

**AN INVESTIGATION INTO THE DIMENSIONS THAT RESULT
IN POOR GROWTH IN SHORT-TERM INSURANCE BROKING
FIRMS IN ZIMBABWE: THE CASE OF PERPRO INSURANCE
BROKERS.**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION**

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DECLARATION

I, Prudence Chimedza, do hereby declare that this dissertation is the result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and Comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

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Student's Signature

.....

Date

Name of Supervisor: Dr H. CHIKOVA

.....

Supervisor's Signature

.....

Date

DEDICATION

To my husband Collin Murisi and my two lovely sons Collins Junior and Darrel.

ACKNOWLEDGEMENTS

To begin with I would like to thank God, the Almighty for giving me the strength, wisdom and perseverance that saw this dissertation possible. Secondly I wish to acknowledge all those who assisted me in producing this research. Special mention goes to Dr H. Chikova, my supervisor for his invaluable advice, help and supervision throughout the stages of the dissertation and Dr Madzikanda for the assistance rendered throughout the dissertation workshops.

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ABSTRACT

The insurance industry remains an integral part of the wider economy because of the resource mobilisation role that it plays thus facilitating savings and investment. In recent years the chronic economic challenges affecting the country have not spared this sector. Insurance brokers play an intermediary and facilitatory role between insurance companies and consumers of insurance. Their growth is a good indicator of the good health or lack of it of the whole insurance industry. It is against this background that this research was founded. In undertaking this research, there are specific concepts that underpinned it. Firstly, effort was put on finding out how skills base affect the growth potential of broking companies particularly at Perpro Insurance Brokers. The research also looked at the concept of return on investments as this constitutes a significant revenue source for brokers. In a poorly performing economy like Zimbabwe's, the returns from investment have remained subdued and there was need to find out how the growth of brokers has been affected by the returns on offer. It also looked at the regulatory environment in so far as it affects the ability of brokers to grow their functions in the industry. The fourth and final concept was on corporate governance. This subject has assumed international importance of late and it was important to conceptualise this study around the issues of corporate governance. The methodology used to acquire information from relevant sources was qualitative using semi-structured interviews and an interview guide. Previous studies focussed much on the poor growth dimensions in insurance companies and not on brokers and they relied on quantitative methodology. This research has gone further to take a more comprehensive approach by using the qualitative methodology as it explains how and why the concepts and dimensions cause the poor growth in the broking fraternity. In terms of conclusions, it came out that good skills base is an important ingredient in the growth of brokers and in particular at Perpro. Because of insufficient skills base, the returns on investments have been low. It also emerged that the regulatory environment has not assisted brokers to achieve the growth that they can potentially achieve. Lack of implementation of existing regulatory tools was identified in this research as a dimension of the poor growth in this industry subsector.

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ACRONYMS

IPEC	Insurance and Pension Commissions
ICZ	Insurance Council of Zimbabwe
GDP	Gross Domestic Product
ZIBA	Zimbabwe Insurance Brokers Association
ZINARA	Zimbabwe National Roads Administration
GPA	Global Political Agreement
GNU	Government of National Unit
FEWS NET	Famine Early Warning Systems Network
ROI	Return on Investment

CHAPTER 1

INTRODUCTION AND BACKGROUND

1.0. Introduction

This chapter introduces the study. It looks at the background to the study, the statement of the problem, which acknowledges the existence of a management problem and emphasizes the consequences of not undertaking the study, the research objectives, the research questions, the research proposition, justification of the study and the scope of the study.

1.1. Introduction to the Study

The issues of growth are a worldwide concern in many organisations ever since the global recession of 2007/2008, whose shocks are still being felt in many parts of the world. Currently, the world is going through an economic recovery process and many firms are finding it difficult to increase market share and asset base. Some organisations are being profitable but are not growing to command significant market share which enables firms to be pace setters. When a company is growing, this instills confidence, trust and positive attitudes in such stakeholders as shareholders, potential investors, employees and lending institutions. Therefore, growth is an important indicator of a healthy industry.

According to the Insurance and Pensions Commission (2012), the insurance industry is a significant player in Zimbabwe's economy because of the amount of premiums it collects, the scale of investment and the socio-economic role it plays through covering personal and business risks. The adoption of the use of multi-currencies has resulted in the insurance industry being hit hardest by liquidity challenges. The operating environment has been difficult as the companies have been scrambling for a fast dwindling cake. Many investors are avoiding Zimbabwe mainly because of its current liquidity crunch, prohibitive costs and lack of sustainable growth in the economy (Aon, 2010).

This insurance industry is experiencing a number of challenges that are hindering growth and resulting in poor performance and this study thus sought to investigate the dimensions that result in poor growth in this sector with special emphasis on broking firms and how knowledge of these can help the industry evaluate its performance and come up with workable solutions that support growth.

1.2. Background to the Study

Mohamed El-Erian, CEO of the global investment management company PIMCO in 2008 described the economic order emerging from the recent global financial crisis where there is subdued growth in Gross Domestic Product (GDP) as the “new normal”. The year 2009, globally marked the start of the new normal, which is a world economy very different from the preceding decade whereby previous theoretical models have been made obsolete and they are a poor guide of the future performance of world economies. In Zimbabwe during the late 1990s and early 2000s, the insurance industry was once a lucrative business sector whereby gross written premiums and the market share were recording a positive growth. The industry was dominated by many players and new business was always on the increase. The sector has since shrunk and the number of broking companies has reduced drastically from over 30 in 2009 to about 23 in 2012. Like other companies in Zimbabwe, many insurance broking companies have been witnessing a negative growth in terms of business volumes since 2009 and their future in business is bleak. The market share has reduced and the gross written premiums have also shrunk, (Insurance and Pensions Commission, 2012).

From the year 2009 Perpro's business has never been the same. Premium levels have reduced, market share declined, brain drain has been commonplace, quality of business reduced and regulations tightened. In 2012, the Insurance and Pensions Commissioner announced the new minimum capital requirements for the whole industry including brokers which are mandatory and should be met by June 2014. This caused shivers across the board hence bringing in the need for capital injection and new strategy formulation that enable meeting the new requirements. This calls for a thorough

investigation of the dimensions that result in poor growth at country, industry and company level.

1.2.1. The Insurance Industry in Zimbabwe

The Short term insurance Industry is composed of Brokers and Agents who interact directly with the customers and supply business to the Insurance Companies. The Insurance Companies in turn supply business to the Reinsurance Companies. Broking firms are those companies which act on behalf of insurance companies to sell insurance products and also on behalf of the insuring public in the event of claims or any insurance associated business. They act as go between either way. Brokers rely on commission granted by insurers for their survival and portfolio investments are their key drivers of financial growth. This means that brokers have to capitalise on numbers in order to get substantial income.

As per Ministry of Finance (2010), the insurance industry in Zimbabwe is highly developed and more diversified when compared to other markets in Africa except South Arica and to some broking houses being represented in the region. The main insurance products in Zimbabwe include motor, fire, farming, marine, aviation, credit/hire purchase, personal accident, personal liability and miscellaneous accident. The insurance industry had a steady growth pattern before 2003 due to the prevailing economy during that era. Companies had enough working capital and the insuring public had disposable income. Investments options with high returns were many and brain drain was at its minimum. However, after 2003, the Zimbabwean economy began to destabilise and hyperinflation set in, affecting negatively the growth of business in the insurance sector. The industry became characterised by under insurance, cover reductions, policy cancellations, policy lapsing and erosion of tradable investments. Mujeyi (2009)says that the Stock Exchange in 2008 suspended trade for almost three months due to inflation which was exceeding interests earned in money market and government bonds leading to negative real rates of interest thereby negatively impacting on industry`s earnings from equities.

The year 2009 saw the adoption of the multi-currency system in Zimbabwe, which resulted in a liquidity crunch. The insurance industry has not been spared from the liquidity shortages. The sector witnessed a subdued premium growth and high levels of rental defaults due to the liquidity challenge, leading to the slow rate of paying out claims and outright failure to do so.

These challenges led responsible authorities to revise the capitalisation requirements upwards in order to safeguard the interests of the insuring public. Insurance and Pensions Commission (2009) records that the minimum capital requirements were pegged at \$100 000 for Brokers, \$300 000 for Insurers and \$500 000 for Reinsurers by 31 December 2009. This resulted in many companies closing down due to failure to comply. Again, Insurance and Pensions Commission (2012) reviewed upwards the minimum capital requirements which should be met by June 2014 with 50 percent of them having been achieved by June 2013.

According to the Insurance and Pensions Commission (2013), currently Short Term insurance Industry has 30 licensed Insurance Brokers, 28 licensed Insurance Companies of which 23 are operational and 10 licenced Reinsurance Companies with only 9 companies being operational. All these companies complied with the capital requirements in terms of Statutory Instrument(SI) 21 of 2013 except for four insurance brokers whose capital position were below the stipulated benchmark of \$100 000 as at 30 June 2013, one insurer and one reinsurer whose capitals were below \$750,000. The minimum capital requirements for Short Term Insurers are US\$2 million, \$100,000 for Insurance Brokers and \$3 million for Reinsurers by June 2014.

The market leaders amongst brokers in this industry in terms of premium written during the first quarter of 2013 are Pan African Reinsurance Brokers, Aon Zimbabwe (Private) Limited, and Navistar Insurance Brokers with market shares of 13.14%, 9.88% and 7.23% respectively. Aon lost its market leadership as a result of its suspension from writing new business which was eventually lifted during the first quarter of 2013.

1.2.2. Perpro Insurance Brokers Background

Perpro Insurance Brokers (Pvt) Ltd is an indigenous company owned, managed and directed by local Zimbabweans. Perpro does business with all insurance companies in Zimbabwe and was registered and licensed in December 1995 in terms of the Insurance Act Chapter 24:07. It started its operations in January 1996. It is governed by the Insurance and Pensions Commission and is a member of the Zimbabwe Insurance Brokers Association (ZIBA). Perpro is headquartered in Harare and has branches in Bindura, Mvurwi, Karoi, Masvingo, Marondera, Chiredzi and Kwekwe and has plans of opening new branches outside Zimbabwe.

Perpro Insurance Brokers has been able to meet all the minimum capital requirements ever since 1995 but the most challenges have been experienced after the introduction of the multi-currency regime. Although some authors like Mujeyi (2009) suggest that the insurance industry in Zimbabwe is lucrative and has growth potential since there is growth in the key sectors of the economy such as manufacturing, mining and agriculture, current experiences and reality do not signal the same.

The Insurance and Pensions Commission (2013) reports that many broking companies have met the minimum capital levels required as at 30 June 2013, including Perpro Insurance Brokers whose capital was pegged at \$133,000 by the end of the 2013 first quarter. According to Perpro underwriting records, the clientele base has drastically reduced during the multi-currency regime as compared to the Zimbabwe dollar era. Their recorded gross premium levels are continuing to decline signalling negative growth although they are being profitable.

1.2.3. Staff Compliment

Perpro Insurance Brokers has a staff compliment of 31 employees with 10 based at head office and 3 at each branch. Each branch is headed by a supervisor and has two subordinates. There are four managers at head office whose titles are Operations & Marketing Manager, Underwriting and Claims Manager, Finance Manager and Human

Resources and Administration Manager and the rest are general employees. All these managers report directly to the managing director.

1.2.4. Perpro Company Structure

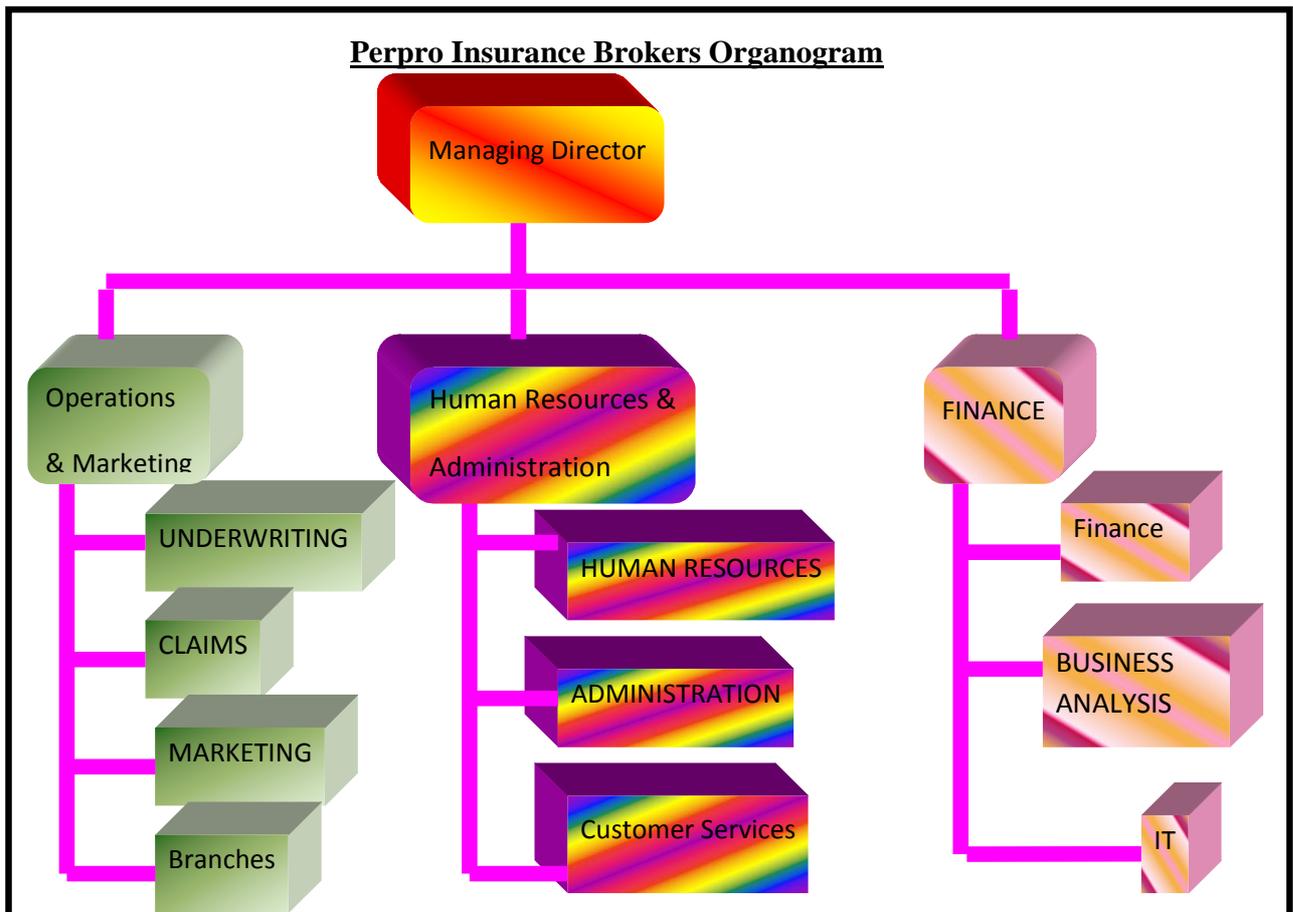


Figure 1.1: Perpro Organogram

Source: Human Resources Department, Perpro. (Undated)

1.2.5. Perpro Business Model

Osterwalder (2006) describes a business model as a description of the components of the business which entails its functions, revenues and expenses and enables it to make profits. Perpro Insurance Brokers generates its revenue from selling various insurance policies to customers on behalf of insurance companies on commission basis and also

through investments. On the expenses side, Perpro is not liable to pay out claims but only facilitates the settlement of claims but have however their own operating expenses and agent commissions to pay out. Brokers employ agents to help them source new business but on commission basis.

1.2.6. Porter's Five Forces

According to the Harvard Business Review (2008), the nature and intensity of competition in the Insurance Industry is dependent on the five competitive forces which were postulated by Porter. These five forces are as diagrammatically illustrated in figure 1.2 below.

Porter's Five Forces

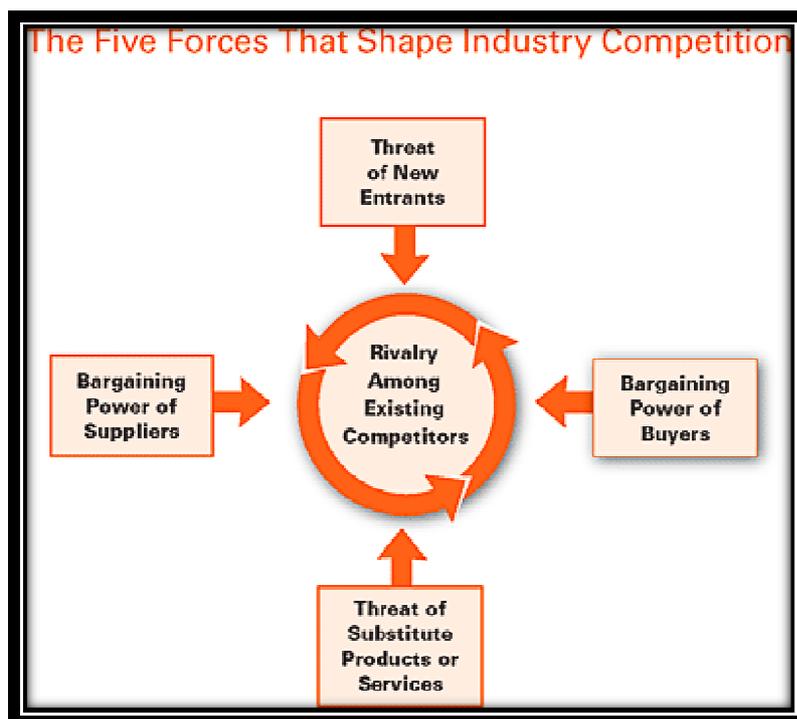


Figure 1.2: Porter's Five Competitive Forces
Harvard Business Review (January, 2008 : 3)

1.2.6.1 Rivalry Competition

There is stiff competition in the market mainly because brokers are fighting for market share which is dwindling. Competition comes from insurers who can do direct business with clients; it also comes from other fellow brokers and agents. The intense competition is mainly centred on prices whereby rates are undercut in order to attract new business and retain existing one. The insurance market is broker driven and that means brokers have a high bargaining power in the industry and they can set conditions which insurers can just accept because they want more business and not viability.

Recently banks and post offices are fast becoming rivalries since they are now allowed to sell insurance to their customers. According to the Road Traffic Act, all motorists are supposed to purchase vehicle licences and for one to be able to have the licence, one should have bought motor insurance. ZINARA allowed only a few insurers to use post office outlets around the country to sell insurance and this is so convenient to the insuring public who prefer to make a one stop shop thus disadvantaging insurance brokers who will be at their respective premises and are not allowed to sell vehicle licences. This is the same case with banks who were allowed to sell both insurance and vehicle licences.

1.2.6.2 New Entrants

The threat of new entrants is relatively low since the minimum capital requirements were increased and the economy is not performing well. Whilst this may be true to some extent, the assertion may be wrong considering the fact that other institutions under the same ministry like banks have very high minimum capital requirements which were raised from \$12,5million to \$100 million. Most banks will not be able to comply with this regulation because of lack of investors and bad economy which may trigger these financial institutions to try out insurance business which requires less capital thus flooding the market.

Generally the insurance industry does not seem to have entry and exit barriers thus attracting many entrants. The fact that there are many players in the industry, 30 brokers, 28 insurers and 9 reinsurers may suggest that there are low entry barriers. The Insurance and Pensions Commission (2009) has it that four insurance companies were formed in the year 2009 alone and this is evidence that the entry barriers were low.

1.2.6.3 Threat of Substitutes

There is a very high risk of substitutes for insurance since there are other alternative risk transfer mechanisms. For instance, the insuring public can self-insure their properties or alternatively they can have self-administered funds where they can just look for someone who can administer their funds and get interest if there are no claims. This can only be offered by Cell Insurance in Zimbabwe and big companies with big portfolios prefer this. From a broker perception, clients can insure directly to an insurer without having to pass through a broker and this can be a substitute for their services. Also many classes of insurance are not compulsory to acquire and people can choose not to insure their property thus substituting insurance.

1.2.6.4 Bargaining Power of Buyers

In the insurance broking industry, customers have high bargaining power mainly because they have many choices to choose from. Insurance customers can buy directly from insurance companies without coming through a broker, they can buy from Post offices around the country, ZINARA Offices or even from banks. There are 30 registered and licenced brokers in Zimbabwe and this offers many choices to clients thereby leading to high bargaining powers of buyers. At the end of the day there will be a lot of competition thereby leading to reduction in prices in order to lure clients. The clients have the power to negotiate downwards the premiums they are supposed to pay and many brokers end up charging less than their counterparts in business.

Currently in Zimbabwe many companies are facing liquidity challenges and disposable income is just but a rare commodity hence no money for insurance. This economic

situation leads to high bargaining power of buyers since it is well known that companies are not performing well and clients use this as a scapegoat to pay little premiums.

1.2.6.5 Bargaining Power of Suppliers

The suppliers of services to insurance brokers include agents, repairers, loss adjustors and valuers. These do not have a high bargaining power since most of them are in need of broker accreditation in order to provide services. For example agents have to look for much business in order to stay registered with their respective broker since they can only underwrite business on behalf of one broker only. Repairers need to do an exceptional job if they want to provide their services to brokers whose clients would have incurred accidental losses.

1.2.7. PESTEL Analysis

PESTEL analysis gives an indication of the external macro-economic factors that affect the business operations and as such these should be well known by an organisation as they are indicative of potential market growth or decline (Georgescu & Klaus, 2004). It is against this background that the researcher carried out a thorough analysis of the macro-economic factors.

1.2.7.1 Political Environment

According to the African Banking Corporation Zimbabwe Limited (2009), the formation of the Global Political Agreement (GPA) on 15 September, 2008 which gave birth to the government of national unity (GNU) on 13 February, 2009 was a sign of relief and hope to come in the business fraternity. The Media Institute of Southern Africa (2009) reported that the so much waited for hope vanished since the GNU was characterised by sticking issues which were never resolved and this gave rise to loss of investor confidence which hinders economic growth and this meant lack of financial resources needed to keep the businesses going.

1.2.7.2 Economic Environment

In Zimbabwe there are various economic reasons which gave rise to poor growth in many organisations and these are articulated below;

1.2.7.2.1. The Adoption of the Multi Currency System

This transition into the multi currency regime caused a lot of difficulties in many companies since all the Zimbabwean dollars were eroded and accounts frozen. This meant the widespread liquidity crunch mainly because people did not have the foreign currency to enable day to day running of their businesses. This resulted in companies failing to produce at full capacity and this led to reduced profits and staggering growth.

1.2.7.2.2. High Interest Rates

Further to the challenges posed by the adoption of the multi currency system, the country was characterised by high interest rates which ranged from 30% per annum in 2009 to 20% in 2013 (www.mmccapitalzim.com). This resulted in companies failing to recapitalise in order for them to stay in business.

1.2.7.2.3. Capacity Under utilization

There is widespread capacity underutilization in Zimbabwe and this can be as a result of a number of factors which include the inability of companies to borrow funds in order to finance their operations which results in low and reduced productivity with most companies operating at capacity levels of around 30%(African Banking Corporation Zimbabwe Limited, 2009).

This failure to produce at full capacity meant that companies were not profitable thus ended up being in serious financial crisis which resulted in failure to remunerate employees leading to demotivating employee morale thus resulting in poor productivity. Reduced productivity signals reduced profitability which may mean failure by companies to purchase insurance for their properties hence negatively impacting on income for insurance practitioners.

1.2.7.3 Social Environment

Liquidity challenges and capacity underutilization led to companies remunerating their employees badly thus minimising the disposable income since available cash would just go directly to settle bills and source food. This meant less customers who want insurance thereby affecting insurance brokers and other players in the industry. Many companies restructured and some retrenched leading to many people becoming jobless and hence an increase in crime rate and unemployment. According to the Famine Early Warning Systems Network(2010) many salaries of urban households became lower than the value of the bread basket thereby leading to employee demotivation and less productivity.

1.2.7.4 Legal Environment

The passing of the Indigenization and empowerment Bill on 01 March, 2010 meant that all businesses with asset bases of US\$500,000 and above should be owned 51% by the local indigenous people Matyszak(2010) within the next five years (Action for Southern Africa, 2010). This bill, has, however resulted in reduced investor confidence and lack of financial resources to be used for the day to day running of the business. As a result of this lack of foreign direct investment, Zimbabwe ranks number 159 out of 160 in terms of foreign direct investment (Kararachi, Kadenge, &Guvheya, 2010). This lack of financial resources helps in the deterioration of productivity, profitability and growth of firms. This may lead to instances whereby companies may not be able to afford insurance products thereby negatively affecting the business of the insurance companies and brokers.

1.2.7.5 Technological Environment

Technological development is not yet ripe in Zimbabwe as evidenced by some insurance brokers still using the manual system instead of new technological systems which are being used internationally. This results in slow processes which are frustrating production of low quality goods and high operating expenses. This clearly shows that the environment in which the businesses are operating is contributing to a large extent

to reduced performance and profitability of most companies in the country which in turn has a negative bearing on Insurance players.

This is because in a stable political, social, economic and technological environment, Insurance companies provide Insurance cover on assets, plant and machinery as well as occupational accidents. This therefore means that if these companies are not fully operational, the business that goes to Insurance companies will be reduced resulting in reduced revenues and profitability for Insurance Companies. More so, reduced productivity on the part of companies in the economy may result in lack of funds for these companies to use for the payment of premiums as they will be having other pressing issues requiring the use of money. Since the money will not be much, Insurance might not get top priority resulting in reduced revenue and profitability for the insurance companies. It should also be noted that the liquidity problem being faced by the insurance market can also contribute to the stiff competition as the players in the industry will be fighting for the shrinking market leading to the serious softening of rates whose adverse effect is reduced revenue and profitability of the insurance firms.

1.3. Statement of the Problem

The short-term insurance industry in Zimbabwe has been affected by poor growth of the economy over the past decade with some companies, like Perpro Insurance Brokers, losing market share by about forty percent (*Perpro Financial Records 2013*). Since this is a systematic risk problem facing the whole economy, insurance companies may opine that they cannot do much to turn around their fortunes. The solution appears embedded in the positive growth of the economy. However, there are industry and management-specific factors that hinder or promote the growth of companies. Sometimes even when the economy is not performing well, getting it correct on the micro-fundamentals of a company will make it successful under adversity. This is what this study seeks to investigate; the dimensions that result in poor growth of an insurance broking company in Zimbabwe. This is important in that understanding the dynamics of the poor growth of insurance broking companies equips management with tools to predict poor performance and provide an early detection system. Besides, when the

economy turns around, companies with intimate knowledge about factors that shape their performance would always lead the pack.

1.4. Research Objectives

1.4.1. Overall Objective

- To investigate the dimensions that result in poor growth at Perpro Insurance Brokers.

1.4.2. Sub Objectives

1. To establish the importance of skills base in business development.
2. To probe the influence of return on investment (ROI) on growth of insurance brokers.
3. To analyze the effect of regulation on growth of insurance broking firms.
4. To establish the effect of corporate governance on company growth.
5. To make any necessary recommendations in the light of the study's findings.

1.5. Research Questions

1.5.1. Major Research Question

- What are the dimensions that result in poor growth at Perpro Insurance Brokers?

1.5.2. Sub Questions

1. Why is skills base important in business development?
2. How does Return on Investment influence poor growth of insurance broking companies?
3. How does regulation affect poor growth of insurance broking firms?
4. How does corporate governance influence poor growth at Perpro?
5. What recommendations can be made in the light of the study's findings?

1.6. Proposition

The study sought to discuss the following proposition:

Poor growth at Perpro Insurance Brokers is caused by internal factors.

1.7. Justification of the Study

This study has been triggered by the need to find strategies and long lasting solutions to the growth challenges being experienced by short-term insurance broking firms and in particular Perpro Insurance Brokers. This can only be possible if the current causes of poor growth in the insurance broking sector are exposed and analyzed. Recent studies in Zimbabwe and abroad have been focusing on growth challenges of insurance companies and not insurance brokersthus this study seeks to fill this gap.The study will help the academia, the general insuring public, policy makers and decision makers in companies to understand the nature of problems in the sector and seek effective solutions that will revamp the industry which will in turn contribute significantly to the Zimbabwean economy.

1.8. Scope of Research

This research will focus on establishing the dimensions that result in poor growth in short-term insurance broking firms in Zimbabwe with special emphasis on Perpro Insurance Brokers and its branches. The Respondents will be mainly management and supervisors. Perpro is headquartered in Harare and has branches in Bindura, Mvurwi, Karoi, Masvingo, Marondera, Chiredzi and Kwekwe and has plans of opening new branches outside Zimbabwe. The research will not cover re-insurers and life insurance companies.

1.9. Research Outline

Chapter One

This chapter contains the research introduction which entails background of the study that is the reason that has prompted the researcher to carry out the research under study as well as the objectives of the study.

Chapter Two

It has literature review which basically reviews the relevant literature of the subject matter under study. This literature review also provided the framework for the discussion of results in chapter four.

Chapter Three

It explains the research methodology used to achieve the objectives of the study.

Chapter Four

It comprises of data presentation and analysis which focuses on the findings and discussions of the same.

Chapter Five

It provides conclusions and recommendations.

1.11. Chapter Conclusion

This was an introductory chapter which set a road map that was to be followed by the researcher. The chapter highlighted background of the study, the problem statement and objectives which are critical elements to any research. This kind of information brought light to what the research was on, why the researcher undertook the study and the limitations that may compromise the quality of the research. The next chapter is going to review the available literature on this subject and try to bring out the gap which the researcher is going to fill with this study.

CHAPTER 2

LITERATURE REVIEW

2.0. Introduction

This section is going to survey and interrogate literature that has been written about the topic by some authors, researchers, editors to name just a few whilst in the process creating a framework for the discussion of results in chapter four. In this field there are a few published books and thus the researcher will also use papers and reports presented at various fora. The chapter will review literature on theories and models put forward to explain business growth in insurance and bring out the dimensions that result in poor growth in insurance broking firms. It will identify the gaps in existing literature that this study sought to fill.

2.1. Definition of the phenomenon

2.1.1. What is Insurance?

Khondkar and Rahman(1993) describe insurance as a written legal contract between the insurer and insured and the services to be provided by each party. These services refer to the intangible activities and benefits that one party offers to the other. Insurance service is in a way unique from other services because of its complex, legal and future contingent nature.

Rangarajan (2006) confirms what Khondkar and Rahman(1993) say about insurance and goes further to describe it as a contract that provides risk coverage to the insured whilst giving them peace of mind.

Essavale Corporation(2009), reiterated that insurance is a process of transferring risk from an individual or company to an insurance company through payment of premium and that it involves protection against possible hazards such as accidents, burglary, loss of property or legal liability. The person or company taking out insurance will receive financial protection or reimbursement against losses incurred. This author added

examples of the possible hazards that can be insured. Iturrioz(2009), concurred with these definitions by saying that insurance is a form of risk management used to hedge against a contingent loss.

Much recent research on the definition of insurance by Reavis(2012) agree with previous writers but refers to insurance as a method whereby individuals, families and organisations can receive protection against financial losses resulting from unexpected or accidental happenings. Further, he says that there are basically two types of insurance programmes namely personal insurance and commercial insurance where the major lines are property, liability, life and health.

In Zimbabwe the Insurance Council of Zimbabwe Insurance Council of Zimbabwe(2013) defines insurance as a contract of indemnity whereby the insured is restored to the same financial position after a loss as before the loss.

From the above definitions, it can be concluded that insurance is a risk transfer mechanism whereby the insured transfers his or her risk to an insurer, for a premium over a defined time period.

2.1.2. Non-life and Life Insurance

Historically, the insurance sector is divided into two main categories namely; non-life and life insurance(Essavale Corporation, 2009)These can also be called short-term and long term insurance, respectively. The Long Term Insurance provides the Life Assurance policies which, as the name implies are long term. The policies run for more than a single year. There is also the Short Term Insurance which provides short term insurance solutions mainly the property and pecuniary covers which are valid for a maximum period of one year.

The Insurance Council of Zimbabwe(2013) agrees that there is short-term and long-term insurance where short-term refers to insurance cover being purchased usually for a short duration of not more than one year whilst long-term refers to policies which are written for a term longer than one year and are usually split into protection and savings

products. The terms short-term and long term refer to the duration of the policy covered and not the benefits.

In a nut shell, these authors unanimously categorised insurance into two categories namely Life and Non-life insurance and as the names suggest, these terms refer to the period of cover.

2.1.3. Insurance Brokers

According to Mudaki *et al*(2012), insurance brokers are trained professionals employed by insurance companies and agencies to sell insurance products. These also have vast knowledge in sales, finance and marketing.

The term insurance brokers can also be defined as expert professionals on insurance issues who play an important role between the client (insured) and the insurance company. These brokers transact business with all licenced insurance companies in the country and they are independent from any company. They receive remuneration in form of commission from insurance firms for the business they would have written on behalf of these companies. They are specialists in risk management, marketing and provision of cost effective solutions(www.ciab.com).

Insurance brokers are also defined as people who typically work for the policy holder (insured) in the insurance process and act independently in relation to insurers and further say that these brokers assist clients in choosing the best insurance by presenting them with alternatives in terms of insurers and products.(www.investopedia.com).

The Insurance Council of Zimbabwe(2013) concurs with the description of a broker by saying that an insurance broker is an insurance salesperson who searches the marketplace in the interest of clients and not insurance companies. It further says that Insurance Brokers have no permanent friends or enemies among insurers but they only have permanent interests of their clientele and are legally required to provide among other things insurance protection to the insuring public against professional errors and

or omissions. In Zimbabwe a large percentage of insurance business is generated through insurance brokers thus the insurance industry is hugely broker driven.

2.1.4. Business Growth

Ericson(2006) defines growth from a business firm perspective as a specific increase in size, sales, employment, value added and or financial performance. Further it is said that growth in relation to development can be exposed by and manifested in human activities of different kinds which include solution providing, box-producing, internationalisation, globalisation and customising activities.

On the other hand, Mao(2009) describes enterprise growth in simpler terms by saying that it refers to a description of a development process of an enterprise from small to big and from weak to strong.

According to the Insurance and Pensions Commission(2013)insurance business growth is measured by the premiums written and return on investment. These premiums are the amounts of money that the clients pay in return for the Short Term Insurance covers. Growth is said to be poor when it is less than the average industry growth or when it is negative.

2.1.5. Services Provided by Short-term Insurance Brokers

As pointed out by Olowo-Okere(2010), the services brokers provide include insurance (general insurance and life & pension), re-insurance, risk management, claims and also underwriting.

2.2. Underpinning Theory

The underpinning theory of the insurance brokerage sector is the principal agent theory. This is so because of the nature of brokers` model, that is the way they operate in order to make their revenue. From the definitions of insurance brokers above, it was noted that these are intermediaries between the clients and the insurers and they act as agents although they are independent from insurers. They generate their revenue through commissions which are premium based and investments although some get extra revenue through charging broker fees in fewer occasions.

2.2.1. The Principal Agent Theory

Cummins and Doherty(2005) argue that brokers perform functions on behalf of both policyholders and insurers and are thus agents of both parties. The principal agent theory defines the principal as someone who hires another party (the agent) to act on his/her behalf. An agent is a party who carries out a specific task on behalf of another party (the principal). These principals hire agents for the simple reason that they do not have expertise, time or skills to monitor what the agent is doing and by so doing the agent is left with some freedom to act on his own behalf. Thus the company`s management may end up doing things that enhance their prestige, extent their personal tenure or redirect money and resources to themselves rather than creating value for the principal. This is called self interest and it is said to be a moral hazard since it creates principal-agent problems. Niewoudt(2000) defines moral hazard as hidden action on the part of the insured and adverse selection as hidden knowledge possessed by the insured as to his probability of a loss. Usually a moral hazard exists when agents are biased towards own interests rather than those of the principal.

According to Makaudze and Miranda(2009), in the United States of America, adverse selection and moral hazard are usually suggested as causes for the poor actuarial performance.

2.3. Discussion of Existing Models/Frameworks

Rappa(2001) describes a business model as a method by which a company does its business in order to sustain itself and this model is explicit about how a company generates income and where it is positioned in the value chain.

In trying to comprehend this definition, Osterwalder(2006) defines it as the operations of a business that is, the components of the business which include the functions of the business, the revenues and the expenses that the business generates with the ultimate objective of making money and generating profits.

In short, common to all the definitions of business models is the emphasis on how a company makes its profits.

In contrast, Magretta and Stone(2002) argues that a business model tells a story about the business, focusing on how parts of the business fit together with the strategy describing how the firm differentiates itself and deals with competition.

2.3.1. Insurance Brokers Commission in the Principal-Agent Framework

The following discussion is by Cummins and Doherty(2005).

These authors state that it is assumed that brokers act on behalf of policyholders and receive compensation in form of commission from insurers for designing coverage and placing insurance. This commission is a certain percentage of the total premium they remit.

With regards to the relationship between the commission that the brokers get and the value that is created for the client, the issue of whether it is fair or not is a little more complex. Clients are most likely to gain more peace of mind coupled with financial stability for transferring their large and most expensive risks. In this scenario the basing of commission on premium is somehow consistent with value added and thus the premium-based commission provides the brokers with more compensation. Sometimes brokers seek financially sound insurers which shows that they act on behalf of the policy holder`s interest. On the other hand when there is extensive insurance coverage, they will be acting on behalf of the insurer where alternative risk management strategies have to be implemented. Brokers are also interested in higher premiums which is against their client`s interests in the short run.

From the foregoing it appears as if the impact of a premium-based commission on broker incentives is mixed up. Nevertheless there are other aspects of the commercial insurance market which align the interests of brokers with those of their clients. For instance when brokers disclose their compensation arrangements to their customers, the clients can take the compensation into account when deciding whether to engage the intermediary.

It is universally recognized in economics that for markets to work best, information must be made available to all stakeholders and this information is usually disseminated through intermediaries like brokers. This results in reduction of adverse selection in insurance markets and this can only be made possible if they disclose their compensation to their clients thus brokers will be acting in the client`s interest.

It is argued that intermediary market is competitive and is quality based rather than price based. This quality is in terms of services they offer and also value adding programs that they design and for them to retain clients; they have to prove to the clients that their services are worthwhile.

2.3.2 The PRIMO-F Business Growth Model

This model enables comparison between current and previous analysis of the same organisation or other organisations hence making benchmarking easier.(www.rapidbi.com).

The model is based on the following;

Organisational growth effectiveness = Performance* Potential for the future(www.rapidbi.com).

This equation assumes that an organisation which is characterised by poor performance has a starting disadvantage but can grow and be successful.

This model states the following as essential factors in business growth;

2.3.2.1. People

Parfar (2000)states that people are important in an organisation as they increase the organisation`s competitiveness since they are responsible for product innovation, technological processes, finances and economies of scale.

Robertson (2002)suggests that for organisations to perform better and effectively, they need to develop their employees in a unique way that cannot be replicated easily.

Dixon *et al*(2005) concurs with the above authors but further points out that employee engagement is essential for the determination of growth and profitability strategies at any enterprise as lack of engagement is destructive and causes negative growth.

Afiouni(2007) agrees on the importance of people in an organisation and says growth in people is usually reflected in their knowledge and motivation which is difficult to replicate and thus people should be given an enabling environment that allow them to grow. If employees are entrusted and given responsibilities, they will become more engaged and committed to the organisation thus leading to high performance.

2.3.2.2. Resources

Barney(1991) defines resources as all assets, organisational processes, capabilities, information, firm attributes and knowledge that an organisation can possess to foster its growth.

This definition was agreed by Grant(2002)as he states that resources are inputs into the production process which can be classified into six categories namely; financial, physical, human, technological, reputational and organisational. These resources are those things which enable the employees to deliver and they include things like finance, technology and physical assets.

It is important that an organisation`s resources should help a company realise growth through providing a competitive advantage. The resource based view is of the opinion that an organisation`s competence is centred on how it utilises its unique resources to its advantage.

2.3.2.3. Innovation and ideas

Tidd *et al* (2001) note that because the environment is ever changing, it is now apparent for organisations to invest in knowledge and technological skills that promote innovativeness which in turn create new products, processes and services. Further, they say that to enhance growth and chances of survival in this harsh environment, innovation and ideas should be the order of the day.

Geroski(2001) suggests that insurance firms usually fail to grow because of the lack of innovativeness on product development and services. These companies should formulate strategies that foster innovation and ideas.

2.3.2.4. Marketing

Duncan and Moriarty(1998) postulate that there is now what is called new generation marketing approaches which are focused on customers and are market driven, for example, relationship marketing and integrated marketing communications.

O`ullivan and Abela (2007) argue that marketing is very important in determining the performance of companies and if properly done can lead to business growth thus it can be regarded as a prudent investment. They say that marketing performance should also be measured since it impacts significantly on the performance of organisations.

Available literature has business growth models and limited growth frameworks. These models are not industry specific. By the virtue of it being a model, The Primo-F Business Growth Model indicates that a quantitative methodology was used thus the researcher sought to use a different methodology called qualitative so as to come up with a rich framework which is specifically for insurance brokers.

2.4. Discussion of the Key Dimensions

Lester(2010) suggests that the main factors that have hindered growth in the insurance sector in the Middle East and North Africa region include regulation and market structure.

On the other hand, Jacobs and Macfarlane (2010) argue that for a business to survive, grow and keep in existence, it should have five basic components namely; market, products and services, organisation, people and finance. Each of these components is vital and possesses potentials to drive growth of the company.

(Feyen *et al* 2010) state that the insurance sector in the Middle East and North Africa (MENA) is driven by a broad range of factors such as the lack of compliance of conventional insurance products with Shariah rules in Muslim dominated countries, lack

of demand for retail credit markets (mortgage loans, personal loans), the dominant presence of state insurers and lack of powerful regulation.

These authors also noted that poor growth in the insurance sector is also aggravated by the lack of capacity, lack of innovation, inadequate professional skills, weak regulation and low consumer protection.

From the above, it is clear that these authors concentrated on the factors affecting growth of insurance industry as a whole and failed to focus on growth determinants in the brokerage firms and thus this study will fill in this gap.

2.4.1. Skills Base

According to the Risk and Insurance Management Society(2008), it is now worthwhile for employers to invest in enterprise-wide risk education to ensure that effective risk management is incorporated into decision making processes across the organisation at every level. The individual skills of employees responsible for risk activities in insurance companies provide insight to the competencies needed to drive growth of the organisation. Such skills include leadership skills, strategic thinking, ethical judgment, innovative decision making and communication.

The International Labour Office(2008) on the other hand states that lack of education and skills development in companies result in low productivity and low income since it is central to improving productivity which in turn improves living standards and growth. The International Labour Office(2008)concludes that an educated and skilled workforce is a critical component of labour markets and their performance.

Canadian International Development Agency(2008) concurs with the other mentioned authors and emphasizes that a skilled workforce is a vital foundation of sustainable economic growth and that lack of important skills such as entrepreneurial, marketing and management which are needed to take advantage of growth opportunities can slow economic strengthening.

In the MENA region, Lester (2010) noted that the lack of qualified professionals hinders the development of the insurance sector as a whole. This is as a result of some countries which have been through periods of nationalisation and are now trying to liberalise, others were in business dominated by insurance brokers and some were treating insurers as investment companies. Due to updated insurance laws and supervisory regimes, skills are now important and this is placing strain on the available skill base. These laws were meant to encourage proper underwriting, actuarial determination, accounting and auditing and hence increase chances of business growth.

Further Feyen *et al*(2010) argues that there is need to develop homegrown talent in the insurance sector, since it is of a technical nature where premiums are calculated, rates are set and there is a lot of underwriting.

Deloitte Centre for Financial Services (2013) adds that insurers should recruit knowledgeable and skilled people from within the industry in order to fill the critical roles and should also consider employee retention coupled with retraining in an endeavor to enhance performance.

From this review, it was noted that many authors wrote about the importance of skills in an organisation but did not show why these skills are important in business development (growth). They also did not pivot their studies on insurance brokers but rather on insurance companies although Lester(2010) tried to study them to a lesser extent. Therefore this study will look at these aspects in greater detail.

Proposition

Poor skills base causes poor growth at Perpro.

2.4.2. Return on Investment (ROI)

According to the Department For International Development (2004), in order to increase return on investment, capital allocation and subsequently growth, it is prudent to practice

risk diversification whereby investment is done in a wide range of projects whose expected returns are unrelated.

UNEP Finance Initiative(2009) records that it is important for insurers to generate income from both their insurance and investment operations all the time. In order to create long-term value and sustainable profitability, it is essential to do proper risk, underwriting and investment management.

Centre for the Study of Financial Innovation (2013) asserts that profitability of non-life insurance companies can be hurt by poor investment outcome particularly low interest rates.

Deloitte Centre for Financial Services(2013)suggests that the insurance industry can be able to grow even though the economic recovery is slow and sporadic only if they stop being dependant on investment income. This is because prevailing interests rates are low and if they depend on investment income, little or nothing will come from there thereby leading to poor growth.

World Insurance Report(2013)noted that profit margins for non-life insurers declined significantly in 2011 despite efforts to improve operational efficiency mainly due to declining investment income necessitated by the prevailing poor economic conditions characterised by low interest rates.

Interest rate fluctuation is another hindering factor of performance of insurance companies. Many insurance companies invest much of their collected premiums so as to generate investment income which is highly dependent on interest rates. Declining interest rates means slower investment income growth whilst the opposite is true. Cost of borrowing is also an influencing factor of growth since it also depends of interest rates. When companies borrow and these rates increase, it means higher interest repayment. (www.investopedia.com)

Another aspect of return on investment is the investment income in terms of return on assets. A majority of assets must be invested in low-risk bonds, equities or money markets securities. The issue of type of property and location should be considered when making investments so as to maximise return. (www.investopedia.com)

Return on investment is a crucial determinant of poor growth in insurance broking firms and the above writers focused on confirming that it indeed affects growth of insurers but failed to address how it influences growth of insurance brokers. Though brokers and insurers are in the same industry, it does not follow that they are affected by the same factors in the same manner, thus this research will investigate how return on investment influence growth of insurance brokers.

Proposition

Low return on investment influences negatively the growth of insurance broking companies.

2.4.3. Regulation

According to United Nations Conference on Trade and Development(2007), intermediaries like brokers play an important role in insurance industry by providing a platform whereby consumers benefit from a market oriented economy through choosing the most suitable products from a wide range of products. It is therefore important to regularise the operations of these intermediaries so as to avoid abuses in the distribution network which often cause considerable problems for policy holders.

Biggs *et al* (2009) added that Insurance regulation is also vital for growth of the insurance sector as it encompasses major activities which are necessary for fuelling growth such as financial regulation, company formation and registration, broker licencing and mode of marketing.

Lester(2010) also notes that the slow pace of development of the insurance sector is due to a number of factors, such as the lack of compulsory insurance in important areas,

the predominance of parastatals, weak regulation and supervisory regime, insufficient tax rules, shortage of professional skills, and cultural issues. He also pointed that policy reforms and product innovation are important aspects which can foster insurance industry development now and in future.

Further, Lester(2010) says mandatory insurance lines have been noted to be a very significant source of growth for the insurance sector in many emerging markets.

2.4.3.1. Aims of regulation

Henry & Henry(2002) purport that regulation of general insurers is focussed on providing policy holders with confidence that insurers and their brokers can honour their financial obligations. It thus seeks to balance the objectives of keeping efficient, changing and competitive financial markets whilst ensuring the continuity of stability and integrity in the insurance market.

Rangarajan(2006) argues that insurance can be useless if the insuring public can not perceive value driven from the insurance products and thus regulation seeks to offer protection of consumer interests, ensure financial soundness of the insurance industry and help the insurance market to realise business growth. This publication states that regulation in this industry is important so as to state the scope of business and rights and responsibilities and it forms the basis upon which customers perceive insurance and hence determining business growth. Such regulations include registration, minimum professional qualifications for practitioners and minimum capital levels for companies to ensure protection of policy holders. The authors noted that there are rapid changes in the insurance sector over the last years which make it complicated for regulators to keep up with developments in the industry thus leading to poor business growth.

Mudaki *et al*(2012) concludes that insurance availability and affordability are both policy concerns since government is interested in the insurance market and that legislation of any country helps to create both an enabling environment and business growth opportunities, for instance in Kenya there is a legal requirement that all motor vehicles

have to be insured under the Insurance Act Chapter 405 and this creates an opportunity for all insurance practitioners to design products which suit this need.

Literature available on regulation is biased towards insurers and does not address how it affects growth of broking firms. It generalises the impact of regulation on business development and emphasizes role of government in formulating regulations and neglects the role of industry in implementing these regulations for the purposes of fostering growth.

Proposition

Unenforced regulation affects negatively company growth at Perpro.

2.4.4. Corporate Governance

According to Naidoo (2002) corporate governance encompasses responsibility, leadership, transparency and accountability of leaders in organisations. Exercising these qualities will promote good relationships with all stakeholders (Coyle, 2004).

The Reserve Bank of Zimbabwe Bank Licensing, Supervision and Surveillance (2004) describe Corporate Governance as processes and structures that are set aside to give direction of how to manage businesses whilst ensuring safety, soundness and maximising shareholder value.

Former World Bank President Wolfenson in 1999 said the good governance of organisations is becoming as important worldwide because of its role in enhancing the economy as the good governance of states. By this he meant that corporate governance was gaining importance in making companies competitive and thus insurance broking companies should observe the tenets of good corporate governance.

Beardwell & Holden(2004) say that companies that use a commitment model of human resource management can achieve higher productivity, low labour turnover and low rates of rejected production which usually leads to a good corporate image. Bag (2008)

in Lester (2010) concurs with these authors when he says that ideal corporate image must be managed in order to become congruent implying that what the public see is what the organisation is.

Mudaki *et al*(2012) suggests that a firm must have responsible leadership in order to meet its customers' needs and for it to remain relevant and this can be achieved through tailor making its products to meet these needs which enhances sales and the overall organisation performance.

Mazumdar (2011) reiterated that since clients in the insurance industry still prefer to deal directly with insurers without passing through an intermediary because market forces encourage this behavior and also that clients perceive intermediaries as an extra cost, brokers should work hard to change that perception and prove that they are transparent and are a very efficient business channel in order for them to grow in business.

On corporate image, the World Insurance Report(2013) purports that given the current operating conditions where price is highly competitive, products are commoditized and innovations are quickly replicated; customer experience is a vital factor in performance for many insurance companies. Differentiation of products becomes very difficult such that insurance companies have to aim to provide superior customer service managing the entirety of their insurer relationships, across touch-points and focus on customers' personal needs and not just try to make customers satisfied with products and services so as to keep customers loyal and be able to drive top-line results.

Available literature on Corporate Governance does not include how it can determine poor growth in broking firms and is not industry specific in terms of recommended practices. It is also ignorant on ethical issues which are a critical part of corporate governance since it affects directly the stakeholder perception about the company which in turn determines productivity thus this study will expose how corporate governance can be a dimension that result in poor growth in this industry.

Proposition

Poor corporate governance results in poor growth in insurance broking firms.

2.4.5. Critical Success Factors

Olowo-Okere(2010) identified certain factors as being critical to achieving success in the insurance broking industry and these include good financial base, skilled and knowledgeable practitioners, quality and speed of service delivery, extensive global access, quality of clientele (federal government and public sector accounts) and foreign partnership.

2.5. Literature Synthesis

A survey of literature reveals that there has been limited research on dimensions that result in poor growth in insurance broking firms locally, regionally and internationally. Nevertheless various relevant literature was researched upon and put together to bring out the objective of this research. Literature from other fields which are remote from the technical insurance was also fused as it provided important insights on how to answer the research questions. An example of this field is corporate governance. Fields like economics and strategic management provided literature which made this research worthwhile. Despite all the relevant research around this topic there has not been any endeavor by any researcher to look at the peculiar and specific dimensions that result in poor growth that have affected the broking fraternity of the insurance industry especially in the last decade. The insurance industry does not have a research institute to look into issues of this nature and this has left the short-term insurance broking subsector without well researched academic material.

No effort has ever been made to research on how return on investment affect the insurance broking companies. The causal effect between a well educated and experienced human resource base and good performance of insurance brokers has also not been looked at by any research. Corporate governance in general is yet to take root

in Zimbabwe let alone in the broking industry in particular. This means without this research it would have taken time and left a gap on how this affects growth of the broking industry. Whilst an attempt to research on regulation and its effects in insurance has received fair attention from previous researchers, more still need to be done as regulation is an evolving variable as new international best practices keep on emerging.

2.6. The Conceptual Framework

The conceptual framework below was formulated based on literature.

Dependant Variable

- Poor growth in Insurance Broking Firms.

Independent variables and their relationships with the dependant variable

- Skills Base – Positive Relationship
- Return on investments – Positive Relationship
- Regulation - Negative Relationship
- Corporate Governance –Positive Relationship
- Business development strategies – Positive Relationship

2.7. Conclusion

This chapter gave a detailed analysis of the dimensions that result in poor growth in insurance broking firms, the theories and models of growth and success factors in order to grow in business. Various reasons for poor growth were discussed and these include poor professional qualifications and skills, poor return on investment, weak regulation and poor corporate governance. The discussion was done in such a way that a gap in the available literature was identified which needs to be filled by this study. It emerged that there is very shallow literature on this topic and a lot has to be done in order to bring to light the dimensions that result in poor growth in broking firms since evidence from literature shows that brokers are given little attention although they generate a lot of business for insurers.

CHAPTER 3

RESEARCH METHODOLOGY

3.0. Chapter Introduction

This chapter looked at the methodology, methods, tools and the selection criteria that the researcher used in carrying out this study. According to Saunders *et al*(2009) a methodology describes how the research is carried out. Morgan and Smircich (1980)as cited in Noor (2008)highlight the fact that the type of the research methodology that one uses depends on the nature of the research problem under study. The data that was needed in this study in order to produce an authentic research was qualitative in nature and thus an interpretivist philosophy was used.

3.1. Research Design

3.1.1. Research Philosophy – Interpretivism

The researcher used the Interpretivist philosophy. Gill & Johnson (2005)state that this philosophy emanates from the idea that social phenomena are products of human thought for their meaning and life and depend on those thoughts for their meaning and life, thus the researcher sought to make an analysis of people’s opinions on the issue of dimensions that result in poor growth. The other reason for using this philosophy is that the study sought to investigate the dimensions resulting in a particular problem and make use of values, opinions and behaviours of the people under research. The nature of the research problem also required the use of this philosophy since it is probes for interpretations and is qualitative in nature. The adoption of this philosophy was also as a result of the researcher’s preference since other studies done were positivists in nature and this study meant to unravel the explanations behind these dimensions.

3.1.2. Research Approach

In this study, the researcher used the Inductive approach since the main objective of the study was to investigate the dimensions that result in poor growth at Perpro Insurance Brokers which meant that many interpretations of intervention into reality ought to be

given in order to understand reality. Arising from the interpretivist philosophy adopted, this meant that the study had to be inductive.

3.1.3. Research Strategy

The case study method can either be a single case study whereby studies are undertaken for a single organisation to find out about the past and present activities at the organisation and how these features affect the organisation under study or a comparative case study whereby two or more organisations with similar features and characteristics are put under study Jankowicz (2005) to establish the accuracy of the information obtained from one case by comparing it with findings from other cases under study. (Saunders *et al*, 2009).

In this case, the researcher used a single case study of Perpro Insurance Brokers as a research strategy. There are various benefits that are inherent in the use of case studies and this forms the basis upon which the researcher chose to use it in this research. A case study is useful in that it allows a researcher to make a detailed investigation of a particular problem or situation at hand Noor(2008). This is owing to the fact that the focus of the research will be on a particular organisation and the researcher makes an in-depth analysis of the factors affecting the organisation or division of the organisation under study (Jankowicz, 2005). This is the main reason why the researcher adopted a case study approach.

3.2. Methodology

The researcher made use of the qualitative methodology since the data was obtained from a case study and also because the researcher sought to make an analysis of people's opinions on the causes of poor growth in insurance broking firms. A qualitative methodology is subjective in nature and seeks an in- depth understanding of how and why a certain activity occurred (Midmore *et al* 2004).

According to Miles and Huberman (1994), qualitative data enables researchers find more information that beefs up initial conceptions since it allows flexibility, in depth analysis

and enables the researcher to observe a variety of aspects and let them generate or revise conceptual frameworks. It helps researchers to establish relationships between concepts as it allows sequential following of events. Thus to address the research problem of this study, qualitative data was required since it sought to investigate the dimensions that result in poor growth in insurance broking firms.

3.3. Research Instruments

In this study, semi structured interviews were used to gather data from knowledgeable people. This is a flexible way of approaching Respondents since it allows for people to express their various opinions pertaining to the issues under discussion (Noor, 2008). In addition to this, the researcher used a research tool called semi-structured interview guide since it gives the Respondents a certain degree of freedom to express their views on issues under study (Horton, 2004). This therefore means that the interviewees are given an opportunity to air their views.

The researcher asked for permission from the responsible authorities to interview Respondents who were company employees and to use the company premises for the interviews. A pilot study was done using five head office employees in order to pretest accuracy and validity of the interview guide and a few changes were made to the guide pertaining phraseology. The selected Respondents were notified a month in advance about the interviews by telephone and those from branches were interviewed first. The researcher took advantage of the fact that every month these employees visit the head office for meetings and the researcher asked them to spare some their time for the interviews on different dates.

Each interview was scheduled to last for one hour although some Respondents took time explaining their views thereby infringing into the following hour but approximately for only 30 more minutes.

The researcher designed an interview guide which was used to get required information from the Respondents . The same guide was used uniformly to all Respondents and the

researcher deviated minimally from the set questions when she was making further clarifications and probes.

A tape recorder was used to record the proceedings of the interview in order to ensure accuracy when recording what the Respondents would have said. During the interviews, the researcher was listening attentively and then writing notes to comprehend the tape recording. The researcher probed for clarification where she did not clearly understand what some Respondents would have said in order to record and interpret correctly and accurately the responses. After the interviews, the researcher made write ups to conclude the interviews.

The researcher opted to use the interview method because it promotes responses to open ended questions and is most useful in examining Respondents' perceptions, attitudes, beliefs, values and practices. It allows the researcher to probe for more information and clarification of statements.

3.4. Interview Guide

As mentioned above, an interview guide was used to extract information from Perpro employees who had been purposively selected because of their knowledge of company performance. The Respondents were mostly managers and supervisors. The interview guide was created in advance by the researcher and was constructed in a way that it allowed flexibility in the areas covered. This interview guide was linked to the research questions that guide the study and obviously to the research objectives and the broad questions were derived from literature. (*See appendix 1 interview guide*)

3.5. Data Sources

The researcher used both primary and secondary data but with the bulk being primary data. The decision to use a greater proportion of primary data than secondary data was necessitated by the fact that in Zimbabwe, there is no published literature on dimensions that result in poor growth in insurance broking firms that can be used to detect problems early and seek solutions.

3.5.1 Primary Data

Merriam (1998) states that primary data is data collected for the first time and specifically for the purpose intended. Saunders *et al* (2009) concurred with Merriam (1998) by defining it as data that is collected specifically for the research that the researcher will be undertaking. In this regard, the researcher used semi-structured interviews in order to collect primary data that helped to meet the objectives.

3.5.2. Secondary Data

This is data that is used in a research that was collected and used for some other purposes other than the research that will be under study (Saunders *et al*, 2009). This therefore implies that this data is not collected for the current research study but would have been collected for other purposes. The sources include books, publications and reports. The researcher made use of recorded information in order to come up with a well researched paper that fills a theoretical gap and is of recognition in the academic arena and also to save time but at the same time producing reliable information. Perpro's financial and human resources reports and the IPEC quarterly reports were also used in order to get the statistics.

3.6. Population and Sample

3.6.1. The Research Population

Aaker *et al*(2001) defined the population as a set of objects of homogenous characteristics in respect of the research to be undertaken. Polit and Hungler(1999) on the same note, define a population as,

“The totality of all subjects that conform to a set of specifications comprising the entire group of persons that is of interest to the researcher and to whom the research can be generated.”

This means that Perpro employees were the target population since the research is a single case study and also since Perpro had employees with similar characteristics. Perpro has a total of 31 employees.

The researcher mainly conducted semi-structured interviews using an interview guide. The Respondents were managers and supervisors.

3.6.2 Judgmental Sampling

The researcher thought seriously about the population parameters under study and selected the Respondents for their relevance to these issues being studied and also on the basis of their knowledge to the population (Silverman, 2005). The researcher used judgement to select sixteen Respondents who best suited the research at hand although there was no assurance that those selected were in any way representative of some population of more general interest. These Respondents were one managing director, four managers, three head office supervisors and eight branch supervisors. The Respondents were also chosen because they are leaders who understand growth issues since it is part of their daily endeavours and are privy to the kind of information required.

3.7. Data Framing and Analysis

Data analysis is important in that it provides solutions to the problems at hand (Aaker *et al* (2001) thus the data obtained should communicate something in terms of the problem under study. In this research, data analysis was undertaken by dividing the collected data according to the research questions and making a thorough comparison of the data collected to the theory studied. When this was done, the researcher then did content analysis whereby everything including tape recordings was converted to text first followed by finding themes based on the most common responses provided and then manually coding these themes as shown on codes appendix. The researcher then categorized the codes through a process called unitizing data. The final categories that came out were competitiveness, marketing, economy, corporate governance, regulation and resources. After this, a general statement of the overall assessment was written down and since qualitative data was employed in this research, inferences and induction of results were used.

3.8. Data Validation

Denscomber(2010) stated that the validity of the research instruments is centred on the issue of offering justice to the subject under discussion without being over simplified. This is in line with Joppe Joppe (2000) as cited in Golafoshani (2003)who stated that validity

“... determines whether the research truly measures that which it was intended to measure or how truthful the results are.”

In this study validity was ensured by selecting a reasonably large number of Respondents (sixteen) to be interviewed and these Respondents were employees at Perpro who had knowledge about the company`s performance.

The researcher also ensured data validation by incorporating three follow up questions on each major question for every concept on the interview guide. The main reason for doing this was to establish the consistency of the Respondents in their responses. The results showed a high element of consistency as responses to follow up questions confirmed what was required by each major question.

3.9. Reliability of Research Instruments

Denscomber(2010) stated that reliability of research instruments is measured by whether the research instruments are neutral in their effect and can measure the same result if they are to be used on other occasions or whether they will produce the same results and conclusions if someone else were to carry out a similar research. This definition is also in line with Joppe(2000)as cited in Golafoshani(2003) who stated that reliability is the production of similar results over a period of time using the same methodology.

In order to ensure reliability of the research tools, a pilot study was carried and an analysis of the pilot findings was done. This assisted the researcher to ascertain the reliability of the research instruments before carrying out the actual data collection. It should, however, be noted that case studies are associated with results that are biased

Neal *et al*(2006). Bias cannot be completely ruled out in the research under study as the researcher is an employee of Perpro and as such is well known to the Respondents . This might have influenced the responses given by the Respondents . This can mean that if the same research were to be carried out by a researcher who is not known by the company's employees, different results could be obtained.

It should, however, be noted that the researcher in her introductory remarks stated the fact that the interview outcome was to be used strictly for academic purposes and as such the results were to be treated with the strictest of confidentiality. This statement was included with the intention of making the Respondents feel safe to give responses that are a true reflection of their feelings thereby reducing bias on the research findings.

3.10. Ethical Considerations

According to Saunders *et al*(2009), ethics in research refer to the appropriateness of the way the researcher behaves towards the Respondents . In this research, ethical conduct was followed throughout the whole research process from topic formulation through to the last part of the research. Some of the ethical issues that the researcher observed include the issue of maintaining confidentiality of responses which is highlighted by Saunders *et al* (2009).

Saunders *et al*(2009) also notes that to collect data in ways that will cause the Respondents to react in negative ways such as embarrassment, stress, pain, discomfort and harm is not ethical. Therefore the researcher avoided such unethical ways of collecting data and ensured that the Respondents gave information freely.

Further to the above, the secondary data that was availed to the researcher on the basis that the researcher would not pass the same information to competitors and the researcher observed the need to keep confidential information throughout the research study.

The researcher also observed objectivity throughout the research including in the way the data was analysed and reported as what Saunders *et al*(2009) recommends.

3.11.Conclusion

This chapter shows that the researcher used an interpretivism philosophy and the approach was inductive. A case study strategy was used to support the qualitative methodology where semi-structured interviews were conducted using a research instrument called an interview guide. Both primary and secondary data were used and Respondents were purposively selected according to their knowledge of company performance issues. Data processing and analysis aimed at answering the research questions through research findings which were presented in chapter 4.

CHAPTER 4

FRAMING AND ANALYSIS OF DATA

4.0. Introduction

This chapter encompasses the presentation of the findings, an analysis of the results and the discussion of key findings. Firstly, the chapter focuses on an overview of the respondents. It then goes on to frame the data and subsequently analyse it. The analysis includes inter-case comparison and then lastly the results of the study are discussed with respect to existing literature to see if there is conformity or not. An inductive approach in pursuit of qualitative data was used which helped to explain poor growth at Perpro Insurance brokers. This data was collected using semi-structured interviews where interviewees were asked questions and their responses recorded as outlined in chapter three. The findings were analysed centred around the main theoretical concepts namely skills base, return on investment, regulation and corporate governance.

4.1. An Overview of the Respondents

4.1.1 Position in the Company

Sixteen respondents, all employees of Perpro, were interviewed. The respondents were classified into managerial and non-managerial employees and were given pseudo-names ranging from Respondent 1 to Respondent 16. This was done mainly to conceal their identities in line with ethical considerations. These respondents comprised of 5 managerial and 11 non-managerial workers and their background information is illustrated on Table 4.1 appendix.

4.1.2. Age of Respondents

From the table above, it was noted that all managers were aged between thirty years and forty years. The non-managers were comprised of both young employees and mature ones with the youngest aged twenty five years and the oldest aged forty one

years. This shows that there are no ageing employees who are nearing retirement and the company is full of vibrant workers as far as age is concerned as shown on their profile on appendix Table 4.1.

4.1.3. Number of Years Employed

By the time of interviews, all managers had been employed at Perpro Insurance Brokers for at least six years each whilst non-managers had been at Perpro for at least three years. The number of years employed at the firm also reflects the experience that these respondents have had in the business and can indicate their ability to provide informed responses.

4.1.4. Highest Level of Education

Amongst the managers, only two had degrees with one of them holding an insurance degree. This can indicate lack of relevant skills. Most of the non-managers had a certificate of proficiency in short-term insurance as their highest level of qualification which gives an impression that they possess the basic insurance qualification and hence are not well knowledgeable about the intricacies of insurance. However these employees have at least two years experience each, suggesting that they have a fairly moderate experience.

Data collected from respondents through interviews was transcribed, coded and categorised in order to unitize it. It was then manually analysed according to concepts so as to come up with key findings as a result of making some inferences from the evidence provided. (*refer to attached appendix Table 4.2 and Table 4.3 for codes and categories*).

4.2.1. Importance of Skills Base in Business Development

4.2.1.1. Essential Skills For Business Development

It was generally noted that there is a poor skills base at Perpro since the company has lack of necessary skills as most respondents did not possess the required skills and this attributes to poor company performance. The respondents comprised of managers and

supervisors only but their qualifications leave a lot to be desired. For instance, five respondents had the basic qualification of Certificate of Proficiency in short-term insurance, two had O`levels only, one had A`level, six had diplomas and only two had degrees.

This was echoed by Respondent 7 who said that “There are no minimum qualifications required for employees at Perpro. As long as one has the insurance experience and traceable references, one can be employed and this leads to incompetence of employees hence low growth.”

Respondent 8 reiterated that by saying “I think five O`levels is the minimum since some employees here do not have certificates or diplomas especially those in branches, they are just employed straight from school. This cripples the competitiveness of the company as compared to other broking firms who employ graduate trainees.”

Amongst the most essential skills required, marketing emerged to be the most important as it was mentioned by the majority of respondents (10 out of 16) mainly because of its ability to increase the clientele base and consequently market share. This was evidenced by Respondent 1 who said “... it helps to increase the clientele base hence market share”.

Respondent 2 echoed this by saying “... marketing helps to get more business through improving market visibility although here we do not have employees with a strong marketing background.”

Respondent 6 also concurs with this by saying “... it helps to make the company known fully well in the market and be able to draw large numbers but here we do not value marketing as we perceive it as a cost enhancer.”

Public Relations or customer care was also said to be important by some respondents citing its ability to improve relationships with clients, agents and insurers. This was supported by Respondent 7 who said “It is important to improve relationships with clients and insurers so as to get competitive rates and more clients.”

Insurance was also said to be important for providing proper risk management through understanding the business, products, the risks associated and how to overcome them.

Respondent 5 said that "... insurance is necessary for fast claim settlement which is the main reason for taking out insurance."

Respondent 9 said "... insurance underwriting is essential so as to know how to remit premiums to insurers and how to communicate with insurers through closings so as to avoid professional liabilities of which this company is good at that although we do not have many people with advanced insurance qualifications.

Human Resources management was also amongst the important skills as echoed by Respondent 1 who said "... so as to cater for employee needs and to improve employee satisfaction."

4.2.1.2. Minimum Educational Qualifications

The majority of respondents thought that minimum qualifications for employees in broking firms is O`level while minority thought none and some thought A`level yet the insurance regulation through the IPEC report (2012) says two A`levels and five O`levels including English and Mathematics. The answers should have been uniform if all employees knew insurance regulations therefore this disparity shows limited knowledge of insurance regulation on the part of employees.

4.2.1.3. Minimum Professional Qualifications

The majority of respondents highlighted Certificate of Proficiency (COP) as the minimum professional qualification required whilst some few said none because there are some employees without 5 O`levels or COP and this difference in responses points out to the fact that there is unclear human resource policy which accounts for employment of under qualified staff. The insurance regulation states that all employees should have a minimum of COP although employees in the operations department should possess at least a Diploma in Insurance. This again shows lack of compliance with the rules of the land and incompetent workforce.

4.2.1.4. Skills Base and Poor Growth

From the findings it emerged that poor skills base at Perpro influences the company's performance since most respondents (12 out of 16) were of the opinion that necessary skills enhance decision making capacity, innovation, investments, competitiveness and adaptation. This is evidenced by Respondent 1 who said "Skills are important to enable sound decision making and new idea generation. Without necessary skills, growth cannot be attained that is why Perpro's growth is poor."

Respondent 9 echoed this by saying "Good skills improve competitiveness of the organisation. Perpro lacks essential skills like marketing and this is causing business volume to decline since some policies are not being renewed."

Respondent 6 "...well qualified people craft better strategies and have capacity to implement them and to identify opportunities. Here we have poor skills in areas like investment which results in low investment income."

However four respondents had opposing views since they blamed bad economy and size of market for poor performance.

Respondent 8 said "... in my own view, skills do not matter most in performance issues but size of the market does since it determines performance. If the market is small, one cannot expect wonders from skilled employees."

4.2.1.5. Competitiveness

Most respondents suggested that a good and rich skills base is important in improving performance of the company whilst a few disagreed pointing out that, skills alone may not enhance growth but competitiveness and a good economy are of essence. This evidenced by the competitive category on Table 4.3 on the appendix section where responses made acknowledged skills but went further to include pricing, efficiency, costs, management, talent and experience. These were categorised together because they determine the competitiveness of the company. These issues if paid attention to can change the situation of the company from poor growth to good growth through

increasing business volumes. Therefore the majority of the respondents concluded that lack of competitiveness reduces business volumes through losing customer confidence and market share thereby supporting poor growth.

4.2.1.6. Substantive Findings

The general findings were that most participants (12 out of 16) considered that necessary skills were important in determining company performance because of a number of reasons which include critical decision making, idea generation, problem solving, customer satisfaction, better strategy formulation and implementation and generally for competitiveness. It also emerged that there is a poor skills base at Perpro as employees are not well qualified according to industry's minimum requirements and that is why there is poor growth. The issue of resources also emerged covering aspects like poor human resource policy which is not clear on minimum qualifications and also poor administration of financial resources as marketing department is not being allocated enough money to boost their operations/activities.

4.2.2. Influence of Return On Investment on Growth of Insurance Broking Firms

4.2.2.1. How Brokers Generate Revenue

All respondents knew that insurance brokers generate revenue from commission and fees. Only a few pointed out investment (7 out of 16) which is an indication of poor information dissemination within the company and also lack of finance knowledge or ignorance about how the company operates since brokers are heavily dependent on investment outcome.

4.2.2.2. Is Investment Growth Attainable?

Many respondents (10 out of 16) either think it is difficult or not possible to attain growth in this economic environment. However, other respondents said it is possible through portfolio diversification or prudent choice of counters. One respondent said had no knowledge.

From those who said it is attainable, two respondents were of the opinion that if the company had employees with good investment knowledge and loyal clients, then there would be higher return on investment through prudent investment choices and higher business volumes. This would increase the company`s income leading to growth.

Respondent 14 reiterated this by saying “... if the company could just employ well experienced people with investment background, return on investment could increase because this low investment income the company is getting is as a result of poor investment choices.”

4.2.2.3. Investment Challenges

The majority of respondents (14 out of 16) generalised that there are investment related challenges hindering growth citing bad economy characterised by low interest rates and lack of investment vehicles as the major challenges. The worst case scenario was that by two respondents who said they do not know about investments.

4.2.2.4. Return On Investment (ROI) and Poor Growth

The minority (5 out of 16) of the respondents think that ROI is important in boosting working capital and profit which in turn triggers employee motivation, satisfaction and better service delivery thereby increasing business volume. If the ROI is little, it means low income, low working capital, low profits, low employee morale which subsequently lead to low productivity resulting in poor overall growth of the company and failure to meet capital requirements. Therefore the findings show that ROI is very important in broking business since it is a significant source of revenue for the company.

4.2.2.5. Economy

It was generally noted by the majority of the respondents (14 out of 16) that when the economy is bad and is characterised by low interest rates and high cost of borrowing, it results in low return on investment which in turn affects the company`s revenue as it relies heavily on investment income. This subsequently reduce the company`s profits and working capital hence poor growth. The economy category emerged from the

findings as illustrated on the category appendix and evidence from respondents to support this view is as follows;

Respondent 1 said, "... investment growth is not attainable in this economy where interest rates and business volumes are very low."

Respondent 5 echoed this by saying "... as brokers we rely so much on investment income and when it is low then our working capital is reduced and this cripples our operations."

Respondent 2 noted that "Low return on investments reduces our profits and affects negatively the growth of the enterprise because expenses like salaries do not decrease when the investment income decreases hence deficit."

4.2.2.6. Substantive Findings

From the research findings, it was noted the majority of respondents (14 out of 16) think that there is low return on investment at Perpro and is being caused by the bad economy (low interest rates and high cost of borrowing) and lack of skilled and experienced personnel in finance and investment thus poor growth since there will be reduced revenue. However the minority agreed that through hard work and increased business volume, investment income can increase and lead to company growth.

4.2.3. Effect of Regulation on Growth of Insurance Broking Firms

4.2.3.1. Regulations and Poor Business Growth

Most respondents think that capital levels, pricing, credit period, investment options, registration requirements and commission rating have influence in determining poor growth of broking companies.

4.2.3.2. How Insurance Regulation Influence Poor Growth

Generally it came out that capital levels, pricing, investment options, registration requirements, commission rating, pricing and educational qualifications for office bearers are some of the regulations which are influential to poor growth at Perpro. The majority of respondents (12 out of 16) pointed out that some part of insurance regulation

negatively affects their company's performance citing examples such as; prescribed capital restrict growth since it locks up capital in assets, uniform pricing system is beneficial to big companies, registration requirements which are difficult to meet lead to unscrupulous insurance back door dealings.

Respondent 2 said that "... the set capital level is not based on risk taken by the company, it is the same across the board so may end up hindering growth of small companies since they bear less risk yet capital is difficult to raise."

Respondent 6 echoed this by saying, "...the issue of minimum pricing rates increases unfair competition because small brokers like us must charge less in order to attract customers, who find no tangible incentive for transacting business with small companies when bigger companies are there for the same price. This results in low business volumes hence poor growth."

Respondent 1 "... minimum rates in some cases are too low and may not be sufficient to realise growth and again the aspect of commission rating cripples our growth since it is uniform and companies like us with low business volumes suffer the most."

However three respondents had a different perception as they think that growth is affected by management style and not regulation. They said that regulation is actually good for the growth of the company and does not hinder growth in any way.

Respondent 7, "... regulation is good because without it there would be chaos in the industry, insanity and unethical conduct will result. Low prices would be charged which make compensation in case of claims almost impossible."

Respondent 9, "without regulation there would be no clients because they get confidence from such regulations as compulsory minimum capital levels and registration requirements which when not met leads to deregistration and also these regulations reduce competition thus enhancing growth chances."

4.2.3.3. Mandatory Capital Levels and Poor Growth

Most of the respondents suggested that mandatory capital levels may cause adverse growth since it locks up financial resources in non-productive assets thereby sacrificing other business development activities like marketing which makes the company and products known and influences business volume.

Respondent 2 reiterated that "... it is not based on risk taken and size of the company but is the same across the board hence might be too much for companies like brokers who do not handle risk or liability."

Two of the respondents think that the capital levels do not influence growth; instead capital is determined by business growth. Respondent 5 emphasised this point by saying, "... business growth determines capital and not vice versa."

Many respondents expressed displeasure on the minimum capital levels for insurance brokers saying that they are too high for them since brokers do not have liability/risk (they pass it on). They said the only reasonable levels are those for Professional indemnity cover since they cover against broker's liability hence no need for higher capital.

4.2.3.4. Is Insurance Regulation Sufficient?

The issue of lack of regulation enforcement was also considered as a hindrance to growth with the majority of respondents (10 out of 16) saying the industry is not sufficiently regulated to foster growth and lack enforcement. Six respondents however said it is sufficiently regulated but needs enforcement yet one respondent said it is overregulated.

Respondent 10 noted that, "... the regulation is sufficient but is not being enforced since there are minimum rates set by IPEC but some companies are undercutting rates and they are going unpunished."

Respondent 15 said, "... there is need for more regulations like more mandatory insurance classes and broker empowerment on issues like granting permission to

brokers to sell passenger insurance and yellow cards directly to clients without referring them to insurers as this increases inconvenience.”

Respondent 6 said, “... credit period remains very short as no enough time is given to brokers to reconcile their transactions and make submissions of premium.”

4.3.3.5. Substantive Findings

Overallly it was noted that insurance regulation has in a way a negative bearing on broking business especially at Perpro and also that available regulation does not fully empower brokers as the set standards are too high for small companies to meet and grow at the same time. The issue of lack of enforcement of regulation was unilaterally raised suggesting that there is need for tightening controls and literally enforce the set regulations.

4.2.4. Effect of Corporate Governance on Company Growth

4.2.4.1. What Is Corporate Governance?

From the findings, the majority of the respondents (13 out of 16) have an idea of what corporate governance is as they defined it as the governance or management of companies. Respondent 1 supports this by saying, “... it is the governing of companies in a proper way.”

Respondent 2 said, “... transparent running of businesses.”

Respondent 11 echoed, “... it involves good management and controlling of companies.”

4.2.4.2. Corporate Governance and Corporate Performance

Most of the respondents (13 out 16) believe that corporate governance can result in poor corporate performance if not properly practiced. They said that corporate governance is essential in today`s business because it provides an enabling environment and thus attracts investors and customers. They said that for brokers to thrive in business they should be dealing with reputable insurers, so if they do not practice good corporate governance, it means good insurers will shun relations with them thus derailing from the growth path.

Respondent 13, "... there is no transparency here and many issues are heard by hearsay, this results in poor growth because there is no employee engagement and proper communication channels."

Respondent 10 also said, "... the issue of accountability and responsibility here leaves a lot to be desired. If there is no accountability then the company cannot really grow."

However, it was generally noted that the respondents do not have much knowledge about the concept of corporate governance although some had an idea of what it is. The majority of respondents (11 out of 16) professed ignorance on the subject and the researcher had to probe to get clear answers.

Respondent 8 reiterated this by saying "..., when it comes to those matters, I think you can ask managers and not us."

Some of those who said there is corporate governance at Perpro (7 out of 16) are amongst those who said there is no board of directors which meets regularly (11 out of 16) which contradicts existence of Corporate Governance.

Only one person said that it does not influence corporate performance but failed to state the reasons.

4.2.4.3. Is There Good Corporate Governance At Perpro?

The results show that half of the respondents (8 out of 16) said there is no good corporate governance at Perpro since not everything is above board and there is no transparency especially in finance issues. Four respondents said that corporate governance was being practised whilst three thought it was partly being practiced and one said had no knowledge.

Respondent 9 cited that "...the business is owner managed and there is no separation of business entity from the owner."

4.2.4.4. Board Execution

Most respondents (11 out of 16) think that there is a board of directors at Perpro as evidenced by their names on letterheads but they all confirmed that they have never seen them or heard that there is a meeting. The minority (3 out of 16) either said they do not know or maybe. Only two respondents said there is board execution. This clearly shows that the board is not known and is there for convenience therefore poor performance might be a result of lack of board execution.

4.2.4.5. Substantive findings

Generally it was noted that there is little practice of corporate governance at Perpro as evidenced by lack of board execution which means that board resolutions are not implemented. It was also noted that corporate governance is not a well known subject to many respondents and they do not know what it means and how it is measured to see whether it is being practiced or not. All these factors might be contributing to Perpro's poor performance.

4.2.5. Dimensions That Result in Poor Growth

Many respondents mentioned more than three determinants each which range from poor skills, bad economy, lack of disposable income, resource constraints, dollarization, poor information dissemination, lack of technology, low commission rates, competition and brand contamination.

Respondent 13 pointed out that "... use of same first name with a deregistered sister company (Perpro Funeral Assurance Company) tarnished the image of Perpro Insurance Brokers thereby leading to low business volumes."

Respondent 10, "... business volume is low because people do not have money, they have little or no disposable income and insurance is viewed as luxury therefore it is not a priority."

Respondent 9 said, "...our team is incapacitated by lack of skills since well qualified and skilled workers were swept away by brain drain."

4.2.5.2. Substantive findings

Generally it came out that the company lacks competitiveness in many aspects that is why it is experiencing poor growth and also that the prevailing economic environment is unfavourable to growth and is worsening the situation.”

4.3. Discussion of Key Findings in Relation to Literature

4.3.1. Skills base

From findings, it emerged that there are more problems related to skills which are contributing to poor growth at Perpro which all cripple its competitiveness. These include lack of necessary skills, incompetent staff and unclear human resource policy.

Some of the supervisors do not possess the minimum mandatory qualifications set by the governing body, Insurance and Pensions Commission let alone advanced insurance qualifications. This might be a huge contributing factor to the poor growth being experienced by the company as noted by Canadian International Development Agency (2008) which says that a skilled workforce is an essential foundation of sustainable economic growth such that lack of important skills like entrepreneurial, marketing and management which are needed to take advantage of growth opportunities can deter economic strengthening. This is also consistent with the International Labour Office (2008) which notes that lack of education and skills development in companies lead to low productivity and low income as it plays a pivotal role in improving productivity and subsequently competitiveness, living standards and growth.

Lack of skills and knowledge by most respondents about finance and investments came out as a reason why investment outcome is very low. It emerged that they just invest for the sake of investing without a clear analysis of the investment options available. Ignorance and lack of skills coupled with bad economy might be good reasons why the company is recording poor growth. This concurs with Deloitte Centre for Financial Services (2013) that suggests insurance practitioners must recruit knowledgeable and

skilled people from within the insurance industry to fill the critical roles in a quest to enhance performance. Lester (2010) echoes this finding by saying that the lack of qualified professionals hinders the development of the insurance sector as a whole.

Although O` Sullivan and Abela, (2007) say marketing is very important in determining the performance of companies as it can lead to business growth and that marketing performance should be measured since it impacts significantly on the performance of organisations, it emerged from the findings that in reality Perpro does not give much credence to marketing even though they are aware of its importance.

4.3.2. Return on Investment

From the gathered information on this concept, it came out that many respondents are not privy to such information as investment. They just bank their revenue, prepare their reports and forget about everything else after. This problem was common to branch supervisors who prophesied ignorance about investment issues. They also pointed out that there is poor information dissemination from head office to branches hence they do not get the chance to know what is happening at head office. This alone can be a detrimental factor to company growth as pointed out by Dixon (2005) when he says that employee engagement is vital for the determination of growth and profitability strategies at any organisation since lack of engagement is destructive and results in negative growth.

Lack of investment knowledge on issues like diversification emerged as a reason for low investment outcome. This is in line with what Department For International Development (2004) says, that it is prudent to practice risk diversification whereby investment is done in a wide range of projects whose expected returns are unrelated so as to increase return on investment and subsequently boost growth.

Upon probing most respondents revealed that revenue has declined significantly since 2009 (introduction of dollarisation) due to low investment income, low disposable income and loss of market share thus reducing commission and subsequently resulting in poor growth. The world insurance report (2013) has also this on record when it notes

that profit margins for non-life insurers have significantly declined since the year 2011 despite efforts to improve operational efficiency citing declining investment income necessitated by the prevailing poor economic conditions characterised by low interest rates as the main culprit.

4.3.3. Regulation

Findings on this concept show that in deed regulation influences poor growth in broking firms. Most respondents pointed out that there is lack of enforcement of the insurance regulation which causes unfair competition among insurance practitioners. Registration of insurance players by Insurance and Pensions Commission (IPEC) is mandatory but if not monitored and controlled, many players emerge. For example currently in Zimbabwe, there are many touts loitering by post office doors selling insurance cover notes at below minimum prices yet they are neither registered agents nor brokers. This has a negative bearing on registered brokers who stay indoors at their offices, market share reduces there by affecting commission hence poor growth. These findings are in support with what Lester, (2010) noted when he wrote that low development in the insurance industry is as a result of factors such as shortage of compulsory insurance and weaknesses in the regulatory and supervisory regime in enforcing the regulations.

Some respondents singled out the minimum capital level regulation as being the culprit behind poor growth as they said it forces companies to lock up financial resources in assets thereby reducing the company`s finances which can be used for other important business development issues like marketing.

Majority of respondents also said that the pricing regulation which stipulates minimum rates to be used across the industry also hinders growth as some prices are low that the company without large business volumes will suffer thus. Respondents said that these rates are not in line with a company`s size nor business volume, they are just flat which makes competition intense and unfair, as big companies will always get more market share. Although respondents noted that, Mudakiet *al* (2012) is of the idea that insurance availability and affordability are both policy concerns since government is interested in

the insurance market and that legislation of any country helps to create both an enabling environment and business growth opportunities.

They also mentioned that the commission rates are dictated by the regulators and this is a disadvantage to them since they have low business volumes. They suggested that if the commissioner could leave the issue of commission to be solved between a broker and an insurer, life could be easier.

Many respondents also pointed out that the prescribed credit period given to brokers is very little and because of the bad economy, not much investment income can be made within 30 days. They said that if the credit period could be stretched it would boost their revenue and improve growth.

Other respondents noted that lack of compulsory regulation in some insurance classes might also be the dimensions that result in poor growth since in Zimbabwe only the Road Traffic Act is compulsory. This concurs with Lester (2010) who says mandatory insurance lines have been noted to be a very significant source of growth for the insurance sector in many emerging markets.

4.3.4 Corporate Governance

Many respondents showed some understanding of the term corporate governance although just a few had a clear understanding. This shows either poor qualifications/lack of knowledge or ignorance. From the interviewed respondents, none had business management qualifications which show that the probability of them understanding the term was very little.

If people do not understand the meaning of a practise, they are not expected to practice it. The same goes with these respondents and that is why the majority of them said that there is poor corporate governance at their company. More so, most of the respondents pointed out that there the board of directors does not meet regularly to discuss company issues. This in itself shows lack of board implementation and the company cannot be expected to be producing good financial results. It was noted by Blair & Scout (1999),

that firms which do not have boards of directors or board execution have challenges in implementing corporate governance since the boards are the ones responsible for spearheading good corporate values through board committees and this subsequently affects company growth.

Most respondents said that they know that corporate governance determine performance in that if it is good then it attracts many clients and investors and thus result in higher business volumes. Since they said that theirs is poor, then this can be attributed to the poor growth being experienced since big corporates with large business portfolios will shun small and struggling companies.

The International Association of Insurance Supervisors (2004) noted that the insurance industry has Insurance Core Principles on Corporate Governance which include that employees who occupy particular positions in an organisation are expected to possess certain qualities and values that befit that position and also information, disclosure and transparency towards the market should be prioritised. This is not in conformity with the research findings since the majority of the respondents are under qualified for their positions in the organisation and they also lack knowledge on corporate governance issues. This is a clear testimony that there is poor corporate governance practice at this organisation and might account for its poor financial performance.

4.4. Relationship between findings and conceptual framework

The key findings from this research show that there is a new framework which is an enhancement of the conceptual framework. From the conceptual frame work, skills base was noted as a dimension that result in poor growth yet from the findings it emerged that competitiveness was another dimension separate from skills and they both hinder growth. It was noted from the findings that dimensions like pricing, efficiency, costs, talent, human resource incompetence and unclear human resource policy cripple the competitiveness of the company thus they deserve their own category. The relationship between poor growth and competitiveness is negative in that the higher the competitiveness the lower the poor growth.

Marketing and competition were put under one category named Marketing and were separated from skills base since it emerged that marketing is a critical determinant of growth. Marketing and competition are related in that they both affect the company's profitability, market share, brand contamination and public relations. Marketing also covers location issues as it determines the company's visibility in the market. Proximity to post offices and ZINARA offices where vehicle licencing is done is advantageous since customers prefer to do their transactions at nearby places to avoid delay and theft.

A new economy category emerged from the findings as it emanated from return on investment. It was found that in as much as return on investment is influential to poor growth of broking companies, the economy was the major determinant of low investment income. Economy category encompasses interest rates, dollarisation and disposable income since they are all dependent on the economy of a country. The relationship between economy and poor growth is positive in that the better the economy the higher the growth of insurance brokers.

On regulation, it emerged that mandatory capital levels are viewed as a stumbling block to growth of broking companies since they are not risk carriers hence the need for its recognition as an independent dimension. This category is unique to brokers. The set capital level for brokers is believed to lock up financial resources on unproductive assets thereby causing poor growth as other productive activities would have been compromised. They contribute significantly to poor growth since the target is too high considering the risk associated and the capital is difficult to raise.

Corporate governance, technology and regulation remained the same from the conceptual framework and the findings and the relationships between them and poor growth maintained the negative status. Business development strategies from the conceptual framework were fused into corporate governance from the findings since strategic issues are dealt with by leaders of the company.

4.4. Discussion of Propositions

4.4.1. Poor skills base causes poor growth at Perpro

This proposition suggests that there are poor skills at Perpro, it purports that the human resource lack the necessary skills to drive growth of the company upwards. From the questions asked in interviews, the researcher wanted to know first which skills are essential for business growth in the insurance broking industry, which skills are recommended for office bearers and then compare with what the employees possess. All this information was required to truly assess the skills base of supervisors and managers at Perpro as they are the ones who are responsible for business growth.

From the results obtained from the interviews, the proposition that a poor skill base is a determinant of poor growth at Perpro is true. The necessary skills emerged to be marketing, public relations, insurance and human resource management yet no one supervisor or manager possesses neither the marketing qualification nor the public relations. Only two respondents had advanced insurance qualifications and the rest had just the basics of insurance symbolising lack of essential skills. This shows that low business volumes being experienced at Perpro are as a result of inadequate marketing, poor public relations and lack of expertise in insurance.

4.4.2. Low return on investment influences negatively the growth of insurance broking companies.

This proposition suggests that there is low return on investment and this affects business growth at Perpro. The researcher sought to understand first how the company generate its revenue and whether investment was necessary to boost growth. The researcher also wanted to know if attaining investment growth was possible and if there were any investment challenges hindering growth. The findings authenticate this proposition since many respondents highlighted that investment growth is difficult due to the prevailing interest rates and the bad economy. The majority were of the opinion that since brokers rely on commission and investment income, low return on investment meant less revenue for the company which leads to shortage of resources which in turn

cripples operations. Others suggested that lack of investment knowledge at Perpro might also be the reason for poor return on investment which results in poor growth of the company.

4.4.3. Unenforced regulation affects negatively company growth at Perpro.

This proposition presupposes that there is regulation in the industry but is not being enforced to get the intended results and because of lack of enforcement, Perpro's growth is being affected negatively. The researcher's intention was to find out which regulations were unfavourable to Perpro's growth, how they influenced poor growth and whether the regulations are sufficient. The outcome was that many respondents cited pricing, commission rates, capital levels and lack of enforcement as the reasons behind the poor growth being experience at Perpro. The majority pointed out that the regulations are sufficient but only lack enforcement. They said that if these regulations were to be fully enforced, competition was to reduce and market share was to increase thereby leading to company growth. However some respondents said that the regulations are not sufficient especially to broking firms since they prohibit selling of other insurances like yellow cards and passenger insurance directly to clients. Others singled out lack of mandatory insurance classes like what is done in other countries. Therefore this proposition is correct.

4.4.4. Poor corporate governance determines poor growth in insurance broking firms.

This proposition is saying that there is poor corporate governance in broking firms and this contributes to poor growth. Several questions were asked as to whether there is corporate governance at Perpro or not and whether people understand what corporate governance is. The majority said they understand what it means although upon asking follow-up questions, it came out that they do not really know what it is and therefore their responses were not consistent. However, further probing brought out the fact that there is poor corporate governance at Perpro since the directors are just there on paper and in reality they do not meet or deliberate on company issues. There is lack of board

execution and proliferation of unethical practices which negatively affects business volume by scaring away potential customers and also reputable insurers.

4.5. Chapter Conclusion

The chapter presented the findings of the research. It involved data framing and analysis of the information that was provided by respondents during interviews. The discussion was characterised mainly by the dimensions that result in poor growth at Perpro Insurance Brokers and how they affect growth. The results show that the poor growth at Perpro was largely as a fusion of internal and external factors which range from bad economy to lack of competitiveness. The findings are in agreement with literature although literature is mainly biased towards dimensions that result in poor growth in insurance companies and not insurance broking firms. The next chapter looks at research conclusion, recommendations and areas for further research.

CHAPTER 5

CONCLUSION, RECOMMENDATIONS AND FURTHER RESEARCH

5.1. Introduction

This chapter presents the conclusions and recommendations drawn from the research findings as given in Chapter 4. It also encompasses discussion of the main proposition of the study, theoretical contribution and suggestions for areas of further in respect of determinants of poor growth in the insurance industry.

5.2. Conclusions

The conclusions of the study are as follows;

5.2.1. There is lack of competitiveness

As evidenced by the research findings, lack of competitiveness in skills, talent, knowledge, technology and poor location at branches is crippling the growth of the company. The majority of non-managers at Perpro are under qualified as per industry`s minimum requirements for office bearers. The managers also lack necessary skills like marketing or public relations which are essential for improving market visibility and driving growth. There is also lack of technology which makes information dissemination difficult especially to branches thus reducing timely responses to industry changes. Also there is brand contamination which reduced the company`s competitiveness. It also emerged that Perpro offices are not strategically located since they are close to big insurance companies well known in the market thus reducing their competitiveness.

5.2.2. Perpro is experiencing low return on investments.

Perpro is having low return on investments which is adversely affecting their revenue and profit thus resulting in poor growth. Operational expenses are not changing yet revenue is decreasing due to low return on investments which is being caused by bad prevailing economy and poor interest rates hence negative growth. There is also lack of

investment knowledge which is resulting in poor choice of investment options which subsequently result in low return.

5.2.3. Insurance regulation is posing growth challenges at Perpro.

As said by most of the respondents, insurance regulation in the form of capital level requirements, pricing, commission rating, prescribed investment options and lack of enforcement is contributing to poor growth in the insurance broking industry. Mandatory capital level locks up resources in assets and deters other growth activities. Pricing regulation is also detrimental to growth as it results in increased competition based on service and not price thus the bigger the company the more advantage it has over others. Also the commission rating is posing viability challenges since the commissions are relatively low thus crippling revenue. Lack of enforcement also adversely influence growth as it causes unfair practices like price undercutting and competition from non-registered practitioners.

5.2.4. There is bad corporate governance at Perpro

The majority of responses echoed by interviewees pointed out that there is bad corporate governance at Perpro and that is why the company is struggling to grow. It emerged that there is no board execution since board members seldomly meet. The business entity is not separate from the owner and decision making is central to the owners. There is lack of employee engagement at Perpro as evidenced by respondents who professed ignorance on many issues as they said everything is done at head office. Lack of employee satisfaction is also rampant at Perpro since many respondents showed concern on human resource issues like remuneration coupled with conditions of service and emphasized the issue of remaining anonymous.

5.2.5. The insurance industry has potential for growth

Despite all these challenges being faced by Perpro, the industry still shows signs of potential. There are chances of reviving hope but only if these issues are addressed.

5.3. Discussion of the main proposition

The study sought to test the following proposition;

Poor growth at Perpro Insurance Brokers is caused by internal factors.

In light of the research findings, it can be stated that the proposition was accepted to a large extent as the determinants of poor growth were mainly a result of internal factors such as poor skills, low return on investment as a result of poor investment knowledge, lack of competitiveness and lack of corporate governance although to a lesser extent it was caused by external factors such as industry regulation and bad economy.

5.4. Theoretical Contribution

5.4.1. Competitiveness

The study managed to bring out that in insurance broking business, skills alone cannot drive growth and the company has to be competitive for it to improve its performance. This aspect is a blanket term which includes factors like talent, qualifications, experience, efficiency, cost management and service delivery. This study has also managed to source explanations as to why skills base is important in insurance business development. Available literature noted that lack of skills result in poor growth but without specific connection to broking firms. Therefore the research has shown that lack of skills such as marketing and public relations can lead to low business volumes since broking business is largely service in nature. It also emerged that employees should possess relevant skills because a company can have learned people but with irrelevant skills which are not related to their job descriptions.

5.4.2. Marketing

Brand contamination was singled out as the main reason why organisations lose market share and subsequently realise poor growth. This is mainly in the form of use of same names with ailing subsidiaries.

5.4.3. Capital Levels

Mandatory capital levels set by IPEC tend to be detrimental to growth of broking companies as it is difficult to raise the capital in this ailing economy where commission rates, business volume and investment income are low.

5.4.4 Economy

The prevailing economic environment ever since dollarization is not conducive for brokers who rely much on investment income as the market is now characterised by low interest rates, high cost of borrowing and lack of disposable income.

5.4.5 New Framework

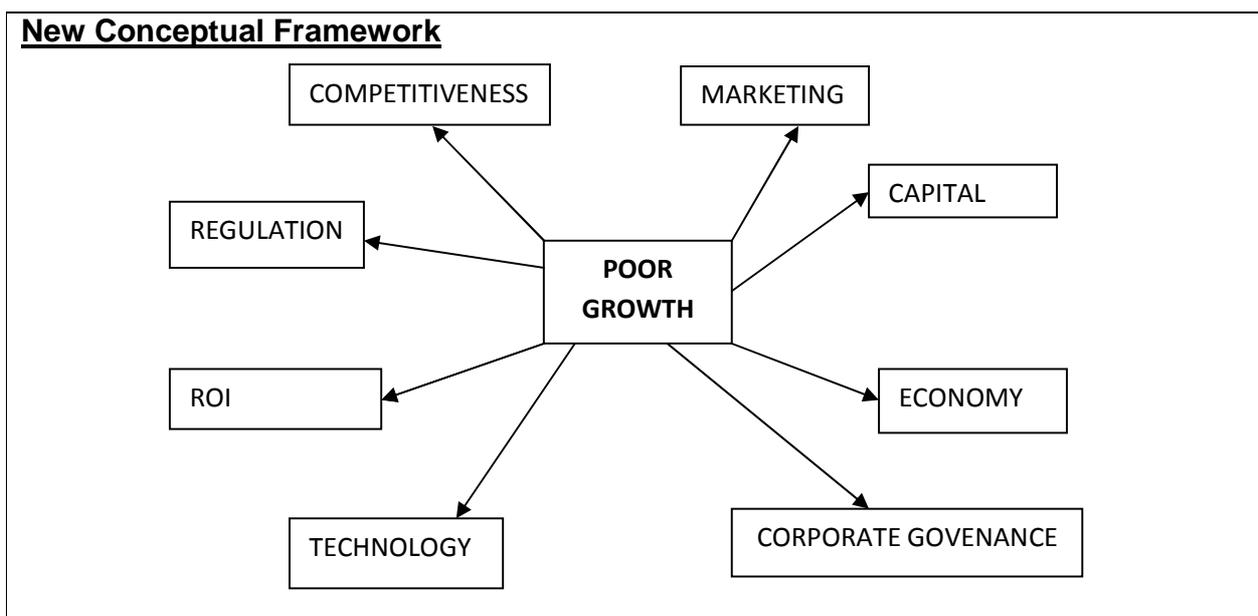


Fig 5.1: New Framework

Source: Researcher`s own

5.5. Policy Recommendations

5.5.1. More mandatory insurance lines

Lester, (2010) says there is need for policy makers to increase mandatory insurance so as to support the insurance industry since mandatory insurance lines were believed to be vital sources of growth in many countries. Therefore policy reforms should be made in Zimbabwe so as to increase business volumes and enhance business growth.

5.5.2. Enforcement of regulations

Mudaki *et al*(2012) suggest that insurance availability and affordability are both policy concerns since government is interested in the insurance market and that legislation of any country helps to create both an enabling environment and business growth opportunities. Policy makers should enforce monitoring and control of regulations to ensure compliance and strict measures should be taken against offenders. Selective application of regulations is not fair and thus policy makers should address these issues head on.

5.6. Managerial Recommendations

5.6.1. Adoption of Corporate Governance

From the findings it was noted that corporate governance is not being practiced, so there is need for the organisation to have a substantive board that has more non-executive members and should execute and follow up on board resolutions. The company should also put in place structures that assist in ensuring that there are checks and balances in all departments and at all levels of the organisation. In a nut shell, the organisation should observe good tenets of corporate governance so as to be competitive.

5.6.2. Sound Human Resource Policy

It was noted with great concern that the company has a poor skills base and unclear human resource policy therefore there is need to first craft a clear human resource

policy which caters for both the needs of the employees and those of the company. As suggested by Deloitte Centre for Financial Services (2013), insurance players should recruit knowledgeable and skilled people from within the industry so as to fill the critical roles and should also consider employee retention coupled with retraining in an endeavour to enhance performance. Change should start from the stage of recruitment and selection. Well qualified and experienced incumbents should be recruited and the selection process should be thorough so as to ensure getting right people for the right job. This will be a solution to many of the company's problems such as lack of investment knowledge, lack of marketing skills, staff incompetence and lack of employee satisfaction.

5.6.3. Increased Marketing

O'sullivan & Abela(2007)suggest that marketing is very important in determining the performance of companies and if done well, it can lead to business growth thus it can be regarded as a prudent investment. Therefore Perpro should allocate more resources to marketing so as to increase growth through increasing market share and business volumes.

5.6.4. Increased training and Development

Robertson (2002)note that organisational effectiveness and performance is enhanced by the degree to which organisations develop human assets that are unique to organisations. In this light, there is need for increased training and development at Perpro so as keep abreast with industry changes. All Managers need to be encouraged to undertake a Masters of Business Administration degree in an endeavour to have an appreciation of how companies should be managed and administered.

5.7. RESEARCH LIMITATIONS

5.7.1. Time

The researcher would have wanted to study the determinants of poor growth in all insurance broking companies but due to time limitations, it is not possible to study all

broking firms in Zimbabwe within the available time provisions and therefore the researcher used a case study of Perpro.

5.7.2. Resources

It would have been of great value for the researcher to study international insurance markets but due to limited resources and time, it is difficult to pursue such endeavors. Therefore the researcher made use of the internet to access such information and to cut costs and time.

Also there are a few published books on this topic let alone recent books, so the researcher enriched the study with publications, journals and other available literature.

5.7.3. Type of Information

Some of the required information was too technical and some was highly confidential and disclosing had dangerous consequences such that other respondents were hesitant to divulge such and some were not well versed with the subject under study thereby compromising the quality of the research. But the researcher minimized this limitation by further explaining concepts during interviews, further probing respondents for clarity and ensuring compliance with ethical considerations such as not disclosing the names and specific positions occupied by Respondents .

5.8. Areas of Further Research

There is need for a comprehensive investigation of the dimensions that result in poor growth in all broking firms in Zimbabwe so as to have a true and fair reflection of the situation at hand as findings from Perpro cannot be generalised to the whole industry since the causes are mainly as a result of internal factors. It will also be of great value to do further research on this topic using triangulation of qualitative and quantitative methodology.

5.9. Chapter Conclusion

The chapter made conclusions based on the analysis of results and discussions in chapter 4. Conclusions drawn from the research findings have identified the challenges being faced at Perpro and recommendations have been made based on the problems identified, findings and conclusions. Areas for further study have also been suggested so as to generate greater insights in the dimensions that result in poor growth in the insurance industry in Zimbabwe and thus capitalising on opportunities.

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APPENDIX 1: INTERVIEW GUIDE FOR PERPRO INSURANCE BROKERS

DETERMINANTS OF POOR GROWTH IN INSURANCE BROKING FIRMS: THE CASE OF PERPRO INSURANCE BROKERS.

Section A: Interviewee Background Information

Date.....:

1. What is your position in the organisation.....
2. Please state your age.....
3. Number of years employed by Perpro.....
4. State your highest level of education.....

Section B: Skills Base

1. In your opinion, does skills base influence Perpro`s poor performance? Give reasons.
2. Which skills are essential for business development in insurance broking firms?
3. What is the minimum educational qualification required for employees in broking firms.
3. What is the minimum professional qualification (skills) for one to be employed at Perpro.

Section C: Return On Investment

1. How does return on investment influence poor growth at Perpro Insurance Brokers?
2. In your opinion do you think investment growth is attainable at Perpro in this prevailing economic environment? Give reasons.
3. How does Perpro generate its revenue?

4. Are there any investment challenges hindering growth at Perpro?

Section D: Regulation

1. Is poor business growth at Perpro affected by insurance regulation? Give reasons
2. Which insurance regulations are related to poor business growth?
3. Does the mandatory minimum capital requirement influence poor growth at Perpro? Give reasons.
4. Is the insurance broking industry sufficiently regulated to foster growth of broking companies?

Section E: Corporate Governance

1. In your opinion, what is corporate governance?
2. Does corporate governance determine poor corporate performance?
3. In your view, do you think corporate governance is being practiced at Perpro? Give reasons.
4. Is there a Board of Directors at Perpro who meet regularly to discuss corporate governance?

Section F: Interviewee Contributions

1. In your opinion what are the causes of poor growth at Perpro?
2. Do you have any further comments that may assist in this research?

APPENDIX 2: RESPONDENTS PROFILE

Table 4.1: Profile For PerproRespondents

Respondent	Highest level of education	Number of years employed by the organisation	Position in the Organisation	Age in years
1	Degree in Economics	13	Managerial	36
2	Chartered Institute of Management Accountancy	6	Managerial	32
3	Certificate of Proficiency in Short-Term Insurance	4	Non-Managerial	29
4	O`level	3	Non-Managerial	27
5	A`level	3	Non-Managerial	31
6	ACII, IISA	10	Managerial	39
7	Diploma in Insurance	3	Non-Managerial	33
8	O`level	7	Non-Managerial	41
9	Degree in Business Studies	7	Managerial	32
10	Diploma in Human Resources Management	10	Managerial	34
11	Diploma in Insurance	9	Non-Managerial	30
12	Certificate of Proficiency in Short-Term Insurance	18	Non-Managerial	40
13	Diploma in Human Resources Management	4	Non-Managerial	25
14	Certificate of Proficiency in Short-Term Insurance	5	Non-Managerial	29
15	Certificate of Proficiency in Short-Term Insurance	6	Non-Managerial	30
16	Certificate of Proficiency in Short-Term Insurance	3	Non-Managerial	27

Source: Researcher`s own

APPENDIX 3: LETTER OF APPROVAL

16 Nzunza Crescent

Msasa Park

Harare

01 August 2013

Dear Sir

Re: Request for permission to carry out a research based on Perpro as the case study

With reference to the above subject, I wish to request for permission to carry out a research on the investigation of the dimensions that result in poor growth in insurance broking firms using PerproInsurance Brokers as the case study. This is in partial fulfilment of my MBA studies.

Please note the information obtained herein will be treated with the strictest of confidentiality.

Looking forward to your favorable response.

Yours faithfully

Prudence Chimedza

APPENDIX 4: THEMES AND CODES

Table 4.2: Themes and Codes

Respondent	A - Background	B - Skills	C- ROI	D- Regulation	E- Corporate governance	F- Cause of Poor Growth
1	1. Manager	1. Lack of Competitiveness	1.low growth	1. Lack of competitiveness	1. Governance	1. Poor skills
	2. 30+ Years	2. Marketing	2. Low interests	2. Low Capitalisation	2. Influences performance	
	3. Experienced	3. O`level	3. Commission & Investments	3. low working capital	3. Lack of Coporate Governance	
	4. Degree	4. C.O.P	4. Lack of Investment vehicles	4. Lack of enforcement	4. Lack of Board execution	
2	1. Manager	1. Lack of Competitiveness	1. low growth	1. Restricted Growth	1. Transparency	1. Lack of skills
	2. 30+ Years	2. Marketing	2. Concentrated investments	2. Lack of qualifications	2. Indirect influence	2. Human resources
	3. Experienced	3. O`level	3. Commission & Investments	3. Not risk based	3. Financial Abuse	
	4. CIMA	4. C.O.P	4. Long term investments	4. lack of regulations	4. Lack of board execution	
3	1. Non-Manager	1.Lack of Competitiveness	1. Human resources issues	1. inhibited growth	1. Company running	1. Human Resources
	2. 30+	2. Marketing	2. Poor economy	2. lack of qualifications	2. Influences performance	
	3. Experienced	3. COP	3. Commission & fees	3. Lack of leverage	3. Lack of Coporate Governance	
	4. COP	4. COP	4. low profits	4. over regulated	4. Lack of board execution	
						83

4	1. Non - Manager	1. Bad Economy	1. Lack of business volumes	1. restricted pricing	1. Management	1. Bad Economy
	2. Less than 30 years	2. Public Relations	2	2. restricted pricing	2. Influence performance	
	3. Moderate Experience	3. O`level	3. Commission	3	3. Lack of Corporate Governancy	
	4. O`level	4. COP	4	4. lack of controls	4. Lack of board execution	
5	1. Non-Manager	1. Lack of effective decision making	1. Lack of working capital	1.competition	1.Governance	1.Bad economy
	2. 30+ Years	2. Insurance	2. Lack of profitable investment options	2. low commission rates	2. Influence performance	2. Poor skills
	3. Moderate Experience	3. O`level	3. Commission & fees	3. locking up of resources	3. Lack of corporate governance	
	4. A`level	4.COP	4. lack of business volumes	4. lack of regulation	4.lack of board execution	
6	1. Manager	1.Lack of effective decision making	1. Low profits	1. controlled pricing/ competition	1.Governancy	1. Poor economy
	2. 30+ years	2. Insurance	2. Hostile economy	2. controlled pricing	2. lack of enabling environment	2.Lack of resources
	3. Experienced	3. A`level	3. Commission & fees	3. locking up of resources	3.Lack of corporate governancy	
	4. ACII, IISA	4.Cop	4. Bad economy	4. lack of enforcement	4	
7	1. Non-Manager	1. Lack of effective decision making	1. liquidity	1. competition	1. Fairness	1. Lack of capital
	2. 30+ Years	2. Public relations	2. High expenses	2. controlled pricing, mandatory capital	2. low business volumes	Lack of skills
	3. Moderate Experience	3. None	3. commission	3. shortage of resources	3. Lack of employee satisfaction	

	4. Diploma	4. None	4. low business volumes	4. selective application	4.Lack of board implementation	
8	1. Non-Managerial	1. Lack of skills	1. low profits	1. Maybe	1. Don't know	1. Poor information dissemination
	2.30+ Years	2. Public Relations		2. Maybe	2. Don't know	
	3. Experience	3. None	2. Commission	3. Don't know	3. Maybe	
	4. O'level	4. None	3	4. Don't know	4. Lack of governance	
9	1. Managerial	1. Lack of skills	1. Lack of retainable income	1. Competition	1. running of companies	1. Poor corporate governance
	2. 30+ Years	2. Marketing/ Negotiation	2. Low interest rates	2. mandatory capital	2. low commission income	2. Incompetent staff
	3. Experienced	3. A'level	3. Commission & investments	3. less business volumes	3. Abuse of funds	3. low return on investment
	4. Degree in Business Studies	4. COP	4. Lack of working capital	4. Poor marketing	4. Lack of board execution	
10	1. Manager	1. Lack of effective communication	1. Low profits	1. loss of market share	1. Governance	1.Poor skills base
	2. 30+ Years	2. Customer Care/ Marketing	2. lack of diversification	2. Compulsory Road Traffic Act insurance	2. Fraud	2. poor financial administration
	3. Experienced	3. Insurance	3. Commission & Investments	3. unfair competition	3	3. lack of disposable income
	4. Diploma	4. Computer literacy	4. low prevailing interest rates	4. under pricing	4. Lack of board implementation	4. dollarisation
11	1. Non-Manager	1.Lack of market visibility	1. Don't know	1. decreases market share	1. Controlling	1. Poor information dissemination
	2. 30+ Years	2. Marketing	2. Bad economy	2. registration of companies	2. Don't know	2. centralisation of decision

						making
	3. Experienced	3. O`level	3. Commission & fees	3. Locking up of resources	3.Dont know	3. Poor remuneration
	4. Diploma in Insurance	4. None		4. Low enforcement	4. Don't know	4. Lack of technology
12	1. Manager	1. Lack of competencies	1. Pressure on low income	1. competition	1.Management	1. Lack of employee satisfaction
	2. 30+ years	2. Negotiation skills/ Mathematics	2. Low interest rates	2. mandatory capital	2. few customers	2. lack od decision making powers
	3. Experienced	3. O`level	3. Commission & fees	3. Lack of sanity	3. lack of staff input	3. lack of technology
	4. COP	4.None	4. short credit period	4. Lack of enforcement	4. Lack of board execution	4. low commission rates
13	1. Non-managerial	1. Lack of good strategies	1. Low income and profit	1. Competition	1.Management of companies	1. Poor Human Resources Policy
	2. Less than 30 years	2.Marketing/Maths	2. Low interest rates	2. Prescribed asserts	2. Lack of client loyalty	2. Lack of marketing strategies
	3. Moderate experience	3. O`level	3. Commission & fees	3. Bad economy	3. There is corporate governance	3. Brand contamination
	4. Diploma Human Resources	4. COP	4. Low working capital	4. Lack of monitoring and control	4. Lack of board implementation	
14	1. Non-Manager	1. Lack of investment knowledge	1. Low revenue	1. Poor management style not regulation	1. Governance	1. Location
	2. Less than 30 years	2. Insurance/ Analytical	2.Bad economy	2. Controlled pricing & mandatory capital	2. Few customers	2. Poor Management Style
	3. Experienced	3. O`level	3. Commission, investment & Fees	3. Short credit period	3. Family interferences	3. Lack of capital
	4.COP	4. COP	4. Locking up of resources	4. Lack of mandatory insurances	4. Lack of board execution	4. Lack of skills & expertise

						5. Lack of visibility in the market
15	1. Non-manager	1. Lack of expertise	1. Low income and restricted quality of service	1. reduced clientele base	1. Management of companies	1. dollarization
	2.30+ years	2.marketing/ Accounting/investment	2. Low interest rates	2. registration requirements	2. Less business volumes	2. Poor economy
	3. Experienced	3. O`level	3. Commission/ investments & fees	3. unprofitable pricing	3. There is corporate governance	3. Lack of competitiveness
	4. COP	4. COP	4. Lack of knowledge	4. lack of broker power to sell other insurances	4. Lack of board execution	4. Lack of technology
16	1. Non-manager	1. Lack of skills	1. Don't know	1. too many requirements	1. Don't know	1. Lack of technology
	2. less than 30 years	2. Marketing	2. Don't Know	2. Registration requirements	2. Don't know	2. Lack of marketing
	3. moderate experience	3. O`level	3. Commission & Fees	3. No	3. There is corporate governance	3. Location
	4. COP	4.COP	4. Don't know	4. Sufficient	4. Don't know	4. Competition
						5. High rates

Source: Researcher`s Own

APPENDIX 5: CATEGORIES

Table 4.3: Categories

SKILLS	COMPETITIVENESS	MARKETING	RETURN ON INVESTMENT	ECONOMY	CORPORATE GOVERNANCE	CAPITAL LEVEL	REGULATION
Skills	Pricing	Marketing strategies	Investment Decisions	Interest rates	Board execution	Capital Level	Enforcement
Qualifications	Efficiency	Market visibility	Investment options	Disposable income	Management style		Locking up of resources
Experience	Costs	Brand contamination	Profits	Profits	Transparency		Commission
	Management	Public Relations		Investment options	Leadership		Leverage
	Talent	Location		Investment decisions	Communication		Registration
	Administration	Market share		Return on investments	Decision making		
	Information dissemination	Profitability		Dollarisation			
		Service Delivery					

Source: Researcher`s own