

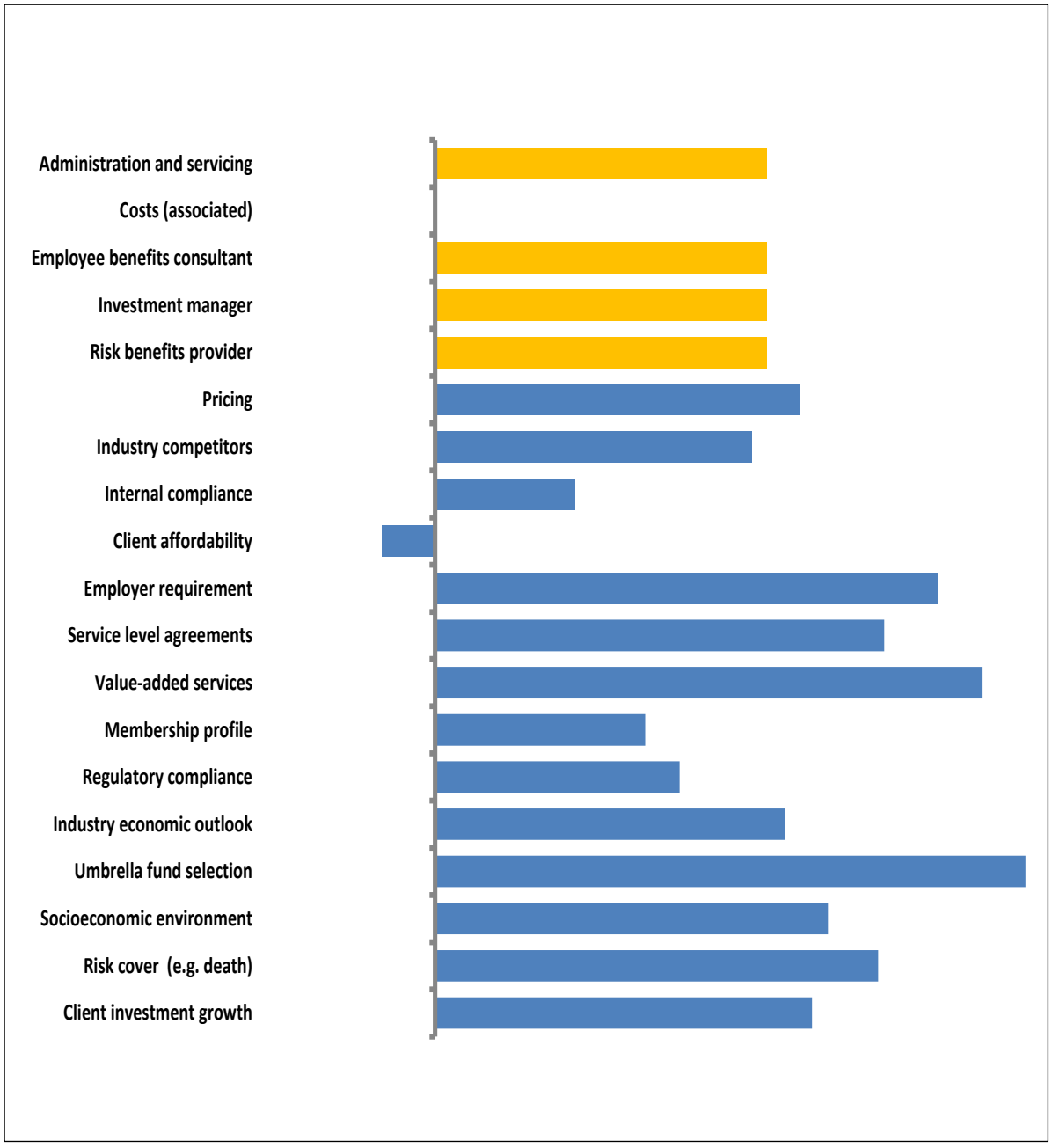

Figure 9: Graphical illustration of first simulation of initial FCM

The second simulation was based on an inhibiting factor such as costs to be switched on only, with the remaining enabling factors being switched off. The output of concern was “umbrella fund selection” since this is centric to the research outcome endeavoured to be reached. The results yielded that an increase in costs has a negative impact on client affordability and hence is a negative contributor to the selection of umbrella fund products by employers. Figure 10 below graphically illustrates the results of the second simulation.

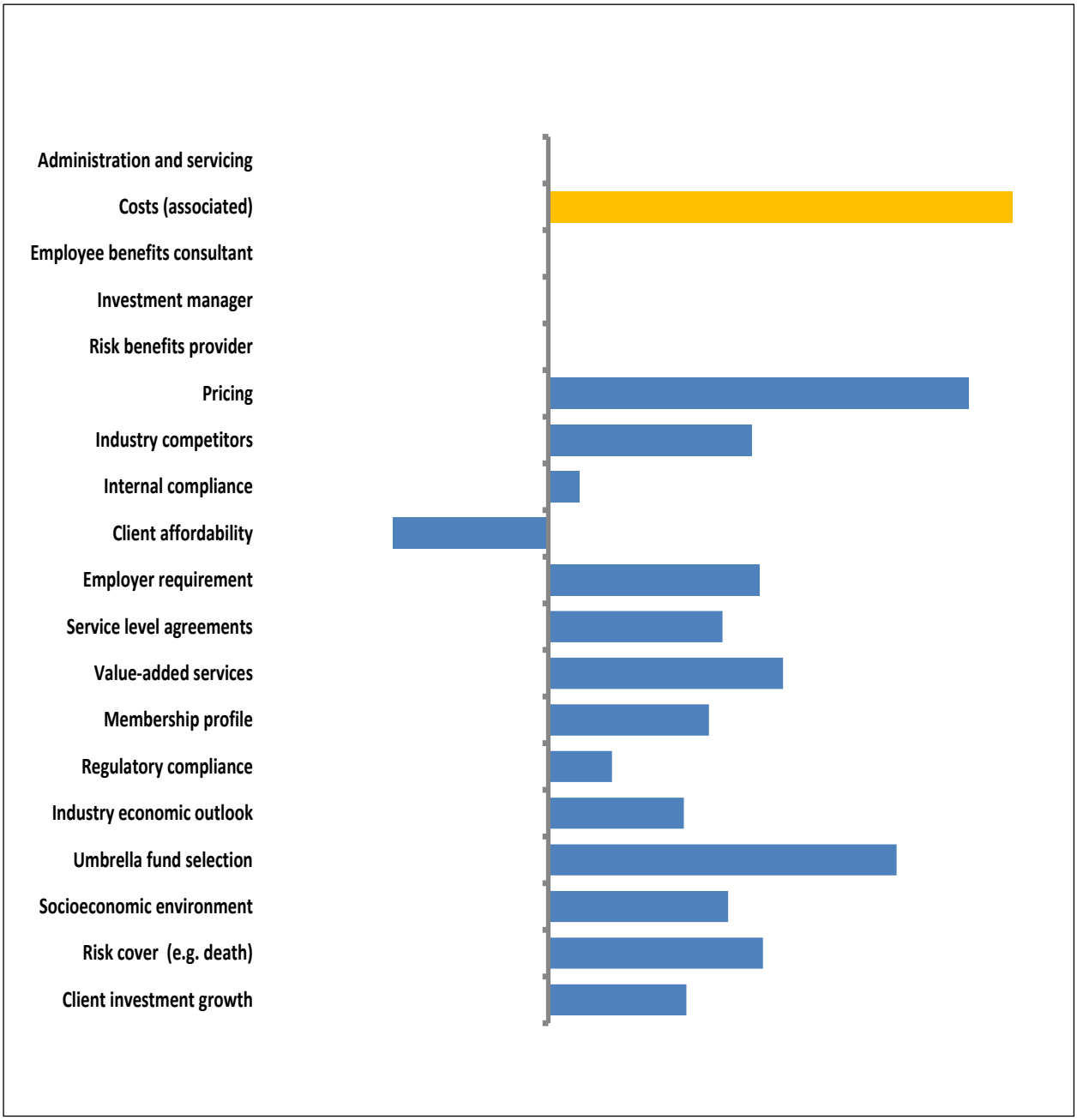

Figure 10: Graphical illustration of second simulation of initial FCM

The third simulation was based on all factors influencing umbrella fund selection in the selection process by employers, by switching on all the enabling factors in the model as well as the one inhibiting factor. The output of concern was “umbrella fund selection” since this is centric to the research outcome endeavoured to be reached. This resulted in a lower positive value contributing to umbrella fund selection by employers as compared to the first scenario but a much higher value than that of the second simulation. Figure 9 below graphically illustrates the results of the third and final simulation of the initial FCM.

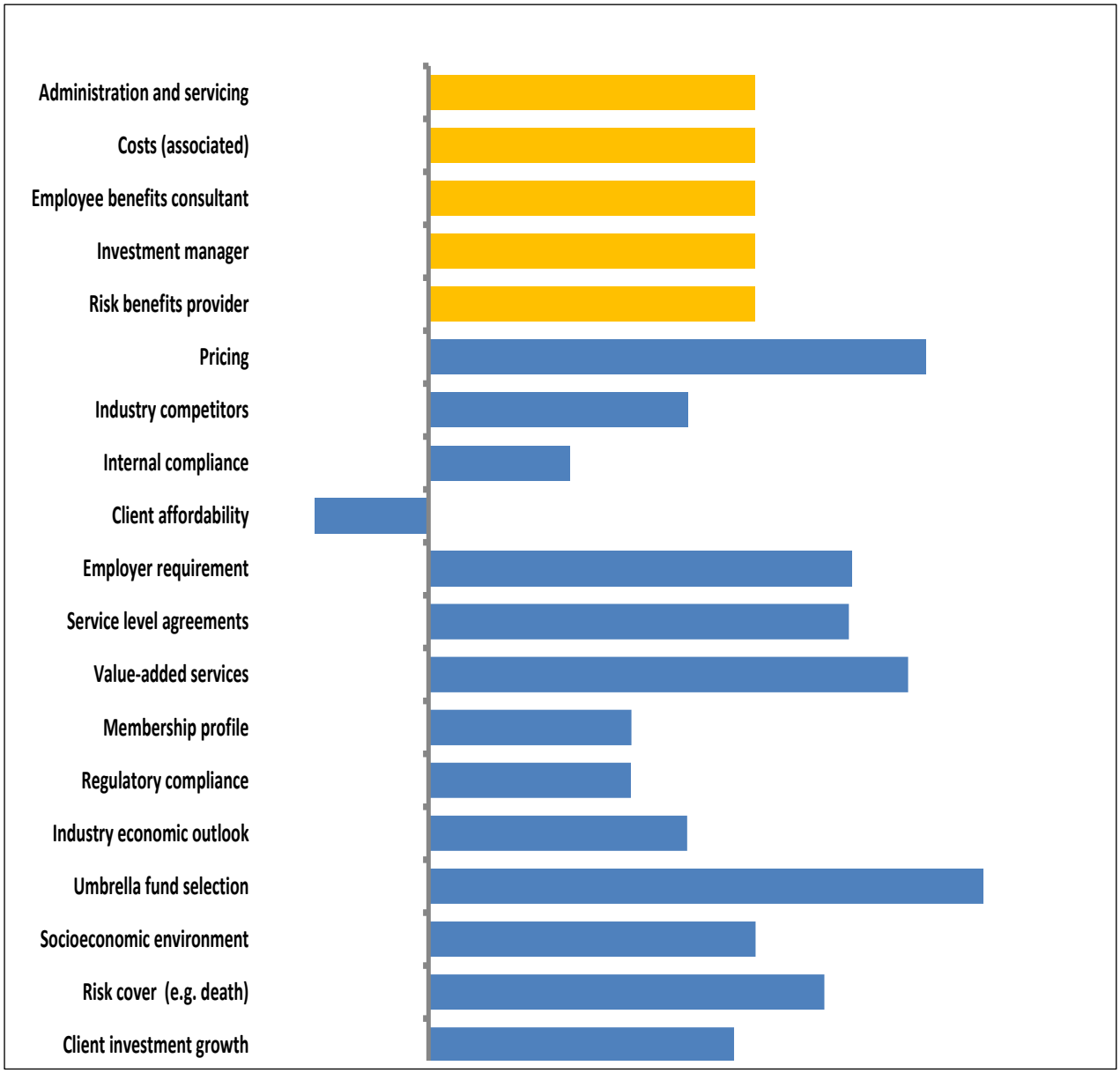

Figure 11: Graphical illustration of third simulation of initial FCM

3.9.3 *Reliability*

The extent to which a procedure involving measurement repeatedly yields the same results is referred to as reliability (Bryman, 2012). Causal links identified are related to the current South African market and hence any researcher conducting a similar research would probably conclude similar linkages.

3.10 Demographic profile of respondents

The demographic profile of the respondents actually interviewed during the data collection process is listed in Table 3 below:

Table 3: Profile of actual respondents interviewed

Type of respondent	Operating industry of company	Number interviewed
Managing Director	Steel Processing	1
HR Executive	Management Consultants	1
Chief Financial Officer	Financial Services	1
HR Executive	Logistics	1
Chief Financial Officer	Investment Banking	1
HR Executive	Coal Mining	1
Financial Director	Payroll	1
Financial Manager	Retailers	1
Managing Director	Insurance Brokers	1

Respondents were chosen based on their hierarchy within the company, giving them significant authority in contributing to the decision making process and thus have the applicable experience and insight with regards to the retirement fund industry. In comparison to the planned demographic profile of respondents, the actual profile of respondents did not differ.

CHAPTER 4. PRESENTATION OF RESULTS

4.1 Introduction

This chapter accords and delineates the results with respect to the research proposition, initially defined in Chapter 2.

The results have been classified based on the impact perceived by respondents, whereby enabling and inhibiting factors which influence the selection of umbrella fund by employers or companies, were identified.

4.2 Results pertaining to Proposition

4.2.1 *Classification of factors enabling or inhibiting umbrella fund selection*

The research proposition tests the validity of the dominant factors derived within the literature, which is made up of enabling factors, as well as inhibiting factors which influence the selection of umbrella funds by employers.

Table 4 below endeavours to categorise these factors compared to the views expressed by the actual respondents with regards to the significance of these factors and the concomitant influence they have on umbrella fund selection within the employee benefits industry.

Respondents from various companies with sound industry experience and hence many of whom were influential in the decision making process of an umbrella fund for their organisation were expected to provide views pertaining to the identification of the dominant enabling and inhibiting factors.

Table 4: Classification of dominant inhibiting and enabling factors

Dominant Factors		Respondent
Enabling Factors	Administration and servicing	*High*
	Employee benefits consultant	*High*
	Investment manager	*High*
	Risk benefits provider	*High*
Inhibiting Factor	Costs (associated)	*High*

Respondents corroborated that the above factors are of paramount significance in the selection of umbrella funds within the industry, each with an equal weighting based on the initial factors identified.

With the intention of authenticating the initial FCM, respondents analysed the intervening factors and causal relationships portrayed and supported the views of these factors being valid. Consequently, none of the intervening factors were excluded from the enhanced FCM.

4.2.2 *Identification of other potentially dominant inhibiting or enabling factors*

The influence of product marketing within the industry was highlighted by respondents as a potential dominant factor which may either enable or inhibit umbrella fund selection by employers. However the consensus from respondents was that product marketing has been an enabler since brand equity has been well

established with certain product providers and has thus influenced their decision making process.

Industry regulations within South Africa, in particular, retirement reform and the view of a national savings plan was perceived by respondents to be a dominant inhibiting factor in their quest to select an umbrella fund whereby regulations would determine ultimately what the status quo would be and other dominant factors, enabling umbrella fund selection by employers would be compromised.

A conservative company outlook was identified and perceived by respondents to be a dominant inhibiting factor in the selection of an umbrella fund whereby many young, small to medium enterprises preferred to have a healthy balance sheet, before attempting to offer employee benefits to their employees.

Additionally, global contractual agreements was identified and perceived to be a dominant inhibiting factor in the selection of umbrella funds, which restricted the management of South African companies to implement suitable employee benefit, plans to their organisations as a result of these contractual agreements being in place at a global level, even though intent to change providers was warranted.

Lastly, where companies had specialised management committees in place to make decisions on behalf of their employees, there was evidently excessive decision making bureaucracy or adherence to formalities and preference of certain stakeholders, pertaining to the decision making process which in many instances has led to bias decisions being made. Decision-making bureaucracy was therefore identified and perceived by respondents to be a dominant inhibiting factor in the selection of an umbrella fund by employers.

Table 5 below outlines the respondents' identification and categorisation of the additional potentially dominant enabling and inhibiting factors, all of which were not clearly identified as dominant factors influencing umbrella fund selection by employers, within the literature review.

Table 5: Identification and categorisation of potentially new dominant enabling or inhibiting factors

Dominant Factors	Respondent
Product marketing	*Enabler*
Industry regulations	*Inhibitor*
Conservative company outlook	*Inhibitor*
Global contractual agreements	*Inhibitor*
Decision-making bureaucracy	*Inhibitor*

4.3 Summary of the results

There was agreement between respondents pertaining to the categorisation of the dominant enabling and inhibiting factors identified in literature and as per the initial FCM presented. Additionally, respondents further identified potentially new dominant enabling and inhibiting factors, which were not clearly outlined or made reference to within the literature review.

With the insight and hence perspective gained by mixed methods of the research conducted, an enhanced FCM and adjacency matrix was developed. The enhanced FCM therefore included the potentially new identified dominant factors, the corresponding causal and intervening relationships between factors, as well as the outputs. Furthermore, no factors were considered insignificant as corroborated by respondents in interviews.

The enhanced FCM can be seen in Figure 12.

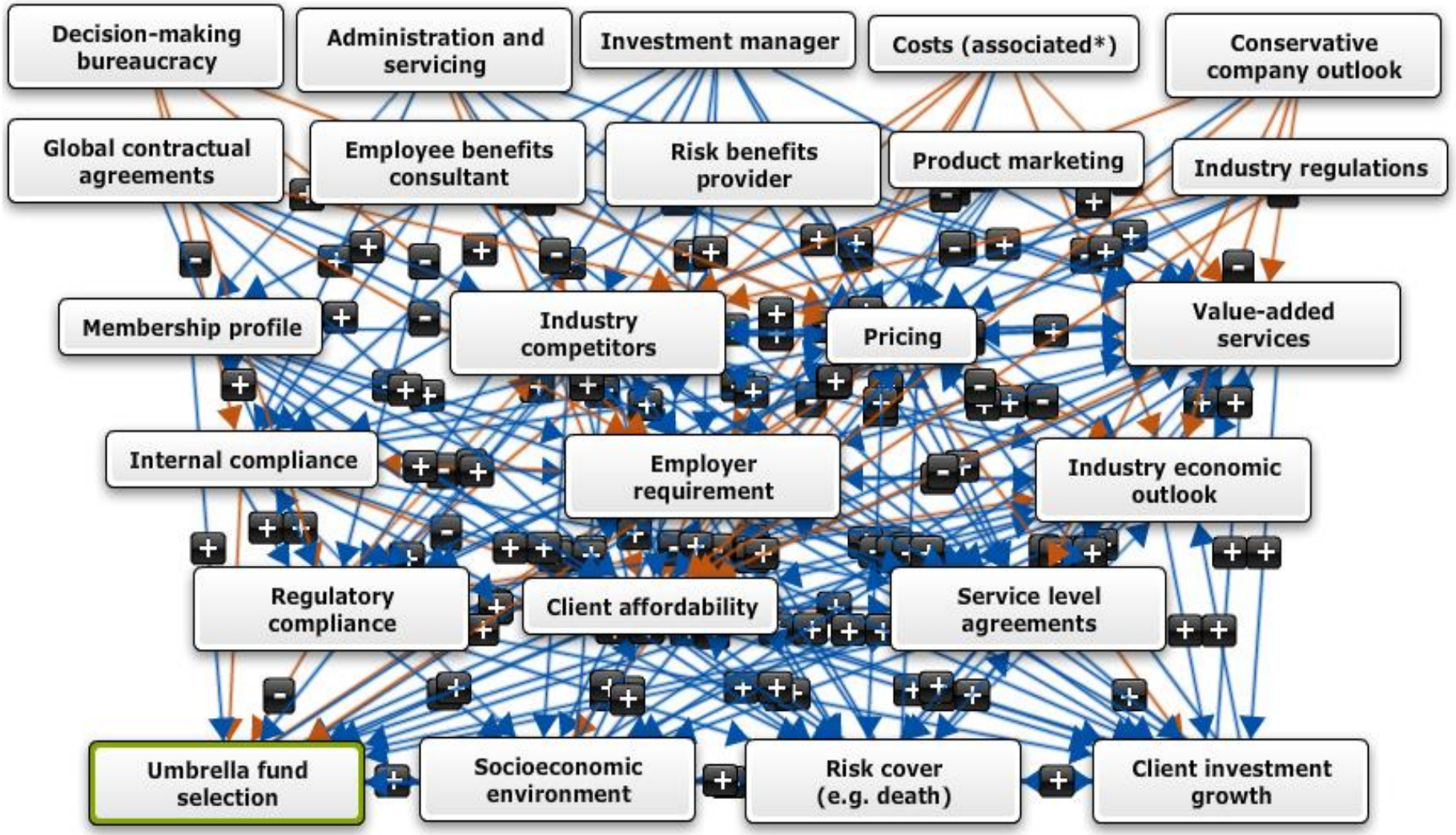

Figure 12: The simplified enhanced FCM

The enhanced adjacency matrix reflected in Figure 13.

Adjacency Matrix	Administration and servicing	Employee benefits consultant	Investment manager	Risk benefits provider	Product marketing	Costs (associated*)	Industry regulations	Conservative company outlook	Global contractual agreements	Decision-making bureaucracy	Pricing	Industry competitors	Internal compliance	Client affordability	Employer requirement	Service level agreements	Value-added services	Membership profile	Regulatory compliance	Industry economic outlook	Umbrella fund selection	Socioeconomic environment	Risk cover (e.g. death)	Client investment growth
Administration and servicing	Transmitter nodes										+	-	+	-	+	+	+	+						
Employee benefits consultant											+		+		+	+	+		+					
Investment manager											+	+	+	+	+	+	+	+	+					
Risk benefits provider													+			+	+		+	+				
Product marketing											+	+		+	+		+							
Costs (associated*)											+	-		-	-		-		-	-				
Industry regulations											+	-	+	-					+					
Conservative company outlook											+	-		-		-	-			-				
Global contractual agreements											-	+		+	-	+			+					
Decision-making bureaucracy											-		-		-				-					
Pricing	Normal and receiver nodes											+		-		+	+		+	-	-	-	+	-
Industry competitors											+			+	+	+	+		+	+	+	+	+	+
Internal compliance											+			-	+	+	+		+		-	+	+	+
Client affordability											-	+				+			+	+	+		+	+
Employer requirement											-		-	-		+	+			+	+	+	+	+
Service level agreements																					+	+	+	+
Value-added services											+	+		-	+	+				+	+	+	+	+
Membership profile											+			+	+	+					+		+	+
Regulatory compliance											+	-	+	-		-				-	-	+	+	+
Industry economic outlook											+	+		+	+	+	+		+		+	+	+	+
Umbrella fund selection											-				+	+	+			+		+	+	+
Socioeconomic environment											+	+		+	+		+			+	+		+	+
Risk cover (e.g. death)											+	+		+	+	+	+	+		+	+	+		+
Client investment growth											+	+		+	+		+			+	+	+	+	

Figure 13: Adjacency matrix for enhanced FCM

CHAPTER 5. DISCUSSION OF THE RESULTS

5.1 Introduction

Within this chapter, the enhanced FCM will be utilised to model the impact of the dominant enabling and inhibiting factors, which influence umbrella fund selection, by employers. The influence of the factors identified within the literature as well as those identified through the interviews process during the research will be modelled by means of several scenarios throughout the enhanced FCM.

Various credible scenarios will be tested to establish the impact of the factors which influence umbrella fund selection within the employee benefits industry. Consequently the advantage of fuzzy cognitive mapping is that the enhanced FCM could provide better insight to employers.

The various scenarios that are tested will involve switching enabling and inhibiting factors with plausible combinations on and off. Scenarios tested will be analysed accordingly based on its validity.

5.2 Demographic profile of respondents

The profile of respondents has been explained in chapter 3 and hence sufficient representation from various respondents was made. Furthermore, significant insight was provided from the literature pertaining to developing the initial FCM as well as undertaking to address the research proposition.

5.3 Discussion pertaining to proposition

Potentially new dominant enabling and inhibiting factors have been identified by respondents and were integrated in the enhanced FCM to simulate reasonable scenarios that have been analysed.

5.3.1 *Scenario 1: The current state of the umbrella fund industry*

The first scenario endeavours to model the current state of the umbrella fund industry whereby all enabling and inhibiting factors are switched on within the enhanced FCM. It may be fair to assume that the factors identified as per the literature and research process by the respondents are currently influential within this context.

The results from Scenario 1 suggest that the current context is slightly unfavourable towards umbrella fund selection by employers. The intervening factors such as industry competitiveness, client affordability as well as the industries economic outlook are moderately impacted resulting in an unfavourable view of umbrella fund selection by employers (Beam & McFadden, 2001).

It is clear within this context that the potentially dominant inhibiting factors outweigh the potentially dominant enabling factors as a result of the significant impact of the relationships that these have on the intervening factors and hence the umbrella fund selection process.

The results from Scenario 1 are shown in Figure 14. The corresponding transmitter nodes, which were switched on can be seen in Appendix B.

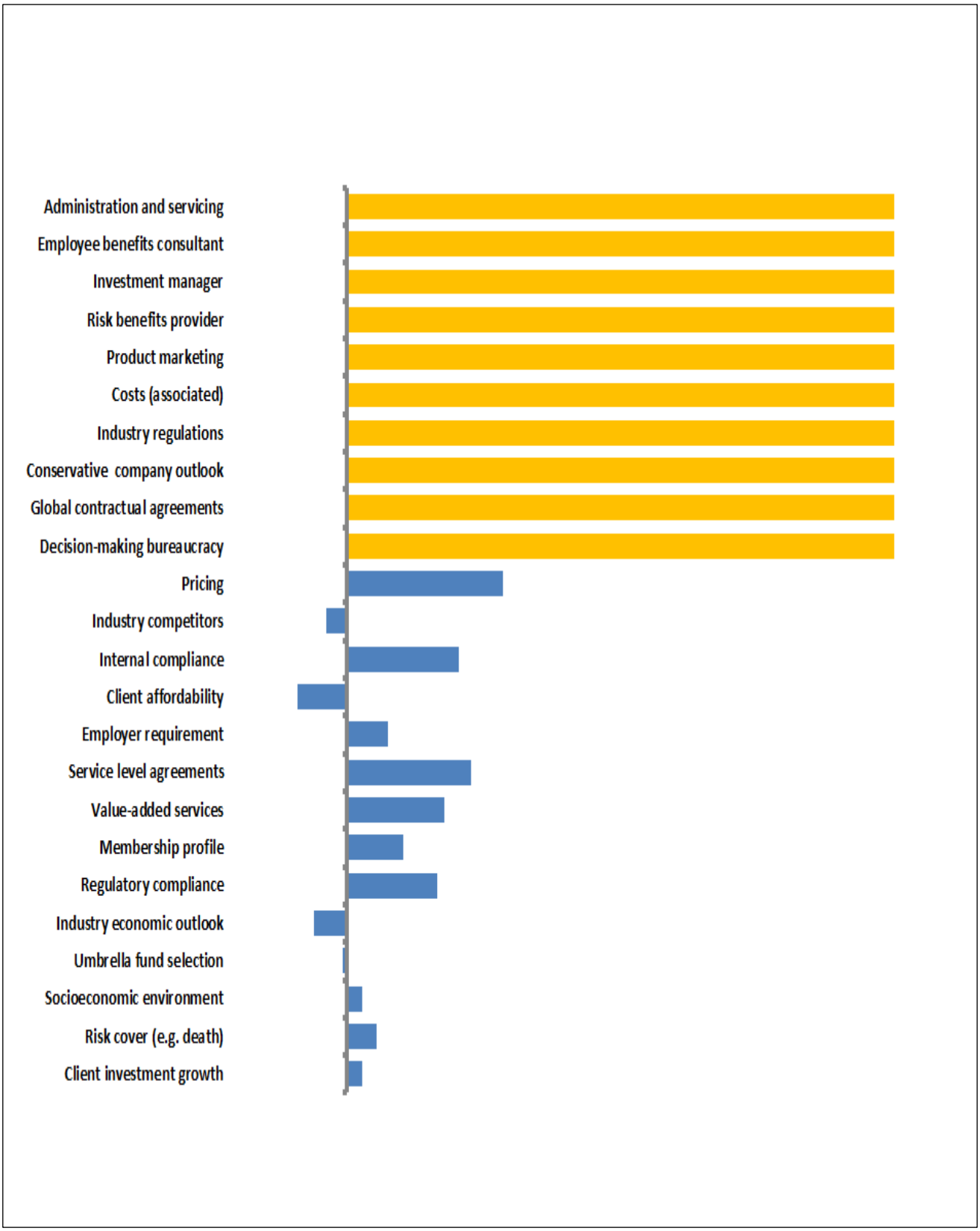

Figure 14: Graphical illustration of outcome: Scenario 1

5.3.2 *Scenario 2: No industry regulations pertaining to umbrella fund selection*

The following scenario endeavours to model the state of the umbrella fund industry in the absence of industry regulations. In order to simulate this scenario, all enabling and inhibiting factors were switched on with the exception of industry regulations.

Umbrella funds are governed by a stringent legislative framework, attempting to ensure sound governance to all stakeholders but most importantly attempts to protect the wellbeing of employees by ensuring that product providers are extremely compliant in their offering and implementation of such products (Stewart & Yermo, 2009).

Furthermore, legislation such as the constitution further protects the wellbeing of employees by ensuring that no prejudice takes place when employers offer employee benefit solutions such as an umbrella fund to their staff and as such, these need to be clearly specified within employment contracts of such employees and are approved by the FSB in conjunction with the South African Revenue Services, only if deemed to be fair (Stewart & Yermo, 2009).

Results from Scenario 2 emphasise a positive outlook for umbrella fund selection by employers within the industry. This clearly demonstrates the significant impact that industry regulations being a potentially dominant inhibiting factor has, in the process to select umbrella funds by employers within the employee benefits industry.

The results from Scenario 2 are shown in Figure 15. The corresponding transmitter nodes, which were switched on and off, can be seen in Appendix C.

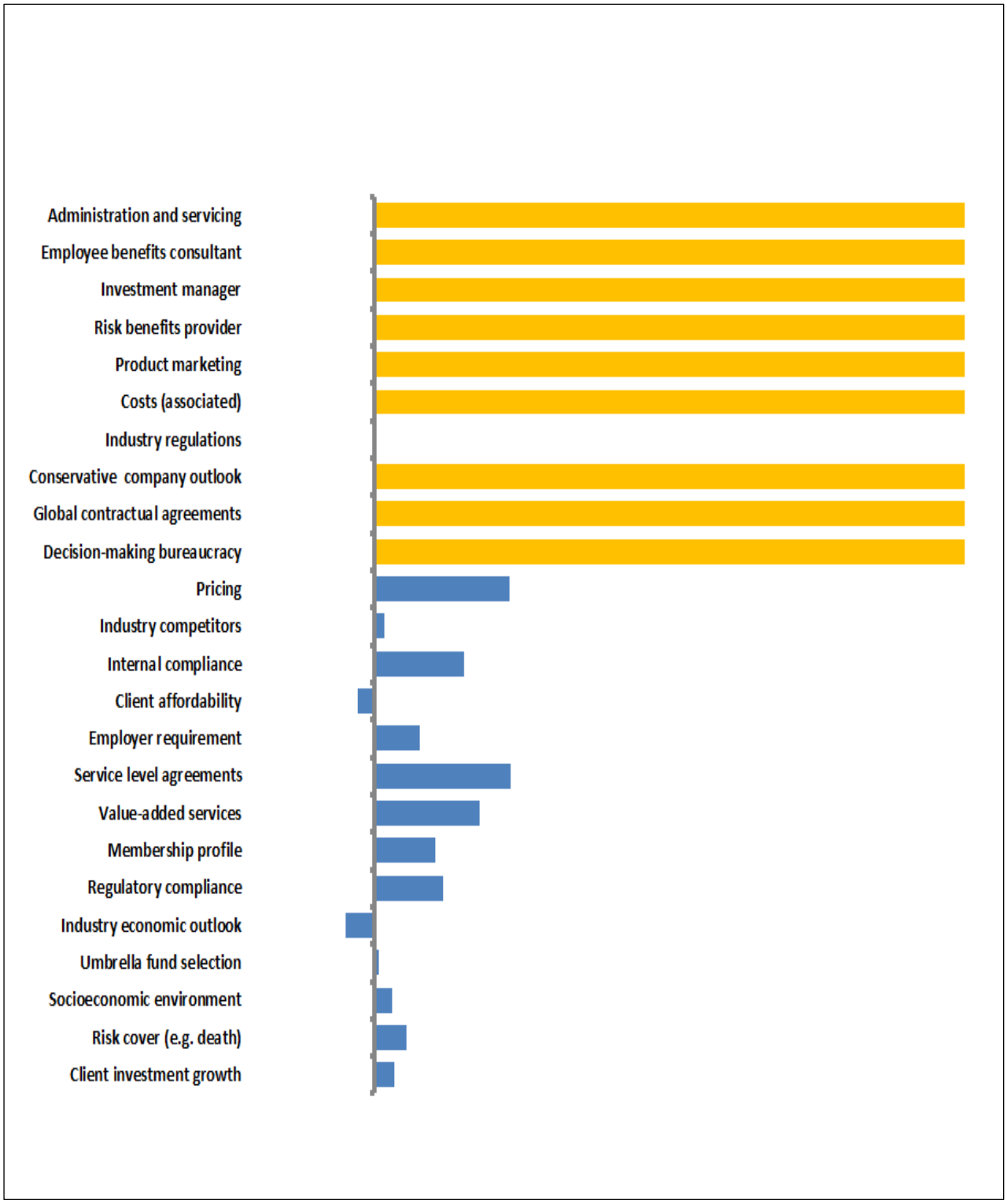

Figure 15: Graphical illustration of outcome: Scenario 2

5.3.3 *Scenario 3: Low cost and positive company outlook*

Scenario 3 endeavours to model the state of the umbrella fund industry whereby a positive outlook for associated costs as well as a positive company outlook is simulated. To simulate this scenario, costs as well as a conservative company outlook, being potentially dominant inhibiting factors were switched off.

Costs play a significant role in the selection of umbrella funds by employers. These, as corroborated by literature as well as by respondents within the research process, include administrative costs, investment costs, risk benefit costs etc. and are very influential factors in the decision making process by employers (Bauer, Cremers, & Frehen, 2010).

Furthermore, where companies have a positive outlook or have a healthy balance sheet such that their strategy is one of expansion in terms of attracting new staff or retaining existing staff, it would be reasonable to expect that such spending be used to implement a suitable employee value proposition.

Hence, a combination of lower costs together with the concomitant view of a positive company outlook would significantly contribute to the umbrella fund selection by employers within the industry.

The results from Scenario 3 are shown in Figure 16. The corresponding transmitter nodes, which were switched on and off, can be seen in Appendix D.

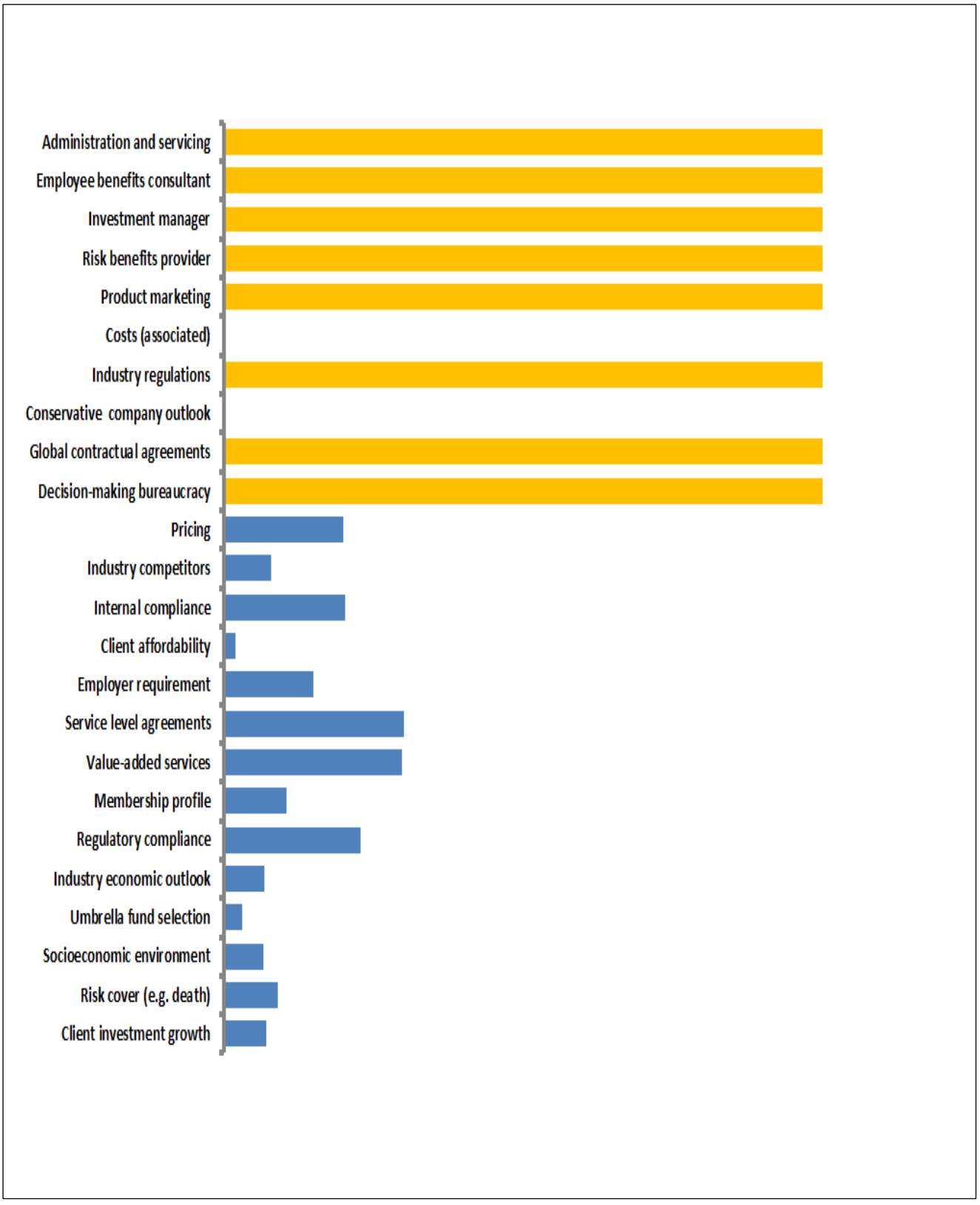

Figure 16: Graphical illustration of outcome: Scenario 3

5.3.4 *Scenario 4: Poor administration, investment manager and risk benefits provider*

Scenario 4 endeavours to model the state of the umbrella fund industry whereby the administration and servicing, investment manager as well risk benefits provider are considered to be unfavourable. The reason for considering this type of scenario is due to the possible influence of negative company outlook of the FSP and performance impacting the selection of an employee benefits scheme.

This scenario was simulated by switching off the potentially dominant enabling factors, being administration and servicing, the investment manager and the risk benefits provider.

The above factors heavily impact the selection of umbrella funds by employers and are seen to be of significant importance in the decision making process. Whilst employers are still paying the applicable costs and experiencing the services of an employee benefits consultant, poor administration and servicing, low or negative investment returns and incomprehensive or no risk benefits would definitely contribute negatively to the umbrella fund selection process by employers (Bikker & De Dreu, 2009).

The results from Scenario 4 are shown in Figure 17. The corresponding transmitter nodes, which were switched on and off, can be seen in Appendix E.

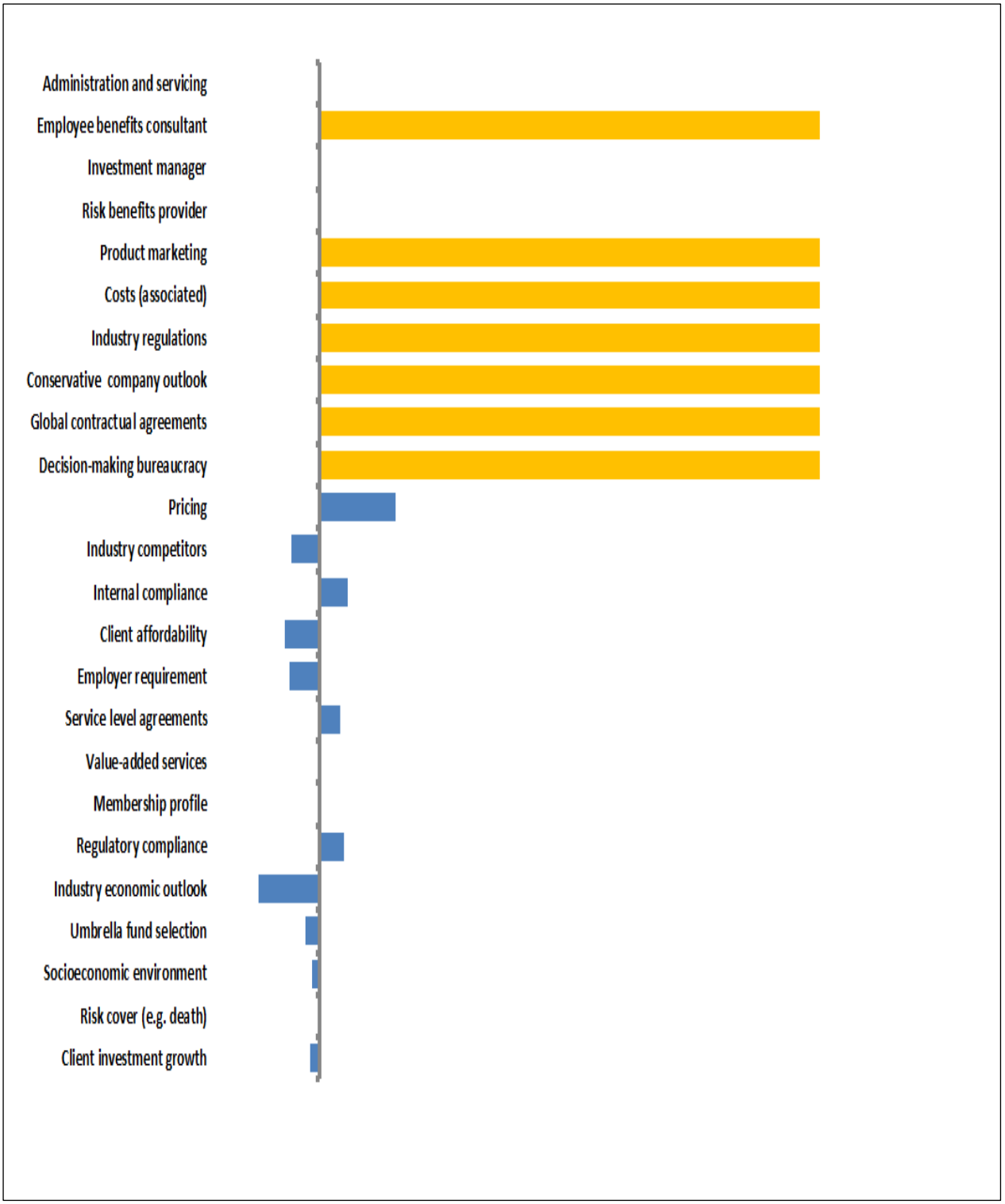

Figure 17: Graphical illustration of outcome: Scenario 4

5.3.5 *Scenario 5: Poor employee benefits consultant, low costs, lack of product marketing, positive company outlook, no global contractual agreements and no decision making bureaucracy*

Scenario 5 endeavours to model the state of the umbrella fund industry whereby a combination of potentially dominant enabling and inhibiting factors are switch on and off. The reason for this scenario is to establish the impact the following factors have on umbrella fund selection within the employee benefits industry in South Africa:

- Poor employee benefits consultant;
- Low costs;
- Lack of product marketing;
- Positive company outlook;
- No global contractual agreements; and
- No decision-making bureaucracy.

These factors and the associated impact reflect a scenario, which could potentially occur within the South African environment, based on the long term economic prospects within the market and the potential for retirement reform.

The potentially dominant enabling factors that were switched off was the employee benefits consultant as well as product marketing with the rest of the enabling factors being switched on. The potentially dominant inhibiting factors that were switched off were costs, conservative company outlook, global contractual agreements and decision-making bureaucracy, with industry regulations being the only potentially dominant inhibiting factor being switched on.

Based on this simulation, the overall impact on umbrella fund selection by employers was marginally positive.

The results from Scenario 5 are shown in Figure 18. The corresponding transmitter nodes, which were switched on and off, can be seen in Appendix F.

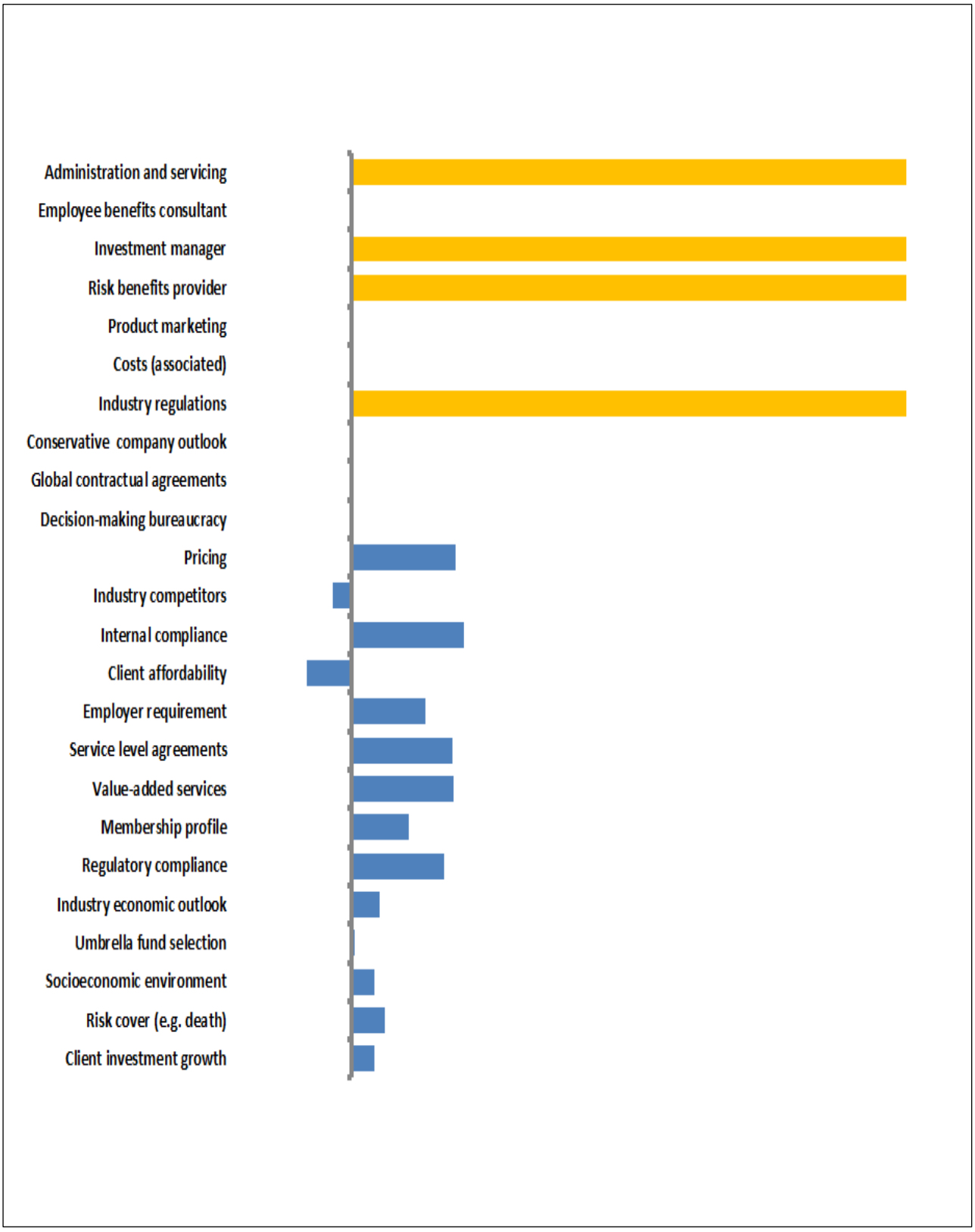

Figure 18: Graphical representation of outcome: Scenario 5

5.3.6 *Scenario 6: Maintain the industry status quo with no inhibiting factors*

Scenario 6 endeavours to model the state of the umbrella fund industry whereby the industry status quo is maintained with all inhibiting factors being ignored. To allow for the scenario, the potentially dominant enabling factors which are administration servicing, the employee benefits consultant, the investment manager, risk benefits provider as well as product marketing were switched on and the potentially dominant inhibiting factors were all switched off.

The scenario was replicated in order reflect the current state of the employee benefits industry excluding the inhibiting factors in order to gain insight into the potential of the environment should business and government partner with FSP's to regulate the industry with customer outcomes as a key driver (Holzmann, 2013).

The overall impact on umbrella fund selection by employers, together with the corresponding intermediate factors, which have a causal relationship where applicable are all seen to positive.

The results from Scenario 6 are shown in Figure 19. The corresponding transmitter nodes, which were switched on and off, can be seen in Appendix G.

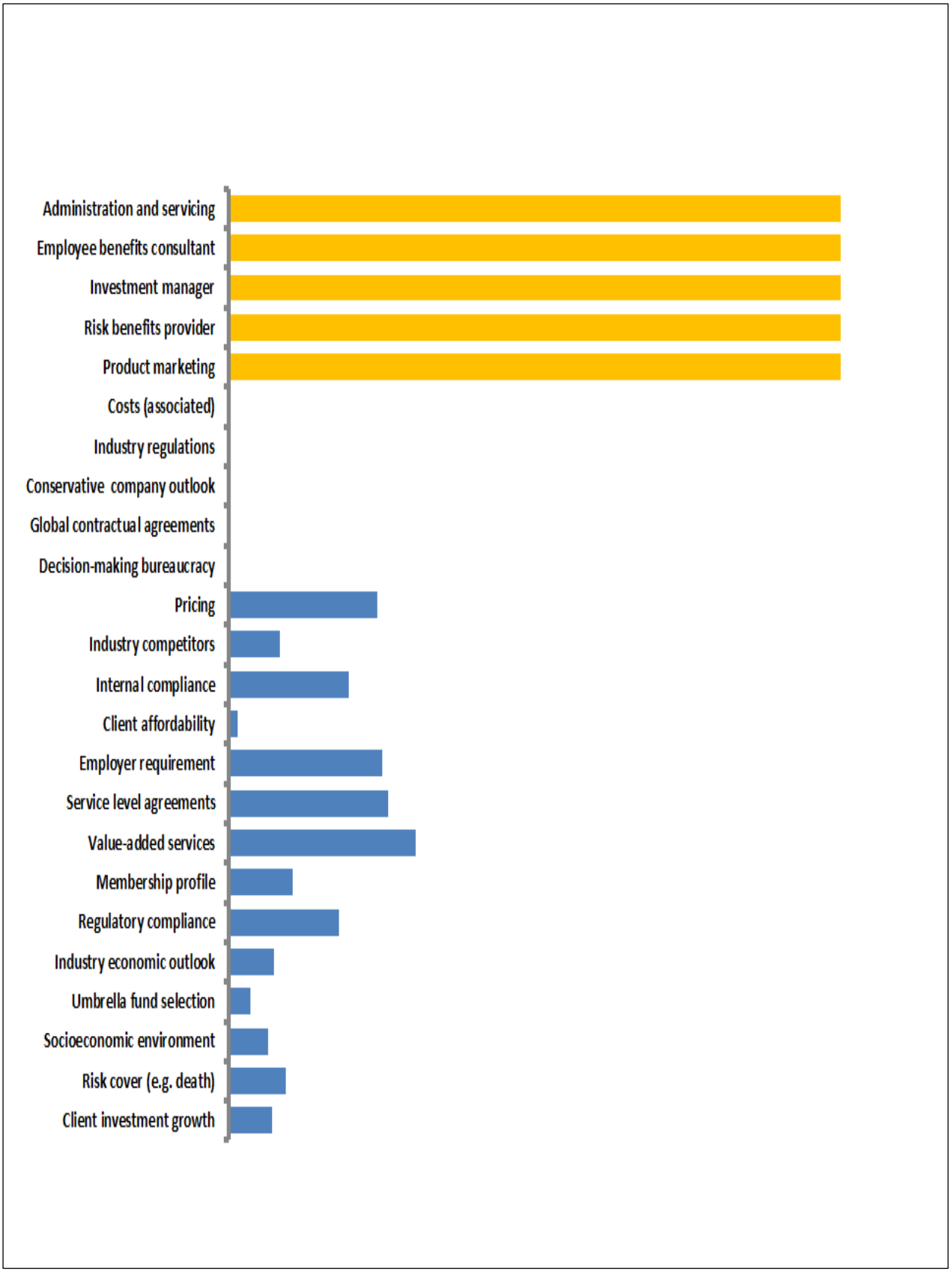

Figure 19: Graphical representation of outcome: Scenario 6

5.3.7 *Conclusion*

Based on the scenario analysis performed the dominant enabling factors influencing umbrella fund selection by employers can be categorised as follows:

- Administration and servicing;
- Employee benefits consultant;
- Risk benefits provider;
- Investment manager; and
- Product marketing.

Furthermore, the dominant inhibiting factors influencing umbrella fund selection by employers can be categorised as follows:

- Costs;
- Industry regulations;
- Conservative company outlook;
- Decision-making bureaucracy; and
- Global contractual agreements.

Unanticipated consequences such as the socioeconomic environment, client affordability, the industry economic outlook as well as competition within the industry amongst others are adversely affected when inhibiting factors contributing to the selection of umbrella funds by employers exists.

The major motive for these factors being identified and shown to influence the dependant variable is due to current state of the South African economy, and the increasing requirements of employers to ensure that staff within their ambit received efficient and streamlined employee benefit solutions.

The obstacles that the South African market face is retirement reform based on governments view on establishing a single national savings fund or aligning benefits across the industry; this view has a negative outlook for FSP’s and would have detrimental effects on the potential for both local FSP and local economy due to the reduced competiveness which would result. However, this would indeed have a positive

result on the end-user from an overall employee benefit perspective should an extremely efficient solution be implemented.

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

This chapter emphasises the prominent aspects of the research investigation conducted and hence provides direction and suggestions to various stakeholders in order to position themselves favourably within the umbrella fund industry within South Africa.

6.2 Conclusions of the study

Key findings from the research indicate that the dominant enabling factors influencing umbrella fund selection by employers can be categorised as follows:

- Administration and servicing;
- Employee benefits consultant;
- Risk benefits provider;
- Investment manager; and
- Product marketing.

The dominant inhibiting factors influencing umbrella fund selection by employers can be categorised as follows:

- Costs;
- Industry regulations;
- Conservative company outlook;
- Decision-making bureaucracy; and
- Global contractual agreements.

The conclusion infers that multiple factors influence the decision making process pertaining to the selection of umbrella funds by employers. Furthermore, the factors that have been identified have been shown to be complex constructs which require various stakeholder intervention in order to either improve or mitigate inhibiting factors.

Consensus was reached with respondents that the factors accurately reflect the current state of the employee benefits environment within the South African context.

6.3 Recommendations

Based on the significance of the study, the following key stakeholders were identified which would potentially benefit from the research results:

- Employers or companies including management
- Employees of such companies
- FSP's

As a result of the findings, management can undertake detailed research into the factors identified together with the key drivers of these factors within their organisations. In addition, the findings point to the critical levers which management have at their disposal to influence the employee value proposition.

One of the approaches to influence these factors is for FSP's to move towards a more customer-focused approach, one of the key things is that service providers and hence customer solutions are built around the customer needs and wants.

Furthermore, in terms of the employee benefits consultant contracted to the FSP, focus should be placed on companies not developing products based on what they think is a "good" or "smart" product. Employee benefit consultants sell that product based on features and do not address the real need of the client. Most of the current sales material is attribute driven whereby the organisation informs people how great their products are as opposed to letting people know how the company can help or benefit them.

A good value proposition is effectively a lighthouse for both the organisation and the customer, which is the first, step in creating a more strategic and customer led FSP. The FSP's strategy needs to move towards an articulation of need and benefit as opposed to a laundry list of product features (Galbraith, 2005). A value proposition is not eternal, as it also needs to evolve as the organisation does and has to keep in step with customers and their ever-changing needs. Therefore, the value proposition will have to be reviewed regularly to ensure that it is still relevant.

The FSP has to have a detailed understanding of what the competitive landscape looks like and what the organisation has to do differently to compete in an effective way and maybe even take on the mentality of a challenger brand; the company has to understand and unlock the value of what competitors are doing and how they go about doing it.

6.4 Suggestions for further research

Value could be achieved by using a FCM whereby the causal arrows are given weightings of a differential nature which would allow a clearer hierarchical decision making process in the selection of umbrella funds by employers.

The research was focussed on the South African market and thus the scope exists for a research study to be undertaken in other countries around the world where these types of benefits are in the early phases of development as well as countries where they feature more prominently.

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APPENDIX A: Sample email utilised to confirm interview

Subject: Invitation to attend an interview with Irshaad Bapoo

Dear Mr/Ms X

Thank you for taking the time to speak to me and confirming that you are willing to meet with me.

As discussed, I would like to setup an interview with you to obtain more insight into my research being conducted at Wits Business School, towards my MBA qualification. The topic in question is “Factors influencing Umbrella Fund selection offered by the Employee Benefits industry in South Africa.”

A requirement of my research is to interview key individuals who are responsible for making decisions pertaining to umbrella fund selection for employers who currently have this product available for their staff.

The interview will be based on an initial Fuzzy Cognitive Map (FCM) which outlines the different initial factors influencing umbrella selection by employers as has been supported by various literatures within the industry. These factors, based on my initial findings would include: costs, administration and servicing, the employee benefits consultant appointed to the fund, the investment manager chosen, the risk benefits provider chosen as well as any other factors that could potentially influence umbrella fund selection by employers. You will therefore be required to confirm, contradict and/or expand on the initial findings based on your decisions made to select such an umbrella fund which your company currently participates in.

The interview would typically take 45 minutes to one hour.

Please advise on your availability such that I can set up the necessary time in your diary in order for us to take this forward.

Once again, thank you for your time and I look forward to meeting with you.

Thanks and regards
Irshaad Bapoo

APPENDIX B: Transmitter nodes for Scenario 1

	Administration and servicing	Employee benefits consultant	Investment manager	Risk benefits provider	Product marketing	Costs (associated)	Industry regulations	Conservative company outlook	Global contractual agreements	Decision-making bureaucracy
Administration and servicing	1	1	1	1	1	1	1	1	1	1
Employee benefits consultant	1	1	1	1	1	1	1	1	1	1
Investment manager	1	1	1	1	1	1	1	1	1	1
Risk benefits provider	1	1	1	1	1	1	1	1	1	1
Product marketing	1	1	1	1	1	1	1	1	1	1
Costs (associated)	1	1	1	1	1	1	1	1	1	1
Industry regulations	1	1	1	1	1	1	1	1	1	1
Conservative company outlook	1	1	1	1	1	1	1	1	1	1
Global contractual agreements	1	1	1	1	1	1	1	1	1	1
Decision-making bureaucracy	1	1	1	1	1	1	1	1	1	1
Pricing	Normal and Receiver Nodes									
Industry competitors										
Internal compliance										
Client affordability										
Employer requirement										
Service level agreements										
Value-added services										
Membership profile										
Regulatory compliance										
Industry economic outlook										
Umbrella fund selection										
Socioeconomic environment										
Risk cover (e.g. death)										
Client investment growth										

APPENDIX C: Transmitter nodes for Scenario 2

	Administration and servicing	Employee benefits consultant	Investment manager	Risk benefits provider	Product marketing	Costs (associated)	Industry regulations	Conservative company outlook	Global contractual agreements	Decision-making bureaucracy
Administration and servicing	1	1	1	1	1	1	0	1	1	1
Employee benefits consultant	1	1	1	1	1	1	0	1	1	1
Investment manager	1	1	1	1	1	1	0	1	1	1
Risk benefits provider	1	1	1	1	1	1	0	1	1	1
Product marketing	1	1	1	1	1	1	0	1	1	1
Costs (associated)	1	1	1	1	1	1	0	1	1	1
Industry regulations	1	1	1	1	1	1	0	1	1	1
Conservative company outlook	1	1	1	1	1	1	0	1	1	1
Global contractual agreements	1	1	1	1	1	1	0	1	1	1
Decision-making bureaucracy	1	1	1	1	1	1	0	1	1	1
Pricing	Normal and Receiver Nodes									
Industry competitors										
Internal compliance										
Client affordability										
Employer requirement										
Service level agreements										
Value-added services										
Membership profile										
Regulatory compliance										
Industry economic outlook										
Umbrella fund selection										
Socioeconomic environment										
Risk cover (e.g. death)										
Client investment growth										

APPENDIX D: Transmitter nodes for Scenario 3

	Administration and servicing	Employee benefits consultant	Investment manager	Risk benefits provider	Product marketing	Costs (associated)	Industry regulations	Conservative company outlook	Global contractual agreements	Decision-making bureaucracy
Administration and servicing	1	1	1	1	1	0	1	0	1	1
Employee benefits consultant	1	1	1	1	1	0	1	0	1	1
Investment manager	1	1	1	1	1	0	1	0	1	1
Risk benefits provider	1	1	1	1	1	0	1	0	1	1
Product marketing	1	1	1	1	1	0	1	0	1	1
Costs (associated)	1	1	1	1	1	0	1	0	1	1
Industry regulations	1	1	1	1	1	0	1	0	1	1
Conservative company outlook	1	1	1	1	1	0	1	0	1	1
Global contractual agreements	1	1	1	1	1	0	1	0	1	1
Decision-making bureaucracy	1	1	1	1	1	0	1	0	1	1
Pricing	Normal and Receiver Nodes									
Industry competitors										
Internal compliance										
Client affordability										
Employer requirement										
Service level agreements										
Value-added services										
Membership profile										
Regulatory compliance										
Industry economic outlook										
Umbrella fund selection										
Socioeconomic environment										
Risk cover (e.g. death)										
Client investment growth										

APPENDIX E: Transmitter nodes for Scenario 4

	Administration and servicing	Employee benefits consultant	Investment manager	Risk benefits provider	Product marketing	Costs (associated)	Industry regulations	Conservative company outlook	Global contractual agreements	Decision-making bureaucracy
Administration and servicing	0	1	0	0	1	1	1	1	1	1
Employee benefits consultant	0	1	0	0	1	1	1	1	1	1
Investment manager	0	1	0	0	1	1	1	1	1	1
Risk benefits provider	0	1	0	0	1	1	1	1	1	1
Product marketing	0	1	0	0	1	1	1	1	1	1
Costs (associated)	0	1	0	0	1	1	1	1	1	1
Industry regulations	0	1	0	0	1	1	1	1	1	1
Conservative company outlook	0	1	0	0	1	1	1	1	1	1
Global contractual agreements	0	1	0	0	1	1	1	1	1	1
Decision-making bureaucracy	0	1	0	0	1	1	1	1	1	1
Pricing	Normal and Receiver Nodes									
Industry competitors										
Internal compliance										
Client affordability										
Employer requirement										
Service level agreements										
Value-added services										
Membership profile										
Regulatory compliance										
Industry economic outlook										
Umbrella fund selection										
Socioeconomic environment										
Risk cover (e.g. death)										
Client investment growth										

APPENDIX F: Transmitter nodes for Scenario 5

	Administration and servicing	Employee benefits consultant	Investment manager	Risk benefits provider	Product marketing	Costs (associated)	Industry regulations	Conservative company outlook	Global contractual agreements	Decision-making bureaucracy
Administration and servicing	1	0	1	1	0	1	1	0	0	0
Employee benefits consultant	1	0	1	1	0	1	1	0	0	0
Investment manager	1	0	1	1	0	1	1	0	0	0
Risk benefits provider	1	0	1	1	0	1	1	0	0	0
Product marketing	1	0	1	1	0	1	1	0	0	0
Costs (associated)	1	0	1	1	0	1	1	0	0	0
Industry regulations	1	0	1	1	0	1	1	0	0	0
Conservative company outlook	1	0	1	1	0	1	1	0	0	0
Global contractual agreements	1	0	1	1	0	1	1	0	0	0
Decision-making bureaucracy	1	0	1	1	0	1	1	0	0	0
Pricing	Normal and Receiver Nodes									
Industry competitors										
Internal compliance										
Client affordability										
Employer requirement										
Service level agreements										
Value-added services										
Membership profile										
Regulatory compliance										
Industry economic outlook										
Umbrella fund selection										
Socioeconomic environment										
Risk cover (e.g. death)										
Client investment growth										

APPENDIX G: Transmitter nodes for Scenario 6

	Administration and servicing	Employee benefits consultant	Investment manager	Risk benefits provider	Product marketing	Costs (associated)	Industry regulations	Conservative company outlook	Global contractual agreements	Decision-making bureaucracy
Administration and servicing	1	1	1	1	1	0	0	0	0	0
Employee benefits consultant	1	1	1	1	1	0	0	0	0	0
Investment manager	1	1	1	1	1	0	0	0	0	0
Risk benefits provider	1	1	1	1	1	0	0	0	0	0
Product marketing	1	1	1	1	1	0	0	0	0	0
Costs (associated)	1	1	1	1	1	0	0	0	0	0
Industry regulations	1	1	1	1	1	0	0	0	0	0
Conservative company outlook	1	1	1	1	1	0	0	0	0	0
Global contractual agreements	1	1	1	1	1	0	0	0	0	0
Decision-making bureaucracy	1	1	1	1	1	0	0	0	0	0
Pricing	Normal and Receiver Nodes									
Industry competitors										
Internal compliance										
Client affordability										
Employer requirement										
Service level agreements										
Value-added services										
Membership profile										
Regulatory compliance										
Industry economic outlook										
Umbrella fund selection										
Socioeconomic environment										
Risk cover (e.g. death)										
Client investment growth										

APPENDIX H: Consistency matrix

Research problem stated here: Identify the factors, which influence company's decisions in the selection of umbrella funds within the South African market.					
Main-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
Identify the factors, which influence company's decisions in the selection of umbrella funds within the South African market.	Case and Deaton (1996) Rusconi (2005) St Giles et al. (2005) Asher (2007a) Asher (2007b) Basu and Drew (2007) Bovenberg et al. (2007) Hennie Bester et al. (2008) Helena (2010) Sanlam (2015) Tania and Swanepoel (2013) Thompson and Choi (2001)	The following factors play an important role in the selection of a retirement or risk scheme or a combination of both, as offered by an umbrella fund: • Administration and servicing • Costs • Employee benefits consultant • Investment manager • Risk benefits provider	Literature as well as conducting interviews with decision makers was ultimately the primary source of data.	Ordinal and binary data collected from decision makers has been used to enhance the initial FCM.	The enhanced FCM has been analysed to make conclusions and recommendations