

**Gordon Institute
of Business Science**
University of Pretoria

Financial adviser exit strategies in a tied
agency environment in relation to trust,
socio-emotional wealth and commitment to
stakeholders

Nicholas Wynand Bezuidenhout

14358388

A research project submitted to the Gordon Institute of
Business Science, University of Pretoria, in partial
fulfilment of the requirements for the degree of Master
of Business Administration.

9 November 2015

ABSTRACT

The lack of succession planning by financial advisers poses a threat to the business continuity and sustainable growth of life assurance and investment companies. This study aims to address this problem by developing a profile of financial adviser exit strategies and succession arrangements in a tied agency environment in relation to trust, socio-emotional wealth and commitment to stakeholders, thereby enabling life assurance and investment companies to more effectively manage the succession of their tied financial advisers. A quantitative study was performed analysing 111 responses from an online survey sent to all tied financial advisers aged 55 and over of a large South African life assurer.

The results of the study identify that higher levels of trust, socio-emotional wealth and commitment to clients are related to a stewardship exit strategy which includes succession, with higher levels of trust being related to the existence of succession arrangements. Profiles of exit strategies and succession arrangements were established, enabling the prediction of exit strategies based on trust in non-family and family members and the prediction of succession arrangements based on socio-emotional wealth and trust in non-family members. The study contributes to family business and entrepreneurship theory by identifying a dichotomy of tied financial adviser practices into those that demonstrate family business characteristics and those that do not and by developing a model of financial adviser exit strategies and succession arrangements. The study concludes with recommendations to management of life assurance and investment companies for managing the succession and exit strategies of tied financial advisers.

KEYWORDS

financial adviser exit strategies, succession, trust, socio-emotional wealth, commitment to stakeholders

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Signature: _____

Name: Nicholas Wynand Bezuidenhout

Date: 9 November 2015

TABLE OF CONTENTS

ABSTRACT.....	i
KEYWORDS.....	ii
DECLARATION.....	iii
LIST OF TABLES.....	ix
LIST OF FIGURES.....	x
CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM	1
1.1 Rationale for the research	1
1.2 Evidence of the problem and business need for the study	2
1.3 The theoretical need for the study.....	3
1.4 Relevance of the topic	4
1.5 Relationship between the research problem and the research objectives	5
1.6 Scope of the research.....	5
CHAPTER 2: THEORY AND LITERATURE REVIEW	6
2.1 Introduction.....	6
2.2 Succession and growth.....	6
2.3 Exit strategies for tied financial advisers	7
2.3.1 Financial harvest	7
2.3.2 Voluntary cessation	8
2.3.3 Stewardship.....	8
2.3.4 Predictors of exit strategy decisions.....	9
2.4 Family context (including socio-emotional wealth)	11
2.5 Trust	15
2.6 A stakeholder perspective	16
2.7 Conclusion.....	21
CHAPTER 3: RESEARCH QUESTIONS.....	23
3.1 Problem statement	23
3.2 Research questions.....	23
CHAPTER 4: RESEARCH METHODOLOGY.....	26

4.1	Introduction.....	26
4.2	Research method and design	26
4.3	Time horizon.....	27
4.4	Research instrument.....	27
4.5	Unit of analysis	27
4.6	Population	28
4.7	Sampling frame and strategy	28
4.8	Data collection.....	29
4.8.1	Pilot survey.....	29
4.8.2	Response rate	29
4.9	Validity and reliability	29
4.9.1	Validity.....	30
4.9.2	Reliability.....	30
4.10	Constructs	31
4.11	Data analysis.....	36
4.11.1	Significance level.....	36
4.11.2	Descriptive statistics	37
4.11.3	Statistical tests to identify relationships between the constructs and the financial adviser's preferred exit strategy as well as the existence of a succession arrangement.....	37
4.11.4	Statistical techniques to profile financial adviser exit strategies and succession arrangements	38
4.12	Limitations of research methodology	39
4.13	Ethics	39
CHAPTER 5: RESULTS.....		41
5.1	Introduction.....	41
5.2	A profile of respondents.....	41
5.2.1	Demographic profile.....	41
5.2.2	Long-term orientation and retirement.....	47
5.2.3	Succession strategies.....	51

5.2.4	Preferred exit strategies.....	56
5.3	Research question one: Trust.....	60
5.3.1	Results of validity and reliability tests.....	60
5.3.2	Responses to the three constructs relating to trust	62
5.3.3	Relationship between trust and the financial adviser's preferred exit strategy.....	64
5.3.4	Relationship between trust and the existence of a succession arrangement.....	65
5.3.5	Summary	66
5.4	Research question two: Socio-emotional wealth.....	67
5.4.1	Results of validity and reliability tests.....	67
5.4.2	Responses to the socio-emotional wealth construct.....	67
5.4.3	Relationship between socio-emotional wealth and the financial adviser's preferred exit strategy.....	68
5.4.4	Relationship between socio-emotional wealth and the existence of a succession arrangement.....	69
5.4.5	Summary	69
5.5	Research question three: Commitment to stakeholders.....	69
5.5.1	"Commitment to clients" construct.....	70
5.5.1.1	Results of validity and reliability tests.....	70
5.5.1.2	Responses to the "commitment to clients" construct.....	70
5.5.1.3	Relationship between commitment to clients and the financial adviser's preferred exit strategy.....	71
5.5.1.4	Relationship between commitment to clients and the existence of a succession arrangement.....	72
5.5.2	"Commitment to the product provider" construct	72
5.5.2.1	Results of validity and reliability tests.....	72
5.5.2.2	Responses to the "commitment to the product provider" construct.....	73
5.5.2.3	Relationship between commitment to the product provider and the financial adviser's preferred exit strategy.....	73
5.5.2.4	Relationship between commitment to the product provider and the existence of a succession arrangement.....	74

5.5.3	Summary	74
5.6	Research question four: Profiling financial adviser exit strategies and succession arrangements	75
5.7	Summary of findings	79
CHAPTER 6: DISCUSSION OF RESULTS		84
6.1	Introduction.....	84
6.2	The profile of respondents	84
6.2.1	Demographic profile.....	85
6.2.2	Long-term orientation and retirement.....	85
6.2.3	Succession strategies.....	86
6.2.4	Preferred exit strategies.....	88
6.3	Research question one: Trust.....	89
6.4	Research question two: Socio-emotional wealth.....	91
6.5	Research question three: Commitment to stakeholders.....	93
6.6	Research question four: Profiling financial adviser exit strategies and succession arrangements	95
CHAPTER 7: CONCLUSION		98
7.1	Principal findings	98
7.1.1	A typology of financial adviser exit strategies in a tied agency environment...	98
7.1.2	Categorising tied financial adviser practices into those that display family business characteristics and those that do not.....	99
7.1.3	Succession: Preference for family members and to preserve socio-emotional wealth.....	99
7.1.4	The profiles and predictors of financial adviser exit strategies/succession arrangements in a tied agency environment	100
7.1.5	A model of financial adviser exit strategies in a tied agency environment	100
7.1.6	A model of succession arrangements in a tied agency environment.....	102
7.2	Implications and recommendations for management of product providers...	102
7.2.1	Increasing awareness of exit options and business continuity	103
7.2.2	Ensuring the success of succession arrangements	104

7.2.3	Managing retirement of tied financial advisers	104
7.2.4	Expanding available exit options.....	105
7.2.5	Using the profile and predictors of exit strategies and succession arrangements for adviser selection, tailoring exit strategy offerings and financial modelling	106
7.3	Limitations of the research.....	106
7.4	Suggestions for future research.....	107
7.5	Summary.....	107
	REFERENCES.....	109
	APPENDIX 1: SURVEY QUESTIONNAIRE	117
	APPENDIX 2: TESTING THE CONSTRUCTS FOR NORMALITY	131
	APPENDIX 3: ETHICAL CLEARANCE.....	133
	APPENDIX 4: SCREE PLOTS FOR CONSTRUCT VALIDITY	134

LIST OF TABLES

Table 1 Predictors of exit strategies	10
Table 2 Interpersonal trust survey items.....	31
Table 3 Trust in a family member survey items	32
Table 4 Trust in a non-family member survey items	32
Table 5 Socio-emotional wealth survey items.....	32
Table 6 Commitment to clients survey items	34
Table 7 Commitment to the product provider survey items.....	35
Table 8 Succession period (n = 31).....	54
Table 9 Preferred method of succession (n = 31).....	54
Table 10 Preferred exit strategy for incumbent advisers in succession arrangements (n = 31).....	56
Table 11 Preferred exit strategy frequencies (n = 111).....	57
Table 12 Age by preferred exit strategy.....	58
Table 13 Preferred method of succession (n = 48).....	58
Table 14 Willingness to share business and remuneration with the successor (n=48).59	59
Table 15 Preferred exit strategy by typology.....	59
Table 16 Trust reliability test.....	61
Table 17 Summary of research findings to research question one	80
Table 18 Summary of research findings to research question two.....	81
Table 19 Summary of research findings to research question three	82
Table 20 Summary of research findings to research question four	83
Table 21 Shapiro-Wilk test for normality.....	131
Table 22 Skewness and kurtosis of constructs.....	131

LIST OF FIGURES

Figure 1 Age profile of respondents.....	42
Figure 2 Gender profile of respondents	42
Figure 3 Marital relationship status of respondents	43
Figure 4 Children or no children	44
Figure 5 Education profile of respondents	45
Figure 6 Membership of a professional body.....	46
Figure 7 Certified Financial Planner (CFP) holders.....	46
Figure 8 Financial adviser practices as individual pursuits.....	48
Figure 9 Dependency of the practice on the financial adviser	48
Figure 10 Financial outlook for practices	49
Figure 11 Reliance on the practice for retirement provision	50
Figure 12 Planned retirement age	51
Figure 13 Existence of a succession arrangement	51
Figure 14 Reason for not being in a succession arrangement (n = 78).....	52
Figure 15 Succession arrangements working optimally (n = 33).....	53
Figure 16 Willingness to share business and remuneration with successor (n = 31) ...	55
Figure 17 Histogram of interpersonal trust.....	62
Figure 18 Histogram of trust in a family member	63
Figure 19 Histogram of trust in a non-family member	64
Figure 20 Histogram of socio-emotional wealth	68
Figure 21 Histogram of commitment to clients.....	71
Figure 22 Histogram of commitment to the product provider	73
Figure 23 CHAID tree – Profile of exit strategies	76
Figure 24 CHAID tree – Profile of succession arrangements.....	78
Figure 25 Model of financial adviser exit strategies within a tied agency environment (Author's own model).....	101
Figure 26 Model of succession arrangements within a tied agency environment (Author's own model)	102
Figure 27 Trust scree plot.....	134
Figure 28 Socio-emotional wealth scree plot	134
Figure 29 Commitment to clients scree plot.....	135
Figure 30 Commitment to the product provider scree plot	135

CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Rationale for the research

The problem of managing financial adviser succession planning is presenting itself globally given the age profile of financial advisers, the substantial size of assets that are attributable to their clients as well as the apparent lack of succession planning (Accenture, 2013). Financial advisers are important to clients (Beckett, Hower & Howcroft, 2000), who require ongoing advice and service, as well as to product providers (life assurance and investment companies) for whom financial advisers are a significant distribution channel. As such, should succession planning arrangements not be in place or not be working optimally there will be significant consequences for the financial services industry from a client retention and revenue perspective.

In 2012, there were approximately 17 400 financial advisers within the life insurance industry in South Africa (Biddulph, 2012). Financial advisers fall into three categories: tied agents/advisers, multi-tied agents/advisers and independent financial advisers. According to the Financial Services Board (2014), “A financial adviser is a tied adviser if the adviser has an employment or other relationship with or mandate from a product supplier which restricts the adviser to providing advice in relation to the products of that product supplier only” (p. 3). Within this relationship or mandate, a tied agent typically runs his/her own business practice akin to a business owner and is only able to market the products and services of that particular product provider. According to the Financial Services Board (2014) approximately half of the Financial Planning Institute of South Africa’s 6 000 financial adviser members are tied agents of a single life assurance or investment company with 28.8% of assets on the platforms of South African Linked Investment Service providers (Association for Savings and Investment SA, 2015a) and 38.7% of long-term insurance gross new business premiums for the first 6 months of 2014 being attributable to tied agents (Association for Savings and Investment, 2015b).

The age profile of financial advisers both in South Africa and in the United States (Accenture, 2013; The Institute of Practice Management, FAnews & The Financial Planning Institute, 2012) and improving global mortality (Purushotham, Valdez & Wu, 2011) has made succession planning for financial advisers increasingly complex. These factors, when compounded with the shortage of competent successors, may result in financial advisers extending their careers well beyond normal retirement age. This will pose a challenge to product providers in managing their tied financial advisers in an

economically viable way whilst preventing attrition of their clients over time. Attrition of clients may be to other financial advisers, with whom the product provider has no association, who may encourage clients to switch product providers, causing loss of revenue for the original product provider.

Thus, the exploration of tied financial adviser exit strategies, including succession, and the factors related to the financial adviser's exit strategy decision is necessary to gain a better understanding of the succession problem. This exploration is the first step to enable management of product providers to address this problem.

1.2 Evidence of the problem and business need for the study

The potential financial impact of the lack of financial adviser succession on business is sizeable given the substantial assets under management attributable to clients of tied financial advisers and the apparent shortage of younger advisers as potential successors. According to Accenture (2013) only 29% of financial advisers in the United States have defined or implemented a succession plan. Of concern is that, of those, 59% of advisers within five years from retirement did not have an identified buyer or successor for their practices (Accenture, 2013). In South Africa, 75% of financial advisers revealed that they had a business continuity plan in place (The Institute of Practice Management, FAnews & The Financial Planning Institute, 2012) which is a requirement of the Financial Advisory and Intermediary Services Act (37 of 2002). However, it is not clear whether these plans have made adequate provision for succession planning, whether any action has been taken to implement them or whether these succession plans are in fact working.

A contributor to the problem of succession planning is the number of financial advisers close to retirement compared to the number of younger financial advisers available to succeed them. According to Accenture (2013), a large number of advisers are approaching retirement with 53% of the workforce over age 50 and only 25% under age 40. In South Africa the average financial adviser age is 54 with 57% of financial advisers having experience of over 20 years whilst only 5% have experience of less than 5 years (The Institute of Practice Management, FAnews & The Financial Planning Institute, 2012). This may point to a shortage of available successors.

In the United States, financial advisers over the age of 60 control assets worth 2.3 trillion United States dollars (Accenture, 2013). In South Africa, 93.7% of collective investment scheme assets (878 265 million South African rand) on the platforms of linked investment service providers are attributable to financial advisers (Association for Savings and

Investment SA, 2015a). Thus, a lack of effective succession planning may have a significant negative effect on clients, in terms of receiving ongoing advice and service, and product providers in terms of client retention and future revenues. There is thus a pressing business need for this study as an understanding of the factors related to a financial adviser's exit strategy decision will enable management action to address this problem.

1.3 The theoretical need for the study

Recent academic theory in the fields of family business, entrepreneurship, human resource management and management has examined succession planning in family businesses from a number of facets. DeTienne, McKelvie and Chandler (2015) considered the typology and choice of exit strategy whilst DeTienne and Chirico (2013) examined the factors that influence the choice of exit strategy. Recent theory further examined the choice of successor (Dehlen, Zellweger, Kammerlander & Halter, 2014; Gómez-Mejía, Cruz, Berrone & Castro, 2011), the knowledge transfer process (Hatak & Roessl, 2015) and the personal attributes of the incumbent and successor (Cabrera-Suárez & Martín-Santana, 2012; Gagnè, Wrosch & Brun de Pontet, 2011; Meier & Schier, 2014; Schlepphorst & Moog, 2014).

DeTienne et al. (2015) identified the need for further research into the factors that influence the choice of exit strategy. This was supported by Dehlen et al. (2014) who highlighted the need to understand the influence of trust asymmetry and the family situation on the choice of exit routes. Kammerlander (2014) identified a gap in the literature regarding the non-economic factors influencing the choice of exit strategy. Graebner (2009) called for further research on trust asymmetries in strategic alliances, which would include succession. According to Justo and DeTienne (2008), future research involving voluntary entrepreneurial exit should consider the family context and gender. As interpersonal trust and family context are likely to influence a financial adviser's exit strategy decision, the relationship between these factors and the exit strategy decision should be researched to expand theory in this area. The application of a stakeholder perspective to this research, in the context of a tied agency environment, where the product provider to whom the agent is tied is a significant stakeholder, answered the call for the inclusion of theories such as stakeholder theory in family business research (Chrisman, Kellermanns, Chan & Liano, 2010; DeTienne et al., 2015).

1.4 Relevance of the topic

Where consumer confidence is low owing to product complexity and uncertainty of results, such as for investment and pension products, consumers will seek advice and relationships to reduce uncertainty (Beckett et al., 2000). Trust is thus a crucial component of this relationship (Beckett et al., 2000). For investment products, a trusted third party is often sought out for advice where “in many instances trust is personalised, being based on having a relationship with a reliable and respected financial adviser” (Beckett et al., 2000, p. 22). “By forming a relationship with a bank or individual, the consumer prefers that relationship to alternatives. The relationship enables the banks (or an individual) to differentiate itself from competing alternatives” (Beckett et al., 2000, p. 24). Financial advisers are thus highly relevant to customers for the provision of advice in respect of complex products such as life insurance, retirement and investment products. The ability of financial advisers to implement effective exit strategies is therefore relevant to the continued provision of advice. The relevance of this research to product providers is outlined above through evidence of the business problem.

The proposed implementation of the retail distribution review proposals by the South African Financial Services Board, expected to be implemented in or after 2016, made this research timely. These proposals outline the need for product providers to ensure fair customer outcomes and a sustainable financial adviser business model through improving business succession planning and business continuity (Financial Services Board, 2014). Ongoing advice fees will also only be payable to financial advisers where agreed to by clients and where ongoing advice is actually provided (Financial Services Board, 2014). Succession planning and business continuity through effective exit strategies will thus be crucial to preserving the economic value of the financial adviser’s practice as a going-concern and in ensuring customers are treated fairly by continuing the provision of advice once the incumbent financial adviser has exited. A review of the *Journal of Financial Planning* revealed a significant focus on succession planning with recent articles covering topics such as: enabling the success of future generations (Flaxington, 2014), the next generation’s perspective of succession (Pitzl, 2012), human capital and succession (Walker & Forbes, 2014a), reframing succession planning (Walker, 2013; Walker & Forbes, 2014b), the failure to plan for succession (“Planners fail to plan”, 2014) and “Succession Planning: Are you proactive or reactive?” (Flynn, 2014, p. 24). As the *Journal of Financial Planning* in many cases does not incorporate academic theory, this journal is excluded from the literature review but serves to highlight the current relevance of succession as a business problem for financial advisers.

1.5 Relationship between the research problem and the research objectives

The objective of this research is to develop a profile of preferred exit strategies and succession arrangements for tied financial advisers and to understand how factors such as trust, family situation and stakeholder commitment are related to the tied financial adviser's preferred exit strategy decision as well as to the existence of a succession arrangement. This understanding will enable product providers to offer tailored exit strategy options and to better manage the exit (or succession) of their tied financial advisers. This will increase the incidence and effectiveness of succession arrangements, thereby addressing the problem of succession.

1.6 Scope of the research

The scope of this research is limited to exploring the exit strategies and succession arrangements of tied financial advisers in South Africa. As financial planning practices may have family business characteristics such as: family owner influence on the strategic direction of the business (Chrisman, Chua & Sharma, 2005), the desire to maintain family ownership and management control (Litz, 1995), the aspiration to have family relations working within the business (Litz, 1995), family owned business context and capital transfer (Bagby, 2004), the research problem will be examined according to theory in the context of family business succession and exit strategies. Succession planning in this context is defined as "the deliberate and formal process that facilitates the transfer of management control from one family member to another" (Sharma, Chrisman & Chua, 2003, p. 1). Exit strategies are defined as the intended exit route that the incumbent financial adviser wishes to follow to exit his/her practice. This is similar to the definition provided by DeTienne et al. (2015) with the focus being changed from the entrepreneur to the tied financial adviser. Recent theory on succession planning and exit strategies is taken from the fields of family business, entrepreneurship, human resource management and management.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 Introduction

This chapter commences by examining the impact of succession on business growth and the transfer of knowledge. Succession is likely to be the most widespread exit option made available to tied financial advisers owing to the need for the product provider to preserve relationships with their clients. However, this may not meet the specific needs of all tied financial advisers. As such wider possible exit strategies that may be preferred by financial advisers in a tied agency environment are explored in conjunction with succession. In many cases, tied financial advisers may be faced with making a choice of exit strategy from a range of possible exit options. As such, given this choice, the factors influencing the desired choice of exit route are explored with specific emphasis given to the areas of family context, trust and stakeholder commitment which require further exploration.

2.2 Succession and growth

Having a succession process in place and communicating it is essential for business growth (Eddleston, Kellermanns, Floyd, Crittenden & Crittenden, 2013). The succession process enables the transfer of tacit knowledge (Cabrera-Suárez, De Saá-Pérez & García-Almeida, 2001; Chirico & Nordqvist, 2010), a key source of competitive advantage, from the incumbent to the successor. In the context of a financial planning practice succession is crucial for business continuity. Given low current levels of succession planning (Accenture, 2013), effective succession planning and the founder's willingness to engage in it are key to addressing the research problem. This supports the need for further research to identify the factors that influence the founder's willingness to engage in the succession process (Eddelston et al., 2013). Slowing family firm growth rates following succession from the first to the second generation, owing to conflicts, risk aversion and focus on wealth preservation (Molly, Laveren & Deloof, 2010) should be of concern to product providers, many of whose tied financial advisers are likely to be the first generation founders of the practice. Whilst succession is likely to be the most widespread exit option made available to tied financial advisers owing to the need for the product provider to preserve relationships with their clients, this may not meet the specific needs of all tied financial advisers. Succession and wider exit strategies are explored next.

2.3 Exit strategies for tied financial advisers

Wennberg, Wiklund, DeTienne and Cardon (2010) categorised entrepreneurial exit routes as harvest sale, distress sale, harvest liquidation and distress liquidation. DeTienne et al.'s (2015) expanded typology of entrepreneurial exit strategies comprises the categories of financial harvest (acquisition by another company), voluntary cessation (liquidation or discontinuance) and stewardship (succession or sale to an individual). This typology provides a useful framework within which to analyse tied financial adviser exit strategies. The available exit strategy options will vary between product providers depending on what options are made available to the financial adviser tied to that product provider. In this study, the typology was tested within the services field and within the context of family business transfer. The application of this typology to these areas is supported by DeTienne et al. (2015). The exit strategy categories within this typology are discussed next.

2.3.1 Financial harvest

A financial harvest strategy describes the acquisition of the business by another company or by raising capital via the listing of the company through an initial public offering (DeTienne et al., 2015). Both options allow the owner to liquidate his/her interests in the business. In the setting of a tied financial adviser practice a financial harvest strategy would most likely be followed through acquisition and would result in the financial adviser divesting from his/her practice in return for monetary compensation. Predictors of a financial harvest strategy are the perception by the founder that the business is innovative and that the founder follows rational decision making based on cause and effect (DeTienne et al., 2015). This is probably because innovative businesses are attractive to purchasers and rational decisions are made to prepare the business for acquisition (DeTienne et al., 2015). As a tied financial adviser is tied to a single product provider it may not be possible to sell the practice to an outside company unless that company represents the same product provider. A financial harvest strategy may be possible where the practice is sold to a franchised company where the company itself is a tied representative of the product provider. Until recently in South Africa, product providers in some instances offered tied financial advisers, of competing product providers, large lump sums to switch across to them. This practice resulted in the churning of clients from one product provider to another. As this may not have been in the client's best interests, the practice of paying lump sums to attract tied financial advisers to switch product providers has been prohibited since December 2014

(Financial Services Board, 2015a). Although this practice was not an exit strategy in the true sense of the word it was a form of financial harvest allowing the tied financial adviser to extract capital from the existing practice. A financial harvest strategy may result in the financial adviser leaving the practice immediately upon sale or may involve a handover process to another financial adviser within the acquiring company. As the retention of clients is highly dependent on a smooth transition, the acquiring company may require the incumbent financial adviser to serve out a mandatory period to ensure continued income generation from existing clients.

2.3.2 Voluntary cessation

Under voluntary cessation, which includes liquidation or discontinuance, the business venture would cease to operate either because it has been abandoned or as a result of its purpose being fulfilled (DeTienne et al., 2015). Following this exit strategy, the tied financial adviser would cease to provide services to the clients of the practice. This may occur through termination of the representative mandate or employment contract with the product provider through resignation or retirement. In this scenario the product provider would in all likelihood seek to allocate the clients of the practice to another tied financial adviser. This exit strategy is likely to result in the highest attrition of clients as there has been no prior handover or succession process. Voluntary cessation strategies are predicted where there are few founders, the firm has few employees and the founder does not perceive the firm to be innovative (DeTienne et al., 2015). Voluntary cessation strategies may also be preferred where the owner has envisioned a short time frame for the business (DeTienne et al., 2015). In a tied financial adviser setting there is only one founder and there are usually few employees. However, it is unlikely that the adviser would have a short time frame in mind due to the time and energy needed to build up a practice and to establish the desired long-term client relationships.

2.3.3 Stewardship

The stewardship exit strategy involves either selling the business to an individual, an employee buyout or transferring the business to a successor (DeTienne et al., 2015). This strategy allows the founder to maintain influence over the business into the future to ensure its continued viability (DeTienne et al., 2015). In a tied financial adviser setting, sale of the business to an individual or transferring the business to a successor are likely to be the most viable options under a stewardship exit strategy as employees usually perform an administrative function. In order for a tied financial adviser to ensure continued income generation from his/her practice it is likely that a succession or

handover process will be followed. Entrepreneurs with a stewardship perspective are motivated more by autonomy than by extrinsic rewards (DeTienne et al., 2015). Increased socio-emotional wealth promotes a stewardship exit strategy for succession but discourages exit strategies based on sale and liquidation (DeTienne & Chirico, 2013). Socio-emotional wealth is defined as the “non-financial aspects of the firm that meet the family’s affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty” (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson & Moyano-Fuentes, 2007, p. 106). As financial advisers with significant tenure are likely to have high levels of socio-emotional wealth invested in the business, valuing autonomy and feeling an intrinsic responsibility towards their clients’ continued wellbeing, the predominant exit strategy may be one of stewardship. As succession may be a lengthy process for tied financial advisers, this is likely to pose significant management challenges for the product providers that they represent.

2.3.4 Predictors of exit strategy decisions

As the ultimate choice of exit strategy is an outcome, it is dependent on multiple factors. Human capital factors, such as age, experience and education, as well as failure avoidance strategies, such as taking on external work and reinvestment into the business, influence the choice of entrepreneurial exit strategy (Wennberg et al., 2010). As experience or age increased so did the founder’s willingness to exit (Wennberg et al., 2010). However, use of failure avoidance strategies as described above made exit less likely and reduced the likelihood of a financial harvest exit strategy (Wennberg et al., 2010). In small firms, higher levels of experience and education made a financial harvest exit strategy more likely, due to the expectation of greater value extraction from the business (DeTienne & Cardon, 2012). DeTienne et al. (2015) identified the following additional predictors of the choice of intended exit strategy: characteristics and motivation of the founder, the number of founders of the business, firm size (number of employees), the founder’s initial perception of the innovativeness of the venture, and the practice of ‘causation-based decision processes,’ that is, making rational decisions based on cause and effect. Statistically significant relationships between these factors and the founder’s exit strategy are presented in Table 1.

Table 1 Predictors of exit strategies

Factors	Exit strategy		
	Financial harvest	Voluntary cessation	Stewardship
Founder age	-ve association younger founders are more likely to select financial harvest		
Motivated by autonomy			+ve association The greater the motivation by autonomy, the greater the likelihood of a stewardship exit strategy
Extrinsic motivation			-ve association The lower the founder's extrinsic motivation, the greater the likelihood of selecting a stewardship exit strategy.
Number of founders			-ve association The smaller the size of the founding team, the more likely that a stewardship exit strategy will be selected.
Number of employees		-ve association The fewer the number of employees the more likely the founder is to select a voluntary cessation strategy	+ve association The greater the number of employees, the greater the likelihood of pursuing a stewardship exit strategy.
Perceived innovativeness of the venture	+ve association The greater the perceived innovativeness of the venture the more likely that a financial harvest strategy would be selected	-ve association The lower the perceived innovativeness of the venture, the greater the likelihood of a voluntary cessation strategy	
Causation-based decisions	+ve association The greater the use of causation-based decision making by the founder, the greater the likelihood of a financial harvest exit strategy	-ve association The less the use of causation-based decision making by the founder, the greater the likelihood of a voluntary cessation strategy	

Note. Adapted from “Making sense of entrepreneurial exit strategies: A typology and test” by D.R. DeTienne, A. McKelvie and G.N. Chandler, 2015, *Journal of Business Venturing*, 30(2), p. 267.

Kammerlander (2014, p. 27) has added to the understanding of non-economic factors influencing entrepreneurial exit strategies by establishing that “perceived firm performance, managerial tenure within the firm, and the relationship (“familiarity” or “closeness”) between the owner-manager and successor” affect the owner’s loss aversion which, in turn, influences the “emotional pricing discount” that the owner is willing to offer to his/her successor on the sale of the business. These factors will thus determine whether selling the business is a viable exit strategy based on the desired price (Kammerlander, 2014). However, should the owner rely on the business for

retirement provision, these “emotional pricing discounts” are likely to be less (Kammerlander, 2014). This is likely to be the case for financial advisers as they may be dependent on annual revenue streams from the business and may view the unlocking of equity from their practice as part of their retirement plan. This may make it difficult to find a successor who is willing to pay the desired price. In addition to these non-economic factors, the financial outlook for the firm and long-term orientation of the firm influence the choice of exit strategy with family successors being likely for firms with a long-term orientation and external successors being likely for firms where the outlook is uncertain (Wennberg, Wiklund, Hellerstedt & Nordqvist, 2011).

Further research is needed to understand the role of family context, trust, and stakeholder commitment in the incumbent’s choice of exit strategy (Dehlen et al., 2014; DeTienne et al., 2015). These factors are discussed in sections 2.4, 2.5 and 2.6 respectively. Additional factors that may impact exit strategies requiring further research are funding sources, the level of funding and the type of business (DeTienne et al., 2015). Aside from examining exit strategies in the context of a professional service environment the sources and levels of funding are not investigated in this research as they are not directly applicable to a tied agency environment.

2.4 Family context (including socio-emotional wealth)

For the purposes of this research, family context is multifaceted and refers to: the tied financial adviser’s marital status and the dependency of family members on him/her (Justo & DeTienne, 2008); the availability of suitable successors within the family (Bagby, 2004; Hatak & Roessl, 2015); together with the family identity derived from the business, the family’s influence on the business, the desire to maintain family control of the business and the expectation to leave a family legacy (Gómez-Mejía et al., 2007). The availability of suitable successors within the family as well as family-related factors affecting socio-emotional wealth may impact exit decisions. The inclusion of the family context in the examination of entrepreneurial exit strategies is supported by Justo and DeTienne (2008) who identified marital status and family dependence as significant predictors of an entrepreneur’s decision to exit the business voluntarily.

Within the family business context, the origin of the successor needs to be considered in more detail (Bagby, 2004). The four types of successors proposed by Bagby (2004) include “the inside family member, the inside professional (non-family) member, the outside family member (who is not currently involved in the business), and the outside professional manager” (p. 332). Thus, the availability of suitable successors in each of

the categories may affect the exit strategy. However, Dehlen et al. (2014) argued that based on information asymmetry the incumbent of a privately owned enterprise is more likely to select a successor from his/her own family. Their results indicated that the probability of an external successor being selected was less than 25%. This presupposes that there is an available family member with the requisite hard and soft skills to be a suitable successor (Schlepphorst & Moog, 2014). In the case of financial adviser succession, due to the transfer of client relationships, soft skills should include relational competence, defined as “the ability of a party to initiate and maintain relationships” (Hatak & Roessl, 2015, p. 16). Hatak and Roessl (2015) identified a strong positive correlation between the relational competence of the incumbent and successful knowledge transfer to the successor within the family. However, these authors did not investigate the impact of the relational competence of the successor in this process. Hatak and Roessl (2015) emphasized the need for relational competence to be incorporated into research in other settings including the relationship between the incumbent and the customers of the firm.

Where there is a preference for succession by a family member, product providers may face significant challenges where the tied financial adviser does not have an available or appropriate family successor and will need to understand how to manage this situation. Factors that reduce information asymmetry such as successor screening, the successor’s educational achievements as well as the successor’s prior work experience may increase the likelihood of the selection of an external successor (Dehlen et al., 2014).

In a family business context it is necessary to consider the desire to preserve socio-emotional wealth which is an additional driver of the choice of successor and the design of the succession process in family businesses (Gómez-Mejía et al., 2011). Socio emotional wealth encompasses the non-financial benefits enjoyed from the business such as family identity, family influence, family control and family legacy (Gómez-Mejía et al., 2007). Examples of socio-emotional wealth are the ability to exercise authority, fulfilling the need for belonging, intimacy, emotional bonds, the dissemination of family values through the business, preserving social capital, the ability to engage in nepotism and the ability to assist in the welfare of family members (Gómez-Mejía et al., 2007). The five dimensions of socio-emotional wealth proposed by Berrone, Cruz, and Gómez-Mejía (2012) denoted by the acronym “FIBER” are “Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment of family

members, and Renewal of family bonds to the firm through dynastic succession” (p. 259). These dimensions are expanded upon next.

Family control and influence

Family control and influence by family members is necessary to preserve socio-emotional wealth and can be achieved through formal and informal control mechanisms such as through ownership of the business, through status or based on personal charisma (Berrone et al., 2012). As such, in a family business, the family will prefer to maintain control of the business even if it leads to sub-optimal financial performance (Gómez-Mejía et al., 2007). Where socio-emotional wealth preservation is valued by the tied financial adviser, this would imply preference for succession by a family member.

Family members’ identification with the firm

As the family member who is the owner of a family business is inseparable from the firm, which often bears the family name, the business is seen as an extension of the family (Berrone et al., 2012). Consequently, the identity of family members and the business owner is strongly linked to the business. Therefore, the family will be protective of the image of the business (Berrone et al., 2012). Depending on the family context, the desire to preserve the identity of the family as well as to protect the image of the business is thus likely to play a role in the tied financial adviser’s exit strategy decision.

Binding social ties

Binding social ties refers to the family business’ social relationships (Berrone et al., 2012) to which it is committed. These ties may exist between family members in the form of kinship as well as between the family business and its suppliers and the community (Berrone et al., 2012). It is argued that these ties will encourage family businesses to promote the wellbeing of those to whom they feel committed (Berrone et al., 2012). In the case of tied financial advisers this may be family members, clients, or managers of the product provider. The desire to pursue this wellbeing may thus influence the chosen exit strategy as each exit strategy option will have different implications on these relationships. For example, succession would allow the gradual handover of ties with clients whilst financial harvest may result in a more sudden break in these ties.

Emotional attachment

Emotional attachment “refers to psychological appropriation of the firm by the family in order to maintain a positive self-concept” (Berrone et al., 2012, p. 263). This may result from the identification of the family with the business, their need for belonging as well as to protect a legacy (Berrone et al., 2012). Emotional attachments may lead to altruistic behaviour and may foster trust in family members over outsiders (Berrone et al., 2012). The family’s emotional attachment may thus influence the desire to appoint a family successor or the desire not to sell the practice of the tied financial adviser, thereby playing a role in the exit strategy decision.

Renewal of family bonds to the firm through dynastic succession

Dynastic succession relates to the transfer of the business to future family generations (Berrone et al., 2012). As family businesses in general have a preference to preserve the family dynasty and to transfer the business to future generations (Berrone et al., 2012) this has implications for the choice of exit strategy. For tied financial advisers, where this dimension is present, a stewardship strategy may be preferred where the successor is a family member.

The loss of socio-emotional wealth as a result of embarking upon a financial harvest, voluntary cession or stewardship exit strategy, involving a non-family successor, will most likely result in reduced intimacy amongst family members, a negative impact on status of the family and an inability to fulfil family expectations (Gómez-Mejía et al., 2007). The strength of the desire to protect socio-emotional wealth thus depends on the role and involvement of the family in the firm. Business owners should be cautious of the desire to protect socio-emotional wealth as it may become harmful to family firm succession if there is too much focus placed on socio-emotional issues rather than issues of financial performance in the boardroom (Minichilli, Nordqvist, Corbetta & Amore, 2014). The founder, relative to subsequent successors, is least likely to be willing to cede control of the firm (Minichilli et al., 2014) which may make the implementation of exit strategies problematic for family firms where the founder still controls and manages the firm. For tied financial adviser agencies, it implies that product providers may face substantial challenges in implementing exit strategies for first generation financial advisers who control and manage their practices. The challenge is less for subsequent family member successors and even less for non-family member successors as family influence is likely to be less the further removed the successor is from the original founder

(Gómez-Mejía et al., 2007). As such, the desire to protect socio-emotional wealth within the family, built up over many years may affect the financial adviser's exit strategy and where succession planning is chosen, their choice of successor. The five dimensions of socio-emotional wealth proposed by Berrone et al. (2012) may play a role in influencing this decision.

To measure the impact of family context, specifically socio-emotional wealth, on the financial adviser's preferred exit strategy and the existence of a succession arrangement, survey items included questions pertaining to the financial adviser's marital status and dependents together with an adaptation of the survey items proposed by Berrone et al. (2012, p. 266) to measure the dimensions of socio-emotional wealth. These adapted survey items are provided in section 4.10. Berrone et al.'s (2012) original survey items designed to measure the dimensions of socio-emotional wealth had not been subjected to construct validity tests (Berrone et al., 2012) prior to this research.

2.5 Trust

Trust is relevant to exit strategy decisions, as in family business acquisition the relationship between the incumbent and acquirer must be based on trust (Meier & Schier, 2014). This may explain why succession intra-family may be preferred in a financial planning setting. In relation to the incumbent's retirement decision, trust in the successor and the ability to set new goals influence the incumbent's planned retirement date (Gagnè et al., 2011). Kammerlander (2014) linked trust in the successor to the owner-manager's confidence that the business will continue to run successfully. This in turn is linked to the willingness to offer "emotional discounts" on the sale price of the business (Kammerlander, 2014) which in turn may make sale of the business more likely. Trust asymmetry, that is the imbalance between "parties' views regarding trust and trustworthiness" (Graebner, 2009, p. 436) encourages deception between parties in firm acquisitions (Graebner, 2009). As this deception may influence exit strategy decisions, further research on trust asymmetry in the area of exit strategies (Dehlen et al., 2014) and strategic alliances (Graebner, 2009) is needed. Examining trust, including trust asymmetry, in tied financial adviser exit strategies, including succession, responded to this need.

An individual's propensity to trust, in general, is influenced by age, marital status, home ownership and financial wellbeing (Etang, Fielding & Knowles, 2012) together with the degree of the individual's social connection (Glaeser, Laibson, Scheinkman & Soutter, 2000). Examining trust in the context of tied financial adviser exit strategies requires the

need to measure interpersonal trust as it is based on the trust between the incumbent and potential successor/acquirer. As trust in the context of exit strategies is specific to one setting and group of people, that is a potential family or non-family successor, it falls within the theory of strategic trust (Bulloch, 2012). Bulloch (2012) referred to strategic trust as a “rational, interest maximising response on the part of A, which is dependent on a second party, B, and sometimes a particular circumstance, X.” (p. 1291) which is mutually beneficial to both parties. The decision to trust is based on the specific individuals, circumstances and risks involved. Available information and past experience is crucial to this decision (Bulloch, 2012). Five questions are usually used to measure interpersonal trust (Bulloch, 2012):

- the trust versus caution question: “Generally speaking, would you say that most people can be trusted or that you can’t be too careful in dealing with people?” (p. 1295),
- the trust versus no trust question: “On balance, would you say that most people can’t be trusted or that most people can be trusted?” (p.1296),
- the trust-in-neighbour question: “Would you say that many of the people in your neighbourhood can be trusted? Some can be trusted? A few can be trusted? Or that none of the people in your neighbourhood can be trusted?” (p.1296),
- the perceived fairness question: “Do you think that most people would try to take advantage of you if they got a chance or would they try to be fair?” (p.1296),
- the perceived helpfulness question: “Would you say that most of the time people try to be helpful or are they mostly looking out for themselves?” (p. 1296).

The questions above are criticised as they draw from two conceptualisations of trust, namely strategic trust and moral trust which can affect construct validity. The survey questions relating to the generally used measures of trust (Bulloch, 2012), excluding the trust-in-neighbour question (due to lack of relevance) have been adapted to the specific context of tied financial adviser exit strategies within a specific tied agency environment to align with the single conceptualisation of strategic trust. The framing of the questions according to a single conceptualisation, in this case, strategic trust, increased the construct validity of the survey (Bulloch, 2012). These adapted survey items (Section 4.10) had not been subjected to construct or reliability tests prior to this research.

2.6 A stakeholder perspective

Chrisman et al.’s (2010) study on the intellectual foundations of family business research has revealed that research has largely built on the two theories of agency theory and

resource based view. Future studies could develop on these theories or apply other theoretical approaches such as stakeholder theory, amongst others (Chrisman et al., 2010). The succession process in family firms has been specifically studied from a resource and knowledge based perspective (Cabrera-Suárez et al., 2001) and as such there appears to be a gap for the formal application of stakeholder theory in succession research. The use of the theories above in isolation has however been criticised in the family business context by Blumentritt, Mathews and Marchisio (2012) claiming that they have not led to conclusive theoretical or empirical explanations about what leads to success or failure in family business succession, although they have acknowledged that they have led to interesting insights. Despite this criticism, the application of stakeholder theory to the subject of financial adviser succession in a tied agency environment is highly relevant given that relationships with stakeholders such as clients and the product provider are crucial to the success of the practice. Fundamentally, the practice exists first to serve its clients and its ability to do so depends on the product offering and service levels of the product provider. Furthermore, the product provider holds the tied agent accountable for conduct and performance. Additionally, “family businesses face a unique set of challenges in prioritizing which stakeholder groups matter most” (Mitchell, Agle, Chrisman & Spence, 2011, p. 235) and “the intimate involvement of family stakeholders in an organisation represents the fundamental distinction between family and non-family firms” (Mitchell et al., 2011, p. 235). A profession, such as the financial planning profession, may be seen as a hybrid organisation in that it is subject to multiple identities and institutional logics which expose the profession to increased stakeholder and ethical conflicts (Mitchell, Agle & Wood, 1997).

Stakeholder theory encourages consideration of the nature of the relationships that are needed between management and stakeholders to achieve the purpose of the firm (Freeman, Wicks & Parmar, 2004). Consequently, the maintenance or successful transfer of key stakeholder relationships during the succession process would be crucial to the future success of the firm. In the context of a financial planning practice, social capital in the form of client relationships (McDougald, 2011) may be considered a key resource, crucial to the viability of the practice. Broschak and Block (2014) defined social capital as “the value inherent in firms’ social relations” (p. 745) and further postulated that “where buyers operate at informational disadvantages to sellers, social capital is likely to play a prominent role in the formation and continuity of market ties.” (p. 762). Owing to information asymmetry this is likely to be the case in financial planning where financial advisers are the “sellers” and clients the “buyers.” As such, tied financial advisers have high levels of social capital, leading to increased commitment to the

practice and increased reluctance to relinquish control (Gómez-Mejía et al., 2007). This is as a result of emotional attachments to clients, exit costs both in terms of lost socio-emotional wealth and financial costs, together with moral obligations to clients (Gómez-Mejía et al., 2007). As the majority of social capital is found in organisational roles that have market ties (Broschak & Block, 2014), which encompasses the role of the tied financial adviser, research into conditions that lead to the disruption of market ties, for example exit of the holder of the market ties, is needed (Broschak & Block, 2014).

As such, understanding the mechanisms that allow retention of social capital following exit is of vital importance. As the relational qualities of family firms with respect to their customers result in stronger consumer preferences for their products and services (Binz, Hair Jr., Pieper & Baldauf, 2013), product providers may find it difficult to secure customer preferences post exit of the incumbent financial adviser without effective succession. Furthermore, there is a risk of client attrition following exit of the financial adviser as when exchange managers exit a professional service firm, it results in the loss of clients (Broschak, 2004; Somaya, Williamson & Lorinkova, 2008). This loss of clients may hurt the future success of the firm (Somaya et al., 2008). To counter the loss of clients in such a human capital dependent environment, multiple ties to clients are needed (Rogan, 2014) and for financial harvest exit strategies professional staff need to remain in place (McDougald, 2011).

In line with understanding stakeholder relationships, DeTienne et al. (2015) identified the need for further research into the factors that influence the choice of exit strategy such as, in the case of stewardship exit strategies, “factors that fit into the rubric of commitment to other stakeholders such as firm mission, customer base, or even investor relations” (p. 269) as well as how family business transfer can fit into their typology. This provides further justification for the application of stakeholder theory to studies on exit strategies. The factors mentioned above refer to the firm’s purpose, the ties with their customers and the relationship with investors. Tied financial advisers may have a deep purpose driving what they do as well as a strong commitment to clients on whom they depend and with whom they have developed a bond.

The question arises as to whether a tied financial adviser’s commitment to a particular stakeholder affects the chosen exit strategy. It is proposed that the level of commitment can be ascertained by asking questions relevant to loyalty, willingness to promote the stakeholder’s interests and evaluating the tied financial adviser’s perception of stakeholder importance. The perception of stakeholder importance will be ascertained by asking questions to examine Mitchell et al.’s (1997) three attributes of stakeholder

saliency, namely, power, legitimacy and urgency. Stakeholder saliency is defined as “the degree to which managers give priority to competing stakeholder claims” (Mitchell et al., 1997, p. 854). Mitchell et al. (1997) proposed that stakeholder saliency is greatest where the stakeholder is perceived to have all three attributes of power, urgency and legitimacy. These attributes can change over time and depending on circumstance (Mitchell et al., 1997). These attributes are discussed next.

Power

The attribute of power exists where the stakeholder can achieve his/her/its will based on “coercive, utilitarian or normative means” (Mitchell et al., 1997, p. 865). In a tied agency setting the financial adviser may feel a duty to serve the interests of the product provider and/or the product provider may exercise coercive measures through financial rewards to encourage decisions in line with their interests. Whilst clients may not have coercive power, the tied financial adviser may feel a normative and utilitarian obligation to serve their interests. In a family business setting, Mitchell et al. (2011) argued that normative power is more prominent than utilitarian power owing to the presence of family factors such as loyalty, kinship and social capital. Normative power in a family business setting is defined as power based on “prestige, esteem, and social symbols, such as love and acceptance” (Mitchell et al., 2011, p. 242). It includes power sources such as altruism, paternalism and spousal influence (Mitchell et al., 2011). This power may lead to decisions that are not in line with stakeholder interests (Mitchell et al., 2011) which in a tied financial adviser setting include client and product provider interests. As such the exit strategy decision may be influenced by this normative power.

Legitimacy

Legitimacy is defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). From this definition the interests of both the product provider and client would most likely be seen as legitimate. This definition is based on a social approach which may not encompass all forms of legitimacy in a family business setting owing to the presence of legacy-based legitimacy which incorporates inheritance and privilege as part of its construct. Legacy-based legitimacy in a family business setting is defined as “possessing status conferred by birth and/or relationship-based privilege” (Mitchell et al., 2011, p. 244). Consequently, current, past and future generations of family members are seen as legitimate stakeholders (Mitchell et al., 2011). The desire to leave a legacy to future family generations and to honour the will of past family generations will thus need to be considered in conjunction

with the legitimate interests of product providers and clients. This interplay and the relative level of perceived legitimacy is expected to influence the choice of exit strategy. Succession is a central topic in the area of legacy-based legitimacy as “the most important and theoretically interesting form of legacy-based legitimacy is that conferred upon future generations” (Mitchell et al., 2011, p. 244).

Urgency

Mitchell et al. (1997) defined urgency as “the degree to which stakeholder claims call for immediate attention” (p. 867). Urgency is present where the relationship or claim by the stakeholder is time sensitive and where the relationship or claim is important to the stakeholder (Mitchell et al., 1997). The relationship of the product provider and client to the tied financial adviser displays the attribute of urgency, to varying degrees, as the tied financial adviser cannot run a practice without satisfying both of these stakeholders. The product provider possesses the regulatory license under which the tied financial adviser operates and supplies the products to be sold and as such has ownership over specific business assets. For both the product provider and client there is an expectation of value creation by the tied financial adviser. The product provider would expect certain performance and profitability targets to be met and the client would expect value added solutions to their financial needs. These meet the criteria of ownership and expectation which highlight the importance of these stakeholder relationships (Mitchell et al., 1997). In the context of a family business the desire to protect or grow socio-emotional wealth may heighten the urgency of family stakeholders and place pressure on the business owner to focus on non-economic goals (Mitchell et al., 2011). The effect of this on decisions will depend on the value that the business owner attaches to these non-economic goals relative to economic goals (Mitchell et al., 2011). This dynamic and the way that the tied financial adviser assesses and responds to the relative urgency of stakeholders are likely to play a role in the exit strategy decision.

Taking into account family business characteristics, the study of stakeholder salience in a tied financial adviser setting may lead to interesting insights into how the perception of stakeholder salience influences commitment and, in turn, the choice of exit strategy. The survey items utilised to measure stakeholder salience (Section 4.10) are adapted from the survey items utilised by Agle, Mitchell and Sonnenfeld (1999), as follows:

Power questions

- “This stakeholder group had power, whether used or not” (p. 525)

- “This stakeholder group had access to, influence on, or the ability to impact our firm, whether used or not” (p. 525)
- “This stakeholder group had the power to enforce claims” (p. 525)

Urgency questions

- “This stakeholder group exhibited urgency in its relationship with our firm” (p. 525)
- “The stakeholder group actively sought the attention of our management team” (p. 525)
- “The stakeholder group urgently communicated its claims to our firm” (p. 525)

Legitimacy questions

- “The claims of this particular stakeholder group were viewed by our management team as legitimate” (p. 525)
- “Our management team believes that the claims of this stakeholder group were not proper or appropriate” (p. 525)
- “The claims of this group were legitimate in the eyes of our management team” (p. 525)

The adapted survey items had not been subjected to construct or reliability tests prior to this research.

2.7 Conclusion

Recent academic theory in the fields of family business, entrepreneurship, human resource management and management has examined succession and exit in family businesses and entrepreneurial ventures from a number of perspectives. DeTienne et al. (2015) considered the typology and choice of exit strategy whilst DeTienne and Chirico (2013) examined the factors that influence the choice of exit strategy. Recent theory further examined the choice of successor (Dehlen et al., 2014; Gómez-Mejía et al., 2011), the knowledge transfer process (Hatak & Roessl, 2015) and the personal attributes of the incumbent and successor (Cabrera-Suárez & Martín-Santana, 2012; Gagnè et al., 2011; Meier & Schier, 2014; Schlepphorst & Moog, 2014).

To expand this theory, further research was needed into the factors that influence the entrepreneur or founder’s choice of exit strategy (DeTienne et al., 2015) with specific reference to trust (Dehlen et al., 2014; Graebner, 2009) and family context including socio-emotional wealth (Dehlen et al., 2014; Justo & DeTienne, 2008; Kammerlander, 2014). Due to the need for research in these areas, research questions were developed

to examine the relationship between these areas and financial adviser exit strategies and succession arrangements. The application of stakeholder theory to this research provided a new lens through which exit strategies and succession arrangements were examined (Chrisman et al., 2010; DeTienne et al., 2015). The research questions and objectives together with their link to the research problem are provided in the next chapter.

CHAPTER 3: RESEARCH QUESTIONS

3.1 Problem statement

The problem of managing financial adviser succession planning is presenting itself globally given the aging profile of financial advisers, the substantial size of assets that are attributable to their clients as well as the apparent lack of succession planning (Accenture, 2013). Financial advisers are important to clients (Beckett et al., 2000), who require ongoing advice and service, as well as to product providers (insurance and investment companies) for whom financial advisers are a significant distribution channel. As such, should succession planning arrangements not be in place or not be working optimally there will be significant consequences for the financial services industry from a client retention and revenue perspective.

The purpose of the research is to determine how product providers (insurance and investment companies) can better manage the exit (including succession) of tied financial advisers. This will be done by firstly understanding whether there is a relationship between trust, socio-emotional wealth and commitment to stakeholders and the financial adviser's exit strategy as well as the existence of a succession arrangement and secondly by establishing a profile of financial adviser exit strategies and succession arrangements. From this understanding, product providers can gain valuable insight into financial adviser decisions and behaviour. By measuring the constructs of trust, socio-emotional wealth and commitment to stakeholders, product providers can predict which exit strategy the adviser is likely to prefer and whether the adviser is likely to enter into a succession arrangement. This will enable product providers to have a better understanding of the succession problem within their tied financial adviser channel and the exit strategy programmes and interventions required to better manage the exit of their tied financial advisers.

3.2 Research questions

Following the identification of the research problem and the literature review, the main research question to investigate the research problem is:

Is there a relationship between the constructs: trust, socio-emotional wealth and stakeholder commitment and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement and what is the profile of financial adviser exit strategies and succession arrangements?

To answer the main research question, the following investigative questions need to be addressed in relation to tied financial advisers:

- 3.2.1 **Research question one:** Is there a relationship between trust and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement?
- 3.2.2 **Research question two:** Is there a relationship between socio-emotional wealth and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement?
- 3.2.3 **Research question three:** Is there a relationship between commitment to stakeholders and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement?
- 3.2.4 **Research question four:** What is the profile of financial adviser exit strategies and succession arrangements?

Research question one relating to trust is expanded to include the examination of three trust constructs, namely: interpersonal trust, trust in a family member and trust in a non-family member.

Research question three relating to commitment to stakeholders is expanded to include the examination of two constructs: commitment to clients and commitment to the product provider.

From the research problem the primary objective is two-fold. Firstly, to develop an understanding of the relationship between the constructs: trust, socio-emotional wealth and stakeholder commitment; and a tied financial adviser's choice of exit strategy as well as the existence of a succession arrangement; and secondly, to establish a profile of financial adviser exit strategies and succession arrangements. This will enable product providers to better manage the exit (or succession) of their tied financial advisers.

The secondary research objectives are as follows:

- i. To investigate the relationship between trust and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement.
- ii. To explore the relationship between socio-emotional wealth and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement.

- iii. To examine the relationship between commitment to stakeholders and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement.
- iv. To determine a profile of financial adviser exit strategies and succession arrangements.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The research methodology was quantitative. Purposive sampling was used to select a large South African life insurance company where all tied financial advisers, aged 55 and over, were asked to complete an online survey questionnaire. From the survey responses, statistical tests were conducted to answer the research questions. The survey was conducted following a pilot study. To answer the research questions, following validity and reliability analyses, six constructs were created, namely: interpersonal trust, trust in a family member, trust in a non-family member, socio-emotional wealth, commitment to clients and commitment to the product provider.

4.2 Research method and design

The research philosophy to study the problem of succession planning was one of positivism. The positivism philosophy assumes that there are relationships between variables (Saunders & Lewis, 2012, p. 105). This philosophy suited the research problem as the aim was first to explore whether there was a relationship between the variables: trust, socio-emotional wealth and stakeholder commitment, and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement (Saunders & Lewis, 2012).

The research approach was deductive which is suitable for defining research questions from existing theory and to investigate relationships between variables through operationalising the research questions and collecting and analysing data to answer the research questions (Saunders & Lewis, 2012). Existing theories from entrepreneurship, family business, human resource management and management research were utilised to develop research questions that were tested, through data gathering and analysis, which supported or modified these theories (Saunders & Lewis, 2012). A deductive approach necessitated a clearly defined research methodology which facilitates replication and increased reliability (Saunders & Lewis, 2012).

Following prior entrepreneurial exit strategy research by DeTienne et al. (2015), the type of study was correlational, to identify relationships between variables (Field, 2013; StatSoft, 2013). The research method was quantitative in nature which enabled the relationship between variables, once transformed to numerical values, to be understood using statistical tests (Saunders & Lewis, 2012, p. 113). The constructs studied were

trust, which comprised interpersonal trust, trust in a family member and trust in a non-family member; socio-emotional wealth and stakeholder commitment, which comprised commitment to clients and commitment to the product provider. The study tested the relationships between these constructs and the financial adviser's preferred exit strategy as well as the existence of a succession arrangement.

Aligned with prior research on entrepreneurial exit by Dehlen et al. (2014) and DeTienne et al. (2015) a survey method was selected as the research strategy. The survey method allowed cost-effective collection of the information required across all individuals in the sample at a point in time (Saunders & Lewis, 2012) and is appropriate for standardised questions examining relationships (Saunders, Lewis & Thornhill, 2003). The use of standardised questions enabled statistical comparison (Saunders & Lewis, 2012).

4.3 Time horizon

As the study is not concerned with changes in preferences/attitudes over time, the study was cross-sectional rather than longitudinal. This was aligned with prior cross-sectional research measuring exit strategy preferences conducted by DeTienne et al. (2015). The cross-sectional study allowed responses to be compared across different respondent categories at a point in time (Saunders & Lewis, 2012).

4.4 Research instrument

The data collection method was an online survey questionnaire (Appendix 1) which utilised standardised questions with a 5 point Likert scale. A Likert type scale has been utilised in recent studies on entrepreneurial exit (DeTienne & Cardon, 2012; DeTienne et al., 2015) and enabled the strength of attitudes towards an issue to be measured for each respondent, which enabled comparison between respondents with different demographic characteristics. The points on the Likert scale, ranked from 1 to 5 respectively, were "strongly disagree", "disagree", "neither agree nor disagree", "agree" and "strongly agree." The benefits of the Likert scale are that it avoids interviewer judgement error (Likert, 1932) and is appropriate for parametric statistical tests (Norman, 2010). A middle point was utilised which prevented respondents who may be indifferent to an option from being swayed towards a negative or positive answer (Garland, 1991).

4.5 Unit of analysis

The unit of analysis is the subject of the research about which generalisations, following analysis, can be made (Long, 2004). The unit of analysis of this research was the

attitudes, perceptions and preferences of tied financial advisers aged 55 and over. The unit of analysis was at the individual level as the factors being investigated were personal human factors (trust, socio-emotional wealth and commitment to stakeholders).

4.6 Population

The population included all South African financial advisers aged 55 and older in a tied agency arrangement. This age range was selected as succession and exit strategies would be likely to be more relevant and a pressing need for these advisers. As succession requires the transfer of authority and power the succession process normally takes between five and seven years (Le Breton-Miller, Miller & Steier, 2004). As such, should an adviser wish to retire at or after the typical normal retirement age of 65 the succession process would need to be implemented in this age range. The size of the total sampling population was not established as there was no publicly available database disclosing the number of financial advisers aged 55 and over who were tied agents in the country.

4.7 Sampling frame and strategy

The sampling strategy was purposive, a form of non-probability sampling, in which judgement was used to select the sample to best answer the research questions and meet the research objectives (Saunders & Lewis, 2012). This enables logical, rather than statistical generalisations to be made and enables an understanding of a specific context (Saunders & Lewis, 2012). This method was selected as older financial advisers who were tied agents were needed for the study and the sample needed to be sufficiently large for statistical analysis. As such three large South African life insurers with sizeable and well established agency forces were identified to sample from. From the three, a single life insurance company was selected based on access to management and support for the study. Thus, although the sampling technique was not random, the premise behind the use of the purposive sampling technique was that the tied financial advisers of that organisation, having a large agency force and being one of three organisations meeting the sampling criteria, would be representative of the population, enabling logical rather than statistical generalisations to be made (Saunders & Lewis, 2012). Thus the results of the study cannot be generalised statistically to the population due to the non-probability sampling method and singular organisational context which may differ from other contexts. An online link to the survey was sent out to all 259 tied financial advisers aged 55 and over of the organisation sampled. Thus, a census was conducted in this organisation. A further sampling strategy was not utilised.

4.8 Data collection

Primary data was collected from the financial advisers in the sample. The data collection instrument for the primary data was a self-administered online questionnaire.

4.8.1 Pilot survey

To test the efficacy of the questionnaire and to test for any ambiguities, a pilot survey was conducted. The online survey was sent to five tied financial advisers below the age of 55, from which three responses were received. Those selected to be part of the pilot survey were requested to comment on any survey questions that they felt to be ambiguous or where a potential answer was missing. No comments were received. A paper-based survey was also completed face to face with three other tied financial advisers who did not form part of the sampling frame. These financial advisers made recommendations for improvement of the survey. These recommendations were to change the wording of the question, “my clients are friends” to “I have a personal bond with my clients” and to include the exit option where the product provider buys out the tied financial adviser. In addition, the survey was sent to two family members to check spelling, grammar and functionality. Minor grammatical changes were made based on feedback.

4.8.2 Response rate

The final questionnaire was distributed, via an email link to the online survey, to all 259 tied financial advisers aged 55 and over of the organisation sampled. Four weeks were provided to complete the survey and three reminders were sent out at the end of each of the last three weeks. An email, encouraging support for the survey, was sent by the senior manager of the tied agency distribution channel of the life insurance company to all tied financial advisers selected. This was supported by emails from the tied agency branch managers and franchise principals encouraging their advisers to complete the survey. After four weeks, the total number of responses received was 118 with seven being incomplete. Thus 111 completed responses were received, a response rate of 42.9%.

4.9 Validity and reliability

The survey items included in the online survey designed to measure the constructs of interpersonal trust, trust in a family member, trust in a non-family member, socio-

emotional wealth, commitment to clients and commitment to the product provider were drawn from theory relating to trust, socio-emotional wealth and commitment to stakeholders and were adapted to the specific context of this research. As such the survey items required testing for validity and reliability prior to analysis.

4.9.1 Validity

When measuring personal attitudes, as was the case in this study, it was not practical to measure criterion validity (Field, 2013), that is that the survey accurately measured what was intended, as there were no objective measures for assessing trust, family factors such as socio-emotional wealth and stakeholder commitment. The financial adviser's perception of reality may differ from reality itself (Field, 2013) making criterion validity impractical to assess. As a result, construct validity was measured, based on exploratory factor analysis, to assess that the survey questions measured the desired constructs (Field, 2013). As these survey items were drawn from existing theory but were designed specifically for this survey, not having been tested before, the exploratory factor analysis in some cases, where it made theoretical sense, resulted in component selection which explained less than 60% of the variance (HR Statistics (Pty) Ltd., 2015) of the initial survey items. Composite construct scores were calculated for each construct by taking the average of the survey items included in the construct following the validity and reliability assessment. The average/mean was computed to facilitate interpretation.

4.9.2 Reliability

Cronbach's alpha was used to measure scale reliability of the survey items within each construct dimension (Field, 2013). An acceptable reliability score confirmed that the survey items for each dimension of a construct measured the same dimension consistently (HR Statistics (Pty) Ltd., 2015). A Cronbach alpha of 0.8 is appropriate for cognitive tests and a Cronbach alpha of 0.7 is appropriate for ability tests (Field, 2013). However, a lower Cronbach alpha is acceptable for early stage research (Field, 2013). For the purposes of this research which was early stage, a cut off Cronbach alpha of 0.65 was applied.

4.10 Constructs

The survey items to measure each construct (interpersonal trust, trust in a family member, trust in a non-family member, socio-emotional wealth, commitment to clients and commitment to the product provider), prior to refinement following validity and reliability testing are presented in Tables 2 to 7. For statistical tests the mean of all survey item responses for each construct was computed.

Interpersonal trust

Table 2 Interpersonal trust survey items

Survey item	Dimension	Adapted from
You can't be too careful when sharing information with other financial advisers	Trust versus caution	Etang et al. (2012) and Bulloch (2012)
I know other financial advisers who are willing to assist me when needed	Perceived helpfulness	Etang et al. (2012) and Bulloch (2012)
I am willing to help other financial advisers, whom I know, who need assistance	Perceived helpfulness	Etang et al. (2012) and Bulloch (2012)
I am willing to introduce my clients to another financial adviser whom I have identified to take over my practice	Trust vs no trust	Etang et al. (2012) and Bulloch (2012)
I believe that my successor would try to be helpful in my practice	Perceived helpfulness	Etang et al. (2012) and Bulloch (2012)
I believe that a successor would be loyal to my vision for the practice	Perceived fairness	Etang et al. (2012) and Bulloch (2012)
I believe a formal succession agreement is necessary with my successor	Moral trust	Etang et al. (2012) and Bulloch (2012)

Trust in a family member

Table 3 Trust in a family member survey items

Survey item	Adapted from
I trust a family member whom I have identified to take over my business	Bulloch (2012)
A family successor would be fair in all his/her actions	Etang et al. (2012) and Bulloch (2012)

Trust in a non-family member

Table 4 Trust in a non-family member survey items

Survey item	Adapted from
There is another financial adviser (non-family member) that I would trust to take over my business	Bulloch (2012).
I know a financial adviser who would trust me to take over his/her practice	
A non-family successor would be fair in all his/her actions	Etang et al. (2012) and Bulloch (2012)

Socio-emotional wealth

Table 5 Socio-emotional wealth survey items

Survey item	Dimension of socio-emotional wealth	Adapted from
I have an immediate or extended family member who could be my successor	Availability of family successor	
My family influences my decisions regarding the future of my practice	Family control and influence	Berrone et al. (2012)
Keeping my business within the family is important	Family control and influence	Berrone et al. (2012)

My family members have a strong sense of belonging to my business	Family members' identification with the firm	Berrone et al. (2012)
My family members feel that the success of my business is their own success	Family members' identification with the firm	Berrone et al. (2012)
My business has a great deal of personal meaning for my family	Family members' identification with the firm	Berrone et al. (2012)
My business helps define who my family is i.e. their identity	Family members' identification with the firm	Berrone et al. (2012)
My family members are proud to tell others what I do	Family members' identification with the firm	Berrone et al. (2012)
Clients closely associate the services that I provide with my family name	Identification with the family name	Berrone et al. (2012)
Family emotions and sentiments often affect decision making in my business	Emotional attachment	Berrone et al. (2012)
Protecting the welfare of my family, through the decisions I make in my business, is important	Emotional attachment	Berrone et al. (2012)
In my business, considering the feelings and wants of family members is important	Emotional attachment	Berrone et al. (2012)
My family sees my business as a long-term investment	Renewal of family bonds to the firm through dynastic succession	Berrone et al. (2012)
My family would be unlikely to want me to consider selling my business	Renewal of family bonds to the firm through dynastic succession	Berrone et al. (2012)

Commitment to clients

Table 6 Commitment to clients survey items

Survey item	Dimension	Adapted from
I do not wish to retire/exit the business as my clients depend on me	Power	Agle et al. (1999)
I have a personal bond with my clients	Power	Agle et al. (1999)
My clients have the power or influence to positively or negatively affect my reputation	Power	Agle et al. (1999)
My clients determine the success of my business	Power	Agle et al. (1999)
My clients are able to take action against me should they perceive me to have provided bad advice or service	Power	Agle et al. (1999)
My clients' needs require urgent attention	Urgency	Agle et al. (1999)
My clients actively seek out my advice	Urgency	Agle et al. (1999)
My clients often contact me	Urgency	Agle et al. (1999)
It is important to give my clients timely feedback	Urgency	Agle et al. (1999)
I will go out of my way to assist my clients	Legitimacy	Agle et al. (1999)

The feelings and opinions of clients are valid	Legitimacy	Agle et al. (1999)
My clients have a legitimate need to receive good advice and service	Legitimacy	Agle et al. (1999)
Taking care of my clients' needs is important to me after I have left the business	Legitimacy	Agle, et al. (1999)

Commitment to the product provider

Table 7 Commitment to the product provider survey items

Survey item	Dimension	Adapted from
I cannot exit my business as my product provider depends on me	Power	Agle et al. (1999)
My product provider affects the success of my practice e.g. through products offered, service provided and remuneration	Power	Agle et al. (1999)
My organisation has a say in the way my business operates	Power	Agle et al. (1999)
My product provider is able to take action against me should they perceive me to have provided bad advice or service	Power	Agle et al. (1999)
My product provider demands a lot of my time for product, compliance and operational issues	Urgency	Agle et al. (1999)
My product provider actively seeks out my input on issues	Urgency	Agle et al. (1999)

My product provider often sends me personal communication	Urgency	Agle et al. (1999)
It is important to give my sales manager or others at my product provider timely feedback	Urgency	Agle et al. (1999)
I will do everything I can for my product provider	Commitment	
My product provider's interests are a key consideration in the way I do business	Legitimacy	Agle et al. (1999)
Taking care of my product provider's interests is important even after I have left the business	Legitimacy	Agle et al. (1999)

4.11 Data analysis

All data were imported into the statistical software package, IBM SPSS Statistics version 23, for statistical analysis. A statistician was consulted prior to running the statistical tests to confirm the use of the appropriate tests and following the analysis to confirm the correct interpretation of results. The statistical tests utilised to explore relationships between the constructs and exit strategies as well as the existence of a succession arrangement was the Mann-Whitney U test (non-parametric) which compares differences between groups. The statistical technique utilised to determine the profile of relationships between the constructs: trust, socio-emotional wealth and commitment to stakeholders; and exit strategies/the existence of a succession arrangement was the Chi-squared Automatic Interaction Detector (CHAID) analysis. These tests and the rationale for their use are discussed in sections 4.11.3 and 4.11.4.

4.11.1 Significance level

A 95% confidence level or significance level of 0.05 was used in this study.

4.11.2 Descriptive statistics

Descriptive statistics were produced to describe the data (Saunders et al., 2003). These included frequency tables, means, modes and response ranges.

4.11.3 Statistical tests to identify relationships between the constructs and the financial adviser's preferred exit strategy as well as the existence of a succession arrangement.

To identify relationships between the constructs and the financial adviser's preferred exit strategy as well as the existence of a succession arrangement, tests for differences between the constructs and the exit strategy and succession arrangement categories were performed. In the case of exit strategies and succession arrangements, which have each been condensed into two categories, the significance test for differences would be the same as the significance test for identifying a bi-serial correlation (Field, 2013), correlation analysis having been used in prior entrepreneurial exit studies examining relationships between variables (DeTienne et al., 2015; Wennberg et al., 2010). Thus, a significant difference would indicate that a statistically significant relationship exists between the variables (StatSoft, 2013).

The independent samples t-test is a parametric test which compares the differences in an outcome between two independent groups by comparing the mean outcome for each group (Field, 2013; Saunders & Lewis, 2012). The test assumes that the outcome variable is normally distributed and that the variance of outcomes for each group is homogenous (Field, 2013). The test uses the Levine's test to check for homogeneity of variances (Field, 2013). As the constructs were not normally distributed as indicated by both numerical and graphical methods, involving the Shapiro Wilks test for normality and the visual evaluation of histograms for each construct (Appendix 2), the Mann-Whitney U test was run which is the non-parametric equivalent of the independent samples t-test (Field, 2013). Non-parametric tests do not assume a normal distribution. Despite the violation of the normality assumption, the independent samples t-test was performed alongside the Mann-Whitney U test solely to calculate the means of the different groups for interpretive purposes only.

4.11.4 Statistical techniques to profile financial adviser exit strategies and succession arrangements

To profile financial adviser exit strategies and succession arrangements, by identifying the most significant predictors of exit strategies and succession arrangements from the constructs, the Chi-squared Automatic Interaction Detector (CHAID) technique, as developed by Kass (1980), was utilised. This technique optimally partitions or classifies categorical data, in this case the financial adviser's preferred exit strategy and the existence of a succession arrangement, based on the most significant predictors of each partition or classification (Kass, 1980; Muller, Swanepoel & de Beer, 2010). The technique further detects nested relationships between variables and indicates the strength of the relationship between each predictor variable and the categorical dependent variable (StatSoft Inc, 2013).

The CHAID analysis identified the constructs (independent variables) that are the strongest predictors (the constructs that have the highest significance or lowest p-value) of the dependent variables, namely the financial adviser's preferred exit strategy and the existence of a succession arrangement. Where a significant predictive relationship was determined, the method identified the frequencies for each category of the dependent variable for non-overlapping ranges of the relevant construct (StatSoft Inc, 2013) and created a node (McCarty & Hastak, 2007). The process was repeated for the remaining constructs where the subsequent effect on the dependent variable was significant, splitting the node into branches until the terminal node was reached, where no further splits could be conducted, ultimately forming a classification tree (McCarty & Hastak, 2007).

The CHAID technique has the advantage of testing the effect of multiple predictor variables, one at a time, on the categorical dependent variable and allows for two or more classification tree branches to be produced (StatSoft Inc, 2013). The technique has the further advantage of taking into account the interaction between the predictor variables (Kass, 1980; Muller et al., 2010) and due to its flexibility as a classification tree analysis technique, is ideal for exploring relationships between variables (StatSoft Inc, 2013) which was the purpose of this study. Due to the graphical output, a classification tree analysis can be easier to interpret than traditional statistical methods such as regression analysis (StatSoft Inc, 2013) which may also suffer from problems of multicollinearity.

A limitation of a classification tree analysis is that it has not been the subject of extensive theoretical study in the field of probability and statistical projection (StatSoft Inc, 2013). However, the use of classification analysis is wide-spread in applied fields (StatSoft Inc, 2013). The technique lends itself to bias in variable selection by focusing on predictor variables with more split levels (StatSoft Inc, 2013).

4.12 Limitations of research methodology

Drawbacks of the survey questionnaire methodology were the challenges of achieving high response rates, keeping the questionnaire limited to a practical number of questions to answer, and removing ambiguity (Saunders & Lewis, 2012). The survey was kept anonymous to increase response rates (Saunders et al., 2003) and to encourage honesty when completing the questionnaire. To improve construct validity, the survey was pilot tested prior to final distribution to test for any misunderstanding or ambiguity in the questions. As some survey items in the final research questionnaire showed cross-loadings during exploratory factor analysis for validity testing, in future research, further refinement of these questions is recommended.

The survey responses may be subject to response bias in that only those advisers who had strong positive or negative feelings about exit strategies may have responded. Although the survey was anonymous, as the survey was endorsed by the organisation involved it may have influenced some respondents not to be completely truthful in their responses.

A limitation of the study is the singular organisational context of the sample which limits generalisation of the findings. Specific organisational characteristics limiting generalisations may be the exit strategy options made available to the tied financial advisers, the guidance provided by the organisation in managing a tied adviser's exit strategy, the culture of the organisation and general attitudes towards clients, and the personal characteristics of management of the organisation which may affect the tied adviser's attitude towards that organisation. The specific service experience and product offering of that organisation may also affect the tied financial adviser's attitude towards the organisation. The study may benefit from extending the sample to other insurance companies with large tied agencies with older advisers.

4.13 Ethics

Ethical clearance was obtained from the Gordon Institute of Business Science's research ethics committee prior to conducting the research (Appendix 3). Permission was granted

from the organisation sampled to conduct the research. To ensure that no responses could be linked back to an individual tied financial adviser, to encourage honest responses, all survey responses were anonymous. To ensure that responses could not be linked back to the life assurance company sampled, the organisation's name was not mentioned in the study. Respondents were provided with a letter of consent prior to completion of the survey stating that completion of the survey questionnaire was voluntary and that the survey could be withdrawn from at any time (Appendix 1).

CHAPTER 5: RESULTS

5.1 Introduction

This chapter presents the results of the study. The results of the study are described by firstly exploring the demographic profile of respondents, their long-term orientation and retirement outlook, and their succession and exit strategies. This is followed by statistical tests on the constructs to answer the research questions. The chapter concludes with a profile of the relationships between the constructs: trust, socio-emotional wealth and commitment to stakeholders and the respondents' exit strategies as well as the presence of a succession arrangement.

5.2 A profile of respondents

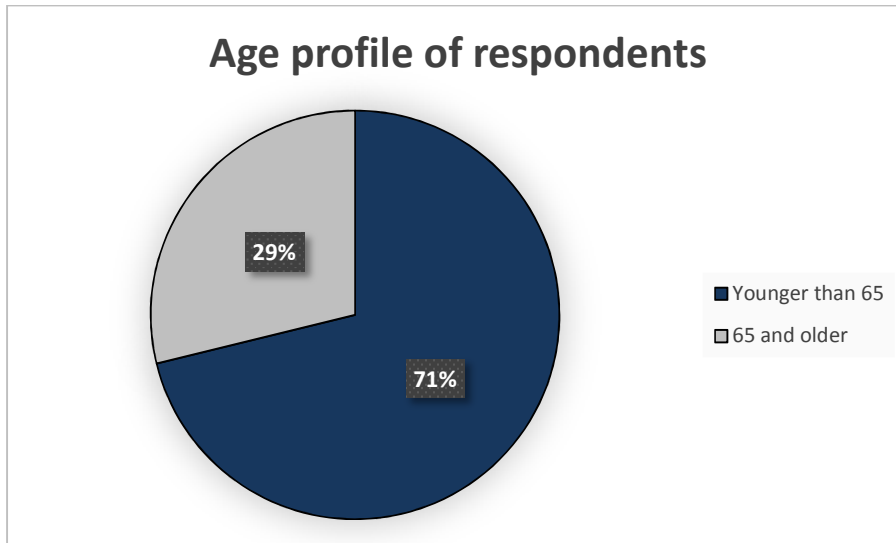
The results were analysed from 111 tied financial adviser responses following the census of all tied financial advisers aged 55 and over within a large South African life assurance company. A response rate of 42.9% was achieved. The profile of respondents is provided next.

5.2.1 Demographic profile

Age profile

The mean age of all respondents was 62.2 years old. Ages ranged from 55 to 83. This is representative of the original list of financial advisers aged 55 and over in the organisation which had a mean age of 62.7. The age profile of respondents is shown in Figure 1.

Figure 1 Age profile of respondents

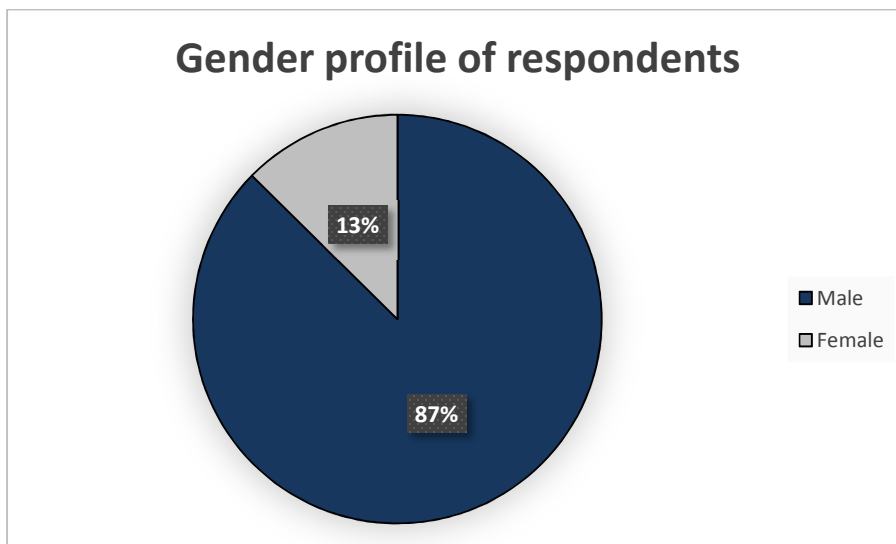


In Figure 1, 71% of respondents (79) were younger than age 65, the normal retirement age set by the product provider and 29% of respondents (32) were older than age 65. This may indicate a willingness of advisers to continue working post retirement and a reluctance to retire.

Gender profile

The vast majority of respondents were male indicative of the male dominance amongst older financial advisers. The gender profile of respondents is provided in Figure 2.

Figure 2 Gender profile of respondents

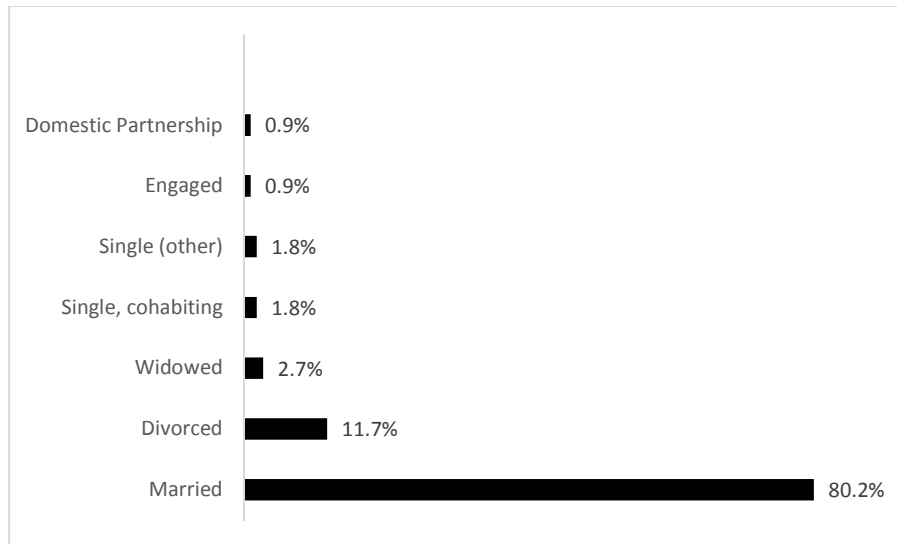


In Figure 2, 87% of respondents were male (97) and 13% were female (14). This is representative of the original list of advisers where 88.4% were male and 11.6% female.

Marital relationship status profile

Most respondents were married or had been married previously. The relationship status of respondents is profiled in Figure 3.

Figure 3 Marital relationship status of respondents

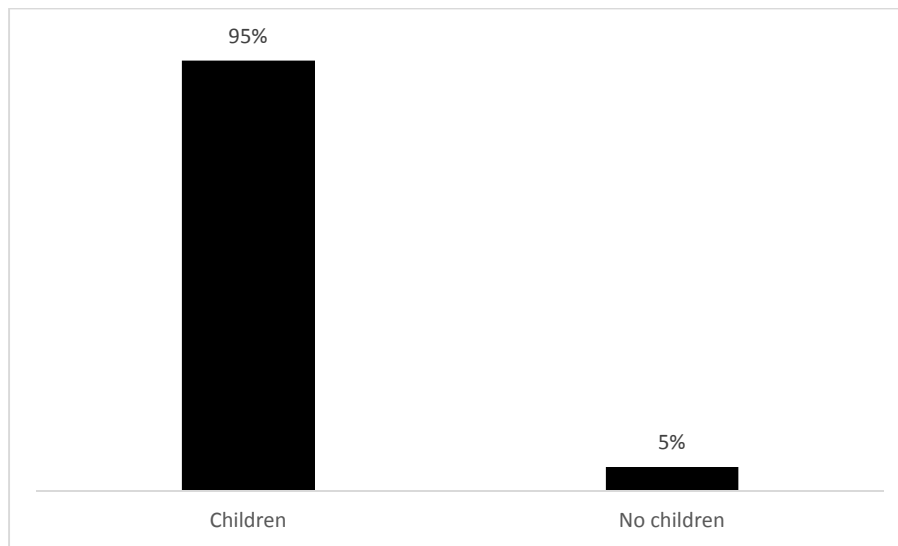


In Figure 3, 80.2% of respondents were married (89), 11.7% were divorced (13), 2.7% were widowed (3), 1.8% were single but cohabiting (2), 1.8% were single but not cohabiting (2), 0.9% were engaged (1) and 0.9% were in a domestic partnership (1). The large proportion of respondents who were married, divorced or widowed (94.6%) increased the likelihood that the respondents may have a family member who could be a potential successor.

Number of children

The number of children per respondent ranged from nil to ten, two children per respondent being the most frequent (48.6% of respondents). The split of respondents with and without children is presented in Figure 4.

Figure 4 Children or no children

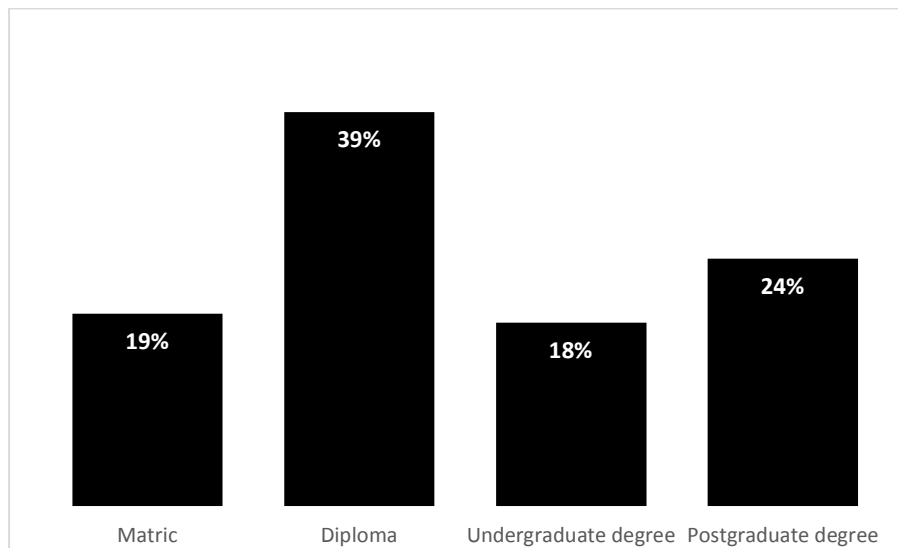


In Figure 4, 95% of respondents have children (105) and 5% of respondents do not have any children (6). This profile increased the likelihood of family successors being an option for succession.

Education and professional qualification profile

From January 2010, the Financial Services Board required both independent and tied financial advisers to have a recognised qualification (education level of National Qualifications Framework (NQF) 5 or higher) to meet the fit and proper standards to act as a representative of a product provider (Financial Services Board, 2015b). Financial advisers with an education level lower than NQF level 5, that is matric, are required to achieve the recognised qualification within six years of their start date as a financial adviser. During this period, they are required to work under supervision. The education profile of respondents is shown in Figure 5.

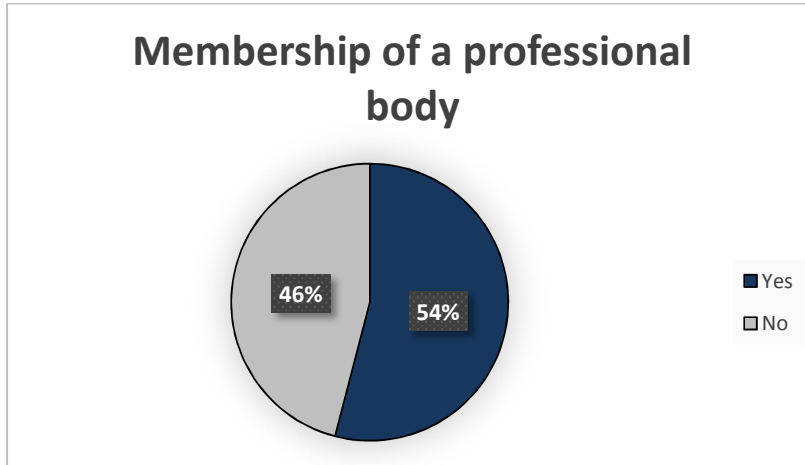
Figure 5 Education profile of respondents



In Figure 5, 81% of respondents had at least an NQF level 5 qualification, indicating higher levels of education amongst the vast majority of respondents. Those respondents with matric ranged in experience as advisers from one to 45 years, thus incorporating both new advisers as well as experienced advisers, who joined before the Financial Service Board's education requirements came into effect.

Membership of a professional body may indicate the presence of an ethical code of conduct to which members must adhere. This may create an additional professional obligation for financial advisers to always act in the interests of clients. Such a principle is contained in the Financial Planning Institute of Southern Africa's code of ethics and professional standards (Financial Planning Institute of Southern Africa, 2015). The percentage of respondents who were members of a professional body is provided in Figure 6

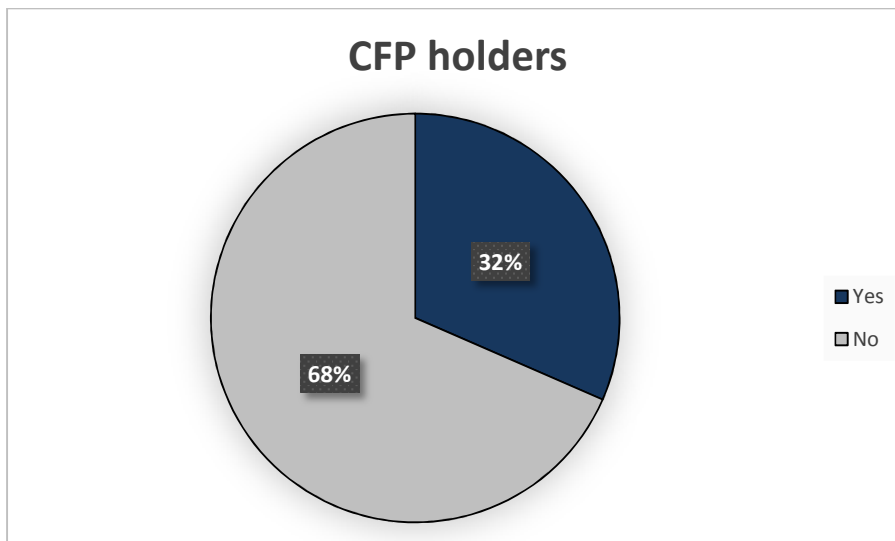
Figure 6 Membership of a professional body



In Figure 6, 54% (60) of respondents indicated that they were members of a professional body and 46% (51) indicated that they were not. Although all financial advisers are required to meet the honesty and integrity requirements of the Financial Advisory and Intermediary Services Act 2002, the 54% of respondents that were members of a professional body may have had additional professional standards to adhere to.

A Certified Financial Planner (CFP) certification is an international professional certification that can differentiate financial advisers in terms of their professional skills and standards. The proportion of respondents who had a CFP certification is shown in Figure 7.

Figure 7 Certified Financial Planner (CFP) holders



In Figure 7, 31.5% of respondents indicated that they had a Certified Financial Planner (CFP) certification (35) and 68.5% did not (76). A CFP certification is not currently a requirement to practice as a financial adviser, although it provides part exemption from certain of the Financial Services Board's proposed second level of regulatory examinations which are still to be implemented. Financial advisers may be members of a professional body but need not hold a CFP certification.

Experience as a tied agent and financial adviser

The number of completed years of experience as a tied agent ranged from nil to 50. The mean number of years of experience as a tied agent was 19.31 years with 14 years being the most frequent number of years of experience (7.2%). The mean number of years of experience as a financial adviser, independent or tied was 20.59 years.

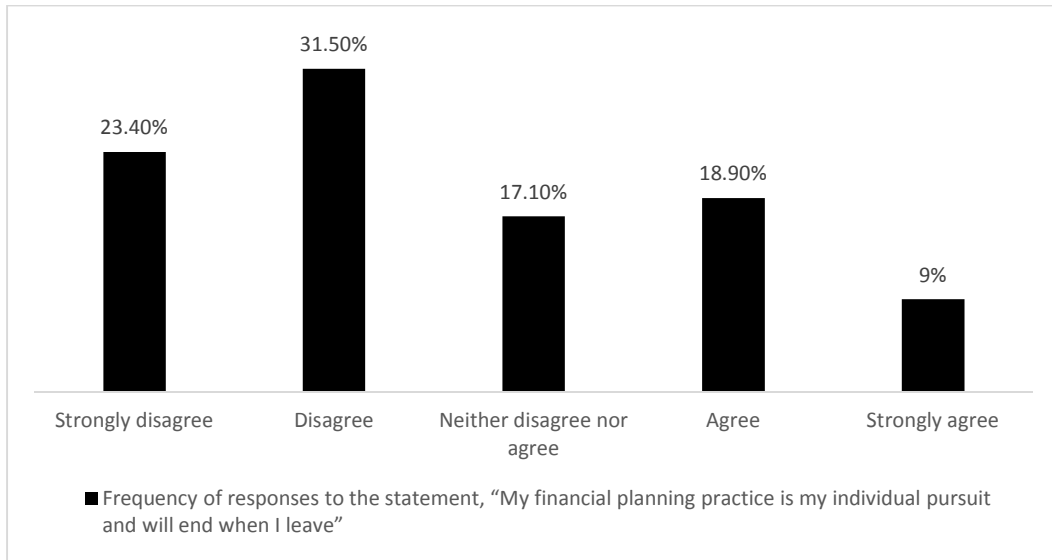
5.2.2 Long-term orientation and retirement

The profile of respondents' outlook for the business (long-term orientation) and dependency of the practice on the respondent is described below. This is followed by the profile of the respondents' intended retirement ages and reliance of the respondent on their practice as part of their retirement provision.

Long-term orientation

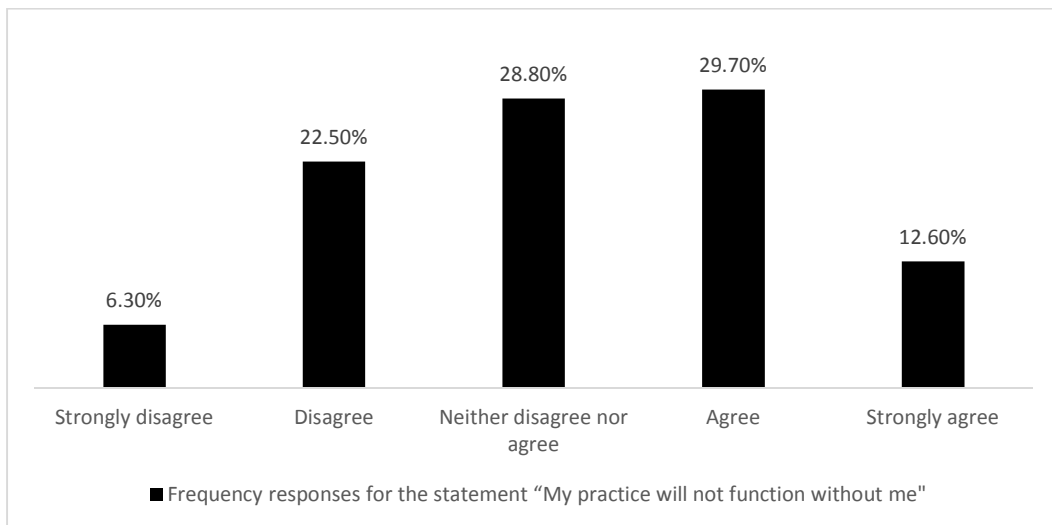
Whether or not a financial planning practice is viewed as the individual pursuit of a financial adviser may influence the financial adviser's long-term orientation and business decisions. When asked to rate their agreement with the statement "My financial planning practice is my individual pursuit and will end when I leave", 23.4% strongly disagreed (26), 31.5% of respondents disagreed (35) followed by 17.1% who neither disagreed nor agreed (19), 18.9% who agreed (21) and 9% who strongly agreed (10) (Figure 8). As more than half of respondents (54.9%) disagreed and strongly disagreed with the statement, this indicates that the majority of respondents view their practice as a going concern wider than their own involvement.

Figure 8 Financial adviser practices as individual pursuits



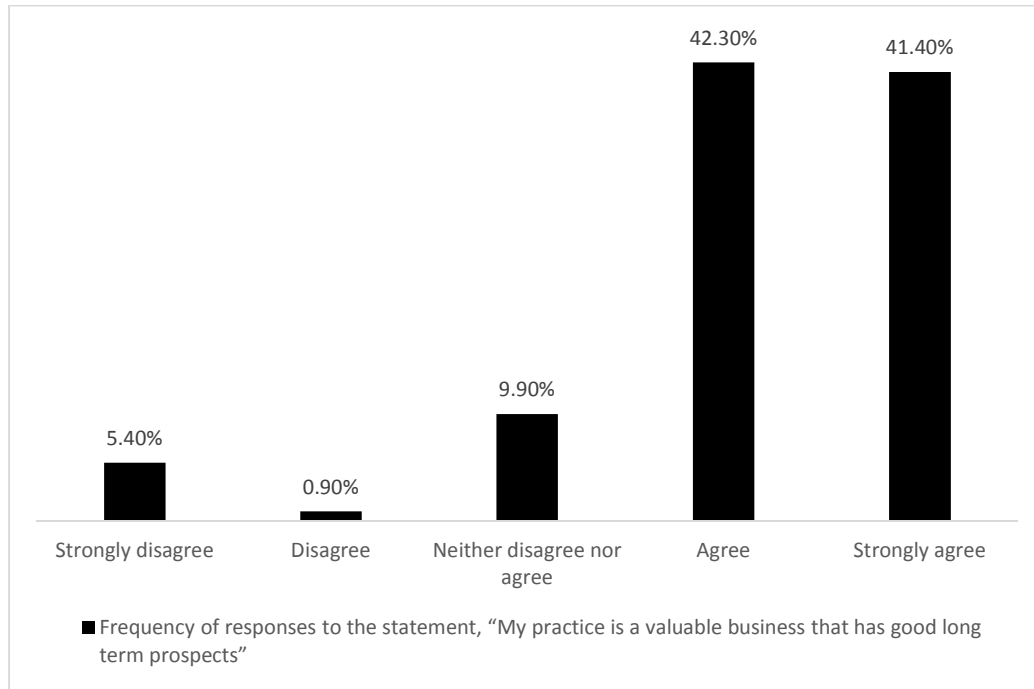
When asked to rate agreement with the statement, "My practice will not function without me," 28.8% of respondents disagreed or strongly disagreed, 28.8% neither disagreed nor agreed and 42.3% of respondents agreed and strongly agreed (Figure 9). From the spread of responses there does not seem to be high confidence amongst respondents as to whether their practices can in fact function without them, potentially pointing to a problem with effective succession or the lack of processes in place to ensure business continuity, a requirement of the Financial Services Board.

Figure 9 Dependency of the practice on the financial adviser



The frequency of responses to the statement "My practice is a valuable business that has good long-term prospects" is provided in Figure 10.

Figure 10 Financial outlook for practices

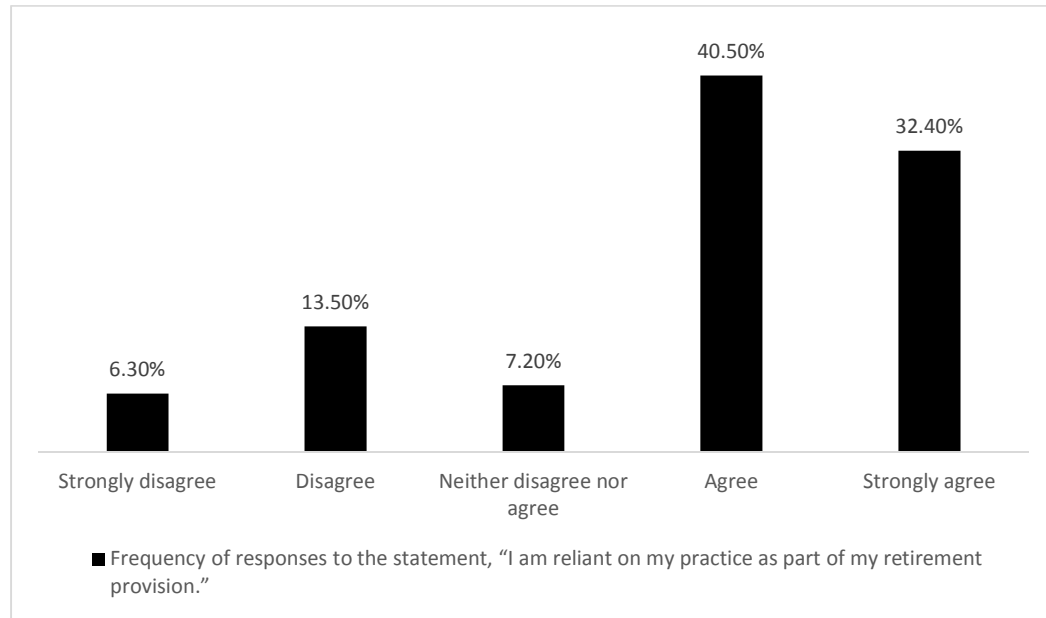


In Figure 10, 5.4% of respondents (6) strongly disagreed with the statement, "My practice is a valuable business that has good long term prospects," 0.9% of respondents disagreed (1), 9.9% neither disagreed nor agreed (11), 42.3% of respondents agreed (47), the most frequent response, and 41.4% strongly agreed (46). With 83.7% of respondents having agreed and strongly agreed it confirms that the majority of respondents believed that their practices had value and were a going concern.

Retirement

The dependency of respondents on their practices as part of their retirement provision may influence the value that they wish to extract on exit and/or their willingness to exit. The profile of responses to whether respondents were reliant on the practice for retirement provision is provided in Figure 11.

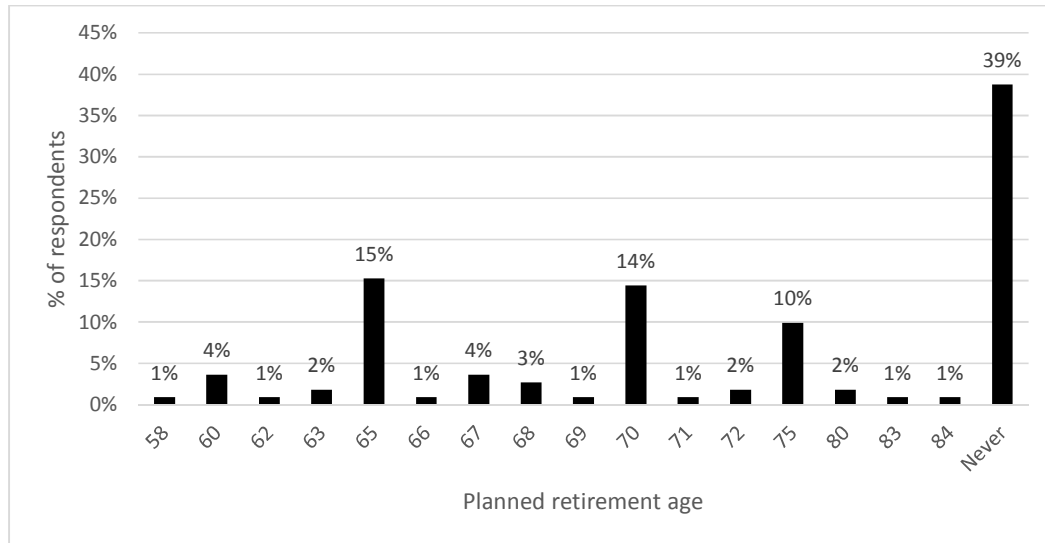
Figure 11 Reliance on the practice for retirement provision



In Figure 11, 6.3% strongly disagreed (7) with the statement "I am reliant on my practice as part of my retirement provision", 13.5% disagreed (15), 7.2% neither disagreed nor agreed (8), 40.5% agreed (45), the most frequent response, and 32.4% strongly agreed (36). With the vast majority, 72.9% of advisers, having agreed and strongly agreed it is likely that these respondents would require compensation for the value of their practices on exit or succession.

The respondents displayed a wide range of intended retirement ages, ranging from age 58 to age 84 with 39% of respondents indicating that they never wish to retire (43). The profile of planned retirement ages is portrayed in Figure 12.

Figure 12 Planned retirement age

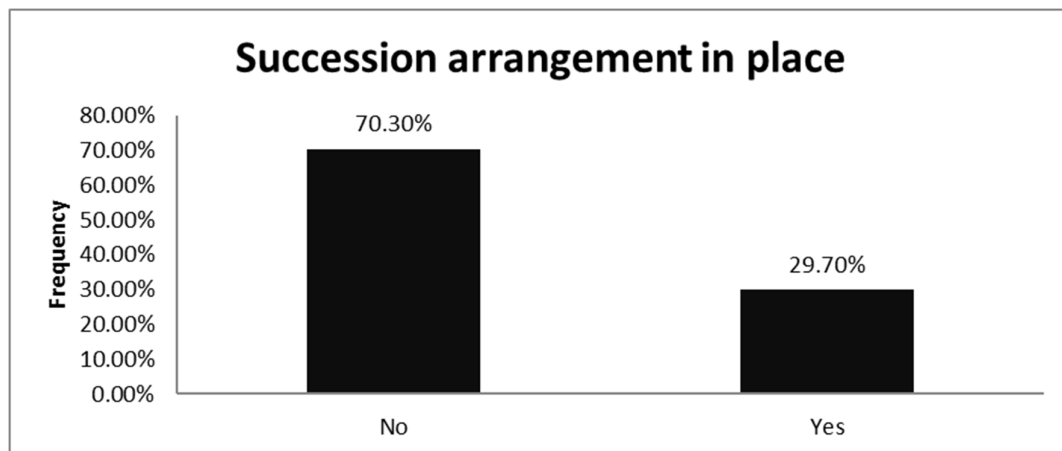


In Figure 12, the respondents' intended retirement ages are mainly grouped in 5 yearly increments at the normal retirement age of age 65 (15% of respondents) and extending beyond normal retirement age to age 70 (14% of respondents) and age 75 (10% of respondents) with 39% of respondents having indicated that they never wish to retire. Of the respondents that never wish to retire, the mean age was 62.7 with a standard deviation of 6.1 around the mean.

5.2.3 Succession strategies

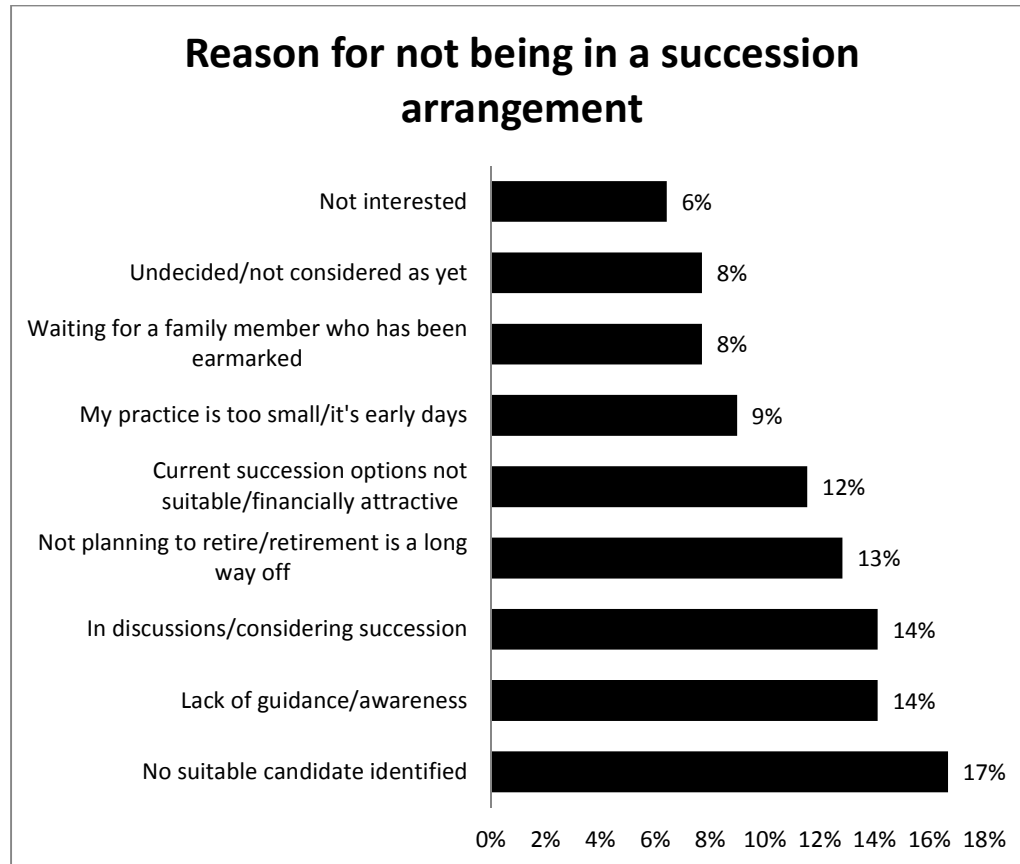
Of the respondents, only 29.7% had already implemented a succession arrangement (33) and 70.3% had not (78). This result is reflected in Figure 13.

Figure 13 Existence of a succession arrangement



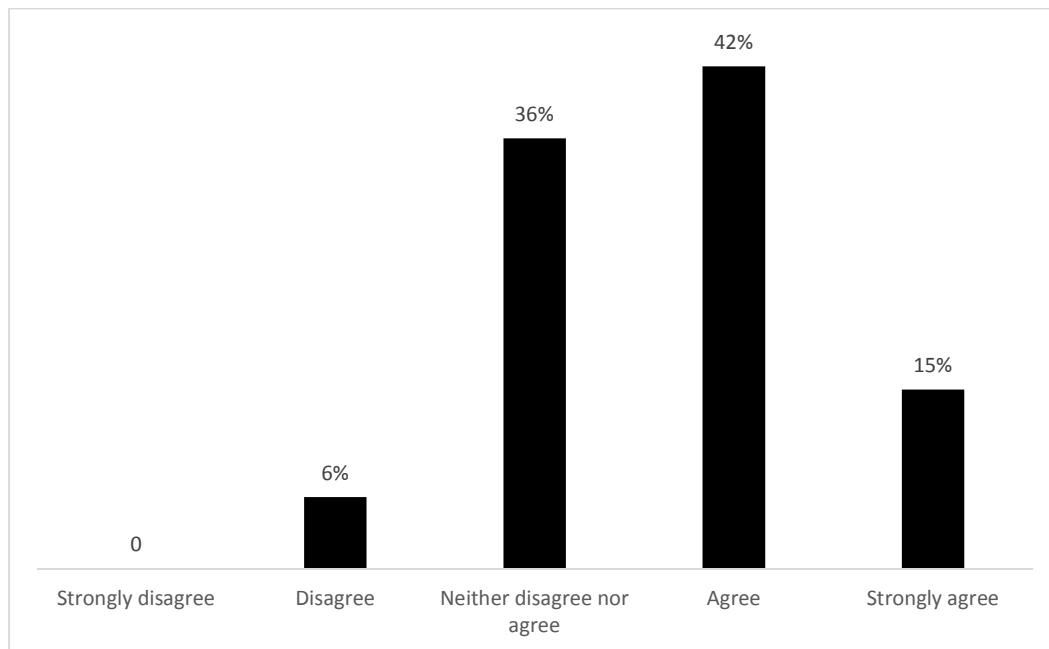
Respondents were asked why they had not entered into a succession arrangement. The following themes, ranked in Figure 14, emerged from the reasons provided:

Figure 14 Reason for not being in a succession arrangement (n = 78)



From Figure 14, the main reasons for not being in a succession arrangement (excluding those currently in discussions regarding implementing a succession arrangement) was that a suitable candidate for a successor could not be identified (17% of respondents), that there was lack of guidance regarding the process or awareness regarding the options available (14%) and that there were no plans to retire in the near future (13%). Only 12% of the respondents found the current succession options unattractive or not financially viable. The attitudes of respondents, in existing succession arrangements, towards whether succession arrangements were working optimally are provided in Figure 15.

Figure 15 Succession arrangements working optimally (n = 33)



From Figure 15, no respondents strongly disagreed with succession arrangements working optimally, 6.1% disagreed (2), 36.4% neither disagreed nor agreed (12), 42.4% agreed (14) and 15.2% strongly agreed (5). With 56.7% of respondents having agreed and strongly agreed that their succession arrangement was working optimally, slightly more than half of the succession arrangements appear to be working. However, with 36.4% (12) of respondents being unsure (neither disagreeing nor agreeing) about whether their succession arrangement was working, this raises the need for an intervention by management to investigate this uncertainty. Of the respondents that had entered into a succession arrangement (n = 33), two indicated that they were the successor and thirty-one indicated they were the incumbent financial adviser.

Incumbent financial advisers

When incumbent advisers in succession arrangements were asked over how many years succession would take place, the profile of responses was as indicated in Table 8. The number of years ranged from three to 14 with more than half of the respondents (58%) indicating that succession would only commence in the event of their death or retirement.

Table 8 Succession period (n = 31)

Succession period	Frequency	Percentage
Succession to commence on death or retirement	18	58%
3 years	2	6%
5 years	2	6%
7 years	2	6%
8 years	2	6%
10 years	2	6%
1 year	1	3%
2 years	1	3%
14 years	1	3%

The preferred method of succession of those respondents who were incumbent advisers was either to remain involved in the practice as a mentor, to only hand over clients to the successor on leaving the business or to hand over clients to the successor over a defined time period. The frequencies of these preferred succession methods are provided in Table 9.

Table 9 Preferred method of succession (n = 31)

Succession method	Frequency	Percentage
To remain involved in the practice as a mentor, servicing selected clients and gradually transferring the remaining clients to the successor	19	61.3%
To keep working as long as possible and to only hand over clients to the successor on leaving the business	10	32.3%
To gradually hand over all clients to the successor over an agreed time period	2	6.5%

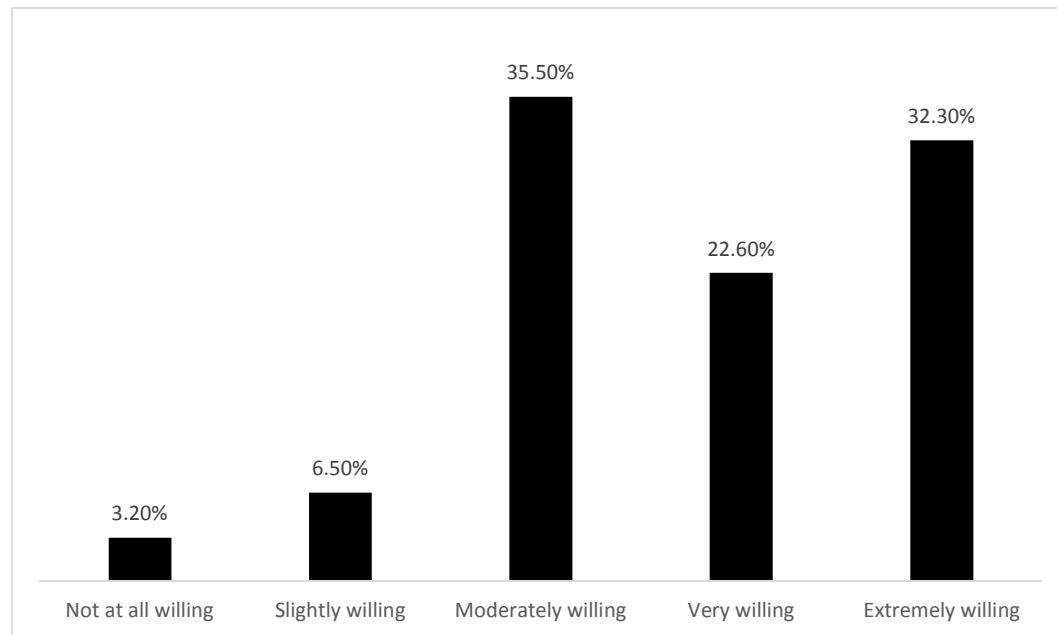
From Table 9, 61.3% of respondents (19) would prefer to remain involved as a mentor, 32.3% (10) would prefer to keep working as long as possible and to only hand over clients to the successor on leaving the business and 6.5% (2) would prefer to gradually hand over all clients to the successor over an agreed time period. Mentorship may be the preferred route as financial advisers have a long-term relationship with their clients and wish to maintain control and influence over the business.

Evaluating whether incumbent advisers are working closely with their successors, 32.3% (10) of respondents in succession arrangements indicated that they were not working closely with their successor and 67.7% (21) indicated that they were working closely with their successor. This may provide a reason for 36.4% of respondents in succession arrangements being unsure about whether their succession arrangement was working optimally (Figure 15).

Willingness to share remuneration

The willingness of respondents, who were incumbent advisers, to share business and remuneration with their successor is essential for succession to work. The profile of the respondents' willingness to do so is provided in Figure 16.

Figure 16 Willingness to share business and remuneration with successor (n = 31)



From Figure 16, 3.2% of respondents (1) were not at all willing, 6.5% (2) were slightly willing, 35.5% (11) were moderately willing, 22.6% (7) were slightly willing and 32.3% (10) were extremely willing to share business and remuneration with their successors. Thus, the overwhelming majority of respondents (90.3%) were moderately willing, very willing and extremely willing to share business and remuneration with their successors.

Perception of trust asymmetry (n = 31)

There appears to be mutual trust between incumbents and successors in succession arrangements with 90% of respondents (28) having agreed and strongly agreed that they

trust their successor and 90% (28) of respondents having agreed that their successor trusted them. Thus, it seems that trust asymmetry is not a factor influencing the succession process.

Option to change exit strategy

When those 31 respondents already in a succession arrangement, as the incumbent financial adviser, were offered the choice to change their exit strategy, there was a marked shift from succession strategies to a financial harvest strategy where they would be paid out by the product provider. This shift is shown in Table 10.

Table 10 Preferred exit strategy for incumbent advisers in succession arrangements (n = 31)

Preferred Exit Strategy	Frequency count	Percentage	Cumulative percentage
Maintain succession arrangement	16	52%	52%
Change to financial harvest: Pay out by product provider	13	42%	94%
Change to stewardship: Sale to an individual	1	3%	97%
Change to financial harvest: Sale to another company	1	3%	100%
Total	31	100%	

From Table 10, only 52% of respondents (16), who were incumbent financial advisers, would elect to maintain their current succession arrangement and 42% (13) would change their exit strategies from succession to being paid out by the product provider if the option were available to them.

Successors (n = 2)

While one respondent, who was a successor in a succession arrangement, indicated that he/she was not working closely with his/her successor, another respondent who was in a similar situation indicated that he/she was working closely with his/her successor. Both respondents (2) strongly agreed that they trusted the adviser they were succeeding and strongly agreed that the incumbent adviser trusted them. There thus appeared to be mutual trust.

5.2.4 Preferred exit strategies

The respondents selected from a range of preferred exit strategies. These are ranked in Table 11.

Table 11 Preferred exit strategy frequencies (n = 111)

Preferred exit strategy	Frequency	Percentage	Cumulative percentage
Financial harvest: Pay out by the product provider	45	40.5%	40.5%
Succession: Family Member	37	33.3%	73.8%
Financial harvest: Sale to another company	13	11.7%	85.5%
Succession: Non-family member	11	9.9%	95.4%
Stewardship: Sale to individual	4	3.6%	99.1%
Voluntary cessation	1	0.9%	100%
Total	111	100%	

As shown in Table 11, financial harvest through being paid out by the product provider was the most preferred exit strategy (40.5%), followed by succession by a family member (33.3%), financial harvest: sale to another company (11.7%), succession to a non-family member (9.9%), stewardship: sale to an individual (3.6%) and voluntary cession (0.9%).

Relating preferred exit strategies to long-term orientation, for respondents who never wish to retire (Figure 12), 37% preferred succession to a family member, 35% preferred financial harvest via pay out by the product provider, 16% preferred succession to a non-family member and 5% preferred financial harvest via sale to another company. The mean age of respondents for each preferred exit strategy category, ranked from the lowest mean age to the highest, is shown in Table 12.

Table 12 Age by preferred exit strategy

Preferred exit strategy	Mean age	Standard deviation
Voluntary cessation	61	Not applicable
Stewardship typology (includes succession)	62.04	5.037
Succession: Non-family member	61.45	3.671
Succession: Family Member	62.16	5.315
Stewardship: Sale to individual	62.50	6.758
Financial harvest typology	62.36	6.851
Financial harvest: Pay out by the product provider	62.16	6.829
Financial harvest: Sale to another company	63.08	7.158

From Table 12 there does not appear to be a marked difference in mean age between different preferred exit strategies and exit strategy typologies. The mean age for each exit strategy was between 61.45 and 63.08 years. Of those respondents who selected succession (48), either to a family or non-family member, the preferred method of succession is illustrated in Table 13.

Table 13 Preferred method of succession (n = 48)

Succession method	Frequency	Percentage
To remain involved in the practice as a mentor, servicing selected clients and gradually transferring the remaining clients to the successor	32	66.7%
To keep working as long as possible and to only hand over clients to the successor on leaving the business	11	22.9%
To gradually hand over all clients to the successor over an agreed time period	5	10.4%
Total	48	100%

From Table 13, 66.7% of respondents (32) would prefer to remain involved as a mentor, 22.9% (11) would prefer to keep working as long as possible and to only hand over clients to the successor on leaving the business and 10.4% (5) would prefer to gradually hand over all clients to the successor over an agreed time period. The willingness of respondents to share business and remuneration on a case by case basis with their successor is profiled in Table 14.

Table 14 Willingness to share business and remuneration with the successor (n=48)

Level of willingness	Frequency	Percentage
Not at all willing	1	2.1%
Slightly willing	3	6.2%
Moderately willing	9	18.7%
Very willing	21	43.8%
Extremely willing	14	29.2%
Total	48	100%

From Table 14, 2.1% (1) of respondents were not at all willing, 6.2% (3) were slightly willing, 18.7% (9) were moderately willing, 43.8% (21) were very willing and 29.2% (14) were extremely willing to share business and remuneration with their successors. Thus, 91.7% (44) of respondents preferring a succession exit strategy were moderately willing, very willing and extremely willing to share business and remuneration with their successors.

Exit strategy typologies

The preferred exit strategies from Table 11 were collapsed to fit into DeTienne et al.'s (2015) typologies of stewardship, financial harvest and voluntary cessation. The financial harvest category comprised pay-out by the product provider and sale to another company with 58 respondents, and the stewardship category comprised succession to a family or non-family member as well as sale to an individual with 52 respondents. The frequencies of these categories are shown in Table 15.

Table 15 Preferred exit strategy by typology

Preferred exit strategy typology	Frequency	Percentage	Cumulative percentage
Financial harvest	58	52.3%	52.3%
Stewardship	52	46.8%	99.1%
Voluntary cessation	1	0.9%	100%
Total	111	100%	

From Table 15, financial harvest was the most preferred exit strategy (52.3%) followed by stewardship (46.8%) and voluntary cessation (0.9%). As only one respondent selected a voluntary cessation exit strategy, only the exit strategy categories of financial

harvest and stewardship will be used for statistical analysis in sections 5.3, 5.4, 5.5 and 5.6.

5.3 Research question one: Trust

To investigate the first research question, “Is there a relationship between trust and the tied financial adviser’s preferred exit strategy as well as the existence of a succession arrangement?” it was necessary to clarify the constructs relating to the concept of trust. From a factor analysis it emerged that trust comprises three constructs: interpersonal trust, trust in a family member and trust in a non-family member. These constructs were tested for validity and reliability.

5.3.1 Results of validity and reliability tests

To ensure the construct validity of the survey questions, exploratory principle component factor analysis was performed on the 12 survey items (Tables 2 to 4). The maximum likelihood method was used to extract the factors, followed by a varimax rotation. Based on the analysis four components had Eigen values greater than Kaiser’s criterion of 1 (Field, 2013) and explained 71% of the variance. Some survey items showed cross-loadings between components. These survey items were grouped with the component where they had the highest loading whilst ensuring that it made theoretical sense. However, based on the Scree Plot (Figure 27 - Appendix 4) the relative difference in Eigen values reduced dramatically between the third and the fourth component. The first three components, accounting for 62.4% of the variance, were selected as the survey items clustered around each component aligned with the following constructs which made theoretical sense in the context of the study:

- a) Interpersonal trust
- b) Trust in a family member (as successor)
- c) Trust in a non-family member (as successor)

All survey items bar the item, “I know other financial advisers who are willing to assist me when needed”, with a loading of 0.51 met the recommended loading level of 0.512 which Field (2013) recommends as a cut off for sample sizes of 100. As the sample size was slightly larger than 100, that is, 111, and the difference in loading for the item being minimal compared to the cut off, the item was retained in the constructs for subsequent reliability testing. Cronbach alphas for the final three trust constructs exceeded the desired value of 0.65 (as stipulated in section 4.9.2) and are reported in Table 16.

Table 16 Trust reliability test

	Construct		
	Interpersonal trust	Trust in a family member	Trust in a non-family member
Original survey items	I know other financial advisers who are willing to assist me when needed	I trust a family member whom I have identified to take over my business	There is another financial adviser (non-family member) that I would trust to take over my business
	I am willing to help other financial advisers, who I know, who need assistance		
	I am willing to introduce my clients to another financial adviser whom I have identified to take over my practice	You can't be too careful when sharing information with other financial advisers	A non-family successor would be fair in all his/her actions
	I believe that my successor would try to be helpful in my practice		
	I believe that my successor would be loyal to my vision for the practice	A family successor would be fair in all of his/her actions	I know a financial adviser who would trust me to take over his/her practice
	I believe a formal succession agreement is necessary with my successor		
Items removed (Cronbach alpha prior to removal)	I believe a formal succession agreement is necessary with my successor (0.602)	You can't be too careful when sharing information with other financial advisers (0.64)	
Final Cronbach alpha	0.869	0.763	0.658
Reliability	Good	Good	Acceptable

To improve the Cronbach alpha, the question “I believe a formal succession agreement is necessary with my successor” was deleted from the interpersonal trust construct. This made sense as the question referred to the need for a formal succession agreement which related more to the moral trust rather than the strategic trust conceptualisation (Bulloch, 2012). Thus the final interpersonal trust construct consisted of five survey items. The deletion of question, “You can't be too careful when sharing information with other financial advisers” from the trust in a family member construct was as a result of the 0.65 Cronbach alpha cut off (as stipulated in section 4.9.2) as well as the question

relating more to trusting all advisers compared to family members specifically. This did however limit the number of survey items to measure this dimension to two which is a limitation of the final trust in a family member construct measurement. No survey items were removed from the trust in a non-family member construct which had an acceptable Cronbach alpha (as stipulated in section 4.9.2) of 0.658. Thus, the final trust in a non-family member construct maintained the original three survey items.

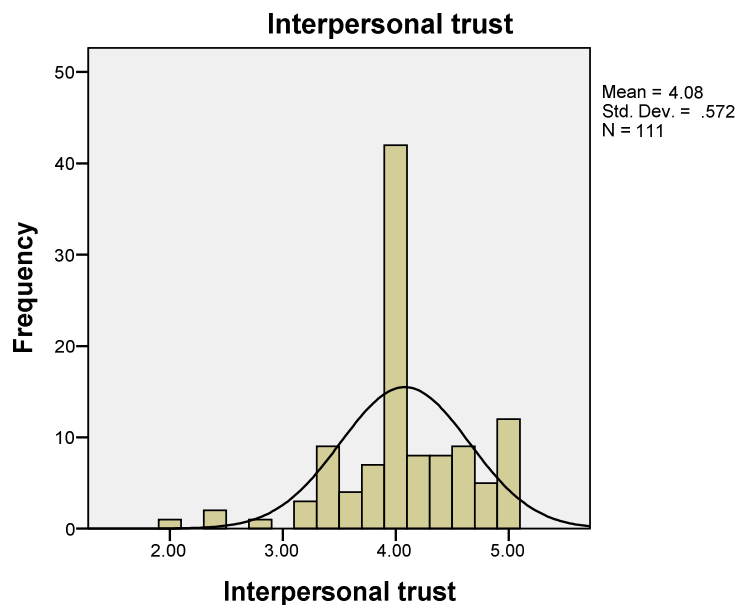
5.3.2 Responses to the three constructs relating to trust

The descriptive statistics for the constructs interpersonal trust, trust in a family member and trust in a non-family member are examined in Figures 17, 18 and 19 respectively.

Interpersonal trust construct

The distribution of responses for the interpersonal trust construct is provided in Figure 17. The distribution of responses appears to be non-normal and leptokurtic in nature (Field, 2013). The values ranged from “disagree” to “strongly agree.”

Figure 17 Histogram of interpersonal trust

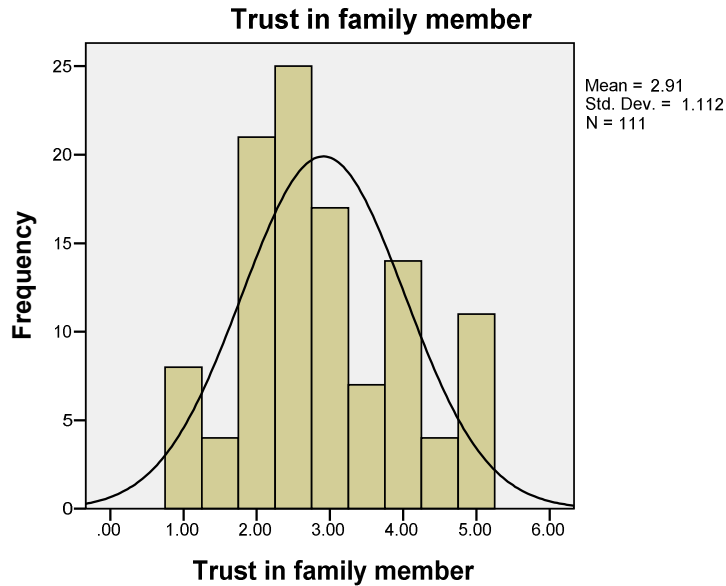


From Figure 17, interpersonal trust had a mean of 4.0811, close to an “agree” rating and had a standard deviation of 0.571 around the mean. The mode was 4 (agree) which occurred 42 times out of the 111 responses.

Trust in a family member construct

The distribution of responses for the construct: trust in a family member is provided in Figure 18. From the histogram in Figure 18, the distribution of responses appears to be non-normal and is positive skewed (Field, 2013). The values ranged from strongly disagree to strongly agree.

Figure 18 Histogram of trust in a family member

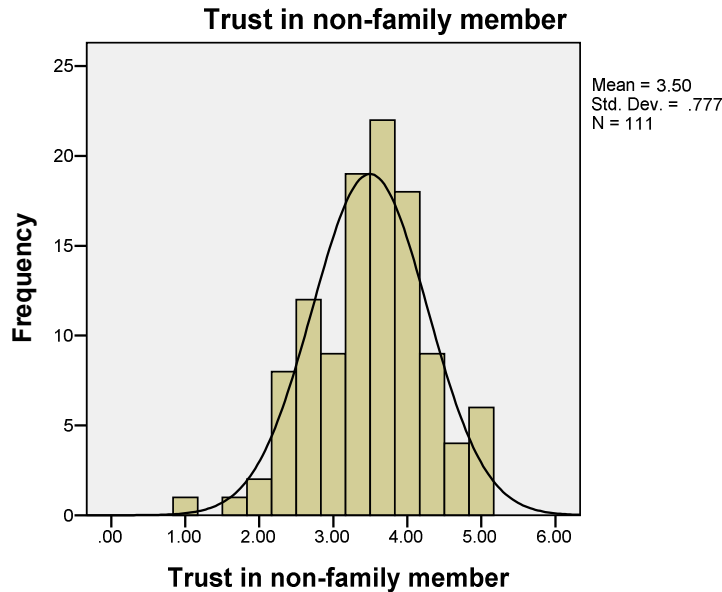


From Figure 18, trust in a family member had a mean of 2.91, close to a “neither agree nor disagree” rating and had a standard deviation of 1.112 around the mean. The mode was 2.5, between “disagree” and “neither agree nor disagree” which occurred 25 times out of the 111 responses.

Trust in a non-family member construct

The distribution of responses for the construct: trust in a non-family member is provided in Figure 19. From Figure 19, the distribution of responses appears to be non-normal and slightly leptokurtic (Field, 2013). The values ranged from “strongly disagree” to “strongly agree.”

Figure 19 Histogram of trust in a non-family member



From Figure 19, trust in a non-family member had a mean of 3.50, between a “neither agree nor disagree” rating and an “agree” rating and had a standard deviation of 0.777 around the mean. The mode was 3.67, between “neither agree nor disagree” and “agree” which occurred 22 times out of the 111 responses.

5.3.3 Relationship between trust and the financial adviser’s preferred exit strategy

To establish whether there is a relationship between trust and the financial adviser’s preferred exit strategy, a test for a difference in the level of trust between exit strategy categories was performed. The parametric independent samples t-test to test for differences assumes normality (Field, 2013). To test the assumptions of normality for the constructs: interpersonal trust, trust in a family member and trust in a non-family member, both numerical and graphical methods were used. Since it was found that these constructs are not normally distributed (Appendix 2) the parametric independent samples t-test could not be used. Instead a non-parametric statistical test, namely the Mann-Whitney U test was used (Field, 2013).

Interpersonal trust and preferred exit strategy

A Mann-Whitney U test was performed indicating that interpersonal trust was significantly greater for advisers who selected a stewardship exit strategy (mean = 4.2962, mean rank = 66.67) than for advisers who selected a financial harvest exit strategy (mean =

3.8897, mean rank = 45.48), $U = 927$, $z = -3.579$, $p = 0.000$. Comparing the succession options within a stewardship exit strategy, a Mann-Whitney U test was performed indicating that there was no significant difference in the level of interpersonal trust between those advisers who preferred succession to a family member (mean = 4.34) and those who preferred succession to a non-family member (mean = 4.33), $U = 195$, $z = -0.215$, $p = 0.83$.

Trust in a family member and preferred exit strategy

A Mann-Whitney U test was performed indicating that trust in a family member was significantly greater for advisers who selected a stewardship exit strategy (mean = 3.1923, mean rank = 63.17) than for advisers who selected a financial harvest exit strategy (mean = 2.6724, mean rank = 48.62), $U = 1109$, $z = -2.419$, $p = 0.016$. Comparing the succession options within a stewardship exit strategy, a Mann-Whitney U test was performed indicating that there was no significant difference in the level of trust in a family member between those advisers who preferred succession to a family member (mean = 3.31) and those who preferred succession to a non-family member (mean = 3.09), $U = 175$, $z = -0.708$, $p = 0.479$.

Trust in a non-family member and preferred exit strategy

A Mann-Whitney U test was performed indicating that trust in a non-family member was significantly greater for advisers who selected a stewardship exit strategy (mean = 3.667, mean rank = 62.56) than for advisers who selected a financial harvest exit strategy (mean = 3.3391, mean rank = 49.17), $U = 1141$, $z = -2.219$, $p = 0.026$. To compare the succession options within a stewardship exit strategy, a Mann-Whitney U test was performed. The level of trust in a non-family member was significantly greater for those advisers who preferred succession to a non-family member (mean = 4.18) compared to those who preferred succession to a family member (mean = 3.54), $U = 114$, $z = -2.214$, $p = 0.027$.

5.3.4 Relationship between trust and the existence of a succession arrangement

To establish whether there is a relationship between trust and the existence of a succession arrangement, a test for a difference in the level of trust between being in a succession arrangement and not being in a succession arrangement was conducted.

Since it was found that the three trust constructs: interpersonal trust, trust in a family member and trust in a non-family member are not normally distributed (Appendix 2) the parametric independent samples t-test could not be used. Instead a non-parametric statistical test, namely the Mann-Whitney U test was used (Field, 2013).

Interpersonal trust and the existence of a succession arrangement

To test for differences in interpersonal trust a Mann-Whitney U test was performed. Interpersonal trust was found to be significantly greater for advisers in an existing succession arrangement (mean = 4.3455) than for advisers not already in a succession arrangement (mean = 3.9692), $U = 841$, $z = -2.964$, $p = 0.003$.

Trust in a family member and the existence of a succession arrangement

To test for differences in trust in a family member a Mann-Whitney U test was performed. The results indicate that trust in a family member was significantly greater for advisers in an existing succession arrangement (mean = 3.303) than for advisers not already in a succession arrangement (mean = 2.7436), $U = 970.5$, $z = -2.068$, $p = 0.039$.

Trust in a non-family member and the existence of a succession arrangement

To test for differences in trust in a non-family member a Mann-Whitney U test was performed. The results indicate that trust in a non-family member was significantly greater for advisers in an existing succession arrangement (mean = 3.7677) than for advisers not already in a succession arrangement (mean = 3.3803), $U = 833.5$, $z = -2.955$, $p = 0.003$.

5.3.5 Summary

There is a significant difference in trust between preferred exit strategies. The levels of interpersonal trust, trust in a family member and trust in a non-family member are significantly greater for financial advisers who selected a stewardship exit strategy compared to those who selected a financial harvest strategy. Thus there is a significant probability that a relationship exists between all three trust constructs and the financial adviser's preferred exit strategy. Trust in a non-family member was found to be significantly greater for those advisers who preferred succession to a non-family member compared to those who preferred succession to a family member. There is a statistically

significant relationship between all three trust constructs and the existence of a succession arrangement, with the levels of trust for all three constructs being greater for those advisers in an existing succession arrangement.

5.4 Research question two: Socio-emotional wealth

To investigate the second research question, “Is there a relationship between socio-emotional wealth and the tied financial adviser’s preferred exit strategy as well as the existence of a succession arrangement?” it was necessary to clarify the constructs relating to the concept of socio-emotional wealth. From a factor analysis it emerged that socio-emotional wealth was comprised of a single construct. This construct was tested for validity and reliability.

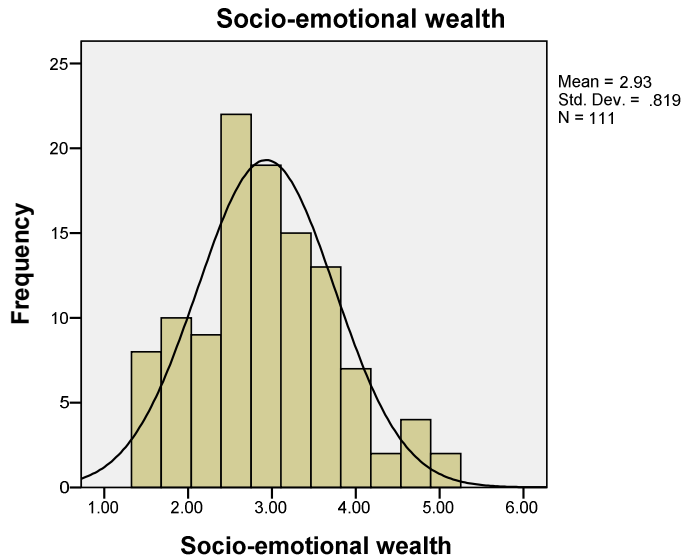
5.4.1 Results of validity and reliability tests

To determine construct validity of the 14 survey questions in this study measuring socio-emotional wealth (Table 5), an exploratory principle components factor analysis was performed which resulted in three components with Eigen values greater than Kaiser’s criterion of 1. The maximum likelihood method was used to extract the factors, followed by a varimax rotation. The three components explained 65.7% of the variance. Some survey items produced cross-loadings between components. These survey items were grouped with the component where they had the highest loading. Based on the Scree plot (Figure 28 in Appendix 4) an inflection point occurs at component 2 which may be used as the cut-off point (Field, 2013). Analysing the survey items included in the second and third categories did not suggest any alignment around a common construct, other than socio-emotional wealth. The second and third component only contained two survey items each. Consequently, a single category was retained, explaining 49% of the variance, which would facilitate interpretation. All survey items had loadings greater than 0.512 which Field (2013) recommends as the cut off for sample sizes of 100. The Cronbach alpha for the single socio-emotional wealth component containing 14 survey items was 0.917, indicating good reliability (as stipulated in section 4.9.2). No survey items were removed.

5.4.2 Responses to the socio-emotional wealth construct

The distribution of responses for the construct: socio-emotional wealth is provided in Figure 20. From the histogram in Figure 20, the distribution of responses appears to be positively skewed (Field, 2013). The values ranged from between “strongly disagree” and “disagree” to “strongly agree”.

Figure 20 Histogram of socio-emotional wealth



From Figure 20, socio-emotional wealth had a mean of 2.93, close to a “neither disagree nor agree” rating and had a standard deviation of 0.819 around the mean. The mode was 2.57, between “disagree” and “neither agree nor disagree” which occurred 8 times out of the 111 responses.

5.4.3 Relationship between socio-emotional wealth and the financial adviser’s preferred exit strategy

To establish whether there is a relationship between socio-emotional wealth and the financial adviser’s preferred exit strategy, a test for a difference in the level of socio-emotional wealth between exit strategy categories was performed. The parametric independent samples t-test to test for differences assumes normality (Field, 2013). To test the assumptions of normality for the socio-emotional wealth construct, both numerical and graphical methods were used. Since it was found that this construct is not normally distributed (Appendix 2) the parametric independent samples t-test could not be used. Instead a non-parametric statistical test, namely the Mann-Whitney U test was used (Field, 2013).

The results of the Mann-Whitney U test indicate that socio-emotional wealth was significantly greater for advisers who selected a stewardship exit strategy (mean = 3.1195) than for advisers who selected a financial harvest exit strategy (mean = 2.7833), $U = 1178.5$, $z = -1.974$, $p = 0.048$. A Mann-Whitney U test was performed to compare differences in socio-emotional wealth between succession options. The results indicate

that there was no significant difference in the level of socio-emotional wealth between those advisers who preferred succession to a family member (mean = 3.22) and those who preferred succession to a non-family member (mean = 2.94), $U = 179$, $z = -0.602$, $p = 0.547$.

5.4.4 Relationship between socio-emotional wealth and the existence of a succession arrangement

To establish whether there is a relationship between socio-emotional wealth and the existence of a succession arrangement, a test for a difference in the level of socio-emotional wealth between being in a succession arrangement and not being in a succession arrangement was conducted. Since it was found that the socio-emotional wealth construct is not normally distributed (Appendix 2) the parametric independent samples t-test could not be used. Instead a non-parametric statistical test, namely the Mann-Whitney U test was used (Field, 2013). The results of the Mann-Whitney U test indicate that there was no significant difference in socio-emotional wealth between advisers in an existing succession arrangement and advisers not already in a succession arrangement, $U = 1011.5$, $z = 0.075$, $p = 0.075$.

5.4.5 Summary

The level of socio-emotional wealth was significantly different between exit strategies with socio-emotional wealth being significantly greater for stewardship exit strategies. It is statistically likely that a relationship exists between socio-emotional wealth and the financial adviser's preferred exit strategy. There was no significant difference in the level of socio-emotional wealth between those advisers who preferred succession to a family member and those who preferred succession to a non-family member. There is no statistically significant difference in socio-emotional wealth between advisers who are already in an existing succession arrangement and those who are not. There is thus no significant relationship between socio-emotional wealth and the existence of a succession arrangement.

5.5 Research question three: Commitment to stakeholders

To investigate the third research question, "Is there a relationship between commitment to stakeholders and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement?" it was necessary to clarify the constructs relating to the concept of commitment to stakeholders. Commitment to stakeholders was

examined by measuring two constructs: commitment to clients and commitment to the product provider. These constructs were tested for validity and reliability.

5.5.1 “Commitment to clients” construct

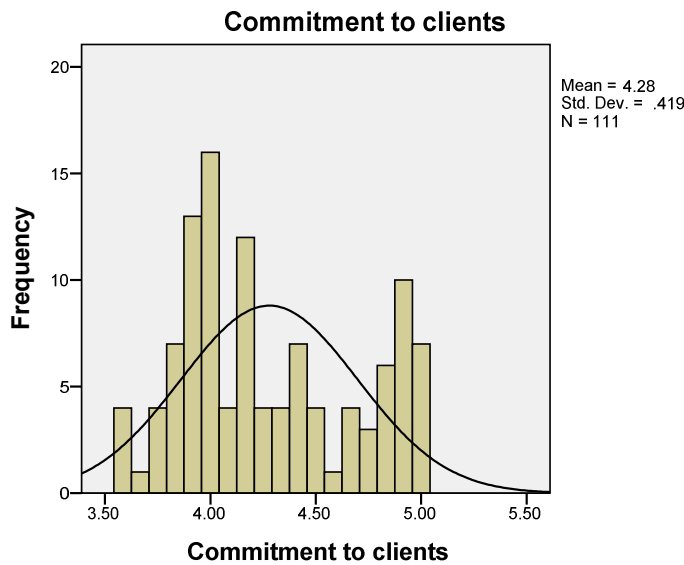
5.5.1.1 Results of validity and reliability tests

To determine construct validity of the 13 survey questions measuring commitment to clients (Table 6), an exploratory principle components factor analysis was performed which resulted in four components with Eigen values greater than Kaiser’s criterion of 1. The maximum likelihood method was used to extract the factors, followed by a varimax rotation. These components explained 66.6% of the variance. Some survey items showed cross-loadings between components. These survey items were grouped with the component where they had the highest loading. Based on the Scree plot (Figure 29 in Appendix 4) an inflection point occurs at category 2 which may be used as the cut-off point (Field, 2013). Analysing the survey items included in the second and third categories did not suggest any alignment around a common theoretical construct, other than “commitment to clients” with the fourth component only containing two survey items. Consequently, a single category was maintained, explaining 40.5% of the variance, which would facilitate interpretation. One survey item with a loading of less than 0.512 was removed namely the item, “I do not wish to retire/exit the business as my clients depend on me.” Field (2013) recommends 0.512 as a loading cut off for sample sizes of 100. The Cronbach alpha for the single “commitment to clients” component containing the final 12 survey items was 0.872, indicating good reliability (as stipulated in section 4.9.2). No further survey items were removed.

5.5.1.2 Responses to the “commitment to clients” construct

The distribution of responses for the construct: commitment to clients is provided in Figure 21. The distribution of responses does not appear to be normally distributed. The values ranged from between “neither disagree nor agree” and “agree” to “strongly agree.”

Figure 21 Histogram of commitment to clients



From Figure 21, commitment to clients had a mean of 4.28, close to an “agree” rating and had a standard deviation of 0.419 around the mean. The mode was 4, an “agree” rating which occurred 16 times out of the 111 responses.

5.5.1.3 Relationship between commitment to clients and the financial adviser’s preferred exit strategy

To establish whether there is a relationship between commitment to clients and the financial adviser’s preferred exit strategy, a test for a difference in the level of commitment to clients between exit strategy categories was performed. The parametric independent samples t-test to test for differences assumes normality (Field, 2013). To test the assumptions of normality for the “commitment to clients” construct, both numerical and graphical methods were used. Since it was found that this construct is not normally distributed (Appendix 2) the parametric independent samples t-test could not be used. Instead a non-parametric statistical test, namely the Mann-Whitney U test was used (Field, 2013).

The results of the Mann-Whitney U test indicate that commitment to clients was significantly greater for advisers who selected a stewardship exit strategy (mean = 4.3798) than for advisers who selected a financial harvest exit strategy (mean = 4.1954), $U = 1154.5$, $z = -2.125$, $p = 0.034$. A Mann-Whitney U test was performed to test differences in commitment to clients between succession options. The results indicate that there was no significant difference in commitment to clients between those advisers

who preferred succession to a family member (mean = 4.41) and those who preferred succession to a non-family member (mean = 4.40), $U = 201$, $z = -0.062$, $p = 0.951$.

5.5.1.4 Relationship between commitment to clients and the existence of a succession arrangement

To establish whether there is a relationship between commitment to clients and the existence of a succession arrangement, a test for a difference in the level of commitment to clients between being in a succession arrangement and not being in a succession arrangement was conducted. Since it was found that the “commitment to clients” construct is not normally distributed (Appendix 2) the parametric independent samples t-test could not be used. Instead a non-parametric statistical test, namely the Mann-Whitney U test was used (Field, 2013). The results of the Mann-Whitney U test indicate that there was no significant difference in commitment to clients between advisers in an existing succession arrangement and advisers not already in a succession arrangement, $U = 1010$, $z = -1.794$, $p = 0.073$.

5.5.2 “Commitment to the product provider” construct

5.5.2.1 Results of validity and reliability tests

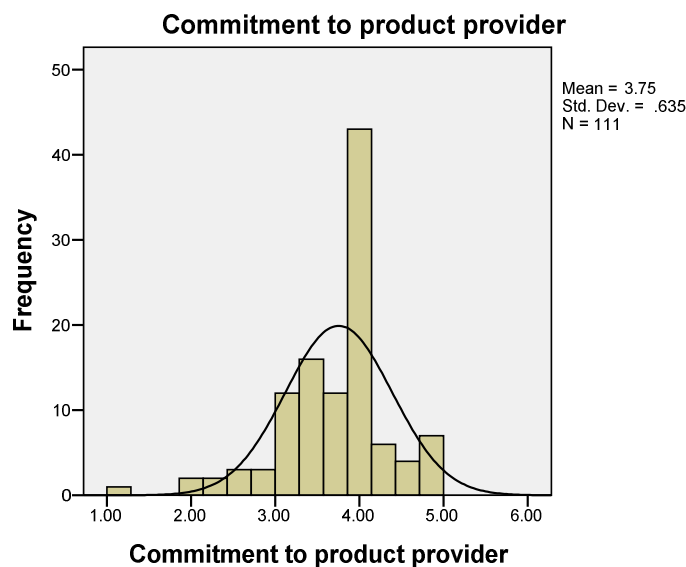
To determine construct validity of the 11 survey questions measuring commitment to the product provider (Table 7), a principle components factor analysis was performed which resulted in three components with Eigen values greater than Kaiser’s criterion of 1. The maximum likelihood method was used to extract the factors, followed by a varimax rotation. These components explained 62.5% of the variance. Some survey items showed cross-loadings between components. These survey items were grouped with the component where they had the highest loading. Based on the Scree plot (Figure 30 in Appendix 4) an inflection point occurs at category 2 which may be used as the cut-off point (Field, 2013). Analysing the survey items included in the second and third categories did not suggest any alignment around a common theoretical construct, other than “commitment to the product provider” with the third component only containing two survey items. Consequently, a single category was maintained, explaining 39% of the variance, which would facilitate interpretation. Four survey items with loadings less than 0.512 were removed. The survey items removed were: “My product provider actively seeks out my input on issues”, “I cannot exit my business as my product provider depends on me”, “my product provider is able to take action against me should they perceive me to have provided bad advice or service” and “My product provider demands a lot of my time for product, compliance and operational issues.” Field (2013)

recommends 0.512 as a loading cut off for sample sizes of 100. The Cronbach alpha for the final “commitment to the product provider” component containing seven survey items was 0.847, indicating good reliability (as stipulated in section 4.9.2). No further survey items were removed.

5.5.2.2 Responses to the “commitment to the product provider” construct

The distribution of responses for the construct “commitment to the product provider” is provided in Figure 22. The distribution of responses appears not to be normally distributed and to be leptokurtic in nature (Field, 2013). The values ranged from between “strongly disagree” to “strongly agree.”

Figure 22 Histogram of commitment to the product provider



From Figure 22, commitment to the product provider had a mean of 3.75, close to an “agree” rating and had a standard deviation of 0.635 around the mean. The mode was 4, an “agree” rating which occurred 17 times out of the 111 responses.

5.5.2.3 Relationship between commitment to the product provider and the financial adviser’s preferred exit strategy

To establish whether there is a relationship between commitment to the product provider and the financial adviser’s preferred exit strategy, a test for a difference in the level of commitment to the product provider between exit strategy categories was performed. The parametric independent samples t-test to test for differences assumes normality (Field, 2013). To test the assumptions of normality for the “commitment to the product

provider” construct, both numerical and graphical methods were used. Since it was found that this construct is not normally distributed (Appendix 2) the parametric independent samples t-test could not be used. Instead a non-parametric statistical test, namely the Mann-Whitney U test was used (Field, 2013).

The results of the Mann-Whitney U test indicate that there was no significant difference in commitment to the product provider between exit strategies, $U=1199.5$, $z=-1.856$, $p=0.063$. To compare differences in commitment to the product provider between succession options within a stewardship exit strategy, a Mann-Whitney U test was performed indicating that there was no significant difference in commitment to the product provider between those advisers who preferred succession to a family member (mean = 3.80) and those who preferred succession to a non-family member (mean = 4.10), $U = 134$, $z = -1.717$, $p = 0.086$.

5.5.2.4 Relationship between commitment to the product provider and the existence of a succession arrangement

To establish whether there is a relationship between commitment to the product provider and the existence of a succession arrangement, a test for a difference in the level of commitment to the product provider between being in a succession arrangement and not being in a succession arrangement was conducted. Since it was found that the “commitment to the product provider” construct is not normally distributed (Appendix 2) the parametric independent samples t-test could not be used. Instead a non-parametric statistical test, namely the Mann-Whitney U test was used (Field, 2013). The results of the Mann-Whitney U test indicate that there was no significant difference in commitment to the product provider between advisers in an existing succession arrangement and advisers not already in a succession arrangement, $U = 1173$, $z = -0.739$, $p = 0.46$.

5.5.3 Summary

There is a significant difference between levels of commitment to clients based on exit strategies, with commitment to clients being significantly greater for a stewardship exit strategy. Thus, a statistically significant relationship exists between commitment to clients and the financial adviser’s preferred exit strategy. There is not a statistically significant relationship between commitment to the product provider and the financial adviser’s preferred exit strategy. There was no significant difference in commitment to clients or commitment to the product provider between those advisers who preferred succession to a family member and those who preferred succession to a non-family

member. There is not a significant relationship between commitment to clients or commitment to the product provider and the presence of an existing succession arrangement.

5.6 Research question four: Profiling financial adviser exit strategies and succession arrangements

To answer research question 4, “What is the profile of financial adviser exit strategies and succession arrangements?” it was necessary to establish profiles of financial adviser exit strategies and succession arrangements based on the constructs of interpersonal trust, trust in a family member, trust in a non-family member, socio-emotional wealth, commitment to clients and commitment to the product provider. These profiles enabled significant predictors of exit strategies and succession arrangements to be identified from the constructs considered.

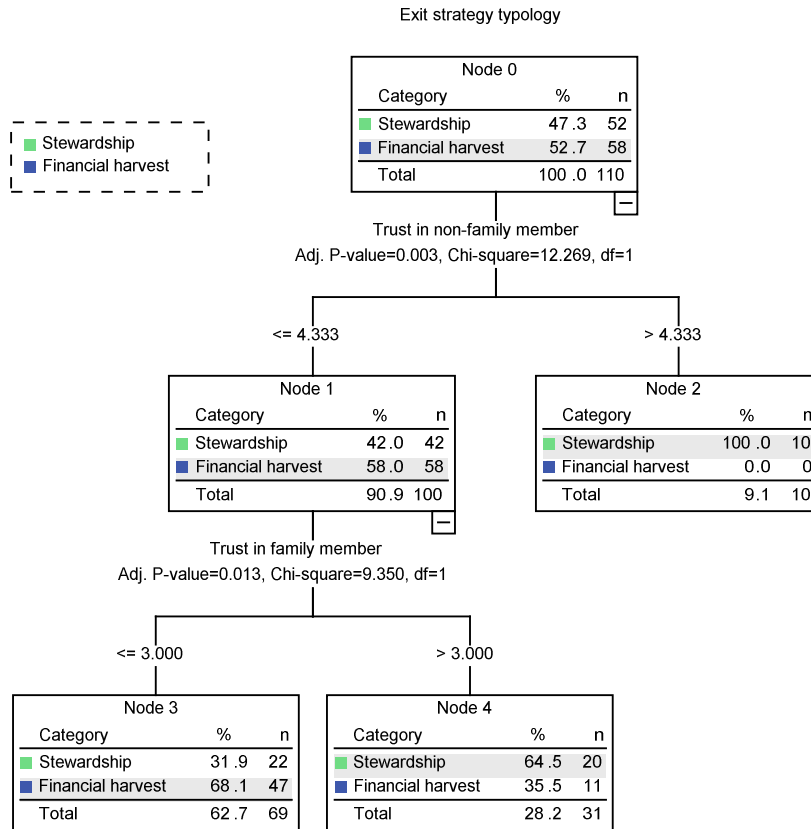
5.6.1 Profile of exit strategies

A Chi-squared automatic interaction detector (CHAID) analysis was conducted to profile and predict the financial adviser’s preferred exit strategy taking into consideration the following constructs as independent variables, namely:

- interpersonal trust,
- trust in a family member,
- trust in a non-family member,
- socio-emotional wealth,
- commitment to clients, and
- commitment to the product provider.

The method produced a predictive model including only two of the six constructs, namely trust in a non-family member and trust in a family member. The results are shown in Figure 23.

Figure 23 CHAID tree – Profile of exit strategies



In Figure 23 trust in a non-family member is the best predictor of whether an adviser will prefer a stewardship exit strategy. The sample was then split into two groups, advisers with high trust in a non-family member on the right (9.1% of the sample) and advisers with lower trust in a non-family member on the left (90.9% of the sample). For advisers with high levels of trust in a non-family member, that is trust greater than 4.333, 100% of advisers preferred a stewardship exit strategy, $X^2(1) = 12.269$, $p = 0.003$. For advisers with lower levels of trust in a non-family member, that is trust less than or equal to 4.333, 58% preferred a financial harvest exit strategy and 42% preferred a stewardship exit strategy.

The analysis continued, indicating that for advisers with lower levels of trust in a non-family member, the best predictor of exit strategy typology was trust in a family member $X^2(1) = 9.350$, $p = 0.013$. For the group of advisers with lower levels of trust in a non-family member, the group was split into two further sub-groups, those with higher trust in a family member on the right (28.2%) and those with lower trust in a family member on

the left (62.7%). For those with lower trust in a family member, trust less than or equal to 3, 68.1% of advisers preferred a financial harvest exit strategy and 31.9% of advisers preferred a stewardship strategy. For those with higher trust in a family member, trust greater than 3, 64.5% of advisers preferred a stewardship exit strategy and 35.5% preferred a financial harvest strategy.

The research objective of determining a profile of financial adviser exit strategies has been met. The profile for stewardship and financial harvest exit strategies is provided next.

Stewardship

It can be predicted that the likelihood of pursuing a stewardship exit strategy is greater for higher levels of trust in non-family members.

Financial harvest

Where trust in non-family members is low (responses lower than 3 on the Likert scale) and trust in family members is low (responses lower than 3 on the Likert scale), the greater the likelihood of pursuing a financial harvest strategy (68% vs 52.7%).

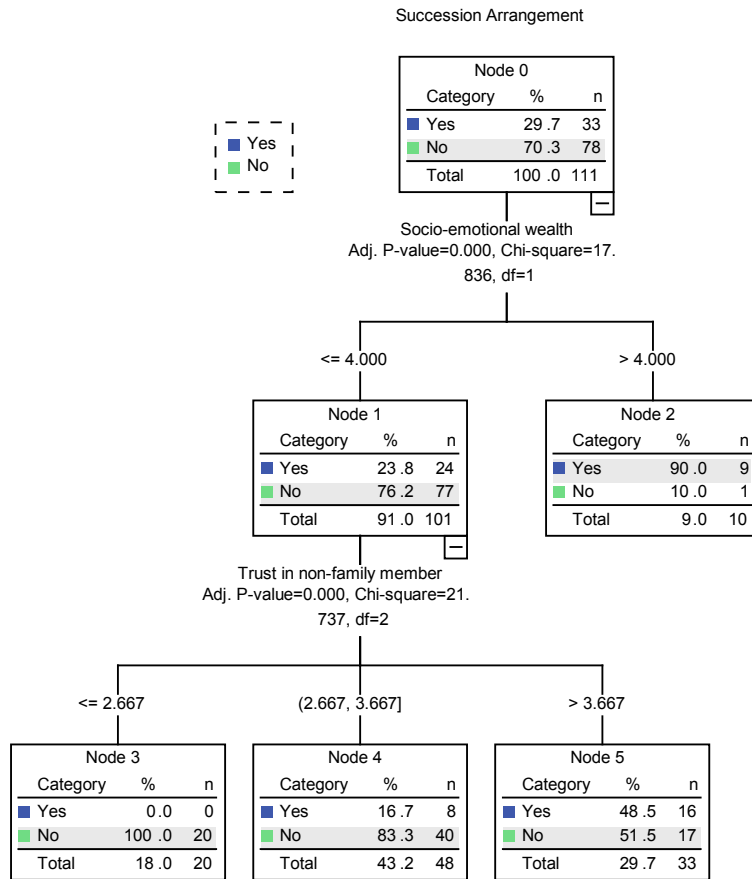
5.6.2 Profile of succession arrangements

A Chi-squared automatic interaction detector (CHAID) analysis was conducted to profile succession arrangements and to predict the existence of a succession arrangement taking into consideration the following constructs as independent variables, namely:

- interpersonal trust,
- trust in a family member,
- trust in a non-family member,
- socio-emotional wealth,
- commitment to clients, and
- commitment to the product provider.

The method produced a predictive model including only two of the six constructs, namely socio-emotional wealth and trust in a non-family member. The results of which are shown in Figure 24.

Figure 24 CHAID tree – Profile of succession arrangements



In Figure 24 socio-emotional wealth is the best predictor of whether or not an adviser is in a succession arrangement. The sample was first split into two groups, advisers with high levels of socio-emotional wealth on the right (9% of the sample) and advisers with lower levels of socio-emotional wealth on the left (91% of the sample). For advisers with higher levels of socio emotional wealth, greater than 4, 90% were in existing succession arrangements. For advisers with lower levels of socio-emotional wealth, less than or equal to 4, only 23.8% were in succession arrangements, $X^2(1) = 17.836$, $p = 0.000$.

The analysis continued indicating that for advisers with lower levels of socio-emotional wealth the best predictor of being in a succession arrangement was trust in a non-family member $X^2(2) = 21.737$, $p = 0.000$. This group was split into a further 3 sub-groups, low trust in a non-family member on the left (18%), intermediate trust in a non-family member in the middle (43.2%) and high trust in a non-family member on the right (29.7%). For advisers with low trust in a non-family member, less than or equal to 2.667, no financial

advisers were in a succession arrangement. For advisers with intermediate trust in a non-family member, between 2.667 and 3.667, only 16.7% of financial advisers were in a succession arrangement. For advisers with high trust in a non-family member, greater than 3.667, 48.5% of advisers were in a succession arrangement.

The research objective of determining a profile of financial adviser succession arrangements has been met. The profile is provided next.

A succession arrangement exists

It can be predicted that the likelihood of being in a succession arrangement is greater for high levels of socio-emotional wealth. Thus, high levels of socio-emotional wealth may also increase the likelihood of entering into a succession arrangement.

A succession arrangement does not exist

Where socio-emotional wealth is low (less than or equal to 4 on the Likert scale) and trust in a non-family member is low, the likelihood of not entering into a succession arrangement is greater. For Likert scores between 2.667 and 3.667 for trust in a non-family member, the probability of not entering into a succession arrangement increased from 70.3% to 83.3%. For Likert scores less than or equal to 2.667 for trust in a non-family member, the probability of not entering into a succession arrangement increased from 70.3% to 100%.

5.7 Summary of findings

From the factor analyses conducted it emerged that trust comprised the following three constructs, namely interpersonal trust, trust in a family member and trust in a non-family member; socio-emotional wealth comprised one construct and commitment to stakeholders comprised two constructs, namely commitment to clients and commitment to the product provider. The findings from research questions one to four examining the relation of these constructs to tied financial adviser exit strategies and succession arrangements are summarised in Tables 17, 18, 19 and 20 respectively.

Table 17 summarises the findings to research question one, “Is there a relationship between trust and the tied financial adviser’s preferred exit strategy as well as the existence of a succession arrangement?”

Table 17 Summary of research findings to research question one

Research question	Findings
Research question one	Trust constructs
	<p>A relationship exists:</p> <p>There is a statistically significant relationship between all three trust constructs (interpersonal trust, trust in a family member and trust in a non-family member) and the financial advisers preferred exit strategy with trust for all three constructs being significantly greater for financial advisers who selected a stewardship exit strategy compared to those who selected a financial harvest exit strategy.</p> <p>Delving further into succession options, trust in a non-family member was significantly greater for succession to a non-family member than for succession to a family member. The levels of interpersonal trust and trust in a family member did not differ between succession options.</p>
	<p>A relationship exists:</p> <p>Succession arrangements There is a statistically significant relationship between all three trust constructs and the existence of a succession arrangement, with trust for all three constructs being greater for those advisers in an existing succession arrangement compared to those not in an existing succession arrangement.</p>

Table 18 summarises the findings to research question two, “Is there a relationship between socio-emotional wealth and the tied financial adviser’s preferred exit strategy as well as the existence of a succession arrangement?”

Table 18 Summary of research findings to research question two

Research Question	Findings	
Research question two	Socio-emotional wealth construct	
	Exit strategies	<p>A relationship exists:</p> <p>There is a statistically significant relationship between socio-emotional wealth and the financial adviser's preferred exit strategy, with the level of socio-emotional wealth being greater for stewardship exit strategies than for financial harvest exit strategies.</p> <p>Delving further into succession options, there was no difference in socio-emotional wealth between succession to a family member and succession to a non-family member.</p>
	Succession arrangements	<p>A relationship does not exist:</p> <p>There is not a significant relationship between socio-emotional wealth and the existence of a succession arrangement.</p>

Table 19 summarises the findings to research question three, "Is there a relationship between commitment to stakeholders and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement?"

Table 19 Summary of research findings to research question three

Research Question	Findings	
Research question three	“Commitment to clients” construct	
	Exit strategies	<p>A relationship exists:</p> <p>There is a significant relationship between commitment to clients and the financial adviser’s preferred exit strategy, with commitment to clients being greater for a stewardship exit strategy than for a financial harvest exit strategy.</p> <p>Delving further into succession options, there was no difference in commitment to clients between succession to a family member and succession to a non-family member.</p>
	Succession arrangements	<p>A relationship does not exist:</p> <p>There is not a significant relationship between commitment to clients and the existence of a succession arrangement.</p>
	“Commitment to the product provider” construct	
	Exit strategies	<p>A relationship does not exist:</p> <p>There is not a significant relationship between commitment to the product provider and the financial adviser’s preferred exit strategy.</p> <p>Delving further into succession options, there was no difference in commitment to the product provider between succession to a family member and succession to a non-family member.</p>
	Succession arrangements	<p>A relationship does not exist:</p> <p>There is not a significant relationship between commitment to the product provider and the existence of a succession arrangement.</p>

Table 20 summarises the findings to research question four, “What is the profile of financial adviser exit strategies and succession arrangements?”

Table 20 Summary of research findings to research question four

Research question	Profile	Findings
Research question four	Profile of exit strategies	<p>A stewardship exit strategy:</p> <p>The strongest predictor of a stewardship exit strategy is a high level of trust in non-family members.</p> <p>A financial harvest exit strategy:</p> <p>The strongest predictor of a financial harvest exit strategy is low trust in non-family members combined with low trust in family members.</p>
	Profile of succession arrangements	<p>A succession arrangement exists:</p> <p>The strongest predictor of being in a succession arrangement is high socio-emotional wealth.</p> <p>A succession arrangement does not exist:</p> <p>The strongest predictor of not being in a succession arrangement is low socio-emotional wealth combined with low trust in a non-family member. Where socio-emotional wealth is low, the likelihood of not being in a succession arrangement increases as trust in a non-family member decreases.</p>

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The results of this study are discussed in this chapter with the objective of exploring the relationship between the constructs: trust (interpersonal trust, trust in a family member and trust in a non-family member), socio-emotional wealth and stakeholder commitment (commitment to clients and the product provider); and a tied financial adviser's choice of exit strategy as well as the existence of a succession arrangement. The results are discussed within the context of existing theory, highlighting new contributions to academic theory, with the ultimate aim of enabling product providers to better manage the exit (or succession) of their tied financial advisers.

To demonstrate that the respondents are representative of the population of tied financial advisers aged 55 and over within the organisation, the demographic profile of respondents is compared to the profile of the population within the organisation sampled. To understand the extent of the research problem within the organisation sampled, the long-term orientation and retirement objectives of respondents are examined followed by an exploration of existing succession arrangements and the respondents' preferred exit strategies. The four research questions are then discussed with the objectives of:

- i. investigating the relationship between trust and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement.
- ii. exploring the relationship between socio-emotional wealth and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement.
- iii. examining the relationship between commitment to stakeholders and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement.
- iv. determining a profile of financial adviser exit strategies and succession arrangements.

6.2 The profile of respondents

The profile of respondents is reviewed in light of the literature in chapter two commencing with their demographic profile, followed by the respondents' long-term orientation and attitude towards retirement, the profile of existing succession arrangements and the profile of preferred exit strategies.

6.2.1 Demographic profile

The responses received from the survey were representative of the original list of tied financial advisers aged 55 and over within the organisation sampled in terms of age (Figure 1) and gender (Figure 2). The age of respondents indicates that nearly a third of the respondents (29%) were older than the normal retirement age of 65 (Figure 1). This would indicate either a willingness or need for the respondents to continue working past normal retirement age. With the overwhelming majority of respondents (80.2% - Figure 3) being married and having children (95% - Figure 4) this increases the likelihood of family members being available as potential successors, now or in the future, depending on their suitability as successors in terms of relational competence (Hatak & Roesl, 2015), hard and soft skills (Schlepphorst & Moog, 2014) and inclination.

6.2.2 Long-term orientation and retirement

The respondents indicated a wide range of planned retirement ages (Figure 12). With the extension of intended retirement ages post the normal retirement age of 65 and the large number of respondents (39%) who never wish to retire, this will pose implications for management of product providers and clients where the respondents may become less active over time resulting in the natural attrition of clients to other advisers or other product providers.

More than half of the respondents (54.9%) disagreed or strongly disagreed that their financial planning practice was their individual pursuit and would end when they leave (Figure 8) and 83.7% of respondents agreed that their practice was a valuable business with good long-term prospects (Figure 10). Thus the majority of respondents believed that their practice was a going concern. This, together with 39% of respondents (43) never planning to retire (Figure 12), illustrates long-term orientation in terms of the outlook for at least 39% of respondents. The 39% of respondents (43) who never wished to retire (Figure 12) had a mean age of 62.7 and did not seem to fit the findings of Wennberg et al. (2010), that the founder's willingness to exit increases with age. This may be because of passion and purpose for their profession.

From Figure 9, the lack of confidence that the respondents' practices could function without them points to a potential problem with effective succession and business continuity. This will have implications for the management of the product provider. The large proportion of respondents (72.9%) in Figure 11 who agreed or strongly agreed that they were reliant on their practice as part of their retirement provision has implications for the management of the product provider in terms of managing advisers' expectations

of financial compensation on exit. Due to the reliance on their practices for retirement provision, these respondents are likely to want financial compensation in line with their expectations and will be unlikely to accept less (Kammerlander, 2014).

6.2.3 Succession strategies

The extent of the lack of succession planning, which is a key element of the research problem, is evident with only 29.7% of respondents having a succession plan in place (Figure 13). This is in accordance with international data from the United States with only 29% of advisers having defined or implemented a succession plan (Accenture, 2013). Although 75% of South African financial advisers indicated that they had a business continuity plan in place (The Institute of Practice Management, FAnews & The Financial Planning Institute, 2012), these results seem to indicate that these business continuity plans are inadequate.

The principle reasons for not being in a succession arrangement are provided in Figure 14. With 17% of respondents citing a lack of suitable candidates as successors, this may point to a lack of trust in other advisers or the perception that other advisers do not have the requisite hard and soft skills, potentially due to age, personality or training. As 14% of respondents cited a lack of guidance/awareness of available succession options, there appears to be the need for an intervention by the product provider to educate financial advisers about the succession options available and to provide guidance in implementing these arrangements. This is crucial for the product provider and the financial adviser's practice as having a succession process in place and communicating it is essential for sustainable business growth (Eddleston et al., 2013). The problem of encouraging succession for advisers who wish to continue working post retirement is evident with 13% of respondents not being in succession arrangements as they are not planning to retire or believe that retirement is a long way off (Figure 14). This indicates a fundamental misconception around the practicalities of succession arrangements with these respondents believing that succession should only happen at a defined point in time, that is when they leave the business. In practice, effective succession planning takes time, typically five to seven years (Le Breton-Miller et al., 2004), as it requires the transfer of tacit knowledge (Cabrera-Suárez et al., 2001; Chirico & Nordqvist, 2010), authority and power (Le Breton-Miller et al., 2004) and in the context of financial adviser practices, client relationships from the incumbent to the successor. There also appears to be a desire for additional succession or exit options to be made available to the tied financial advisers by the product provider with 12% of respondents indicating that current succession options were not suitable/financially attractive.

Although the majority of respondents, in a succession arrangement as incumbents, agreed or strongly agreed that their succession arrangement was working, 36.4% of respondents neither agreed nor disagreed (Figure 15). This appears to be due to 32.3% of respondents indicating that they were not working closely with their successor (Section 5.2.3). It does not appear to be as a result of an unwillingness to share remuneration between the incumbent adviser and the successor since 90.3% of respondents were moderately willing, very willing and extremely willing to share business and remuneration with their successors (Figure 16). Alternative explanations may be that it was too early to assess the success of the arrangement or that there were no metrics in place to measure the success.

The level of apprehension around succession and the desire for wider exit options is supported by the fact that 42% of incumbent advisers in existing succession arrangements preferred to change their exit strategy from succession to financial harvest via pay out from the product provider (Table 10). This may point to the practical difficulties of implementing succession arrangements. The compliance and regulatory burden in the financial services industry may also make financial harvest a viable, clean break exit option for those advisers wishing to exit their practices for this reason.

Interrogating the succession options further, 33% of respondents preferred the option of succession to a family member compared to 10% who preferred the option of succession to a non-family member (Table 11). For respondents preferring a stewardship exit strategy, this appears to be roughly in line with Dehlen et al. (2014) who argue that due to information asymmetry, the incumbent is likely to select a successor from his/her own family and that the probability of selecting a non-family successor was less than 25% (in this study 30% of respondents preferring a stewardship exit strategy selected succession to a non-family member). As 83.7% of respondents agreed that their practice was a valuable business with good long term prospects (Figure 10), the result supports Wennberg et al. (2011) as family successors are more likely for firms that have long term orientation and a positive financial outlook. The misconception that succession will only happen on leaving the business seems to be present for those advisers in a succession arrangement, with 58% of incumbent financial advisers in succession arrangements (Table 8) indicating that they only wish succession to commence on death or retirement. In terms of the preferred succession method (Table 9), the majority of incumbent financial adviser respondents in succession arrangements (61.3%) would prefer to remain involved in their practice as a mentor. This may be due to the desire to protect socio-emotional wealth, to maintain control and influence in the practice. This supports Gómez-Mejía et al. (2011) that socio-emotional wealth is a driver of the design of the succession

process. The 32.3% of incumbent advisers in succession arrangements (Table 9) who plan to only hand over clients to the successor on leaving the business, provide further evidence of the misconception around the time taken to implement a succession arrangement.

Due to the small number (2) of respondents who were successors, it is not reliable to draw any conclusions from their responses as they are unlikely to be representative of all successors. However, it can be said that there appears to be mutual trust between the incumbent advisers and their successors as illustrated in section 5.2.3., indicating that trust asymmetry is not a factor influencing the succession process.

6.2.4 Preferred exit strategies

The preferred exit strategies in the tied financial adviser context (shown in Table 11) expand on DeTienne et al.'s (2015) typology of entrepreneurial exit to include financial harvest via pay out from the product provider. This is a unique exit strategy option possible in a tied agency environment where the product provider may elect to pay the incumbent adviser an amount on exit and to succeed the incumbent adviser with another tied financial adviser of that product provider. This option differs from succession as it implies that the incumbent makes a relatively clean break from the practice and could be used as an option by the product provider to encourage speedier exit from practices where the incumbent adviser may be becoming less active and where the practice may be suffering from client attrition. In this case the practice may be better served by a more active tied adviser. The inclusion of voluntary cessation in DeTienne et al.'s (2015) typology does not appear to fit the context of a tied financial adviser practice as only 1% of respondents (1) selected this strategy. This may be because of the large proportion of respondents viewing their practices as a going concern, with a long-term orientation, and part of their retirement provision. This would support DeTienne et al.'s (2015) argument that voluntary cessation is preferred where there is a short time frame for the business, which is not the general case in this context. It does however challenge their argument that a voluntary cessation strategy is predicted where there are few founders and few employees, as is the general case in a tied financial adviser practice.

The most common preferred exit strategy was financial harvest (Table 11). When compared to education and experience levels, this supports DeTienne and Cardon (2012) with higher levels of education and experience of financial advisers promoting a financial harvest exit strategy. The result is however contradictory to DeTienne et al. (2015) who identified that younger founders preferred a financial harvest exit strategy

as the mean age of those who preferred a financial harvest exit strategy was 62.36 years with a standard deviation of 6.85 around the mean (Table 12). The preference for financial harvest may be due to the complexities of implementing a stewardship arrangement such as the time taken and practical difficulties of working with a successor. A financial harvest exit strategy will however create problems of client attrition if the client handover process is not managed appropriately or the new adviser taking over the clients is not suitable from a relational or skill perspective.

Following financial harvest as a preferred exit strategy, the next most selected strategy was succession by a family member. Of the respondents who never wish to retire, 37% (16) selected a preferred exit strategy of succession via a family member, the most frequent exit strategy for this group. This seems to support Wennberg et al. (2011), that family successors are likely for firms with a long-term orientation, although, the percentage of respondents who selected a financial harvest exit strategy via pay out from the product provider (35%) was a very close second.

For those respondents preferring succession as an exit strategy, the preferred succession method was to remain involved in the practice as a mentor (66.7%) (Table 13). Mentorship is likely to be beneficial for the succession process as it promotes a nurtured client handover process. However, it will pose a challenge to successors who wish to have a defined handover period and to product providers who may need to tailor their remuneration, benefit and production target policies for tied agents who continue to work until older ages. With 93.8% of respondents (Table 14), who selected a succession strategy, indicating that they were moderately willing, very willing or extremely willing to share remuneration with their successor this bodes well for ensuring that succession arrangements are mutually beneficial from an economic perspective to both the incumbent and the successor.

6.3 Research question one: Trust

This section addresses research question one, “Is there a relationship between trust and the tied financial adviser’s preferred exit strategy as well as the existence of a succession arrangement?” The results to this question from Chapter 5 are discussed in relation to the literature in Chapter 2.

A statistically significant relationship exists between trust and the tied financial adviser’s preferred exit strategy (Section 5.3.3). Those advisers who preferred a stewardship exit strategy displayed higher levels of trust for all three trust constructs, namely: interpersonal trust, trust in a family member and trust in a non-family member compared

to those advisers who preferred a financial harvest exit strategy. Similarly, there was a statistically significant relationship between trust and the existence of a succession arrangement with those advisers in an existing succession arrangement having displayed higher levels of trust (interpersonal trust, trust in a family member and trust in a non-family member) than those advisers not in an existing succession arrangement (Section 5.3.4). For those advisers in a succession arrangement there appeared to be mutual trust between the incumbent and the successor (Section 5.2.3).

It is intuitive that advisers who prefer a stewardship exit strategy had higher levels of interpersonal trust as pursuing such a strategy involves entering into a succession or sale arrangement with another individual. This individual would either be a family or non-family member. In both cases the incumbent adviser would need to trust the successor to be honest and fair in the implementation of the arrangement. Furthermore, as client relationships are being transferred to the new adviser, there would need to be trust that the new adviser would provide appropriate advice and service. This finding supports Meier and Schier (2014) who concluded that in family business acquisition, the relationship between the incumbent and acquirer must be based on trust. Although Meier and Schier's (2014) conclusion should extend to acquisition via a financial harvest exit strategy, respondents' levels of trust for all three trust constructs were lower.

In comparing the choice of a family or non-family member as a successor, there were no significant differences in the levels of interpersonal trust and trust in a family member between those advisers who preferred succession to a family member and those who preferred succession to a non-family member (Section 5.3.3). In contrast, the level of trust in a non-family member was significantly greater for those advisers who preferred succession to a non-family member compared to those who preferred succession to a family member. The significance of trust in a non-family member in exit strategy decisions is made further apparent with a high level of trust in a non-family member being the best predictor of a stewardship exit strategy (Figure 23). This was supported by a higher mean level of trust in a non-family member, 3.5 (between agree and strongly agree) than trust in a family member, 2.91 (between neither-agree nor disagree) even though succession to a family member was the preferred succession option (33% of the advisers compared to 10% for succession to a non-family member). Even though 90% of respondents have children (Figure 4) and 92% of respondents were married or divorced (Figure 3), making the availability of family successors more likely, this seemingly contradictory finding may be due to the lack of appropriate family successors. An explanation may be that existing family members were not of age or that they lacked the relational competence (Hatak & Roessl, 2015) or inclination to join the business.

Thus, even though a family successor is preferred it may not be a viable option. Alternatively, it may be due to trust in a family member not being a relevant factor when it comes to a family successor, that is that family loyalty supersedes trust. This is supported by the lack of a significant difference in the level of trust in a family member between those who preferred succession to a family member and those who preferred succession to a non-family member. This provides an explanation for the new theoretical insight that high trust in a non-family member is a predictor of a stewardship exit strategy and low trust in a family member only becomes a predictor of a financial harvest exit strategy when combined with low trust in a non-family member (Figure 23).

Conclusion

The research objective of investigating the relationship between trust and the tied financial adviser's choice of exit strategy as well as the existence of a succession arrangement has been met. It is concluded that high levels of trust (interpersonal trust, trust in a family member and trust in a non-family member) promote a stewardship exit strategy and are linked to the existence of a succession arrangement. This is in line with existing theory by Meier and Schier (2014), that in family business acquisition, the relationship between the incumbent and acquirer must be based on trust.

6.4 Research question two: Socio-emotional wealth

This section addresses research question two, "Is there a relationship between socio-emotional wealth and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement?" The results to this question from Chapter 5 are discussed in relation to the literature in Chapter 2.

A significant relationship exists between socio-emotional wealth and the financial adviser's preferred exit strategy with socio-emotional wealth being greater for financial advisers who preferred a stewardship exit strategy than for financial advisers who preferred a financial harvest exit strategy (Section 5.4.3). The finding supports the theory that increased socio-emotional wealth promotes a stewardship exit strategy (DeTienne & Chirico, 2013). The finding concurs with Gómez-Mejía et al. (2007) to the extent that a financial harvest strategy may result in a loss of socio-emotional wealth through reduced family intimacy, reduced family status and the inability to fulfil family expectations. Thus advisers who wish to preserve socio-emotional wealth would prefer a stewardship exit strategy enabling them to maintain control of the business (Gómez-Mejía et al., 2007) and to protect the image of the business (Berrone et al., 2012). The desire to protect socio-emotional wealth may create problems in succession

management as the founder of the practice may be reluctant to cede control of the firm (Minichilli et al., 2014).

Although it is intuitive that the preservation of socio-emotional wealth would require succession to a family member, there was no significant difference in the level of socio-emotional wealth between advisers who preferred succession to a family member and those who preferred succession to a non-family member. This would seem to contradict Gómez-Mejía et al. (2011) in that socio-emotional wealth did not appear to influence the choice of successor. The result was contrary to Berrone et al. (2012) in that there was no evidence that emotional attachments (part of socio-emotional wealth) led to altruistic behaviour resulting in trust in family members over outsiders. This result may be due to the small proportion of advisers (Table 11) who preferred succession to a non-family member (9.9%) reducing the statistical power to detect a significant effect (Field, 2013). This may increase the chance of a Type II error, that we observe no effect when in fact there is an effect (Field, 2013).

The fact that 52.3% of financial advisers preferred a financial harvest exit strategy (Table 15) seems to contradict Gómez-Mejía et al. (2007) as even though financial advisers hold significant social capital, due to market ties (Broschak & Block, 2014), the majority of financial advisers were willing to relinquish control of their practices despite the loss of socio-emotional wealth, the exit costs involved and moral obligations to clients. This may indicate that this group of financial advisers do not view their business as a family business. These financial advisers had lower levels of socio-emotional wealth and did not show evidence of common family business characteristics, such as promoting the wellbeing of those they have ties with (Berrone et al., 2012) through succession, having a preference to preserve the family dynasty (Berrone et al., 2012) and showing a desire to maintain control of the business in the family (Litz, 1995). This adds theoretical insight in that financial adviser practices should be categorised into a dichotomy of those that show family business characteristics and those that do not. A possible reason for this dichotomy may be due to the desire to avoid working with a successor and to avoid the practical difficulties of implementing a succession arrangement.

There is no significant difference in the level of socio-emotional wealth between those advisers in an existing succession arrangement and those advisers not in an existing succession arrangement (Section 5.4.4). This result seems to be at odds with DeTienne and Chirico (2013) as it would be expected that those advisers in an existing succession arrangement would have shown higher levels of socio-emotional wealth. A possible explanation may be that the construct, trust in a non-family member, needs to be present

in conjunction with socio-emotional wealth to distinguish between the two groups of advisers (Figure 24).

Conclusion

The research objective to explore the relationship between socio-emotional wealth and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement has been met. It is concluded that advisers who prefer a stewardship exit strategy have high levels of socio-emotional wealth. This supports DeTienne and Chirico (2013) in that increased socio-emotional wealth promotes a stewardship exit strategy which is suited to socio-emotional wealth preservation (Gómez-Mejía et al., 2007). Socio-emotional wealth did not appear to influence the choice of successor, contrary to Gómez-Mejía et al. (2011) and did not result in family successors being favoured over non-family successors as argued by Berrone et al. (2012). A key theoretical insight is that tied financial adviser practices appear to be dichotomised into those practices that exhibit family business characteristics and those that do not.

6.5 Research question three: Commitment to stakeholders

This section addresses research question three, "Is there a relationship between commitment to stakeholders and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement?" The results to this question from Chapter 5 are discussed in relation to the literature in Chapter 2.

There is a significant relationship between commitment to clients and the financial adviser's preferred exit strategy, specifically that financial advisers who prefer a stewardship exit strategy show higher levels of commitment to clients than those who prefer a financial harvest strategy (Section 5.5.1.3). This result made sense in that a stewardship exit strategy is in line with client interests and as financial advisers hold significant social capital due to their market ties with clients (Broschak & Block, 2014) these advisers should show high levels of commitment to clients. However, despite high levels of social capital due to market ties (Broschak & Block, 2014), 52.3% of financial advisers (Table 15) preferred a financial harvest exit strategy and were willing to relinquish control of their practices despite the loss of socio-emotional wealth, the exit costs involved and moral obligations to clients. This may be due to founders with few employees not following the stewardship theory approach to governance (Davis, Schoorman & Donaldson, 1997) by having less focus on the needs of stakeholders and more focus on personal gain (DeTienne et al., 2015).

It is intuitive that clients would be highly salient as stakeholders with high levels of urgency, power and legitimacy (Mitchell et al., 1997) as the success of a financial adviser's practice is intrinsically linked to meeting client needs, client satisfaction and providing high service standards. This result supports Berrone et al. (2012) who argue that family businesses, where they have strong ties and commitment to a stakeholder, will promote the interest of that stakeholder. Preferring a stewardship exit strategy promotes the interests of clients by ensuring continued advice and a nurtured handover of client relationships where the incumbent adviser is the custodian of the process. There is no significant difference in commitment to clients between advisers in an existing succession arrangement and those not in an existing succession arrangement (5.5.1.4). This may be due to the constructs socio-emotional wealth and trust in a non-family member playing a more prominent role, depending on their level and interaction, in the actual decision to have entered into a succession arrangement (Figure 24).

A significant relationship does not exist between commitment to the product provider and the financial adviser's preferred exit strategy (Section 5.5.2.3) or the existence of a succession arrangement (Section 5.5.2.4). A succession arrangement for those advisers with viable practices (83.7% of financial advisers agreed or strongly agreed that their practice is a valuable business with good long-term prospects – Figure 10) would most likely be in the best interest of the product provider as the client handover process is likely to result in higher levels of client retention. However, the results indicate that financial advisers may not view the interests of the product provider as a deciding factor in their exit strategy decisions.

An explanation for this result may be that financial advisers view their practice as their own business with client and personal interests being paramount whilst the product provider is viewed purely as an enabling stakeholder acting as a supplier of products and services. The result implies that financial advisers rank clients as a more salient stakeholder than the product provider. This is supported by the mean level of commitment to the product provider (3.75 – between neither disagree nor agree and agree as shown in Figure 22) being lower than the mean level of commitment to clients (4.28 – between agree and strongly agree as show in Figure 21). The lower levels of product provider commitment may have been fostered by the high levels of autonomy afforded to financial advisers by the product provider in running their practices. The lack of relationship between commitment to the product provider and the tied financial adviser's preferred exit strategy supports Berrone et al. (2012) as the interests of less salient stakeholders do not influence decisions. It is worth being cautious of generalising this finding as the commitment to the product provider is likely to be affected by the

culture and context of the organisation such as the relationship with management, the products, the service standards and the incentives/benefits offered to the tied financial advisers and may results in a different profile of responses depending on the organisational context.

Applying stakeholder theory to these results, both the product provider and clients should be perceived as displaying stakeholder salience due to the levels of urgency, legitimacy and power commanded (Mitchell et al., 1997). However, it is likely that financial planning practices resemble hybrid organisations with increased stakeholder and ethical conflicts (Mitchell et al., 1997), subject to the challenges faced by family businesses in prioritizing stakeholders (Mitchell et al., 2011). As normative power is likely to be more prominent in family businesses than utilitarian power (Mitchell et al., 2011) and may result in decisions that are not in the interest of all stakeholders (Mitchell et al., 2011) this may explain the lack of relationship between commitment to the product provider and the financial adviser's preferred exit strategy. The application of stakeholder theory yields new insights in that clients are perceived as having greater stakeholder salience than the product provider, leading to there being a relationship between commitment to clients and the financial adviser's preferred exit strategy.

Conclusion

The research objective of examining the relationship between commitment to stakeholders and the tied financial adviser's preferred exit strategy has been met. It is concluded that advisers who prefer a stewardship exit strategy have high levels of commitment to clients. Commitment to the product provider is not related to the financial adviser's preferred exit strategy. Stakeholder theory (Mitchell et al., 1997) provides theoretical insight into the financial adviser's preferred exit strategy. Clients were perceived to be more salient than the product provider, and where commitment to clients was high, the financial adviser's preferred exit strategy, that is stewardship, was in line with stakeholder interests, supporting Berrone et al. (2012).

6.6 Research question four: Profiling financial adviser exit strategies and succession arrangements

This section addresses research question four, "What is the profile of financial adviser exit strategies and succession arrangements?" The results to this question from Chapter 5 are discussed in relation to the literature in Chapter 2.

From the CHAID analysis (Figure 23) a profile of financial advisers exit strategies was established. From the analysis it emerged that a high level of trust in a non-family member is the best predictor of a stewardship exit strategy. This result supports Meier and Schier (2014) who concluded that in family business acquisition, the relationship between the incumbent and acquirer must be based on trust. Although Meier and Schier's (2014) conclusion should extend to acquisition via a financial harvest exit strategy, this did not seem to be the case, with the combination of low trust in a non-family member and low trust in a family member emerging as the best predictor of a financial harvest exit strategy. This may be because where there is no one trusted to take over the business, the easiest option would be selling the business outright which would provide a clean break without a lengthy succession process. This profile adds theoretical insight as even though succession to a family member was the preferred option under a stewardship exit strategy, trust in a non-family member emerged as the strongest predictor of a stewardship exit strategy rather than trust in a family member. This may indicate that either family loyalty supersedes trust, except for low levels of trust in a non-family member and a family member, or that even though succession to a family member is the preferred option it may not be viable due to family members not being of age or lacking the relation competence (Hatak & Roessl, 2015) or inclination to join the business.

From the CHAID analysis (Figure 24) a profile of succession arrangements was established. From the analysis it emerged that high socio-emotional wealth is the best predictor of a succession arrangement being in place. This finding supports Berrone et al. (2012) and Gómez-Mejía et al. (2007) in that where the financial adviser has high socio-emotional wealth there will be a desire to preserve it, which is possible via a succession arrangement. The CHAID analysis further revealed that low socio-emotional wealth combined with low trust in a non-family member is the best predictor of an existing succession arrangement not being in place. This supports Berrone et al. (2012) and Gómez-Mejía et al. (2007) in that where the financial adviser has low socio-emotional wealth there will not be a great desire to preserve it via maintaining control and influence over the business through a succession arrangement. When combined with low trust in a non-family member this makes succession a non-desirable option as the incumbent financial adviser may only be concerned with extracting the financial benefit from the practice, rather than other non-economic benefits. Succession may then be a more laborious and difficult exit option compared to other exit strategies especially when having to work with a non-family member that is not trusted.

Conclusion

The research objective of determining a profile of financial adviser exit strategies and succession arrangements has been met. The exit strategy profile adds theoretical insight by identifying the dominant role of high trust in a non-family member as a predictor of a stewardship exit strategy and low trust in a non-family member combined with low trust in a non-family member as a predictor of a financial harvest exit strategy. The succession arrangement profile adds theoretical insight by identifying high socio-emotional wealth as the best predictor of a succession arrangement being in place and low socio-emotional wealth combined with low trust in a non-family member as the best predictor of a succession arrangement not being in place. Even though there was no relationship identified between socio-emotional wealth and the existence of a succession arrangement (Section 5.4.4), socio-emotional wealth when considered jointly with trust in a non-family member emerged as a predictor of the existence of succession arrangements.

CHAPTER 7: CONCLUSION

This final chapter summarizes the principle theoretical findings of the study which are combined to produce models of financial adviser exit strategies and succession arrangements in a tied agency environment. The implications for management of the product provider are discussed and recommendations are provided. The chapter considers limitations of this research and concludes with suggestions for further research.

7.1 Principal findings

This study contributes to the theoretical and practical understanding of financial adviser exit strategies in a tied agency environment by creating a typology of exit strategies, testing and expanding upon the typology of entrepreneurial exit of DeTienne et al. (2015) in this context. The study identifies the dichotomy of tied financial adviser practices into those that demonstrate family business characteristics and those that do not and identifies a relationship between trust, socio-emotional wealth and commitment to clients and the financial advisers preferred exit strategy. This responded to the call of DeTienne et al. (2015) for further research into the factors that influence the choice of exit strategy and to Dehlen et al. (2014) who identified the need to understand the role of trust and family situation on exit routes. The application of stakeholder theory to financial adviser exit strategies added to the theoretical understanding of financial adviser practices as well as family businesses (Chrisman et al., 2010; DeTienne et al., 2015). The study further identified that a relationship exists between trust, socio-emotional wealth and the existence of a succession arrangement. Profiles of financial adviser exit strategies and succession arrangements were established, together with their predictors, culminating in two models which can be used for theoretical study and management applications. Each of these contributions are outlined below.

7.1.1 A typology of financial adviser exit strategies in a tied agency environment

The research adds theoretical insight by creating a typology of exit strategies of financial advisers in a tied agency environment. The research reveals that tied financial adviser exit strategies expand upon DeTienne et al.'s (2015) typology of entrepreneurial exit strategies to include financial harvest via pay out from the product provider which was the most favoured exit strategy followed by stewardship. The voluntary cessation exit strategy does not appear to fit this context, despite financial adviser practices in general

having few employees, possibly due to the long-term orientation of financial advisers and the dependency on the practice as part of their retirement provision. The finding that a significant segment of tied financial advisers never wish to retire adds new theoretical insight in this context as their willingness to exit does not increase with age and experience contrary to Wennberg et al. (2010).

7.1.2 Categorising tied financial adviser practices into those that display family business characteristics and those that do not

The preference for financial harvest as the preferred exit option is in line with DeTienne and Cardon's (2012) finding that higher levels of education and experience promote a financial harvest exit strategy due to expectations of realising higher values from the practice on exit. It is however contrary to the desire to preserve socio-emotional wealth. This may be exacerbated by the difficulties of implementing an effective succession arrangement. As those advisers preferring financial harvest as an exit strategy showed lower levels of socio-emotional wealth, socio-emotional wealth being a key characteristic of family businesses, financial adviser practices can be dichotomised into those that show family business characteristics and those that do not. This is of theoretical relevance for future study of tied financial adviser practices.

7.1.3 Succession: Preference for family members and to preserve socio-emotional wealth

Succession to a family member is the preferred option for those advisers selecting a stewardship exit strategy with the chance of a non-family member being selected as successor being 30% which broadly supports the 25% or less proposed by Kammerlander and Halter (2014). The higher percentage may be due to reduced information asymmetry between tied financial advisers of the same product provider. The preference for family successors within a succession arrangement supports Wennberg et al.'s (2011) finding that family successors are more likely for firms with a long-term orientation. With the majority of incumbent advisers in a succession arrangement preferring to remain involved in the practice as a mentor, this indicates a desire to preserve socio-emotional wealth such as family control and influence and supports the assertion that socio-emotional wealth is a driver of the design of the succession process (Gómez-Mejía et al., 2011).

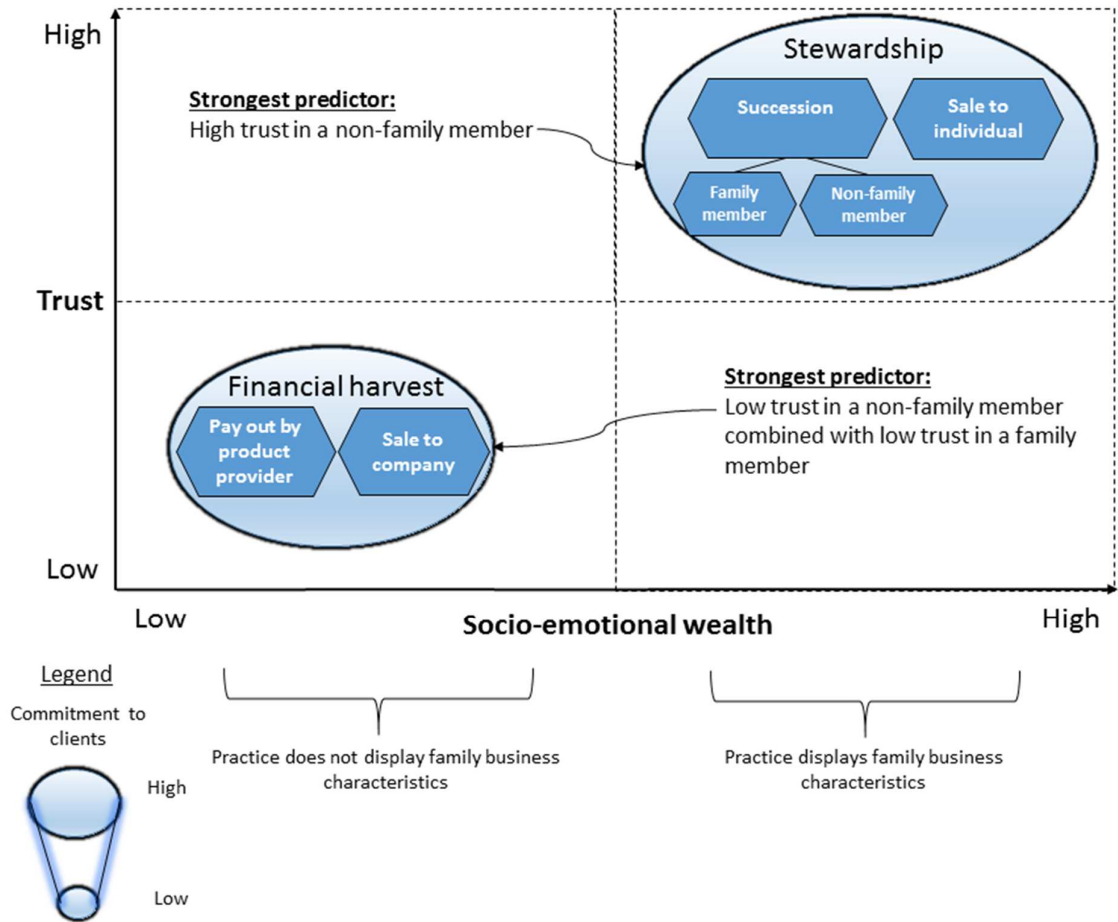
7.1.4 The profiles and predictors of financial adviser exit strategies/succession arrangements in a tied agency environment

The study expands the theoretical understanding of the predictors of exit strategies in the context of tied financial advisers with relationships existing between trust (interpersonal trust, trust in a family member and trust in a non-family member), socio-emotional wealth and commitment to clients, and the tied financial adviser's preferred exit strategy. Higher levels of trust for the three trust constructs were found to promote a stewardship exit strategy and were related to the existence of a succession arrangement. Notably, higher levels of trust in a non-family member was the best predictor of a stewardship exit strategy and low levels of trust in a non-family member combined with low levels of trust in a family member was the best predictor of a financial harvest exit strategy. It was also found that low socio-emotional wealth when combined with low trust in a non-family member was the best predictor of a succession arrangement being in place. High levels of socio-emotional wealth were found to promote a stewardship exit strategy. However, contrary to the findings of Gómez-Mejía et al. (2011), socio-emotional wealth was not found to influence the choice of successor. In isolation, socio-emotional wealth was not related to the existence of a succession arrangement. However, when combined with the other constructs, high socio-emotional wealth was found to be the best predictor of the existence of a succession arrangement and low socio-emotional wealth when combined with low trust in a non-family member was found to be the best predictor of a succession arrangement not being in place. High commitment to clients promoted a stewardship exit strategy and no relationship existed between commitment to clients and the existence of a succession arrangement. No relationship was found to exist between commitment to the product provider and the tied financial adviser's preferred exit strategy as well as the existence of a succession arrangement. The application of stakeholder theory to the study of tied financial adviser exit strategies yields theoretical insight in that clients are perceived to have greater stakeholder salience than the product provider, and that commitment to clients is related to the tied financial adviser's exit strategy decisions.

7.1.5 A model of financial adviser exit strategies in a tied agency environment

Based on the theoretical findings, a model to characterise financial adviser exit strategies within a tied agency environment was constructed. This model is shown in Figure 25.

Figure 25 Model of financial adviser exit strategies within a tied agency environment (Author's own model)

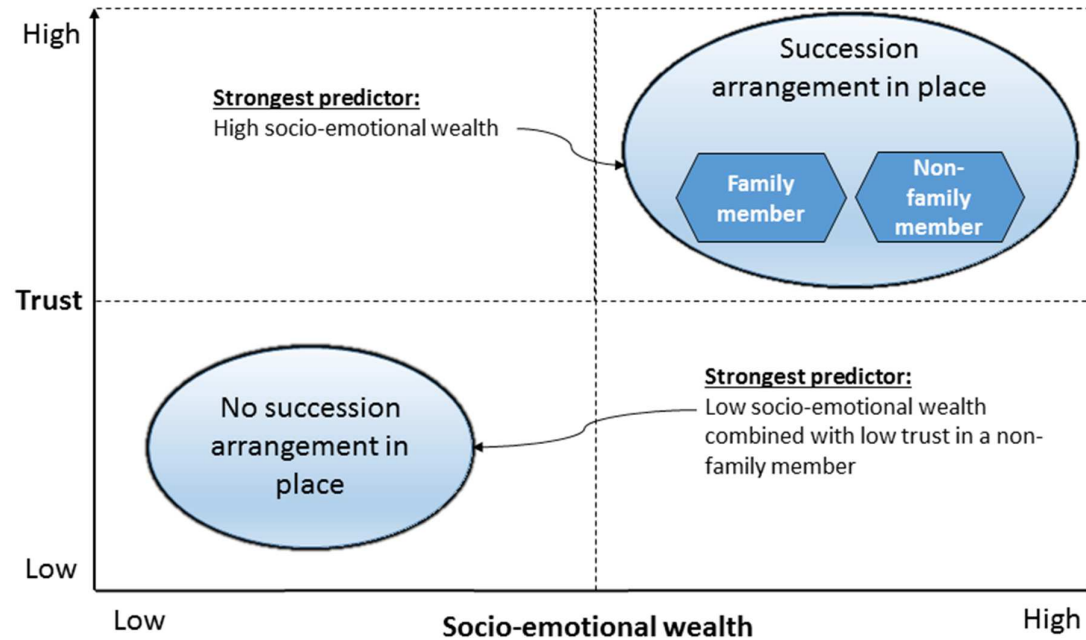


The model in Figure 25 contains the typology of financial adviser exit strategies in a tied agency environment as they are related to trust (vertical axis), socio-emotional wealth (horizontal axis) and commitment to clients (the size of the sphere). The sub strategies applicable to each category of exit strategy are contained in the relevant spheres. The dichotomy of financial adviser practices into those that display family business characteristics and those that do not is illustrated based on the level of socio-emotional wealth. The model can be utilised by product provider management to categorise and predict the financial adviser's preferred exit strategy by measuring trust, socio-emotional wealth and commitment to clients which can be used for adviser selection, the tailoring of exit strategy options for tied financial advisers or for financial projections of the impact of exit strategies on client retention and profitability. The model could be used before and after a product provider intervention to promote stewardship exit strategies to measure the likely impact on the adoption of stewardship exit strategies. Such interventions may include mentorship programmes or team work initiatives.

7.1.6 A model of succession arrangements in a tied agency environment

Based on the theoretical findings, a model to characterise succession arrangements within a tied agency environment was constructed. This model is shown in figure 26.

Figure 26 Model of succession arrangements within a tied agency environment (Author's own model)



The model in Figure 26 relates the existence of a succession arrangement to trust (vertical axis) and socio-emotional wealth (horizontal axis). The model can be utilised by product provider management to predict whether the tied financial adviser is likely to enter into a succession arrangement by measuring socio-emotional wealth and trust, thereby understanding the extent of the succession problem in their tied agency force.

7.2 Implications and recommendations for management of product providers

The theoretical findings have implications for management of product providers. These implications are discussed in this section and recommendations are provided to address them.

7.2.1 Increasing awareness of exit options and business continuity

With only 29.7% of respondents (Figure 13) having implemented a succession plan and there being a lack of confidence amongst respondents as to whether their practice could continue (function) without them, there is cause for management of product providers to be concerned about business continuity particularly as product providers may find it difficult to secure customer preferences post exit of the incumbent adviser without effective succession. Additionally, when exchange managers exit a professional service firm it results in the loss of clients (Broschak, 2004; Somaya, Williamson & Lorinkova, 2008) which may hurt the future success of the firm (Somaya, Williamson & Lorinkova, 2008). With respondents citing a lack of guidance/awareness of the available succession options and there being a misconception that succession will only take place on exit, to encourage the implementation of succession arrangements it is recommended that product providers increase awareness of the exit options available for their financial advisers. This can be done through increased communication and guidance to their tied financial advisers on how to position their practices for eventual exit/succession, this being essential for business growth (Eddleston et al., 2013). To address the perception of a lack of suitable candidates being available to serve as successors, it is recommended that interventions be conducted to increase trust between advisers through the sharing of knowledge, increased training and education, working in teams and mentorship arrangements. As respondents who prefer a stewardship exit strategy predominantly prefer succession to a family member, this may pose a problem for management if there are insufficient family successors available. They may thus need to work to reduce information asymmetries with non-family advisers to enable succession. Programmes to reduce information asymmetries may include successor screening, increasing educational and professional qualification requirements for successors and selecting successors with sufficient prior work experience (Dehlen et al., 2014). For those financial advisers who prefer a stewardship exit strategy, the desire to protect socio-emotional wealth may create problems in succession management as the founder of the practice may be reluctant to cede control of the firm (Minichilli et al., 2014). Management of the product provider may thus need to tailor succession strategies enabling the founder to maintain influence, for example through remaining involved as a mentor.

Further action to improve business continuity and to counter the loss of clients in such a human capital dependent environment may entail creating multiple ties between the practice and its clients (Rogan, 2014). This could be achieved through growing the contingent of support staff and/or by creating a team of supporting advisers who will have

contact with the clients. A team of advisers is especially important for financial harvest exit strategies, as to counter the loss of clients, professional staff need to remain in place (McDougald, 2011).

7.2.2 Ensuring the success of succession arrangements

Whether existing succession arrangements are in fact working should be of principle concern to management of the product provider to ensure business continuity of a practice, a requirement of the FAIS act and to retain clients. With more than a third of respondents who were incumbent financial advisers in an existing succession arrangement (36.4%) being unsure as to whether their succession arrangement is working (Figure 15), 58% indicating that succession would only be effectively implemented when they leave the practice (Table 8) and 32.3% not working closely with their successor (section 5.2.3), a managerial intervention is required. The intervention should aim to determine the cause of uncertainty as to whether the succession arrangement is working and to implement programmes to assist the incumbent and successor to have a mutually beneficial and productive working relationship. This would require introduction of clients to the successor and the subsequent handover of clients, prior to the incumbent adviser exiting the practice. This process could entail the incumbent adviser gradually handing over clients to the successor over time, with fair financial benefit, whilst remaining involved as a mentor, continuing to service select clients.

7.2.3 Managing retirement of tied financial advisers

From the proportion of respondents over the normal retirement age of 65 (29% - Figure 1), those who intend to retire well past this age (38.8% - Figure 12), as well as those who never wish to retire (39% - Figure 12), it appears that these advisers have strong ties to the business. These ties could be for financial reasons such as financial dependency or continued financial gain, the desire to maintain personal ties with clients or the product provider, or may be related to work satisfaction and fulfillment of purpose. The desire not to exit the business may well pose a problem for product providers and clients as the advisers, although not exiting the business, may become less active over time resulting in the natural attrition of clients. For these advisers, product providers will need to ensure that exit strategies are planned for and effectively implemented and that clients are transferred over time to the successor. As there will not be a defined time period over which succession will take place, to enable this transfer the incumbent financial adviser would need to continually select those clients that he/she wishes to continue servicing

and to transfer the balance to the successor. This requires active practice management and client categorisation. From a practical perspective only clients where there is future business potential or where the successor benefits financially from the clients existing business should be transferred. Those clients who are not of financial benefit to a successor may need to be assisted in future directly by the product provider or the product provider may need to compensate the successor financially for servicing these clients.

Despite the provision of a retirement fund to which the product provider in the study contributes, a large proportion of respondents (72.9%) were reliant on their practice as part of their retirement provision (Figure 11). As such, either the retirement fund will be insufficient to replace the respondent's income in retirement or the respondents may not view the retirement fund as sufficient compensation for the value of their practice. Thus, where an adviser prefers a financial harvest exit strategy via payout by the product provider and wishes to become less active, to prevent client attrition, the product provider will need to provide sufficient compensation to entice the financial adviser to exit or transfer selected clients to another financial adviser. In the case of succession, any succession arrangement would need to have fair financial transfer between the incumbent and the successor.

7.2.4 Expanding available exit options

With 40.5% of respondents preferring a financial harvest exit strategy through pay out by the product provider (Table 11), as this option was not available, it is recommended that the product provider create a viable exit option along these lines. This would entail providing a capital or annuity based pay out based on assumptions of client retention and new business being generated from existing clients. Conditions such as an introduction and handover of clients to a succeeding adviser would also be required. The succeeding adviser could pay for the book of clients through partially sacrificing remuneration over a defined period or via a loan which is paid off through regular installments. The difficulty with this approach may be segmenting clients into those with future business potential. The valuation of the practice would reflect the assumptions for these client groups. There is an opportunity to offer this arrangement to tied agents in an existing succession arrangement who may prefer to exit the business via financial harvest by the product provider, with the option for the existing successor or another adviser to take over the practice at a defined point in time. The success of such an arrangement would depend on the succeeding financial adviser's ability to generate new

business and retain existing business. This would require clients to relate to and trust the successor.

7.2.5 Using the profile and predictors of exit strategies and succession arrangements for adviser selection, tailoring exit strategy offerings and financial modelling

Management of product providers can use the predictors of financial adviser exit strategies and succession arrangements to better understand the preferred exit strategies of tied financial advisers possibly enabling selection of advisers based on certain characteristics and enabling exit strategies to be tailored to specific adviser preferences. With further study of client retention and profitability levels based on exit strategies, these predictors can be used to make financial forecasts of future earnings and client retention and to budget provisions for financial harvest payouts. Based on an understanding of the relationship of trust, socio-emotional wealth and commitment to clients and exit strategies, the product provider can initiate programmes and interventions to promote the selection of exit strategies that are more beneficial to both the product provider and the clients of the financial advisers' practices.

7.3 Limitations of the research

The limitations of the study are discussed below:

- As the organisation studied was selected based on purposive sampling, a non-probability, sampling technique it is not possible to generalise findings statistically to the entire tied financial adviser population.
- The singular organisational context of the sample limits generalisation of the findings. Specific organisational characteristics limiting generalisations may be the exit strategy options made available to the tied financial advisers, the guidance provided by the organisation in managing a tied adviser's exit strategy, the culture of the organisation and general attitudes towards clients, and the personal characteristics of management of the organisation which may affect the tied advisers' attitude towards that organisation. The specific service experience and product offering of that organisation may also affect the tied financial adviser's attitude towards the organisation.
- The size of the group of respondents preferring succession to a non-family member, sale to an individual, sale to another company and voluntary cessation limited the statistical tests that could be conducted to determine differences between these

groups. Where statistical tests were conducted between these groups, the chance of a Type II error, that no effect was observed when in fact there was an effect, was increased (Field, 2013).

- As some survey items of the final research questionnaire showed cross-loadings during exploratory factor analysis for validity testing, in future research, further refinement of these questions is recommended.
- The survey responses may be subject to response bias in that only those advisers who had strong positive or negative feelings about exit strategies may have responded. Although the survey was anonymous, as the survey was endorsed by the organisation involved it may have influenced some respondents not to be completely truthful in their responses.

7.4 Suggestions for future research

Based on theoretical findings of the study and the limitations identified the following areas are suggested for future research:

- To facilitate statistical tests between exit strategy sub groups, the study would benefit from extending the sample to other insurance companies with large tied agencies with older advisers.
- Due to cross factor loadings of survey items further refinement of the questions to measure the constructs of socio-emotional wealth, trust and commitment to stakeholders is needed.
- As the study focused on existing succession arrangements and preferred exit strategies, further study is needed to identify the factors relevant to the success or failure of exit strategies post implementation.
- Little is known of the impact of different exit strategies on client retention and profitability. Further research should investigate this area which would be of benefit to product providers as well as for the valuation of financial adviser practices on exit.

7.5 Summary

The problem of financial adviser succession planning in tied agency environments appears to be extensive with the lack of succession arrangements being related to low levels of trust and socio-emotional wealth. Succession planning is fraught with practical difficulties including the desire of many tied financial advisers never to retire and the

misconception that succession takes place at the time of exit rather than being a carefully crafted process. To address this problem and to improve business continuity, wider exit strategy options should be offered by product providers to their tied financial advisers. This research has contributed to the theoretical and practical understanding of financial adviser exit strategies within tied agency environments. Research in this field should be continued to advance the understanding of the dynamics and implications of these exit strategies, enabling product providers and tied financial advisers to improve business continuity with optimal outcomes for all stakeholders.

REFERENCES

- Accenture. (2013). *Advisor succession planning: Managing the retirement of baby boomer advisors* (Wealth and asset management service spotlight). Retrieved from <http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-CM-AWAMS-POV-Advisor-Succession-Planning-Final-Mar2013-web.pdf>
- Agle, B.R., Mitchell, R.K., & Sonnenfeld, J.A. (1999). Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal*, 42(5), 507-525.
doi:10.2307/256973
- Association for Savings and Investment SA. (2015a). *LISP consolidated stats quarter ended 31 December 2014* [Data file]. Retrieved from http://www.asisa.org.za/asisadocs/Statistics/linked-investment-service-providers/LISP_Consolidated_Stats_quarter_ended_31_December_2014.xlsx
- Association for Savings and Investment SA. (2015b). Long-term insurance statistics to December 2014 [Data file]. Retrieved from http://www.asisa.org.za/asisadocs/Statistics/long-terminsurance/Long_Term_Insurance_Statistics_to_December_2014.zip
- Bagby, D.R. (2004). Enhancing succession research in the family firm: A commentary on "towards an integrative model of effective FOB succession". *Entrepreneurship: Theory and Practice*, 28(4), 329-333. doi: 10.1111/j.1540-6520.2004.00048.x
- Beckett, A., Hewer, P., & Howcroft, B. (2000). An exposition of consumer behaviour in the financial services industry. *International Journal of Bank Marketing*, 18(1), 15-26. doi: 10.1108/02652320010315325
- Berrone, P., Cruz, C., & Gómez-Mejía, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review*, 25(3), 258-2. doi: 10.1177/0894486511435355
- Biddulph, B. (2012, January 30). Financial adviser numbers increase as life offices recruit. *Cover*. Retrieved May 1, 2015, from

<http://www.cover.co.za/news/financial-adviser-numbers-increase-as-life-offices-recruit>

- Binz, C., Hair, J.F., Jr., Pieper, T.M., & Baldauf, A. (2013). Exploring the effect of distinct family firm reputation on consumers' preferences. *Journal of Family Business Strategy*, 4(1), 3-11. doi:10.1016/j.jfbs.2012.12.004
- Blumentritt, T., Mathews, T., & Marchisio, G. (2012). Game theory and family business succession: An introduction. *Family Business Review*, 26(1), 51-67. doi: 10.1177/0894486512447811
- Broschak, J.P. (2004). Managers' mobility and market interface: The effect of managers' career mobility on the dissolution of market ties. *Administrative Science Quarterly*, 49(4), 608-640. Retrieved from <http://asq.sagepub.com>
- Broschak, J.P., & Block, E.S. (2014). With or without you: when does managerial exit matter for the dissolution of dyadic market ties? *Academy of Management Journal*, 57(3), 743-765. doi: 10.5465/amj.2011.0169
- Bulloch, S.L. (2012). Seeking construct validity in interpersonal trust research: A proposal on linking theory and survey measures. *Social Indicators Research*, 113(3), 1289-1310. doi: 10.1007/s11205-012-0139-0
- Cabrera-Suárez, K., De Saá-Pérez, P., & García-Almeida, D. (2001). The succession process from a resource- and knowledge- based view of the family firm. *Family Business Review*, 14(1), 37-46. doi: 10.1111/j.1741-6248.2001.00037.x
- Cabrera-Suárez, M.K., & Martín-Santana, J.D. (2012). Successor's commitment and succession success: dimensions and antecedents in the small Spanish family firm. *The International Journal of Human Resource Management*, (23)13, 2736-2762. doi: 10.1080/09585192.2012.676458
- Chirico, F., & Nordqvist, M. (2010). Dynamic capabilities and trans-generational value creation in family firms: The role of organisational culture. *International Small Business Journal*, 28(5), 487-504. doi: 10.1177/0266242610370402
- Chrisman, J.J., Chua, J.H., & Sharma, P. (2005). Trends and directions in the development of strategic management theory of the family firm. *Entrepreneurship: Theory and Practice*, 29(5), 555-575. doi: 10.1111/j.1540-6520.2005.00098.x

- Chrisman, J.J., Kellermanns, F.W., Chan, K.C., & Liano, K. (2010). Intellectual foundations of current research in family business: An identification and review of 25 influential articles. *Family Business Review*, 23(1), 9-26. doi: 10.1177/0894486509357920
- Dehlen, T., Zellweger, T., Kammerlander, N., & Halter, F. (2014). The role of information asymmetry in the choice of entrepreneurial exit routes. *Journal of Business Venturing*, 29(2), 193-209. doi: 10.1016/j.jbusvent.2012.10.001
- DeTienne, D.R., & Cardon, M.S. (2012). Impact of founder experience on exit intentions. *Small Business Economics*, 38(4), 351-374. doi: 10.1007/s11187-010-9284-5
- DeTienne, D.R., & Chirico, F. (2013). Exit strategies in family firms: How socioemotional wealth drives the threshold of performance. *Entrepreneurship: Theory and Practice*, 37(6), 1297-1318. doi: 10.1111/etap.12067
- DeTienne, D.R., McKelvie, A., & Chandler, G.N. (2015). Making sense of entrepreneurial exit strategies: A typology and test. *Journal of Business Venturing*, 30(2), 255-272. doi: 10.1016/j.jbusvent.2014.07.007
- Eddleston, K.A., Kellermanns, F.W., Floyd, S.W., Crittenden, V.L., & Crittenden, W.F. (2013). Planning for growth: Life stage differences in family firms. *Entrepreneurship: Theory and Practice*, 37(5), 1177-1202. doi: 10.1111/etap.12002
- Etang, A., Fielding, D., & Knowles, S. (2012). Are survey measures of trust correlated with experimental trust? Evidence from Cameroon. *Journal of Development Studies*, 48(12), 1813-1827. doi:10.1080/00220388.2011.649263
- Field, A. (2013). *Discovering statistics using IBM SPSS statistics*. London, England: SAGE.
- Financial Planning Institute of Southern Africa. (2015). *Code of ethics and professional responsibility*. Retrieved October 29, 2015 from https://www.fpi.co.za/Portals/25/docs/misconduct/37_Code%20of%20Ethics%20and%20Professional%20Responsibility%20%281%29.pdf
- Financial Services Board. (2014). *Retail distribution review 2014*. Retrieved May 1, 2015, from

<https://www.fsb.co.za/feedback/Documents/FSB%20Retail%20Distribution%20Review%202014.pdf>

Financial Services Board. (2015a). FSB acts to prohibit sign-on bonuses for financial advisers [Press release]. Retrieved June 27, 2015, from <http://www.fsb.co.za/Departments/communications/Documents/Forms/DispForm.aspx?ID=1891>

Financial Services Board. (2015b). Qualifications. Retrieved October 26, 2015, from <http://www.fsb.co.za/departments/fais/pages/qualifications.aspx>

Flaxington, B.D. (2014). How lead advisers can help the next generation succeed. *Journal of Financial Planning*, 27(12), 19-20. Retrieved from <https://www.onefpa.org/journal/Pages/default.aspx>

Flynn, D.J. (2014) Succession planning: Are you proactive or reactive? *Journal of Financial Planning*, 27(11), 24-25. Retrieved from <https://www.onefpa.org/journal/Pages/default.aspx>

Freeman, R.E., Wicks, A.C., & Parmar, B. (2004). Stakeholder theory and “the corporate objective revisited.” *Organisational Science*, (15)3, 364-369. doi: 10.1287/orsc.1040.0066

Gagnè, M., Wrosch, C., & Brun de Pontet, S. (2011). Retiring from the family business: The role of goal adjustment capacities. *Family Business Review*, 24(4), 292-304. doi: 10.1177/0894486511410688

Garland, R. (1991). The mid-point on a rating scale: Is it desirable? *Marketing Bulletin*, 2, 66-70. Retrieved from <http://marketing-bulletin.massey.ac.nz>

Glaeser, E.L., Laibson, G.D., Scheinkman, J.A., & Soutter, C.L. (2000). Measuring trust. *The quarterly journal of economics*, 115(3), 811-846. Retrieved from <http://www.jstor.org/stable/2586897>

Gómez-Mejía, L.R., Cruz, C., Berrone, P., & Castro, J.D. (2011). The bind that ties: socioemotional wealth preservation in family firms. *The Academy of Management Annals*, (5)1, 653-707. doi: 10.1080/19416520.2011.593320

Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled

- firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, 52(1), 106-137. doi: 10.2189/asqu.52.1.106
- Graebner, M. E. (2009). Caveat venditor: Trust asymmetries in acquisitions of entrepreneurial firms. *Academy of Management Journal*, 52(3), 435-472. doi:10.5465/AMJ.2009.41330413
- Hatak, R.I., & Roessl, D. (2015). Relational competence-based knowledge transfer within intrafamily succession: An experimental study. *Family Business Review*, 28(1), 10-25. doi: 10.1177/0894486513480386
- HR Statistics (Pty) Ltd. (2015). *Statistical analysis reporting template for quantitative researchers*. Unpublished working document, HR Statistics Pty (Ltd).
- Justo, R., & DeTienne, D.R. (2008). Family situation and the exit event: An extension of threshold theory. *Frontiers of Entrepreneurship Research*, 28(14), 1-13. Retrieved from <http://digitalknowledge.babson.edu/fer/vol28/iss14/2>
- Kammerlander, N. (2014). "I want this to be in good hands"-sales price expectations of resigning entrepreneurs. Working paper, University of St Gallen.
- Kass, G.V. (1980). An exploratory technique for investigating large quantities of categorical data. *Journal of the Royal Statistical Society. Series C (Applied Statistics)*, 29(2), 119-127. doi:10.2307/2986296
- Le Breton-Miller, I., Miller, D., & Steier, L.P. (2004). Toward an integrative model of effective FOB succession. *Entrepreneurship: Theory and Practice*, 28(4), 305-328. doi: 10.1111/j.1540-6520.2004.00047.x
- Likert, R. (1932). A technique for the measurement of attitudes. *Archives of Psychology*, 22(140), 5-55.
- Litz, R.A. (1995). The family business: Toward definitional clarity. *Academy of Management Best Papers Proceedings*, 100-104. doi: 10.5465/AMBPP.1995.17536337

- Long, K.J. (2004). Unit of analysis. In *The SAGE Encyclopaedia of Social Science Research Methods*. Retrieved November 6, 2015, from <https://srmo.sagepub.com/view/the-sage-encyclopedia-of-social-science-research-methods/n1051.xml>
- McCarty, J.A., & Hastak, M. (2007). Segmentation approaches in data-mining: A comparison of RFM, CHAID, and logistic regression. *Journal of Business Research*, 60(6), 656-662. doi: 10.1016/j.jbusres.2006.06.015
- McDougald, M.S. (2011). *Social capital transfer and professional service firm acquisition* (Doctoral dissertation, University of Alberta). Retrieved from <https://era.library.ualberta.ca/public/view/item/uuid:242a1104-85a8-45aa-a45f-df1ebc6e4f37/>
- Meier, O., & Schier, G. (2014). Family firm succession: Lessons from failures in external party takeovers. *Journal of Family Business Strategy*, 5(4), 372-383. doi: 10.1016/j.jfbs.2014.05.001
- Minichilli, A., Nordqvist, M., Corbetta, G., & Amore, M.D. (2014). CEO succession mechanisms: A socio-emotional wealth perspective of family-controlled firms. *Journal of Management Studies*, 51(7), 1153-1179. doi: 10.1111/joms.12095
- Mitchell, R.K., Agle, B.R., Chrisman, J.J., & Spence, L.J. (2011). Towards a theory of stakeholder salience in family firms. *Business Ethics Quarterly*, 21(2), 235-255. doi: 10.5840/beq201121215
- Mitchell, R.K., Agle, B.R., & Wood, D.J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22(4).853-886. doi:10.5465/AMR.1997.9711022105
- Molly, V., Laveren, E., & Deloof, M. (2010). Family business succession and its impact on financial structure and performance. *Family Business Review*, 23(2), 131-147. doi: 10.1177/0894486510365062
- Muller, H., Swanepoel, E., & de Beer, A. (2010). Success profiling: A methodological perspective on the interactive nature of success predictors on student performance at an open and distance learning institution. *Perspectives in Education*, 28(2), 63-74. Retrieved from <http://hdl.handle.net/innopac.up.ac.za/10520/EJC87572>

- Norman, G. (2010). Likert scales, levels of measurement and the “laws” of statistics. *Advances in Health Sciences Education*, 15(5), 625-632. doi: 10.1007/s10459-010-9222-y
- Pitzl, J. (2012). Succession planning: A nexgenner’s perspective. *Journal of Financial Planning*, 25(11), 30-31. Retrieved from <https://www.onefpa.org/journal/Pages/default.aspx>
- Planners fail to plan. (2014). *Journal of Financial Planning*, 27(2), 10. Retrieved from <https://www.onefpa.org/journal/Pages/default.aspx>
- Purushotham, M., Valdez, E., & Wu, H. (2011). *Global mortality improvement experience and projection techniques (Society of Actuaries)*. Retrieved from Society of Actuaries website: <https://www.soa.org/research/research-projects/life-insurance/research-global-mortality-improve.aspx>
- Rogan, M. (2014). Executive departures without client losses: The role of multiplex ties in exchange partner retention. *Academy of Management Journal*. 57(2), 563-584. doi: 10.5465/amj.2011.1049
- Saunders, M., & Lewis, P. (2012). *Doing research in business & management: An essential guide to planning your project*. Harlow, England: Pearson Education Limited
- Saunders, M., Lewis, P., & Thornhill, A. (2003). *Research methods for business students*. Harlow, England: Pearson Education Limited
- Schlepphorst, S., & Moog, P. (2014). Left in the dark: Family successors’ requirement profiles in the family business succession process. *Journal of Family Business Strategy*, 5(4), 358-371, doi:10.1016/j.jfbs.2014.08.004
- Sharma, P., Chrisman, J.J., & Chua, J.H. (2003). Succession planning as planned behaviour: Some empirical results. *Family Business Review*, 16(1), 1-16. doi: 10.1111/j.1741-6248.2003.00001.x
- Somaya, D., Williamson, I.O., & Lorinkova, N. (2008). Gone but not lost: The different performance impacts of employee mobility between co-operators versus competitors. *Academy of Management Journal*, 51(5), 936-953. doi: 10.5465/AMJ.2008.34789660

- StatSoft, Inc. (2013). *Electronic statistics textbook*. Retrieved from <http://www.statsoft.com/textbook/>
- Suchman, M.C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610. doi: 10.5465/AMR.1995.9508080331
- The Institute of Practice Management, FAnews & The Financial Planning Institute. (2012). *The cost of financial advisory business compliance in South Africa*. Retrieved from http://www.moonstone.co.za/download/MS%20Compliance/Survey_The%20cost%20of%20compliance%20in%20South%20Africa.pdf
- Walker, L.J. (2013). The reframing of succession strategies. *Journal of Financial Planning*, 26(8), 37-39. Retrieved from <https://www.onefpa.org/journal/Pages/default.aspx>
- Walker, L.J., & Forbes, M.C. (2014a). Human capital and the succession conversation. *Journal of Financial Planning*, 27(3), 14-17. Retrieved from <https://www.onefpa.org/journal/Pages/default.aspx>
- Walker, L.J., & Forbes, M.C. (2014b). The future is for real: Succession planning reframed. *Journal of Financial Planning*, 27(8), 16-17. Retrieved from <https://www.onefpa.org/journal/Pages/default.aspx>
- Wennberg, K., Wiklund, J., DeTienne, D.R., & Cardon, M.S. (2010). Reconceptualizing entrepreneurial exit: Divergent exit routes and their drivers. *Journal of Business Venturing*, 25(4), 361-375. doi: 10.1016/j.jbusvent.2009.01.001
- Wennberg, K., Wiklund, J., Hellerstedt, K., & Nordqvist, M. (2011). Implications of intra-family and external ownership transfer of family firms: Short-term and long-term performance differences. *Strategic Entrepreneurship Journal*, 5, 352-372. doi: 10.1002/sej.118

APPENDIX 1: SURVEY QUESTIONNAIRE

Dear Financial Adviser

I am an MBA student at the University of Pretoria's Gordon Institute of Business Science (GIBS). You are invited to participate in my research project on financial adviser exit strategies within a tied agency environment. I am conducting research on how trust, family context and commitment to stakeholders affect your choice of exit strategy. This will help product providers better manage the succession of their financial advisers.

We would greatly appreciate it if you would complete an anonymous online questionnaire. This may take about 15 minutes. All information will be kept confidential and no names will be collected on the questionnaire. Your product provider and the GIBS research ethics committee have granted written approval for this study.

Your participation in this study is voluntary and you can withdraw at any time without penalty. By completing the survey, you indicate that you voluntarily participate in this research. Once your questionnaire has been submitted online, you cannot recall your consent.

If you have any concerns, please contact me. My details are provided below:

Researcher:

Nicholas Bezuidenhout

Email: nickbez@mweb.co.za

Note: The implication of completing the questionnaire is that informed consent has been obtained from you. Thus any information derived from your online form (which will be totally anonymous) may be used for publication, by the researchers.

I greatly appreciate your participation in this study.

Yours Sincerely,

Nicholas Bezuidenhout

1. What is your current age in years?

2. What is your gender?

Female

Male

3. Please select whether you are part of an agency or franchise

Agency

Franchise

4. What is your highest level of education completed?

Matric

Diploma

Undergraduate degree

Postgraduate degree

5. Are you a full member of a professional body that has a code of ethical standards such as the Financial Planning Institute (FPI) or the South African Institute of Chartered Accountants (SAICA)?

Yes

No

6. Do you hold a Certified Financial Planner (CFP) certification?

Yes

No

7. Which of the following best describes your relationship status?

Engaged

Married

Widowed

Divorced

- Separated
- In a domestic partnership or civil union
- Single, but cohabiting with a significant other
- Single, never married and not cohabiting with a significant other

8. What is your race group?

- Asian
- Black
- Coloured
- Indian
- White
- Other (please specify)

9. How many children (natural and adopted) do you have? (Number)

10. For how many years have you been a tied agent? (number of completed years)

11. For how many years have you been a financial adviser? (completed number of years)

12. Please indicate your level of agreement with the following statements:

	Stongly Disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
My financial planning practice is my individual pursuit and will end when I leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My practice is a valuable business that has good long term prospects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My practice will not function without me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am reliant on my practice as part of my retirement provision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. At what age do you plan to retire/stop working?

- Never
- Enter age (numerical age)

14. Have you entered into a succession planning arrangement with another adviser?

- Yes
- No

Built in logic:

If yes, proceed to question 16. If no, proceed to question 15.

15. Please elaborate on why you have not entered into a succession arrangement

Built in logic: Proceed to question 28.

16. Please indicate your level of agreement with the following statement:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
My succession arrangement is working optimally	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

17. Please provide a detailed explanation for your choice above

18. Which option best describes your role in the succession arrangement?

- I am the successor (i.e. the person who will take over the practice)
- I am the incumbent financial adviser (i.e. the person who will transfer my practice to my successor)

Built in logic: If you are the successor proceed to question 19. If you are the incumbent proceed to question 21.

Questions for the successor

19. Are you working closely together with the adviser, whose clients you will take over, to implement the succession plan?

- Yes
- No

20. Please indicate your level of agreement with the following statements:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
I trust the person that I am succeeding	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I perceive that the person I am succeeding trusts me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Built in logic: Proceed to question 28.

Questions for the incumbent

21. Which option best describes your successor?

- My successor is a tied financial adviser who is a family member
- My successor is a tied financial adviser who is not a family member
- My successor is an independent financial adviser who is a family member
- My successor is an independent financial adviser who is not a family member

**22. Over how many years will your succession take place (Enter the number of years)?
[Enter 99 if you only plan for the succession process to actively start at the time of your death or retirement]**

23. Are you working closely with your successor to implement your succession plan?

- Yes
- No

24. Which of the following is preferable as part of your succession plan?

- To gradually hand over all my clients to my successor over an agreed time period
- To keep working as long as possible and to only hand over my clients to my successor when I leave the business
- To remain involved in my practice as a mentor, servicing selected clients and gradually transferring the remaining clients to my successor

25. How willing are you to share business and remuneration on a case by case basis with your successor?

- Extremely willing
- Very willing
- Moderately willing
- Slightly willing
- Not at all willing

26. Please indicate your level of agreement with the following statements:

	Stongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
I trust my successor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I perceive that my successor trusts me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*** 27. If you had the choice to change your exit strategy to any of the following options which would you choose?**

- to maintain my current succession arrangement (with fair financial compensation)
- to eventually stop working and to sell my practice outright to another financial adviser
- for my product provider to eventually pay me out the value of my practice, enabling me to retire or leave the business.
- to eventually sell my practice outright to an existing franchise or independent brokerage.
- to eventually discontinue my practice as I am not worried about being paid out for it

Built in logic: Proceed to question 32

Succession Strategies

28. Which of the following exit strategies would you prefer for yourself?

- to eventually transfer my practice to a successor whom I will work with as part of a succession arrangement (with fair financial compensation)
- to eventually stop working and to sell my practice outright to another financial adviser
- for my product provider to eventually pay me out the value of my practice, enabling me to retire or leave the business
- to eventually sell my practice outright to an existing franchise or independent brokerage
- to eventually discontinue my practice as I am not worried about being paid out for it

Built in logic:

If the option to transfer your practice to a successor was selected, proceed to question 29.

Otherwise proceed to question 32.

29. Which of the following would be preferable as part of your succession plan?

- To gradually hand over all my clients to my successor over an agreed time period
- To keep working as long as possible and to only hand over my clients to my successor when I leave the business
- To remain involved in my practice as a mentor, servicing selected clients and gradually transferring the remaining clients to my successor

30. How willing will you be to share business and remuneration on a case by case basis with your successor?

- Extremely willing
- Very willing
- Moderately willing
- Slightly willing
- Not at all willing

31. Who would you most likely choose as your successor?

- A family member who will also be a tied agent
- Another agent who is not a family member
- A family member who will be an independent financial adviser
- A non-family member who will be an independent financial adviser

Family context

32. Please indicate your level of agreement with the following statements:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
I have an immediate or extended family member who could be my successor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My family (other than my spouse) is financially dependent on me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My family influences my decisions regarding the future of my practice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Keeping my business within the family is important	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My family members have a strong sense of belonging to my business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My family members feel that the success of my business is their own success.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My business has a great deal of personal meaning for my family	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My business helps define who my family is i.e. their identity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

33. Please indicate your level of agreement with the following statements:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
My family is proud to tell others about what I do	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Clients closely associate the services that I provide with my family name	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Family emotions and sentiments often affect decisions in my business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Protecting the welfare of my family, through the decisions I make in my business, is important	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In my business, considering the feelings and wants of family members is important	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My family sees my business as a long term investment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My family would be unlikely to want me to consider selling my business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Trust

34. Please indicate your level of agreement with the following statements:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
I trust a family member whom I have identified to take over my business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is another financial adviser (non-family member) that I would trust to take over my business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
You can't be too careful when sharing information with other financial advisers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know other financial advisers who are willing to assist me when needed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am willing to help other financial advisers, whom I know, who need assistance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know a financial adviser who would trust me to take over his/her practice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

35. Please indicate your level of agreement with the following statements:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
I am willing to introduce my clients to another financial adviser whom I have identified to take over my practice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe that my successor would try to be helpful in my practice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe that my successor would be loyal to my vision for the practice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe a formal succession agreement is necessary with my successor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

A family successor would be fair in all of his/her actions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A non-family successor would be fair in all of his/her actions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Commitment to stakeholders

36. Please indicate your level of agreement with the following statements:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
I do not wish to retire/exit the business as my clients depend on me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have a personal bond with my clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I will go out of my way to assist my clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My clients have the power or influence to positively or negatively affect my reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My clients determine the success of my business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My clients are able to take action against me should they perceive me to have provided bad advice or service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My clients' needs require urgent attention	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My clients actively seek out my advice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

37. Please indicate your level of agreement with the following statements:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
My clients often contact me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is important to give my clients timely feedback	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The feelings and opinions of my clients are valid	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My clients have a legitimate need to receive good advice and service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taking care of my clients' needs is important to me after I have left the business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I cannot exit my business as my product provider depends on me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I will do everything I can for my product provider	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My product provider affects the success of my practice e.g. through products offered, service provided and remuneration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

38. Please indicate your level of agreement with the following statements:

	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
My product provider has a say in the way my business operates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My product provider is able to take action against me should they perceive me to have provided bad advice or service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My product provider demands a lot of my time for product, compliance and operational issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My product provider actively seeks out my input on issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

My product provider often sends me personal communication	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is important to give my sales manager or others at my product provider timely feedback	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My product provider's interests are a key consideration in the way I do business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Taking care of my product provider's interests is important even after I have left the business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

APPENDIX 2: TESTING THE CONSTRUCTS FOR NORMALITY

The independent samples t-test used to test for differences assume normality (Field, 2013). In order to test the assumptions of normality both numerical and graphical methods were used.

Numerical methods

As a first step, the Shapiro-Wilk test (Field, 2013) was conducted on each construct to test for normality. The results are shown in Table 21.

Table 21 Shapiro-Wilk test for normality

Tests for normality			
Item	Statistic	Shapiro-Wilk	
		Degrees of freedom	Significance
Interpersonal Trust	0.914	111	0.000*
Trust in a family member	0.937	111	0.000*
Trust in a non-family member	0.971	111	0.017*
Socio-emotional wealth	0.977	111	0.048*
Commitment to clients	0.919	111	0.000*
Commitment to product provider	0.940	111	0.000*

All constructs in Table 21 were found to be non-normal as assessed by the Shapiro-Wilk's test ($p < 0.05$). As a second step the skewness and kurtosis of each construct was analysed. The results are presented in Table 22.

Table 22 Skewness and kurtosis of constructs

Item	Skewness	Skewness Z score	Kurtosis	Kurtosis Z score
Interpersonal Trust	-0.666	-2.908*	1.595	3.505*
Trust in a family member	0.347	1.515	-0.616	-1.354
Trust in a non-family member	-0.283	-1.236	0.200	0.44
Socio-emotional wealth	0.351	1.533	-0.162	-3.560*

Commitment to clients	-0.840	1.677	-1.105	-2.429*
Commitment to product provider	0.384	-3.668*	2.499	5.492*

* significant: $p < 0.05$

From the analysis of the skewness and kurtosis of the constructs in Table 22, the constructs: interpersonal trust, socio-emotional wealth, commitment to clients and commitment to the product provider were not normally distributed. Lastly, from visual inspection of the histograms for each construct (Sections 5.3.2, 5.4.2, 5.5.1.2 and 5.5.2.2), the constructs were assessed to be non-normal. On consideration of the three assessment methods, it was concluded that the constructs were not normally distributed and non-parametric statistical tests were performed, where normality is not assumed, namely the Mann-Whitney U test, in place of the independent samples t-test (Field, 2013).

APPENDIX 3: ETHICAL CLEARANCE

Gordon Institute of Business Science

University of Pretoria

Dear Nicholas Bezuidenhout

Protocol Number: **Temp2015-00840**

Title: **Financial Adviser Exit Strategies within a Tied Agency Environment**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker

APPENDIX 4: SCREE PLOTS FOR CONSTRUCT VALIDITY

As part of validity testing, scree plots were utilised to identify the number of dimensions to each construct: trust, socio-emotional wealth, commitment to clients and commitment to the product provider. These are contained in figures 27, 28, 29 and 30.

Figure 27 Trust scree plot

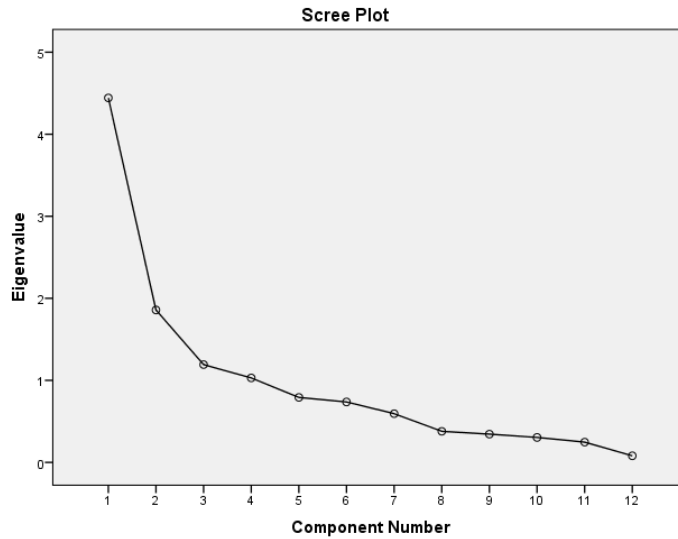


Figure 28 Socio-emotional wealth scree plot

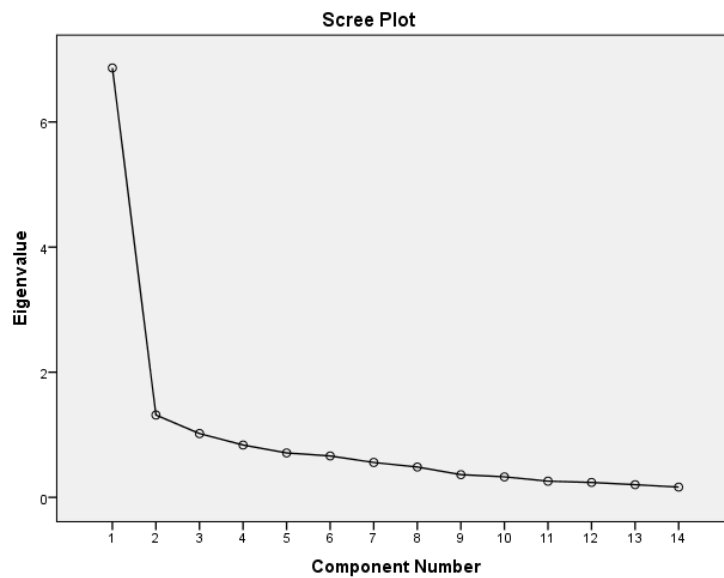


Figure 29 Commitment to clients scree plot

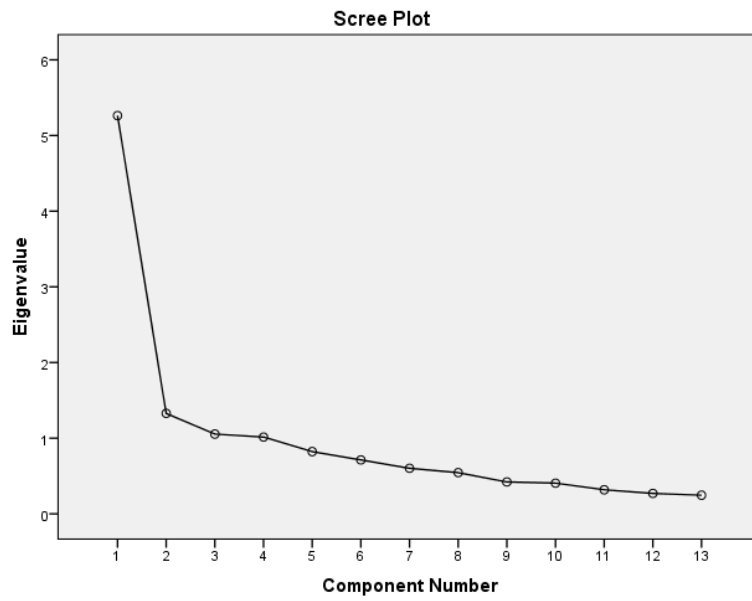


Figure 30 Commitment to the product provider scree plot

