Gordon Institute of Business Science
University of Pretoria

Breaking the cycle of fire sales: rethinking sales incentives for sustainable sales growth

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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 Philosophy (insert programme name here).

24 November 2025

Abstract

This study investigates how fire sales, as incentive structures, shape the behaviour, ethical decision-making, and fairness perceptions of financial advisers in the insurance industry, and its implications for sustainable performance outcomes. The purpose of the study was to evaluate the effectiveness of commission-based and alternative incentive models, identify their unintended consequences, and explore frameworks that balance short-term productivity with long-term customer trust and organisational stability. Commission-driven environments, while effective in motivating immediate sales, have been criticised for fostering mis-selling, fire-sale behaviour, and policy lapses that undermine sustainability and erode consumer confidence.

Grounded in Expectancy Theory, amongst others, the study adopts a quantitative approach, combining literature analysis with adviser perspectives to examine behavioural, organisational, and ethical dynamics. Findings confirm that commission-based incentives strongly motivate short-term sales but embed structural vulnerabilities that compromise policy persistency. Ethical behaviour emerged as a mediating mechanism that mitigates adverse effects but does not fundamentally alter the biases inherent in commission systems. Hybrid and value-based models, integrating customer satisfaction and retention metrics, were identified as more sustainable alternatives.

The contribution of this study lies in advancing understanding of how fire sales, through incentive design, influences both performance and ethics, offering pathways for reform. Limitations include reliance on sector-specific data and the need for broader empirical testing across diverse financial contexts.

Keywords

Fire sale; financial adviser; incentive; sales performance; ethical behaviour

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 Philosophy in Corporate Strategy at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

24 November 2025

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Chapter 1: Introduction

1.1 Research background

The insurance industry has traditionally relied on commission-based sales models, which incentivise agents to prioritise policy sales over long-term customer outcomes (Han, 2025). While effective for market penetration, these structures have raised concerns around ethical practices, mis-selling, and sustainability (Elomari, 2024). Emerging alternative approaches emphasise customer-centric incentives, non-financial motivators, and digital tools to balance profitability with trust and long-term retention as highlighted in the sections below.

According to Kulkarni (2019), commission rates in the insurance industry are high, stating that first year commission of a pure risk product can attract up to 40% commission, with renewal commission earning around 10%. Mirzaei et al. (2025) confirmed similar results but also stated that higher commission rates led to mis-selling at times, resulting in an increase in policy surrenders.

The commission structure creates strong motivational incentives for agents, ensuring that insurers can penetrate markets efficiently without bearing the fixed costs of a salaried sales force (Bhardwaj, 2021). This structure has been regarded as a mechanism for aligning the interests of agents with insurers, as higher sales volumes directly translate into income generation for both parties. However, the apparent alignment of interests often masks the risk of misaligned priorities, particularly where short-term sales maximisation may overshadow client needs. Park et al. (2021) highlighted how these dynamics can result in conflicts of interest that undermine consumer protection, as customers may be encouraged to purchase products that yield higher commissions rather than those best suited to their circumstances.

The limitations of the commission-driven approach have led scholars to interrogate its sustainability in contemporary markets. Eckert et al. (2022) suggested that digital transformation in financial services has challenged traditional reliance on human intermediaries, forcing insurers to rethink models centered exclusively on commission. Technology-enabled distribution channels reduce the dependency on agents while also shifting expectations toward transparency and fairness in sales practices. In parallel, Toukabri and Ettis (2021) emphasise that performance evaluation frameworks within the industry must evolve to measure customer satisfaction and retention rather than rewarding agents primarily for sales volume.

Moreover, industry scholars contend that new strategic priorities such as customer-centricity and digital engagement are difficult to reconcile with outdated commission-driven frameworks. Standaert and Muylle (2022) argue that firms increasingly view data-driven insights as a superior tool for building long-term customer relationships, while Zhang et al. (2022) note that digital ecosystems foster greater accountability by enabling customers to compare offerings independently. Zarifis et al. (2023) further indicate that clients are becoming more sceptical of commission-driven incentives, demanding evidence of value creation that extends beyond transactional interactions.

Finally, the debate cannot overlook the ethical dimensions. Baker and Shortland (2023) underline that reputational risks stemming from commission-driven mis-selling scandals erode public confidence in the industry. Thus, although the commission-based model has historically shaped insurance sales practices, its long-term viability is increasingly questioned. The trajectory of industry transformation suggests that while commissions may remain a component of sales strategies, their dominance is diminishing in favour of models that balance profitability with fairness, transparency, and customer trust.

1.1.1 Evolution of incentive structures in insurance

The incentive systems in the insurance industry have undergone significant transformation, reflecting broader shifts in market dynamics, regulatory frameworks, and competitive pressures. Historically, insurers relied on straightforward commission-based incentives to drive sales, but such models have increasingly been scrutinised for their inadequacy in addressing long-term sustainability and customer-centric goals. Scholars contend that the evolution of incentive structures illustrates an ongoing negotiation between profitability, regulatory compliance, and the imperative of customer trust (Anyadighibe et al., 2021).

One key driver of change has been regulatory intervention. Yum et al. (2022) emphasise that regulatory bodies have consistently sought to curb practices that privilege sales volume at the expense of consumer protection. This has resulted in frameworks that not only limit excessive commissions but also demand accountability for the suitability of products sold to clients. Antony et al. (2023) argue that such interventions are reshaping the very design of incentive structures by encouraging insurers to emphasise customer outcomes and long-term retention rather than purely transactional performance. This shift aligns with global regulatory trends that regard transparency and ethical conduct as central to market integrity.

Competition has also intensified the need for adaptive incentive models. Barry et al. (2024) note that insurers now operate in environments characterised by aggressive digital entrants that rely on data-driven personalisation rather than traditional agent networks. To remain competitive, incumbents are rethinking compensation frameworks by rewarding behaviours that enhance customer engagement, innovation, and cross-selling of integrated financial products. Similarly, Homburg et al. (2024) highlight that organisations are designing multifaceted incentives that balance sales generation with metrics such as customer satisfaction and brand loyalty, thereby broadening the scope of agent evaluation.

The academic debate also underscores cultural and organisational dimensions. Kalesná (2023) demonstrates that evolving incentive systems are shaped by internal governance mechanisms that seek to mitigate conflicts of interest while fostering organisational accountability. Waiser (2021) further argues that contemporary models recognise the limitations of purely monetary rewards, incorporating non-financial incentives such as career development opportunities and recognition schemes to sustain motivation among sales personnel.

Technological change has accelerated this trajectory. Wang et al. (2024) point out that digital platforms enable real-time performance monitoring, which in turn supports more nuanced incentive structures that reward accuracy, compliance, and customer-centricity. Gao (2023) adds that technology facilitates predictive analytics capable of aligning incentives with customer lifetime value rather than short-term transactions. Earlier studies by Wang et al. (2021) also stress that digital integration makes it possible to design incentive systems that are more adaptive, transparent, and resilient to manipulation.

Taken together, the evolution of incentive structures in insurance reflects a decisive departure from traditional sales volume models toward frameworks that balance profitability with regulation, competition, and customer welfare. While commissions remain part of the industry fabric, their role is increasingly complemented by multidimensional metrics that reflect the complexity of modern insurance markets.

1.1.2 Challenges of commission-based selling

The commission-based selling model has long been central to insurance distribution, yet its reliance on financial incentives creates structural challenges that compromise both consumer welfare and industry stability (Han, 2025). Critics argue that while commissions can motivate agents to achieve sales growth, they also generate problematic behaviours such as fire sales, mis-selling, and an imbalance between short-term revenue generation and long-term policy sustainability (Manjenje & Muhanga, 2021). These challenges raise significant questions about whether commission-based incentives remain viable in modern markets that increasingly prioritise transparency and customer protection.

A central concern is the phenomenon of fire sales, where agents push for rapid closures to maximise commission earnings regardless of client needs. Castiglioni et al. (2023) contend that such practices result in poor alignment between insurance products and consumer requirements, leading to cancellations and diminished trust. Selvam (2025) further emphasises that fire sales not only erode client confidence but also impose reputational risks on insurers, who may be perceived as prioritising profit over responsibility. These outcomes undermine the credibility of the industry and jeopardise long-term client relationships.

Mis-selling remains another pervasive challenge. Rao et al. (2021) observe that commission-driven models incentivise the promotion of high-margin products irrespective of their suitability for customers. Such practices can result in financial harm to clients who purchase products misaligned with their financial capacity or risk profile. Tsunoda and Zennyo (2021) argue that mis-selling reflects a systemic conflict between sales objectives and fiduciary responsibility, illustrating how commission structures can distort ethical decision-making.

The conflict between sales growth and policy sustainability also remains unresolved. Czinkota et al. (2021) highlight that aggressive commission incentives often encourage agents to focus narrowly on acquisition, leaving retention and service neglected. Policies sold under such circumstances are more likely to lapse, which undermines both profitability and customer trust. Kuhn and Yu (2025) stress that this short-term orientation destabilises insurers' business models, as high lapse rates increase costs and erode actuarial reliability. This is also corroborated by Singh (2025) who confirmed that in 2023, 20% of all life insurance customer complaints were as a result of 'unfair business practises', leading to further lapses. Jansen et al. (2024) similarly note that unsustainable sales growth, fuelled by commission incentives, can distort risk pools and weaken long-term policy performance.

Moreover, broader systemic implications cannot be ignored. Miller et al. (2021) point out that when mis-selling scandals emerge, regulatory scrutiny intensifies, often leading to stricter oversight and reputational damage for the entire sector. Xian et al. (2022) further demonstrate that consumer dissatisfaction arising from commission-driven conflicts erodes trust in insurance institutions, complicating efforts to build loyalty in an increasingly competitive environment.

Taken together, these findings demonstrate that commission-based selling is fraught with structural tensions. While it remains embedded in insurance distribution, its inherent risks of fire sales, mis-selling, and unsustainable growth challenge both ethical standards and industry stability (Detering et al., 2022). Addressing these issues requires not only regulatory vigilance but also a reimagining of incentive frameworks that prioritise customer welfare alongside profitability.

1.1.3 Emergence of alternative approaches

The growing dissatisfaction with commission-based models has encouraged the insurance industry to explore alternative incentive structures that emphasise ethical practices and sustainable customer relationships. Scholars argue that these emerging approaches are not merely experimental but represent a structural shift in how adviser motivation is conceptualised and rewarded (Moraga-González et al., 2023). The focus is gradually moving away from transaction-driven rewards toward frameworks that prioritise customer trust, regulatory compliance, and long-term retention.

One significant direction involves performance measures that extend beyond sales volume. Sealy (2025) highlights the increasing adoption of customer-centric indicators such as satisfaction scores, policy persistency, and renewal rates as determinants of adviser compensation. This shift addresses the limitations of traditional commissions by aligning financial incentives with service quality and client welfare. Similarly, Leung et al. (2024) contend that rewarding advisers for fostering policy longevity rather than short-term acquisitions improves both firm stability and consumer protection. By redefining success in broader terms, insurers reduce the risk of opportunistic behaviour that has long undermined credibility.

Another strand of innovation relates to non-financial incentives. García-Nieto et al. (2025) argue that recognition schemes, professional development opportunities, and career progression pathways are increasingly valued as complements to monetary rewards. These approaches enhance intrinsic motivation while promoting loyalty among advisers. Sarvasiddi et al. (2025) further observe that when advisers perceive their contribution as aligned with professional ethics and long-term impact, they are more likely to adopt practices consistent with fairness and transparency.

Technological change also plays a crucial role in shaping new models. Cheng et al. (2021) emphasise that digital platforms enable the collection of real-time customer feedback, which can be incorporated into performance evaluation systems. Voland et al. (2022) add that data analytics makes it possible to reward accuracy and compliance, reducing the temptation for mis-selling. Deng et al. (2022) similarly highlight that technology-driven performance monitoring enhances accountability by offering measurable evidence of adviser behaviour and customer outcomes. In this sense, digital tools not only support alternative incentive designs but also institutionalise transparency in ways previously unattainable.

Finally, cultural and organisational reforms underpin the success of these alternatives. Olaussen et al. (2021) argue that shifting to ethical and customer-focused incentive structures requires a cultural transformation within firms, where values of responsibility and trustworthiness are integrated into strategic priorities. Without such alignment, alternative models risk becoming superficial adjustments rather than meaningful reforms.

In summary, the emergence of alternative approaches reflects a decisive move to reconcile profitability with ethics and sustainability. By incorporating multidimensional performance indicators, non-financial motivators, and digital tools, insurers are reimagining incentives in ways that can mitigate the historical shortcomings of commission-based systems.

1.1.4 Impact of fire sales on business sustainability and customer trust

Fire sales within the insurance industry represent an acute symptom of deeper structural and organisational flaws in commission-driven sales systems. These sales surges, often occurring near reporting deadlines, prioritise immediate revenue generation at the expense of long-term policy sustainability and customer trust. Courbage and Nicolas

(2021) argue that such short-term strategies distort the natural rhythm of market activity, leading to policy concentration, reduced underwriting quality, and an erosion of customer confidence in insurers' integrity. When policies are sold under pressure rather than through transparent client engagement, the likelihood of mis-selling increases, creating reputational and financial risks that undermine the long-term sustainability of insurance firms.

The impact of fire sales extends beyond operational inefficiency to the broader question of institutional credibility. Akhter et al. (2021) emphasise that repetitive use of aggressive sales tactics cultivates a transactional culture that weakens relational trust between advisers and clients. Customers who feel coerced or misled during policy purchases are less likely to renew or recommend products, creating an unstable customer base and rising acquisition costs. This loss of loyalty disrupts the insurer's capacity to maintain predictable revenue streams, which in turn constrains reinvestment in innovation, employee training, and service quality. Hassan et al. (2024) further note that when customers perceive sales interactions as manipulative or self-serving, their trust in the insurance system diminishes, leading to broader scepticism toward financial institutions. This erosion of public trust is particularly damaging in an industry that relies heavily on intangible promises and long-term policy commitments.

From a business sustainability perspective, the consequences are multifaceted and deeply interconnected. Labini et al. (2025) highlight that fire sales distort risk management practices, as insurers focus on short-term volume rather than risk-adjusted profitability. This behaviour exposes firms to liquidity challenges and claims mismatches that compromise solvency stability. Eckert et al. (2022) argue that these distortions can also weaken organisational learning, as companies become trapped in repetitive cycles of reactive performance management rather than proactive strategic adaptation. Such environments discourage ethical reflection, leading advisers to rationalise unethical behaviour as necessary for target achievement.

Nobanee et al. (2021) and Stricker et al. (2022) add that sustainable business practices require alignment between economic incentives and social responsibility. Fire sales disrupt this balance by rewarding opportunism over accountability, thereby reducing the perceived legitimacy of the insurance sector. In the long term, these practices damage not only customer relationships but also investor confidence and regulatory trust. The cumulative impact suggests that fire sales are not isolated operational flaws but systemic failures that compromise the social and economic sustainability of the insurance industry.

A shift toward performance models grounded in transparency, ethical engagement, and long-term client value is therefore essential for restoring both business viability and public trust.

1.1.5 Cross-industry insights into sustainable incentive models

The search for sustainable incentive models within the insurance industry requires critical reflection on practices successfully implemented in other sectors that have faced similar conflicts between short-term performance pressures and long-term stakeholder value. Sabanci and Elvira (2024) argue that cross-industry comparisons reveal the importance of shifting from purely transactional incentive systems to those grounded in strategic value creation. Industries such as technology and healthcare have adopted integrated reward systems that emphasise innovation, client satisfaction, and team-based achievements. These models demonstrate that incentives linked to collective performance and customer outcomes can mitigate the distortions caused by individual commission-based frameworks. However, the insurance sector has been slower to adopt such transformations, largely due to entrenched traditions of commission dependency and the difficulty of quantifying advisory quality in monetary terms.

Affes and Jarboui (2023) emphasise that sustainable incentive design must balance profitability with ethical and social responsibility metrics. They contend that financial institutions often overemphasise measurable short-term sales at the cost of intangible values such as trust, service quality, and professional development. In contrast, many multinational corporations have introduced blended compensation models where long-term retention rates, customer satisfaction scores, and compliance adherence directly influence bonus distribution. This approach encourages behavioural alignment between employee motivation and organisational ethics. Yet, critics such as Bebchuk and Tallarita (2022) caution that adopting such frameworks without contextual adaptation may produce unintended rigidity, particularly in sectors where performance outcomes depend heavily on variable market conditions. For insurance firms, this means any transition toward sustainability-focused incentives must preserve flexibility while embedding accountability.

Derchi et al. (2021) and Dubal (2023) provide evidence from manufacturing and retail sectors showing that incentive structures tied to environmental and social performance indicators can generate competitive advantage. These models not only enhance corporate reputation but also attract customers who value ethical engagement.

Translating such mechanisms into the insurance domain could promote responsible sales practices, reduce policy churn, and strengthen policyholder relationships. However, Ahmed et al. (2023) argue that without cultural and leadership transformation, incentive reforms may remain symbolic rather than substantive. They note that organisations often underestimate the role of internal culture in sustaining behavioural change.

Kang and Lee (2021) reinforce that successful incentive reforms require multidimensional assessment systems integrating financial, ethical, and relational metrics. Applying these insights to insurance implies a move away from commission-centric systems toward frameworks rewarding long-term portfolio health, client satisfaction, and advisory quality. Therefore, cross-industry evidence underscores that sustainable incentive reform in insurance must transcend numerical targets to embed ethical engagement, organisational learning, and stakeholder trust as central measures of success.

1.2 Problem statement

The insurance industry has historically relied on commission-based sales models that incentivise agents to maximise policy acquisitions, yet such structures have been repeatedly criticised for fostering conflicts of interest, fire sales, and mis-selling that compromise both customer trust and policy sustainability (Marano, 2021; Manjenje & Muhanga, 2021; Castiglioni et al., 2023). Although commissions have facilitated market penetration and aligned agent and insurer interests in terms of revenue growth (Bhardwaj, 2021), they also risk encouraging short-term gains over long-term customer welfare, resulting in high lapse rates and reputational risks (Rao et al., 2021; Baker & Shortland, 2023; Kuhn & Yu, 2025).

Regulatory interventions and technological advances have begun to reshape incentive frameworks, with scholars advocating models that integrate customer-centric metrics, ethical considerations, and digital accountability (Yum et al., 2022; Eckert et al., 2022; Wang et al., 2024). However, the transition away from commission dominance remains incomplete, leaving unresolved tensions between profitability and sustainability (Zarifis et al., 2023; Gao, 2023). If these challenges are not addressed, insurers risk eroding consumer confidence, facing stricter regulatory scrutiny, and losing competitive ground to digitally enabled entrants (Homburg et al., 2024; Jansen et al., 2024).

This study is therefore important as it evaluates existing models, identifies their unintended consequences, and explores alternative approaches that align sales performance with ethical practices and long-term customer retention (Olaussen et al., 2021; Moraga-González et al., 2023; Sealy, 2025).

1.2.1 Aims and objectives

This study aims to evaluate the effectiveness of existing sales incentive structures in the insurance industry, identify their impact on sales performance and customer retention, and explore sustainable incentive models that mitigate fire sales while ensuring long-term business stability.

- To identify the key challenges and unintended consequences associated with fire sales in commission-driven insurance sales environments.
- To examine the role of traditional commission-based sales incentives in influencing sales performance, policy sustainability, and customer retention in the insurance sector.
- To explore alternative incentive structures from other industries that align sales growth with long-term customer retention and ethical selling practices.
- To assess adviser's perceptions of the effectiveness and limitations of current sales incentive models, as well as their openness to alternative structures.
- To provide suggestions for developing a sustainable, customer-centric incentive framework that enhances both sales efficiency and long-term policy sustainability.

1.3 Research questions

This section introduces the primary and secondary research questions. Further detailed explanation of how these emerge from the gaps identified in prior studies, as well as the key strands of existing scholarship that inform and support the development of these questions can be found in Chapter 3.

Research question 1: How might restructured sales incentive systems reduce fire-sale behaviour and support sustainable growth in the insurance industry?

Research question 1.1: What organisational and behavioural factors in commission-based incentive systems facilitate fire-sale behaviour and unsustainable selling practices?

Research question 1.2: How might different remuneration models, for example, hybrid or value-based, impact the behaviour of advisers, customer trust, and longer-term performance in insurance?

1.4 Relevance of the research

In the corporate world, sales incentive systems shape not only revenue generation but also the long-term sustainability of business relationships. Within the insurance sector, commission-based structures are widely adopted because they encourage immediate sales outcomes. However, research shows that such models often drive short term behaviours that can result in fire sales, policy lapses, and the gradual erosion of customer trust (Business Standard, 2024; Reporter, 2025; BBC, 2025).

The business relevance of this study lies in understanding how commission-driven sales environments in the insurance sector can trigger systemic issues that extend beyond individual firms and have ripple effects across the entire economy. According to Gourav (2024), the rise of aggressive sales cultures has pushed financial advisers and insurance agents to prioritise short-term sales achievements over the long-term stability of client relationships and policy performance. This short-term focus, often intensified during end-of-quarter or end-of-year “fire sales,” can result in widespread policy lapses, mis-selling, and erosion of consumer trust.

Such outcomes are not only detrimental to insurers’ profitability but also undermine the credibility of financial institutions that depend on sustained policy retention to maintain capital flow and solvency. Niva Bupa (2025) observes that when customers discontinue policies prematurely or lose confidence in financial products, it generates liquidity pressures and disrupts the insurance ecosystem, which in turn affects broader financial markets through reduced investment capacity and weakened consumer confidence.

The issue has assumed greater urgency because of its deep entanglement with modern incentive systems that are still rooted in outdated models from the early stages of financial liberalisation. TOI (2025) highlights that many insurers continue to reward volume-based sales, even though data show that these systems create volatile sales cycles and burnout among sales staff. This volatility contributes to unstable earnings, operational inefficiencies, and unethical selling practices that eventually invite regulatory scrutiny.

What was once seen as a limited problem within sales departments has now evolved into a structural weakness capable of undermining the sector's integrity. BBC (2018) earlier reported that incentive misalignment had led to large-scale financial scandals, demonstrating how the absence of sustainable incentive structures could shake consumer faith not only in individual firms but in the financial system itself. The growing scale and complexity of these challenges indicate that the problem has macroeconomic dimensions. BBC (2024a) argues that when a large proportion of financial products are sold under high-pressure commission regimes, the ensuing instability spreads to sectors dependent on insurance-based investments, such as real estate, healthcare, and pensions.

This interconnectedness implies that the effects of short-term incentive-driven sales are not confined to insurance policyholders but extend to the wider economic environment. BBC One (2025) further points out that as insurance becomes more intertwined with everyday financial planning, unethical or unstable sales practices can diminish overall public confidence in saving and investment behaviour, thereby slowing economic resilience and household financial security.

Consequently, this study's focus on alternative incentive structures becomes crucial not only for improving internal sales efficiency but also for protecting the long-term stability of the financial system. The exploration of sustainable, customer-centric incentive frameworks can inform both regulatory reforms and industry practices that balance profitability with ethical responsibility. As Gourav (2024) and Niva Bupa (2025) emphasise, the next decade demands a fundamental shift toward incentive designs that align sales success with policy longevity, customer trust, and organisational sustainability. Addressing this issue is no longer optional but essential for ensuring financial stability and protecting consumers, institutions, and the broader economy from the cumulative risks of misaligned sales incentives.

These unintended effects create persistent challenges for maintaining a stable client base and ensuring consistent financial performance in a competitive market. By critically examining existing models and their limitations, this study addresses the urgent need for more balanced and customer focused incentive structures. The findings will assist organisations in aligning sales strategies with ethical practices, improving customer retention, and reducing reputational risks, thereby supporting competitiveness and long-term corporate growth.

1.5 Theoretical grounding of the research

The theoretical foundation of this study is anchored in Agency Theory, Self Determination Theory, Prospect Theory, and Behavioural Economics. Collectively, these perspectives provide a comprehensive and multi layered lens for evaluating the design and consequences of sales incentive structures within the insurance industry.

Agency Theory provides a foundational lens for understanding the structural and behavioural dynamics within insurance sales environments, particularly the persistent conflicts of interest that arise between insurers as principals and financial advisers as agents. The theory suggests that when the goals of agents diverge from those of principals, agents may act in self-interest rather than in alignment with the long-term objectives of the organisation or the welfare of clients.

In the context of commission-driven sales, this misalignment often manifests through short-term, sales-oriented behaviours. Prior research highlights that commission-based systems can amplify these agency conflicts by rewarding immediate results over sustained policy performance, thus creating conditions that encourage fire sales and erode customer confidence (Tubagus, 2021; García et al.; Wang & Yan, 2023).

Financial advisers operating under high-pressure targets may prioritise closing sales rapidly to secure commissions, even when doing so compromises client suitability or long-term satisfaction. Agency Theory therefore provides a critical framework for examining how incentive structures shape adviser behaviour and why such systems may undermine organisational sustainability by prioritising personal rewards over collective outcomes.

Self Determination Theory extends this analysis by exploring the psychological underpinnings of motivation and how these processes influence professional conduct in sales contexts. It distinguishes between extrinsic motivation, which is influenced by external rewards such as commissions and bonuses, and intrinsic motivation, which arises from internal satisfaction, autonomy, and a sense of purpose. Evidence demonstrates that excessive dependence on extrinsic incentives can gradually erode intrinsic motivation, leading to reduced ethical engagement, lower professional fulfilment, and diminished commitment to customer well-being (Liao, 2021; Stonge & Beauchamp, 2022; Domenico et al., 2022). In contrast, environments that support autonomy, competence, and relatedness foster stronger intrinsic motivation and promote sustained performance.

Within insurance sales, this means that when financial advisers experience trust, support, and opportunities for self-directed growth, they are more likely to demonstrate ethical conduct and maintain long-term client relationships. Self Determination Theory therefore offers valuable insights into how organisational climates and incentive designs can either nurture or undermine sustainable performance and adviser well-being.

Prospect Theory contributes an additional behavioural dimension by examining how individuals make decisions under conditions of uncertainty and perceived risk. According to this framework, people evaluate potential outcomes relative to a reference point rather than absolute results, leading to asymmetric reactions to gains and losses. Empirical findings suggest that financial advisers often exhibit risk-seeking behaviour when facing potential losses, such as missing sales targets, while becoming overly cautious when they perceive they have already secured sufficient gains (Hwang, 2021; Shin et al., 2022; Shirinyan & Shirinyan, 2023).

In the insurance context, this cognitive bias can influence sales timing, product recommendations, and the intensity of selling efforts. For instance, the fear of income loss near the end of a reporting period can drive aggressive selling, resulting in fire sales and reduced policy quality. Prospect Theory thus clarifies why traditional commission models can trigger cyclical patterns of overperformance followed by policy lapses, as advisers' decision-making processes are shaped by shifting perceptions of risk and reward.

Behavioural Economics complements these perspectives by merging psychological insights into economic decision-making processes. It focuses on how cognitive biases and heuristics — such as anchoring, overconfidence and availability bias — influence financial advisers' judgments and actions. These tendencies can distort both adviser and client perceptions, leading to suboptimal decisions and inconsistent adherence to ethical standards (Pitthan & Witte, 2021; Bhatia et al., 2021; Masud et al., 2021). For example, advisers might overestimate their ability to predict customer preferences or underestimate long-term risks associated with short-term policy sales.

Behavioural Economics therefore provides a comprehensive understanding of the cognitive mechanisms that underlie mis-selling and policy discontinuance. When combined with Agency Theory, Self Determination Theory, and Prospect Theory, it highlights how both structural incentives and psychological biases interact to influence sales behaviours and customer outcomes.

Together, these theoretical perspectives create a multidimensional framework for analysing the sustainability of incentive systems in the insurance sector. They collectively emphasise that effective incentive structures must balance economic efficiency with ethical responsibility, address motivational diversity, and minimise behavioural distortions that compromise customer trust. By integrating insights from these theories, the study can more effectively evaluate how alternative, customer-centric incentive models could enhance long-term sales performance, promote adviser well-being, and strengthen overall business stability.

1.6 Research contribution

This study will make significant contributions to both academic understanding and managerial practice. From an academic perspective, it advances the existing body of literature on incentive systems by critically examining their influence on employee performance, retention, and organisational sustainability within the insurance sector. The research will also enrich knowledge by exploring opportunities for cross industry learning, particularly through the evaluation of alternative incentive structures that promote customer centric outcomes rather than solely prioritising short-term sales.

This broader perspective allows for the identification of best practices that may be adapted across different contexts. For managers, the study provides practical guidance on how to design and implement incentive models that achieve a balance between immediate sales growth and long-term organisational stability. The findings will help reduce the risks associated with aggressive selling tactics, encourage ethical sales behaviours, and enhance policyholder trust. Ultimately, the research generates actionable insights that support resilient strategies rooted in sustainable performance and customer loyalty.

1.7 Research scope

The scope of this study is focused on evaluating the effectiveness of sales incentive structures within the insurance industry, particularly commission-driven models and their consequences on sales performance, customer retention, and policy sustainability. The research was limited to financial advisers who directly engage in sales practices, as their perspectives are central to understanding incentive effectiveness. By adopting a quantitative approach and focusing on primary data collection through structured questionnaires, the study generated evidence-based insights. While the research considers alternative incentive frameworks from other industries for comparison, the emphasis remains on developing sustainable, customer-centric models applicable to the insurance sector. The findings will therefore be relevant to both industry practice and scholarly discourse.

Chapter 2: Literature review

2.1 Introduction

In contemporary markets, organisations face mounting pressures to demonstrate robust performance metrics and deliver consistent shareholder value. This performance-driven orientation has produced a culture of success that places extraordinary emphasis on short-term gains rather than on enduring strategic growth. As Froese et al. (2023) observed, this fixation on visible results has entrenched a dependence on aggressive sales and retention techniques that are primarily incentivised through short-term reward programmes emphasising volume over quality. The outcome is an organisational landscape where sales growth is often pursued at any cost, encouraging behaviours that compromise long-term customer relationships and sustainable profitability.

One of the most visible manifestations of this short-term logic is the phenomenon of "fire sales," defined as intensive, last-minute promotional campaigns characterised by heavy discounting, excessive price reductions, and urgent end-of-period sales-pushes designed to inflate immediate revenue figures (Chung et al., 2020). While such strategies may generate temporary surges in sales, they often trigger a destructive cycle that undermines organisational stability. The short-term uplift in sales comes at the expense of long-term brand equity, customer trust, and profit margins. Over time, firms caught in this cycle find themselves dependent on repeated discounting to maintain sales momentum, eroding customer loyalty and damaging reputational capital.

Critically, the overuse of fire sales reflects deeper structural misalignments within corporate incentive systems. Businesses that continuously resort to such practices often suffer from a lack of alignment between their incentive structures and sustainable strategic goals. Fire sales may provide short-term liquidity or inventory relief, yet they create long-term distortions in customer expectations. As Casidy and Lie (2023) pointed out, fire sales are not inherently harmful when employed strategically and sparingly. They can serve legitimate purposes such as clearing excess stock, responding to unexpected fluctuations in demand, or stimulating temporary market engagement. However, when fire sales become a systemic practice driven by misaligned incentives, they evolve into a symptom of an unsustainable revenue model. Customers trained to wait for discounts begin to devalue regular pricing, and the firm's brand narrative shifts from one of value to one of discount dependency. The resulting erosion of margins and loyalty establishes a cycle that is both economically inefficient and strategically corrosive (Forrester Com., 2021).

This growing dependence on short-term tactics underscores the urgent need to reevaluate sales incentive systems. According to Rodriguez and Bennett (2023), incentive structures are among the most powerful behavioural mechanisms within organisations, shaping how sales personnel interpret goals, allocate effort, and define success. Yet, in many firms, incentives remain tied to immediate performance metrics such as quarterly revenue targets, units sold, or quota achievement. While these indicators effectively stimulate short-term motivation, they frequently encourage behaviours that undermine strategic coherence. Rodriguez and Bennett (2023) continued that sales professionals under pressure to meet aggressive targets may engage in practices that compromise customer satisfaction, push unsuitable products, or overlook cross-selling opportunities that could strengthen long-term relationships.

Barnett et al. (2021) emphasised that these narrowly defined incentive structures promote a culture of transaction-oriented selling. Such cultures celebrate short-term wins while neglecting the deeper processes of relationship management, customer insight generation, and market learning that form the foundation of enduring competitive advantage. The outcome is a distorted measurement of success, where high sales volumes mask the deterioration of trust and relational equity. Furthermore, these systems rarely reward intangible contributions such as customer advocacy, brand stewardship, or collaboration across organisational units, which are essential for building sustainable value networks.

To escape this self-reinforcing cycle, Sharma and Tanaka (2025) propose that organisations must initiate a paradigm shift in the conceptualisation, design, and monitoring of sales incentive mechanisms. Instead of perpetuating end-of-quarter, volume-driven reward programmes, companies need to embrace incentive models that align with sustainable growth and ethical business principles. As Cortas (2020) contended, the reformation of incentive systems requires not only a redesign of performance metrics but also a broader rethinking of organisational philosophy. This involves embedding criteria that value customer satisfaction, relationship longevity, and contribution to organisational learning. For example, compensation models that include indicators such as customer retention rates, satisfaction scores, and customer lifetime value can encourage sales professionals to consider the long-term implications of their interactions. By integrating these relational measures into reward structures, firms can counterbalance the dominance of purely quantitative metrics.

Moreover, sustainable incentive models must promote cross-functional collaboration. The traditional separation of sales from other departments has often resulted in siloed objectives and competing priorities. By contrast, aligning incentives with collective outcomes — such as successful product integration, marketing synergy, and customer service excellence — can create a more holistic growth culture. Collaboration between sales, marketing, product development, and service teams can strengthen feedback loops, improve customer experiences, and support innovation. The inclusion of shared objectives in performance evaluations ensures that salespeople are motivated to act in ways consistent with the company's broader mission and values. Through such integration, organisations can shift their focus from transactional selling to value-based and sustainable outcomes (Sharma & Tanaka, 2025).

Nguyen and Zhang (2024) highlighted that the challenge of rethinking sales incentives is not abstract but observable across multiple industries. In retail, firms that habitually depend on seasonal fire sales experience declining margins and brand dilution. The repetitive cycle of deep discounting trains consumers to anticipate lower prices, which undermines full-price sales and erodes brand prestige. In the technology sector, end-of-quarter sales-pushes often result in inflated numbers that conceal customer dissatisfaction. Clients pressured into purchases without proper need alignment are more likely to disengage or churn, thereby negating the short-term revenue gains. Similarly, in financial services, poorly constructed incentive schemes have precipitated significant ethical failures. De Almeida and de Ramos (2022) documented instances where sales personnel, motivated by commissions and short-term rewards, engaged in deceptive or coercive selling practices, damaging institutional reputations and eroding public confidence. These cases collectively illustrate that flawed incentive structures not only threaten firm performance but also have broader societal consequences.

Collins and Saliba (2020) expanded this argument by emphasising that incentive reform must be accompanied by cultural and leadership transformation. A culture that celebrates only short-term victories inevitably reinforces opportunistic and ethically questionable behaviours. In such environments, employees prioritise immediate results, often disregarding the long-term implications of their actions. Therefore, leadership must play a central role in redefining the meaning of success within organisations. Leaders should articulate and model a vision that prioritises sustainable development, ethical sales conduct, and customer-centricity. Building such a culture requires a recalibration of motivational drivers. Employees must find recognition not only through financial rewards but also through alignment with shared organisational objectives, peer acknowledgment, and contributions to customer well-being. When organisations broaden the definition of success to encompass moral accountability and stakeholder value creation, they cultivate resilience and stability that transcend short-term performance cycles.

The emergence of digital technologies and advanced analytics provides new tools for implementing these transformative approaches. Lazaretti et al. (2020) observed that data analytics allows firms to monitor a broader and more nuanced set of performance indicators. Organisations can now evaluate metrics such as engagement frequency, customer sentiment, and account growth trajectories alongside traditional financial data. By harnessing these analytical capabilities, firms can develop incentive systems that are adaptive, transparent, and empirically grounded. Technology also enables the early detection of harmful sales practices such as excessive discounting or unethical selling patterns before they become entrenched. Predictive analytics can identify correlations between sales behaviours and long-term profitability, helping management to design incentive structures that reward sustainable conduct. In this way, digital tools act as both diagnostic and preventive instruments, supporting more balanced and ethical sales management.

The implications of reimagined incentive systems extend well beyond individual organisational performance. As firms move away from dependence on fire sales and other short-term manipulations, they contribute to healthier market ecosystems. When competition shifts from discount-driven tactics to value-driven engagement, consumer trust and brand loyalty strengthen across entire industries. Moreover, the prioritisation of sustainability and ethics within incentive systems aligns corporate behaviour with broader societal expectations. Markets that reward responsible business practices foster economic environments characterised by stability, transparency, and fairness. Thus, the transformation of sales incentives is not merely an internal management concern but a component of corporate social responsibility and economic sustainability.

At a theoretical level, the analysis of fire sales and incentive misalignment can be situated within broader organisational behaviour frameworks. The Expectancy Theory of motivation suggests that individuals exert effort when they believe that performance will lead to valued outcomes. If the outcomes emphasised by organisations are narrowly financial and short-term, employee behaviours will predictably align with those objectives. Conversely, if firms recalibrate their incentive systems to recognise long-term relational achievements and ethical conduct, the motivational energy of sales professionals will shift accordingly. Similarly, agency theory provides insight into how misaligned incentives create divergence between individual and organisational interests. Fire sales epitomise this divergence, as salespeople pursue personal quota attainment at the expense of brand integrity and customer satisfaction. Realigning incentives with sustainable objectives can therefore mitigate agency conflicts and reinforce organisational cohesion.

In conclusion, the persistent reliance on fire sales and short-term reward structures reflects deeper deficiencies in how organisations conceptualise success. The cumulative evidence from Chung et al. (2020), Froese et al. (2023), Rodriguez and Bennett (2023), Sharma and Tanaka (2025), and other scholars demonstrates that while traditional incentive models can drive immediate performance, they often corrode long-term competitiveness and ethical standing. To build resilience in volatile markets, firms must transition toward incentive systems that balance financial outcomes with relational, ethical, and developmental objectives. By integrating customer-centric metrics, promoting cross-functional collaboration, leveraging digital analytics, and fostering cultures of ethical accountability, companies can escape the destructive cycle of fire sales. The reformation of incentive design is not a peripheral adjustment but a fundamental strategic reorientation toward sustainable growth, responsible capitalism, and enduring stakeholder value.

2.1.2 Nature and dynamics of fire sales

Sales in insurance sales settings refer to a situation where agents or sales teams engage in quick selling practices, (Gross, 2023). This often happens due to external pressures like meeting quarterly or year-end targets, competition driven by incentives, or sudden policy promotions from the company. These sales spikes typically happen in environments where agents earn commissions; rewards, recognition programmes, or rankings motivate them. In these situations, the focus on meeting short-term goals often overshadows the importance of building long-term relationships with clients or understanding their needs in depth.

The term "fire sale" suggests urgency and a frantic pace, as agents work hard to sell policies quickly for immediate gains, (Chung, 2021). The nature of these sales usually involves discounted premiums, bonus offerings, or expedited underwriting processes. While these conditions lower barriers for agents and customers, they also pose systemic risks. Insurance does not include only product discounts in fire sales; they also include "bundled offers", where policies are sold quickly together, often without giving enough time to customers to understand conditions, exclusion, or financial responsibilities. This environment promotes a sales strategy that prefers quantity over quality. Therefore, while sales figures may increase, permanent viability of those sales is uncertain.

2.2 Fire sales

2.2.2 Consequences of fire sales

While fire sales in insurance settings lead to quick increases in policy uptake, their unintended consequences can harm both organisational credibility and customer trust over time. A major outcome is the higher likelihood of policy lapses (Chung et al., 2020).

When customers feel pressured to make quick decisions during these sales surges, they often commit without fully understanding their long-term financial responsibilities or whether the policy truly meets their needs. He et al. (2022) stated that when the immediate sales opportunity passes and customers reassess their choices, many decide to stop paying premiums, resulting in high lapse rates. Increased lapse rates hurt insurance companies' profits by affecting the continuity of their portfolios and can negatively impact regulatory reporting and internal performance measures. Additionally, compliance risks become a serious concern. Fire sales often encourage actions that sidestep regulatory requirements, like mandatory suitability assessments, disclosure rules, or accurate documentation of customer consent (Chung & Narayandas, 2021). In closing a sale, agents might overlook these responsibilities or intentionally ignore them, which puts themselves and their companies at risk of penalties, audits, or sanctions from regulatory authorities. In highly regulated markets, repeated compliance violations can lead to fines, operational restrictions, or damage to reputation that is hard to recover from.

Harrison et al. (2020) states that another significant consequence of fire sales is the reputational risk for insurance companies. Customers who feel rushed or misled during these intense sales periods may develop a poor view of the company, leave negative reviews, or spread distrust within their social circles. This loss of trust is especially harmful in the insurance sector, where credibility, transparency, and long-term reliability are vital for business sustainability. Once trust is lost, restoring customer confidence demands extensive brand management efforts, changes to sales practices, and occasionally public apologies or compensation.

Moreover, damage to reputation can impact employee morale and retention. High-performing agents who prioritise integrity may feel disheartened in a culture dominated by fire sales, leading to turnover or disengagement, which subsequently disrupts organisational performance. Financial sustainability can also suffer due to fire sales. While immediate revenue may look strong during a fire sale, the resulting lapses, cancellations, and customer complaints can significantly reduce net profits. Insurance companies may find themselves stuck in a repeating cycle of initiating fire sales to offset revenue losses caused by earlier lapses, creating a vicious cycle that harms stability.

When organisations focus on short-term sales boosts, they often ignore product development, customer relationship management, and improvements in service quality, all of which are essential for lasting growth (Alavi & Habel, 2021). Relying heavily on fire sales as a revenue strategy can skew strategic priorities and weaken organisational resilience against market shifts. From a regulatory and governance viewpoint, fire sales also draw attention from policymakers and watchdogs who see these practices as potentially harmful to consumer protection efforts. Regulators might respond by tightening compliance requirements, increasing mandatory disclosures, or enforcing stricter penalties for mis-selling. These changes raise the operational burdens on companies. In some cases, firms known for frequent fire sales might face limits on launching new products or losing their ability to operate in certain areas.

Finally, customer experience suffers greatly in fire sale-driven environments. Instead of receiving personalised advice and thoughtful support, customers often become just targets in aggressive sales campaigns (Lee, 2023). This transactional approach reduces the value of insurance as a tool for managing risk and securing wealth, turning it into just a pressured purchase. In the long run, this disconnect between what customers expect and what they actually receive weakens the overall image of the insurance industry and discourages potential clients from interacting positively with insurers.

2.3 Commission-based incentive structures

2.3.1 Historical evolution of commission models in insurance

Grant & Kim (2024) state that the origins of these systems, in the early days of the modern insurance market, was where insurers looked for effective ways to enter markets and grow their customer base. In the nineteenth and early twentieth centuries, many households were unfamiliar with insurance. Companies struggled to convince people to invest in long-term security in exchange for regular premium payments. Fixed salaries for agents were impractical due to unpredictable sales volumes and the need for rapid market growth. Commission-based models emerged as a solution that matched the interests of insurers and sales agents. Agents were rewarded directly for the number of policies sold and premiums collected.

According to Rangarajan et al. (2020), over time, these commission systems evolved into more structured frameworks. They included upfront commissions for new policy sales, renewal commissions for maintaining client relationships, and performance bonuses for exceeding sales quotas. By the mid-twentieth century, these models became common in the insurance industry worldwide, shaping agents' identities as entrepreneurial figures who thrived on generating income based on their sales efforts. The importance of commissions is also evident in how insurance companies marketed careers to prospective agents, emphasising unlimited earning potential and independence as key attractions. While commission models spurred growth in the insurance industry by encouraging aggressive sales, they also carried risks. These included prioritising short-term gains over long-term customer satisfaction, which led to cycles of mis-selling scandals and regulatory interventions.

The evolution of commission models in the insurance industry reflects broader economic, ethical, and organisational transformations that have redefined how performance and trust are managed. Early commission systems were rooted in transactional capitalism, where remuneration was directly linked to the volume of sales rather than the quality of service. According to Kotey et al. (2021), these early systems emerged from the belief that monetary incentives could effectively align individual effort with organisational profitability. However, this linear connection between sales and commission often produced short-termism, as agents focused on maximising immediate revenue rather than nurturing enduring customer relationships. Such models, while efficient in expanding market penetration, also introduced moral hazard by encouraging mis-selling and product pushing, thus undermining the credibility of the insurance profession.

Machireddy (2022) critically argues that commission systems of the twentieth century institutionalised a culture of competitiveness that prioritised financial outcomes over fiduciary responsibility. This historical trajectory reveals how performance-driven compensation structures reinforced an instrumental view of labour, reducing professional judgment to a calculative function. As insurance markets matured and regulatory scrutiny increased, these transactional models came under challenge. Mirzaei et al. (2025) observe that regulatory reforms and consumer protection movements began reshaping commission practices, emphasising transparency, disclosure, and fairness. This shift represented not only a compliance response but also a philosophical transition from profit maximisation to stakeholder accountability. The emphasis moved from commission quantity to commission quality, where compensation had to reflect the ethical and advisory standards of the profession.

Tica and Weißenberger (2022) extend this critique by highlighting the growing integration of performance management systems that combine financial and non-financial indicators. They argue that modern commission structures attempt to balance sales efficiency with customer satisfaction and long-term retention. This evolution demonstrates that commissions are no longer mere transactional tools but components of broader strategic control systems. Yet, this hybridisation introduces tension between autonomy and accountability, as agents must reconcile commercial goals with relational ethics. The introduction of performance scorecards, client satisfaction metrics, and compliance-linked bonuses illustrates the attempt to create a more holistic motivational environment, but such integration also risks bureaucratisation and motivational dilution if not aligned with organisational culture.

Latorre (2022) provides a historical interpretation of how socio-economic shifts, such as financialisaton and digitalisation, have further transformed commission paradigms. The traditional face-to-face model of selling insurance has been disrupted by algorithmic pricing, digital platforms, and data-driven marketing, which challenge the centrality of the individual agent. Commission models have thus adapted to recognise team performance, digital lead generation, and customer experience indicators. However, this transition also raises questions of equity and recognition, as technology-mediated sales may obscure individual contribution. Latorre (2022) cautions that digital commission systems must maintain fairness and human agency to prevent the alienation of professional advisers.

Finally, Braegelmann and Schiller (2023) contend that the historical progression of commission models reveals an unresolved duality between instrumental efficiency and normative responsibility. While modern models incorporate sustainability and ethics, the underlying logic of incentive-based control persists. They argue that unless commissions evolve toward value-based remuneration grounded in customer well-being and long-term trust, the industry risks perpetuating cyclical crises of legitimacy. In essence, the historical evolution of commission models in insurance encapsulates a continuing struggle to reconcile profit motives with professional ethics. From purely transactional origins to complex hybrid systems, this trajectory demonstrates that sustainable incentive design must transcend monetary calculus and integrate moral, social, and developmental dimensions that redefine the very purpose of insurance intermediation.

2.3.2 Commission incentives and sales behaviours

Rouziès and Onyemah (2018) observed how commission and incentive structures affect motivation, selling patterns, and ethical considerations in the insurance market. At their core, commission-based incentives are strong motivators, especially in industries where the product is intangible, relies on trust, and requires significant persuasion to secure customer commitment. Agents who depend on commissions often cultivate strong entrepreneurial mindsets. They see each sale not just as income but as a validation of their skills and effort. This drives agents to actively seek new prospects, expand their networks, and pursue sales intensely, all of which contribute to the insurer’s growth.

Bharadwaj et al. (2020) claims that the impact of commission structures on selling patterns is complicated. In many cases, commissions push agents to focus on products with higher payout rates rather than those best for the client. For instance, policies with longer terms, higher premiums, or bundled investment features often result in more lucrative commissions, leading to biased recommendations. This issue, sometimes called "product pushing," highlights the conflict between agent incentives and customer-focused advice.

Moreover, tiered commission structures, which provide disproportionately larger rewards for higher performance, tend to drive sales spikes near the end of reporting periods. Agents rush to meet quotas or qualify for bonuses during these times. Although this approach boosts short-term revenues, it can also create problems, such as policy lapses, cancellations, or dissatisfied clients who later realise that the policy sold was not fully aligned with their financial goals.

From an ethical standpoint, commission-based systems present mixed challenges. On one hand, they offer individuals chances for financial independence and career growth through merit-based earnings, reinforcing the values of effort and reward. On the other hand, they can create situations where ethical boundaries are unclear, especially when regulatory oversight is weak or customer understanding is low. Cases of mis-selling, where agents withhold crucial information or pressure clients into unsuitable policies, are often linked to an excessive focus on maximising commissions. This situation has sparked regulatory discussions in various regions, with some countries implementing caps on commissions, banning upfront commission payments, or promoting fee-based advisory models as alternatives. Still, insurance companies argue that commissions are essential for keeping agents motivated. This is especially true in emerging markets where insurance penetration is low, and agents must work hard to educate customers.

According to Ellis and Ibrahim (2023), another aspect of commission incentives is their effect on long-term client relationships. Renewal commissions provide agents with a steady income from active policies, aligning agent interests with customer retention and policy servicing. In theory, this should encourage agents to maintain trust, offer ongoing advice, and assist clients throughout their policies. However, in practice, the appeal of higher upfront commissions often overshadows the importance of fostering renewals. Agents may prioritise new sales over service quality. Companies that emphasise upfront commissions without providing significant renewal incentives risk losing customers, ultimately harming their growth sustainability.

According to Rapp et al. (2021), in recent years, advances in technology and changing consumer expectations have further altered views on commission-based models. The growth of digital distribution channels, online aggregators, and direct-to-consumer platforms challenges the traditional role of commission-driven agents.

The evolution of commission incentives in the insurance industry has been inseparable from the transformation of sales behaviours and the professional identity of insurance salespersons. Historically, sales performance was measured by the volume of policies sold, reflecting a narrow interpretation of productivity.

Sandvik et al. (2021) argue that early commission systems, rooted in classical economic assumptions, prioritised short-term gains by linking compensation directly to sales volume. This structure encouraged aggressive selling practices and competition among agents, reinforcing transactional relationships between advisers and clients. The dominance of such output-based incentives cultivated a culture where success was equated with immediate profitability rather than customer satisfaction or policy sustainability. Consequently, while these systems effectively stimulated initial market expansion, they also produced adverse behavioural consequences, including misrepresentation and product over-selling, which gradually eroded customer trust.

As markets matured, the inadequacies of purely commission-driven motivation became apparent. Lin et al. (2024) contend that shifts in consumer expectations and regulatory standards during the late twentieth and early twenty-first centuries compelled insurance firms to rethink incentive design. Sales behaviours had to transition from transactional to advisory orientations. This transition introduced hybrid incentive models that combined commissions with fixed pay, ethical compliance bonuses, and customer retention rewards. Lin et al. (2022) argue that this historical change marked a philosophical reorientation toward relational selling, where the salesperson's role expanded beyond closing sales to managing long-term financial well-being for clients. However, despite these innovations, tensions persisted between intrinsic service values and extrinsic monetary rewards, leading to motivational inconsistency among advisers.

Tang et al. (2023) critically emphasise that the psychological and organisational impact of commission incentives cannot be understood in isolation from broader market dynamics. As insurance products became complex and consumer awareness increased, salespersons needed higher levels of expertise and empathy. Commission models that failed to acknowledge these cognitive and emotional requirements risked creating motivational misalignment. Etro (2022) previously also stated that the digital transformation of insurance distribution has altered the meaning of sales performance itself. Automation, online platforms, and data analytics have partially replaced human persuasion with algorithmic targeting. As a result, commission systems have evolved to reward data-driven engagement and customer experience indicators. Yet this digital shift also threatens to deskill the advisory role and commodify salesperson labour, potentially reducing intrinsic motivation and weakening the professional ethos that underpins ethical selling.

Gopalakrishna et al. (2022) note that contemporary commission structures increasingly integrate behavioural insights to promote sustainable performance. They suggest that incentive models now account for cognitive biases, fairness perceptions, and peer comparison, reflecting a more nuanced understanding of salesperson psychology. However, while behavioural economics has refined incentive design, it has not fully addressed the underlying power asymmetries between organisations and field agents. Birge et al. (2024) argue that commission evolution must be viewed as a reflection of shifting control mechanisms within the insurance enterprise. They highlight that while modern incentive systems claim to empower agents through variable pay and recognition programmes, they often reinforce organisational dominance by embedding surveillance and performance metrics into compensation structures.

Consumers who prefer transparent, self-directed purchasing often see commissions as hidden costs, leading to demands for more transparency in agent compensation. Meanwhile, insurers acknowledge that human agents are still vital for complex products like life and health insurance, where trust, personalisation, and long-term advisory relationships are important (Alavi et al., 2022). In these cases, commission structures are being redesigned to balance rewarding new business acquisition with ensuring ethical, client-focused practices. Hybrid models, which combine base salaries with performance-linked bonuses, are gaining interest as a way to mitigate the extremes of purely commission-based systems while keeping motivational benefits.

2.4 Sales performance and policy sustainability

The sales profession has long demonstrated its capacity to evolve in response to changing market conditions and organisational challenges. As Guenzi et al. (2020) noted, adaptability has consistently been the defining characteristic of successful sales organisations, whether responding to technological advances, competitive disruptions, or shifts in customer expectations. In the current era, professional selling is undergoing another significant transformation centered on business sustainability as a strategic principle. Here, sustainability refers not to environmental or social programmes, but to the capacity of sales organisations to build long-term, value-driven, and trustworthy customer relationships that secure ongoing profitability and organisational endurance. This form of sustainability is about ensuring that every sale contributes to lasting business growth, rather than short-term wins that compromise customer trust or future revenue streams.

According to Nobanee et al. (2021), business sustainability in sales can be understood as the systematic integration of long-term value creation throughout the selling process. It involves cultivating customer relationships that endure beyond single transactions, emphasising credibility, mutual benefit, and ethical alignment. Sales professionals thus play a crucial role in creating stability and longevity for their organisations by focusing on solutions that genuinely fit customer needs and reinforce the company's reputation. Sustainable selling discourages short-lived "fire sales" or aggressive tactics that may yield immediate gains but erode customer confidence, create dissatisfaction, or result in churn. Instead, it promotes consistent, transparent engagement that strengthens brand trust and customer retention — key ingredients for maintaining competitiveness in volatile markets (Gartenberg, 2022).

Historically, the sales function was often evaluated primarily through short-term performance indicators such as quarterly revenue or conversion rates. While such metrics provided measurable outputs, they frequently encouraged transactional rather than relational approaches to selling. However, this paradigm has shifted. Firms increasingly recognise that enduring business success depends on maintaining long-term customer satisfaction and loyalty. According to Gartenberg (2022), as markets mature and competition intensifies, organisations are learning that sustainable growth arises not from aggressive sales pushes but from fostering deep relationships built on reliability and relevance. Sales practices that prioritise understanding client needs and delivering continuous value now represent the foundation of sustainable business development.

This reconceptualisation of sustainability as business endurance aligns with broader shifts in strategic management. Companies are recognising that repeat business, reputation, and relational quality are critical assets that determine long-term viability. In this context, the sales force acts as the interface through which firms build and preserve these assets. When sales teams prioritise the long-term interests of customers and the organisation over short-term quotas, they contribute directly to the stability and growth of the enterprise. Conversely, reliance on short-term promotions or misaligned selling can undermine profitability, leading to lost accounts, damaged reputations, and increased acquisition costs. Sustainable selling thus demands a reorientation of sales strategy, incentives, and measurement systems to reward enduring success rather than rapid turnover (Nobanee et al., 2021).

Despite the centrality of sales in driving long-term performance, academic inquiry into business sustainability within the sales discipline remains limited. A review of the American Marketing Association's ELMAR database revealed that between January 2022 and March 2023, there were fourteen special issues addressing sustainability across marketing, management, economics, hospitality, and banking. However, sales was underrepresented in this corpus of research. This neglect suggests a gap between conceptual discussions of sustainability and their practical application in sales. The lack of scholarly attention is notable given that the sales function occupies a critical position at the intersection of corporate strategy and market exchange. By neglecting the sales perspective, current research overlooks how organisations translate strategic sustainability goals into front-line customer interactions, relationship management, and retention practices.

Existing studies do, however, highlight the value of sustainable practices for organisational performance. Gabler et al. (2021) demonstrated that long-term relationship-oriented initiatives enhance efficiency, customer loyalty, and differentiation — factors that collectively strengthen financial well-being. Similarly, Quintana-García et al. (2021) found that firms that invest in sustained engagement with customers experience greater trust, stronger commitment, and improved reputational standing. These insights emphasise that sustainable business practices in sales are not only ethical but also strategic drivers of profitability. Yet translating these principles into actionable sales behaviour remains an ongoing challenge. Traditional commission-based systems and short-term targets can discourage salespeople from prioritising the enduring satisfaction of clients, making it difficult to embed sustainability into daily sales operations.

Executive sentiment reflects this ongoing tension between recognition and execution. According to IBM (2022), nearly half of CEOs (48%) identified sustainability as a strategic priority, up eleven percent from the previous year, while more than half (51%) also cited it as a major challenge. This illustrates the complexity of operationalising sustainable strategies within existing organisational structures. Similarly, a Gartner (2022) study reported that sustainability had entered the top ten CEO priorities, equated in significance with brand trust (Venturebeat, 2022). However, while 95% of executives claimed to have initiated sustainability-oriented projects, only 23% had implemented comprehensive, company-wide approaches (IBM Newsroom, 2022). This disparity highlights the difficulty of aligning sustainability aspirations with practical systems of accountability and performance measurement.

The paradox facing modern organisations is that sustainability is both a strategic opportunity and a managerial challenge. In the sales context, this tension manifests in the need to balance immediate revenue objectives with the pursuit of lasting client value. Sales professionals are uniquely positioned to bridge this gap by embedding principles of relationship continuity, authenticity, and relevance into every customer interaction. When managed effectively, sustainable selling enhances customer lifetime value, reduces attrition, and solidifies brand reputation. These outcomes reinforce the organisation's legitimacy and competitiveness in increasingly demanding markets (Nobanee et al., 2021). Therefore, advancing research and practice in sustainable sales is essential to align short-term sales imperatives with the long-term goal of building resilient, trustworthy, and enduring businesses.

2.5 Customer retention in the insurance sector

2.5.1 Determinants of customer retention

Customer retention has emerged as a central strategic priority for insurance companies operating in today's intensely competitive financial services landscape. According to Aityassine (2022), the ability of insurers to retain policyholders is a decisive factor in determining long-term profitability, sustainability, and market reputation. Unlike other service sectors that rely on transactional exchanges, the insurance industry is distinctive for its long-term contractual relationships with customers. Marcos and Coelho (2021) observed that this unique dynamic is rooted in the continuous and trust-based interaction between insurer and insured, which extends beyond the initial policy purchase. Whether in life, health, automotive, or general insurance, the continuity of customer relationships through renewals and extensions constitutes the financial backbone of insurance firms. Therefore, retention is not simply an operational outcome but a strategic asset that sustains growth and competitive differentiation.

Retaining customers in insurance involves more than preventing policy lapses or reducing churn rates. As Brophy (2020) contends, effective retention strategies are founded on the cultivation of long-term partnerships that reinforce mutual trust and perceived value. Insurance customers engage with providers in a context of uncertainty, often seeking security and assurance regarding future risks. The strength of the insurer–insured relationship depends heavily on consistent communication, fair claim handling, and reliable service delivery. In the absence of these, even long-standing relationships can deteriorate. The growing competition from digital insurers, insurtech platforms, and alternative financial service providers has intensified the challenge of maintaining loyalty. Evolving consumer expectations, shaped by digital convenience and transparency, require insurers to adapt their customer engagement strategies toward more personalised and value-driven approaches (Cosma & Rimo, 2024).

From an economic perspective, the importance of customer retention in insurance can be analysed through the lens of cost efficiency and lifetime value creation. Dam and Dam (2021) demonstrated that retaining existing policyholders is significantly more cost-effective than acquiring new customers. The cost of new acquisition can be as much as five times higher than retention efforts, as confirmed by El Refae and Nuseir (2022). This discrepancy arises because acquisition costs include advertising, brokerage commissions, onboarding processes, and regulatory compliance, whereas maintaining existing relationships primarily involves service quality and engagement. Consequently, improving retention not only reduces marketing expenditure but also enhances profitability by maximising the lifetime value of each customer.

The concept of lifetime value is particularly salient in insurance, where customers often engage in cross-selling and up-selling once trust is established. Jahnert and Schmeiser (2022) noted that loyal policyholders tend to purchase multiple products such as health, life, and property insurance from the same provider, thereby consolidating their financial commitments and increasing overall revenue per customer. This phenomenon highlights the cumulative benefits of sustained relationships, where the insurer's familiarity with customer needs enables more targeted product recommendations and improved service experiences. Furthermore, long-term clients are less price-sensitive, as their loyalty is anchored in reliability, perceived fairness, and service quality rather than in cost alone (Jahnert & Schmeiser, 2022).

Trust remains the central pillar of retention in the insurance sector. Gao et al. (2021) emphasised that because insurance products are intangible and involve deferred benefits, policyholders rely heavily on the perceived integrity and financial stability of the insurer. The relationship is built upon the expectation that claims will be honoured promptly and that communication will remain transparent throughout the policy lifecycle. Breaches of trust, such as delayed claims processing or hidden exclusions, can irreparably harm customer relationships. Therefore, retention strategies must be designed not merely around pricing or product features but around the systematic reinforcement of trust through ethical practices, clear communication, and consistent value delivery.

Customer retention also has a profound impact on brand reputation and market positioning. The digital era has transformed how customers share and access information, amplifying the consequences of both positive and negative experiences. The Publication of AMF (2021) observed that policyholders now use digital channels, including social media, forums, and review platforms, to evaluate insurers. Negative reviews concerning claim settlements, customer support, or perceived dishonesty can quickly erode credibility and dissuade potential clients. Torkzadeh (2022) added that reputation, fairness, and customer-centricity are no longer peripheral considerations but central determinants of retention. Since insurance is largely an intangible promise, the perceived reliability of an insurer often outweighs even the financial terms of the policy when customers decide whether to renew or switch providers.

This reality underscores the need for robust customer relationship management systems within insurance organisations. Effective retention strategies must integrate data analytics, personalised communication, and proactive engagement to anticipate customer needs and prevent attrition. Moreover, retention should be viewed as an ongoing process of value co-creation rather than as a series of isolated interventions. Insurers that emphasise transparency, empathy, and responsiveness can cultivate emotional loyalty, which is less vulnerable to competitive offers. In doing so, they not only strengthen profitability but also contribute to the overall credibility and stability of the insurance industry (Gao et al., 2021).

In conclusion, customer retention in the insurance sector represents a multifaceted challenge that combines economic, relational, and reputational dimensions. As highlighted by Aityassine (2022), Marcos and Coelho (2021), and others, retention strategies grounded in trust, customer satisfaction, and ethical commitment form the foundation of sustainable growth. In an era of digital disruption and shifting consumer expectations, insurers that prioritise long-term relationships over transactional gains will be better positioned to maintain competitive advantage. The integration of fairness, reliability, and customer-centric innovation into every interaction ensures that customer retention becomes not only a performance metric but a defining attribute of successful insurance enterprises.

2.5.2 Incentives and customer-centric outcomes

Several factors influence customer retention in the insurance sector, including service quality, claim handling efficiency, communication effectiveness, and personalisation of offerings. Among these, claim settlement remains the most decisive factor. Insurance is a promise of financial support in times of need, and if customers face unnecessary delays, rejections, or lack of transparency in claim processing, their trust in the insurer diminishes significantly (Busch et al., 2024). On the other hand, quick and hassle-free claims build customer confidence and strengthen loyalty. Service quality is equally important; customers expect insurers to provide timely information, clear explanations of policies, and responsive assistance. Many insurers today are investing in digital platforms, chatbots, and mobile apps to ensure that customers can access their policy details, renewals, and claims seamlessly. Such technological innovations not only improve efficiency but also contribute to stronger customer relationships.

Personalisation has also become a central driver of retention in the insurance sector. Customers no longer want generic products; instead, they seek insurance solutions tailored to their unique needs, lifestyles, and risk profiles (Eldor, 2020). By leveraging data analytics and artificial intelligence, insurers can design personalised offerings, recommend suitable products, and send targeted reminders for renewals. Personalised interactions demonstrate that the company values its customers as individuals, thereby strengthening loyalty. Moreover, personalisation extends to communication as well sending policy updates, birthday messages, or renewal reminders in a personalised tone can create emotional connections that encourage long-term retention (Eldor, 2020).

Price competitiveness is another significant factor influencing retention. While insurance is not purely a price-driven product, customers often compare premiums among providers when deciding whether to renew (Florez-Jimenez, 2024). Insurers must strike a balance between offering competitive pricing and maintaining profitability. Providing value-added services, such as wellness programmes, discounts for safe driving, or reward points for maintaining healthy lifestyles, can help retain customers even when competitors offer lower premiums. These strategies demonstrate that retention is not merely about keeping premiums low but about enhancing overall value for customers (Florez-Jimenez, 2024).

Social and psychological factors also play a role in customer retention. Insurance is a complex product, and customers may sometimes hesitate to switch providers because of the perceived risks and uncertainties associated with moving to a new insurer (Gartenberg, 2022). This inertia can be used positively if the existing insurer maintains consistent quality and trust. Peer recommendations, word-of-mouth marketing, and community engagement can further encourage customers to stay with the same insurer. When customers see others in their social or professional networks relying on a particular insurer, they are more likely to remain loyal themselves.

Customer retention strategies in insurance often revolve around loyalty programmes, proactive communication, and relationship management, (Barwitz, 2020). For example, insurers may introduce rewards programmes that offer discounts or benefits for policy renewals, referrals, or the purchase of additional products. Proactive communication is equally critical; instead of waiting for customers to contact them, insurers should regularly check in, provide updates on policy changes, and educate policyholders about risk management. Effective relationship management involves creating a customer-first culture within the organisation, where every employee from sales agents to claims officers prioritises customer satisfaction. By fostering strong relationships, insurers can transform customers into brand advocates who not only stay loyal but also attract new customers through positive referrals (Barwitz, 2020).

The role of technology in customer retention cannot be overstated. Digital transformation has enabled insurers to enhance transparency, reduce paperwork, and streamline customer experiences (Fleischer, 2021). Mobile apps, online portals, and AI-driven chatbots now allow policyholders to manage their policies conveniently, which strengthens their attachment to the insurer. Moreover, predictive analytics can be used to identify customers at risk of churning and implement targeted retention measures such as personalised offers or proactive engagement. Data-driven insights help insurers anticipate customer needs and address issues before they escalate into dissatisfaction. In an industry that historically relied heavily on manual processes, digital innovation has become a cornerstone of retention strategies. Despite these advances, challenges remain in retaining customers in the insurance sector. Increasing competition, regulatory changes, and evolving customer expectations require insurers to constantly adapt.

Many customers feel overwhelmed by complex policy terms and conditions, which can lead to frustration and mistrust, (Dmytriyev et al., 2021). Others perceive insurers as profit-driven rather than customer-centric, especially when claims are denied. Overcoming these perceptions requires insurers to adopt transparent practices, simplify policy language, and consistently deliver on their promises. Building a customer-centric culture that prioritises empathy, fairness, and trust remains essential for long-term retention.

Customer retention in the insurance sector is a multifaceted process influenced by service quality, trust, personalisation, pricing, communication, and technological innovation. It is not only a financial necessity but also a strategic imperative for insurers seeking long-term success in an increasingly competitive market. Retaining customers ensures steady revenue streams, enhances profitability through cross-selling opportunities, and strengthens brand reputation in a trust-driven industry. While challenges such as rising competition and evolving customer expectations persist, insurers who invest in customer-centric strategies, transparent practices, and digital innovations are better positioned to build lasting loyalty. Ultimately, customer retention in insurance is about more than just preventing churn; it is about fostering enduring relationships that benefit both insurers and policyholders alike.

2.6 Ethical dimensions of sales incentives

2.6.1 Sales ethics and compliance

Sales incentives are widely used in organisations to motivate employees, drive performance, and achieve revenue targets, but they also raise significant ethical concerns, particularly when they influence behaviour in ways that may compromise professional integrity (Alavi et al., 2022). In the context of the insurance and financial services sector, incentive structures such as commissions, bonuses, or performance-linked rewards can sometimes encourage aggressive selling practices, misrepresentation of products, or prioritisation of high-value clients over genuine customer needs. While these incentives are designed to increase sales efficiency and organisational profitability, they can inadvertently create conflicts of interest, where the salesperson's personal financial gain may override ethical considerations.

The ethical dimension of sales incentives therefore revolves around striking a balance between motivating employees and ensuring that their actions remain aligned with both organisational values and regulatory requirements. Scholars have argued that ethical lapses in incentive-driven environments can have far-reaching consequences, including reputational damage, loss of customer trust, and even legal penalties, which may ultimately undermine long-term business sustainability (Alkandi et al., 2023). Ethical sales practices require that incentive schemes be carefully designed to reward not only quantity but also quality of service, customer satisfaction, and adherence to compliance standards. Companies can embed ethical safeguards by implementing transparent performance evaluation criteria, monitoring sales behaviour, and providing ongoing training in professional ethics. Additionally, fostering a corporate culture that emphasises integrity over short-term gains is essential for mitigating the potential negative effects of aggressive incentive schemes (Alkandi et al., 2023).

Sales ethics and compliance represent critical pillars of integrity and accountability within the insurance sector. Historically, the industry's heavy reliance on commission-based sales structures has exposed it to ethical vulnerabilities such as misrepresentation, policy mis-selling, and manipulation of client trust. Steinberg (2022) asserts that these challenges arise from the persistent tension between profit-driven imperatives and fiduciary responsibilities inherent in insurance advisory roles. The pursuit of sales quotas and bonuses has often overshadowed moral considerations, encouraging behaviour that prioritises organisational gains over customer welfare. As a result, regulatory interventions have progressively sought to redefine ethical boundaries, emphasising transparency, informed consent, and fairness in advisory practices. However, while compliance frameworks mitigate risk, they do not automatically foster ethical maturity unless internalised through cultural and professional transformation (Steinberg, 2022).

Loi and Christen (2021) argue that ethical behaviour in insurance sales cannot be sustained through regulation alone, as rules merely prescribe the minimum acceptable conduct. True ethicality emerges from moral reasoning, empathy, and self-regulation. Their research highlights that salespeople who perceive ethical norms as intrinsic to professional identity exhibit higher integrity and customer orientation than those driven solely by external control. Nonetheless, organisations frequently instrumentalise ethics by treating compliance as a performance metric rather than a normative commitment. This approach, while improving accountability, risks reducing ethics to bureaucratic compliance. Hence, Loi and Christen (2021) emphasise that cultivating moral agency requires leadership example, ethical climate reinforcement, and recognition systems that reward honesty as much as performance.

Mavundla et al. (2024) critically note that ethical sales practices must navigate structural contradictions embedded in the insurance business model. Agents are simultaneously tasked with acting as customer advocates and revenue generators, a duality that creates moral ambiguity. They argue that unless incentive models align with ethical outcomes, compliance will remain superficial. Similarly, Nobanee et al. (2021) highlight the growing role of sustainability-oriented ethics, where sales integrity extends to social and environmental responsibility. They propose that ethical selling now encompasses not only honesty in client dealings but also awareness of long-term societal impacts, such as responsible investment and inclusive insurance coverage. This broadening of ethical scope reflects the sector's evolving accountability toward multiple stakeholders beyond the immediate transaction.

Ressel et al. (2024) extends the discussion by examining compliance systems as instruments of ethical control. They find that data analytics, customer feedback mechanisms, and digital audits enhance transparency and traceability of sales behaviour. Yet they caution that excessive surveillance may erode trust and autonomy among advisers, fostering defensive rather than reflective ethics. Bande et al. (2023) reinforce this critique by showing that ethical climates characterised by mutual trust and empowerment are more effective in promoting moral conduct than coercive oversight. When employees feel psychologically safe and valued, they are more likely to internalise ethical standards. Pareek (2022) adds that ethical competence should be viewed as a developmental process involving continuous learning, ethical reflection, and situational judgment. He contends that formal compliance training, if not contextualised in real ethical dilemmas, fails to transform behaviour.

Taken together, these perspectives illustrate that ethics and compliance in the insurance sector are intertwined yet distinct. Compliance ensures adherence to external norms, while ethics concerns the internalisation of moral principles guiding professional conduct. The critical challenge lies in reconciling regulatory discipline with intrinsic moral motivation. Sustainable progress demands an integration of ethical education, supportive culture, and incentive systems that reward principled decision-making. Only through such multidimensional reform can the insurance sector transcend procedural compliance and embody authentic ethical professionalism that restores and sustains public trust.

2.6.2 Ethical risks in commission-driven environments

Research also highlights the role of leadership in modelling ethical behaviour, as employees often take cues from managerial priorities and practices when interpreting the acceptability of certain sales tactics. By integrating ethical considerations into the design and management of sales incentive programmes, organisations can promote responsible selling, protect customer interests, and maintain regulatory compliance

(Amaral et al., 2024). Ultimately, understanding the ethical dimensions of sales incentives is critical for creating sustainable sales strategies that balance organisational objectives with moral responsibility, ensuring that profitability does not come at the cost of professional standards, customer trust, or long-term organisational credibility. Recognising these ethical implications allows firms to refine their incentive programmes in ways that encourage both high performance and responsible behaviour, thereby fostering a culture of integrity that benefits employees, customers, and the organisation as a whole.

Commission-driven environments have long been celebrated for their ability to stimulate productivity, align individual goals with organisational outcomes, and reward measurable performance. Yet this same system embeds ethical risks that compromise the integrity and sustainability of sales practices. Ahearne and Ahearne (2025) argue that the fundamental tension in commission-based structures arises from the conflict between self-interest and fiduciary duty. When financial rewards are contingent upon sales volume, employees may prioritise personal gain over client welfare, leading to manipulative or deceptive practices. This structural pressure fosters moral disengagement, where salespersons rationalise unethical behaviour as a necessary means to achieve organisational targets. Such rationalisation erodes professional accountability, creating a culture in which ethical violations become normalised under the guise of competitiveness.

Alavi et al. (2022) emphasise that ethical risk in commission systems is not merely an individual failing but a systemic outcome of performance control mechanisms. They contend that aggressive target setting, coupled with public ranking and peer comparison, induces psychological strain and opportunistic behaviour. In this context, employees often perceive unethical shortcuts as rational responses to organisational demands. Alavi et al. (2022) further argue that leadership complicity and reward design shape the ethical climate more profoundly than individual moral disposition. When management signals that outcomes outweigh processes, moral boundaries blur, and misconduct proliferates. Thus, the ethical risk becomes embedded within the architecture of incentives rather than confined to isolated deviance.

Good et al. (2022) extend this argument by analysing how commission-based motivation influences cognitive framing of ethical decisions. They suggest that the pursuit of commissions narrows moral attention, focusing employees on immediate rewards while discounting long-term relational and reputational consequences. In insurance contexts, this manifests in product mis-selling, omission of risk disclosures, and exploitation of informational asymmetry. Liu and Liu (2022) complement this view by showing that such environments often promote surface-level compliance rather than genuine ethical commitment. Employees conform to formal rules to avoid sanctions but lack internalised moral conviction. This pseudo-ethical compliance reinforces the illusion of integrity while perpetuating hidden unethical conduct.

Good et al. (2022b) argue that the pressure to meet commission thresholds also generates collective ethical risks. Teams under sales quotas often engage in group rationalisation, where unethical norms become socially validated. This collective erosion of ethics magnifies organisational risk, as systemic misconduct can lead to regulatory penalties and reputational damage. They advocate for incentive redesigns that include ethical performance indicators and shared accountability mechanisms. However, Fulmer et al. (2023) caution that integrating ethics into incentive systems is complex and may inadvertently bureaucratise morality. They observe that when ethics are quantified and tied to reward, authenticity can diminish, as employees perform morality for recognition rather than conviction.

Ahearne and Ahearne (2025) conclude that mitigating ethical risks in commission-driven contexts requires reframing the concept of performance itself. Ethical resilience must be embedded through leadership integrity, transparent governance, and cultural reinforcement rather than reliance on punitive compliance. The challenge lies in achieving a balance where motivation remains strong without corrupting moral intent.

Collectively, these perspectives reveal that commission-driven systems, while efficient in promoting economic productivity, inherently carry ethical fragility. True sustainability demands an evolution from reward-centric control toward virtue-based professionalism that values long-term trust, fairness, and client-centered responsibility as equal measures of success.

2.7 Alternative incentive structures in other industries

2.7.1 Non-commission-based models in sales management

A key alternative to commission-driven incentives is the pure salary-based structure, where employees earn a steady and predictable income regardless of their sales volume. This model is commonly used in fields where customer trust and consultative selling are critical, such as healthcare equipment sales, pharmaceuticals, and some high-tech companies (Andriansyah & Cahya, 2024). Salary-based systems remove the pressure to oversell or misrepresent products, encouraging employees to focus on building long-lasting relationships, providing accurate information, and tailoring solutions to real customer needs.

Critics argue that lacking direct financial motivation can lower performance. However, supporters point out that many organisations using this format report higher employee satisfaction, lower turnover, and increased customer loyalty, since representatives feel secure enough to prioritise the client's best interests (Braegelmann & Schiller, 2023). Another common approach is the mixed or hybrid compensation model, which combines a fixed salary with performance bonus incentives. This model is prevalent in areas like retail technology sales, telecommunications, and parts of the automotive industry.

The rationale is that a base salary offers income stability while performance bonuses motivate by rewarding effort and achievements. These hybrid models often have limits to prevent overly aggressive selling. Some companies tie bonuses to not just revenue goals but also to softer metrics like customer satisfaction, client retention, or adherence to ethical standards. This dual structure balances business goals with worker well-being and customer outcomes (Bushman, 2021).

Team-based incentive models represent another significant shift from commission-heavy systems. Instead of rewarding individuals based only on personal sales, companies in consulting, professional services, and retail have implemented systems where rewards are based on team or department performance. This method promotes collaboration, reduces internal strife, and aligns employees with collective goals such as customer service excellence, brand reputation, or overall growth (Braegelmann & Schiller, 2023).

Some industries have adopted value-driven incentive models focusing on factors beyond short-term sales volume. For instance, in subscription businesses like SaaS (Software as a Service), performance is often linked to customer lifetime value, renewal rates, and client satisfaction scores rather than one-time sales. Healthcare providers also commonly use outcome-based incentives, rewarding employees for measurable improvements in patient well-being instead of just counting the number of treatments delivered. These alternative structures show how companies across various sectors are rethinking sales incentives to encourage sustainable growth, trust-building, and long-term value creation.

2.7.2 Lessons for the insurance sector

The insurance sector, known for intense competition, complex products, and significant consumer scepticism, can learn several lessons from the non-commission-based models in other industries (Caccioli et al., 2024). First, the salary-based method highlights how important it is to ease pressure on agents to sell policies that may not meet customer needs. By providing income stability, insurers could allow agents to act as actual advisers instead of just salespeople, building trust and loyalty. This approach could be especially valuable in life and health insurance, where customers depend on clear guidance and long-term engagement.

Second, the popularity of hybrid models suggests that insurers could benefit from balancing financial security with performance-related incentives. By using customer satisfaction surveys, policy retention rates, and claims handling quality in their performance metrics, insurance companies could promote a focus on both sales and service delivery. This shift would lessen the tendency to prioritise the number of policies sold over the quality of client relationships.

Third, insights from team-based rewards point to the potential of collaborative incentive systems in insurance. Agents frequently operate within networks or branches, and rewarding team success could boost knowledge sharing, peer mentoring, and group problem-solving (Cai et al., 2023). Such systems would help diminish the cutthroat culture often found in insurance sales, making the profession more attractive to newcomers and supporting long-term careers. Fourth, the value-driven models seen in SaaS and healthcare offer a persuasive framework for the insurance industry.

Measuring success by long-term customer outcomes, such as policy renewals, cross-selling suitability, claims satisfaction, and reduced policy lapses, could help realign the sector to focus on customer-centric performance. For example, insurers could establish incentives based not only on initial policy sales but also on how long customers keep their policies active, whether the coverage meets their needs, or how customers rate their experience after processing claims. These metrics would support sustainable growth rather than temporary revenue spikes. Additionally, a broader lesson across industries is that incentive structures should adapt to changing societal expectations regarding ethical business practices (Nobanee et al., 2021).

As consumers increasingly demand transparency and accountability from corporations, insurance companies that implement more balanced, ethical, and customer-focused incentive systems may stand out in a crowded market and secure a long-term competitive edge (Alkandi et al., 2023). Regulatory pressures also emphasise the need for change as global regulators scrutinise commission-heavy sales tactics in financial services due to conflicts of interest and mis-selling risks. By looking to industries that have developed non-commission approaches, the insurance sector has a chance to innovate by aligning incentives with customer trust, employee welfare, and sustainable profitability. Ultimately, the takeaway is that incentives should not solely be about financial levers to drive sales volume, but also serve as comprehensive tools to build loyalty, accountability, and ethical behaviour that benefits both customers and organisations over time.

2.8 Financial advisers' perspectives on incentives

2.8.1 Perceived strengths of existing models

Many advisers see commission-driven systems as having notable advantages, particularly regarding income potential and performance motivation. Advisers often point out that commission-based pay lets them directly benefit from their hard work, skills, and ability to generate new business, creating a strong sense of ownership over their results (Calvet et al., 2021). Unlike salary-based models, which may restrict upward earning potential, commission systems reward top performers generously, making the profession appealing to ambitious individuals.

This element is often mentioned as a motivating factor, as advisers feel empowered to control their income by putting effort into prospecting, networking, and closing deals. Another strength is the clarity of objectives that commission systems offer, as sales targets are usually well-defined and directly linked to financial rewards. This connection between effort and reward can create a highly motivated workforce, which organisations view as crucial for expanding market share and generating revenue (Santos & Mayoral, 2020). Additionally, for some advisers, commissions provide immediate recognition and a tangible boost to their confidence and professional pride. Advisers also argue that commission-based incentives, when handled ethically, can align with client needs if paired with regulatory oversight and professional integrity. In this light, commissions are seen not as purely negative but as tools that can balance the interests of clients, advisers, and firms when used responsibly. Thus, many advisers view the commission system as a source of motivation, recognition, and financial opportunity that makes the profession dynamic and rewarding.

2.8.2 Perceived limitations and openness to alternatives

Despite these strengths, advisers recognise the significant limitations and challenges of commission-driven models. A common concern is the pressure to meet sales targets, which can lead to stress, burnout, and a narrow focus on short-term transactions at the expense of lasting client relationships. Many advisers report that commission-based incentives can create unhealthy competition, encourage mis-selling, or push advisers to prioritise quantity over quality in their recommendations. The unpredictability of income under pure commission systems is another limitation frequently mentioned by advisers, especially those new to the profession or in markets with fluctuating demand. This lack of income stability can make financial planning tough, causing some advisers to feel insecure and dissatisfied despite the potential for high earnings (Eckert et al., 2022).

This instability also contributes to high turnover rates, as many talented professionals leave the industry after struggling to support themselves early in their careers. Meanwhile, many advisers show a willingness to explore alternative models that balance motivation with stability. Hybrid systems that combine a base salary with performance-related bonuses are often viewed positively, as they provide financial security while still rewarding effort and success, (Linnainmaa & Previtero, 2021). Advisers also see potential benefits in adding non-financial performance metrics like client satisfaction, policy retention, or compliance with ethical standards into incentive structures, recognising that these elements could enhance trust and professionalism in the industry. Some advisers even welcome team-based or value-driven incentives, viewing them as ways to lessen individual pressure and encourage collaboration.

Overall, while advisers appreciate the motivational aspects and earning potential of commission-based systems, there is a growing awareness that alternative structures could improve work-life balance, reduce ethical risks, and boost client trust. This nuanced view suggests that the insurance sector must carefully balance advisers’ financial motives with the broader goal of sustainable, customer-focused practices.

2.9 Toward sustainable incentive models

2.9.1 Integrating sales growth with customer retention

In the insurance industry, sustainable incentive models need to recognise the importance of both gaining new clients and keeping existing ones. Traditional systems often reward the number of new sales without considering persistence, which measures how long policies stay active. This can unintentionally push advisers to chase short-term profits at the cost of building lasting client relationships (Esmaeilyfard, 2022). By including metrics like renewal rates, appropriate cross-selling, and claims satisfaction in incentive structures, insurers can help align adviser actions with long-term client engagement.

Frameworks that reward policy persistence ensure that advisers stay committed to client satisfaction even after the initial sale. This encourages ongoing support, advice, and service delivery. For instance, staggered or deferred incentives tied to renewal milestones can discourage aggressive selling and promote responsibility throughout the policy lifecycle. Balancing sales growth and customer retention not only enhances financial stability for insurers but also boosts consumer trust. Clients see advisers as partners in their financial well-being instead of just salespeople.

2.9.2 Designing incentives for business stability

Sustainable incentive models should also support the overall stability of the business. Innovative structures can connect rewards to collective outcomes such as branch performance, compliance adherence, and customer satisfaction metrics (Esmaeilyfard, 2022). Team-based rewards foster collaboration, knowledge sharing, and peer support, which reduces unhealthy competition among advisers. Additionally, metrics that emphasise value, such as net promoter scores, claims settlement efficiency, and ethical conduct, can be included in incentive frameworks. This ensures that growth does not come at the expense of reputation or regulatory compliance.

Long-term stability demands a move away from income volatility for advisers, which has historically led to turnover and made it hard for the insurance industry to become more professional (Mohammadnia, 2021). By providing a secure base salary along with performance-related bonuses connected to sustainable metrics, companies can create an environment where advisers prioritise building meaningful relationships while still being rewarded for their business contributions. Ultimately, models designed for business stability not only enhance profitability but also build resilience, adaptability, and trust qualities that are essential in a dynamic and competitive marketplace.

2.10 Theoretical and conceptual framework

2.10.1 Theoretical framework

The theoretical framework anchors this study by identifying the scholarly perspectives and established theories that explain the relationships between key constructs. Theories from organisational behaviour, motivational psychology, and sales management provide critical insights into why certain incentive structures succeed or fail (Engel, 2022). For instance, Expectancy Theory suggests that advisers are motivated when they believe effort will lead to performance and rewards, while Equity Theory emphasises fairness and balance in compensation. Self-Determination Theory highlights the importance of intrinsic motivation, such as autonomy and professional purpose, which complements extrinsic incentives like pay. By integrating these theoretical lenses, the framework offers a robust explanation of how different incentive models influence adviser behaviour, customer outcomes, and organisational sustainability.

2.10.1.1 Expectancy theory

Expectancy theory provides a vital explanation of how motivation in incentive structures operates within insurance sales contexts. According to Fang (2023), the theory posits that individuals evaluate the connection between effort, performance, and reward when deciding their level of engagement. This cognitive process is influenced by perceptions of fairness, competence, and clarity of expectations. When employees believe that their effort will produce measurable performance outcomes and that these outcomes will lead to desirable rewards, motivation increases substantially. However, this relationship is not automatic, as contextual and managerial factors shape these perceptions.

Igbaji et al. (2024) argue that organisational clarity, transparent performance metrics, and achievable targets are essential to sustain expectancy-based motivation. Without these, even highly capable employees may disengage due to perceived inefficacy of effort. Furthermore, Memmert et al. (2025) emphasise that Expectancy Theory should be critically examined in light of modern workplace dynamics where psychological contracts and social comparison affect motivation. They suggest that performance-based incentives must align with individual values and professional identity to sustain commitment over time. In the insurance industry, where advisory work involves relational selling and emotional intelligence, narrowly defined financial rewards can undermine holistic motivation.

Wayne et al. (2023) extend this view by showing that expectancy theory must incorporate relational and ethical dimensions to remain relevant in professional service environments. They argue that when advisers perceive organisational commitment to fairness and well-being, expectancy-based motivation strengthens. Collectively, these insights reveal that expectancy theory provides a rational but incomplete model of motivation. It effectively explains short-term engagement with extrinsic incentives, but its explanatory power diminishes if intrinsic needs for recognition and purpose are ignored. Hence, sustainable incentive models in insurance require adapting expectancy principles to integrate psychological and ethical considerations beyond mere performance contingencies.

2.10.1.2 Self-Determination Theory

Self-Determination theory (SDT) offers a complementary perspective by emphasising intrinsic motivation as a cornerstone of sustainable performance. Lin et al. (2022) highlight that SDT centres on three innate psychological needs: autonomy, competence, and relatedness. When these needs are satisfied, employees experience deeper engagement, creativity, and long-term commitment. In contrast to Expectancy Theory's extrinsic focus, SDT suggests that genuine motivation emerges when individuals find meaning and ownership in their work. Chakrabarty (2021) argues that in service-driven sectors like insurance, where relational trust and empathy are central, intrinsic motivation determines both the quality of service and ethical behaviour.

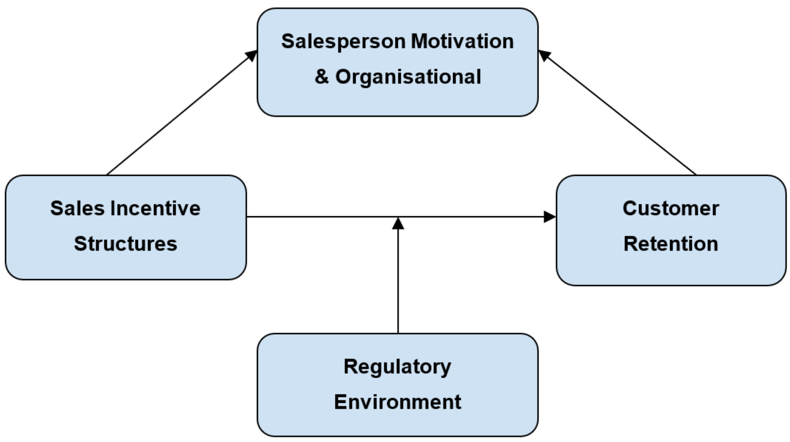
Kumar et al. (2022) contend that excessive reliance on extrinsic rewards can crowd out intrinsic motivation, leading to reduced creativity and burnout. This argument challenges traditional incentive schemes that emphasise financial rewards over professional growth. According to Onge and Beauchamp (2022), the key to effective incentive design lies in creating autonomy-supportive environments that empower employees to align personal values with organisational goals. Their research shows that such environments foster self-regulation and resilience, which are vital for navigating the complex demands of advisory roles.

Critically, while SDT celebrates intrinsic motivation, it does not dismiss extrinsic incentives entirely. Instead, it calls for integration, where rewards reinforce rather than replace internal drivers. This balance ensures that employees perceive incentives as acknowledgment of their contribution rather than as control mechanisms. In the insurance industry, this integration means designing recognition systems, developmental opportunities, and participatory decision structures that sustain motivation. Thus, SDT underscores that sustainable incentive models must move beyond transactional logic and cultivate intrinsic fulfilment as the foundation of organisational vitality and ethical continuity.

2.10.2 Conceptual framework

Figure 1

Conceptual framework



2.11 Research gap

There is a large amount of research on sales incentives in the financial services industry, but several gaps still exist. Previous studies have thoroughly examined the pros and cons of commission-based models. However, not much has been done to explore how other structures like hybrid or team-based systems can work in the insurance context. Most studies focus on sales volume as the main outcome, overlooking important factors like customer trust, policy persistence, and ethical issues. Additionally, while research from other industries offer useful insights, specific comparisons related to insurance are limited. Another gap involves the views of financial advisers. Many studies prioritise organisational goals and miss the real experiences of frontline professionals who deal with income fluctuations, pressure, and ethical challenges. This study aims to fill these gaps by analysing existing models, incorporating lessons from other industries, and looking at adviser perspectives to suggest a roadmap for sustainable and customer-focused incentive structures in the insurance sector. Table 1.1 below provides a summary of only those core academic sources that were examined in Chapter 2.

Table 1.1

Summary of the core academic sources that were examined

Article	Purpose of study	Underlying theory / framework	Method	Industry
Froese et al. (2023)	To examine how short-term performance pressures influence sales behaviours and organisational culture.	Expectancy Theory; Short-termism framework	Qualitative interviews; Organisational case analysis	Multi-industry corporate settings
Chung et al. (2020)	To analyse fire sales and the effects of last-minute discount-driven selling.	Agency Theory; Revenue Management Theory	Quantitative sales data analysis	Retail & insurance distribution
Casidy & Lie (2023)	To explore strategic vs. harmful use of fire sales and their long-term effects	Customer Value Theory	Mixed-method surveys and market impact analysis	Retail, FMCG
Rodriguez & Bennett (2023)	To evaluate how incentive structures shape sales behaviour and organisational alignment.	Motivational Theory; Behavioural Economics	Field study; Survey of sales teams	General sales organisations

Barnett et al. (2021)	To investigate how transaction-oriented cultures emerge from incentive biases.	Relationship Marketing Theory	Conceptual + empirical studies	B2B sales; service firms
Sharma & Tanaka (2025)	To propose sustainable incentive models focused on long-term value creation.	Sustainable Business Framework	Conceptual modelling; Industry cases	Multi-industry sales settings
De Almeida & de Ramos (2022)	To document unethical sales behaviours caused by flawed incentive systems.	Ethical Decision-Making Theory	Case study analysis	Financial services
Collins & Saliba (2020)	To examine leadership and cultural shifts required for ethical incentive reform.	Transformational Leadership Theory	Qualitative interviews	Corporate organisations
Lazaretti et al. (2020)	To analyse how analytics enables better incentive monitoring and sales forecasting.	Data-driven Decision Theory	Quantitative modelling	Technology & digital sales
Grant & Kim (2024)	To trace the historical evolution of commission systems in insurance.	Transactional Capitalism	Historical analysis	Insurance

Rangarajan et al. (2020)	To evaluate the structure of modern commission models.	Performance Management Theory	Comparative industry analysis	Insurance
Kotey et al. (2021)	To assess the ethical implications of commissions.	Moral Hazard Theory	Conceptual study	Insurance
Machireddy (2022)	To critique commission-driven sales culture.	Institutional Theory	Qualitative critique	Insurance
Mirzaei et al. (2025)	To analyse regulatory reforms shaping commissions.	Consumer Protection Theory	Regulatory review	Insurance
Tica & Weißenberger (2022)	To examine hybrid incentive systems integrating financial & non-financial metrics	Balanced Scorecard Theory	Survey + model testing	Financial & insurance
Latorre (2022)	To explore digitalisation's impact on commission models.	Digital Transformation Theory	Mixed method conceptual	Insurance & fintech
Braegelmann & Schiller (2023)	To evaluate sustainability and ethics in modern commission systems	Stakeholder Theory	Mixed method conceptual	Insurance
Rouziès & Onyemah (2018)	To examine how commissions influence motivation and sales behaviour.	Motivation Theory	Field experiments	Insurance & direct selling

Lin et al. (2024)	To evaluate hybrid advisory-oriented sales models.	Relational Selling Theory	Mixed method	Life and health insurance

2.12 Summary

This chapter has examined the evolution, dynamics, and consequences of sales incentive structures in the insurance sector, with a particular focus on the destructive cycle of fire sales and the growing need for sustainable sales practices. The discussion on fire sales highlighted how short-term, aggressive selling practices often reinforced by commission-driven systems can generate immediate revenue but undermine long-term customer trust, elevate policy lapse rates, and create compliance risks that threaten organisational credibility. These findings underscore the dangers of prioritising short-term growth over sustainable client relationships.

The review of commission-based incentive structures traced their historical development and established their centrality in shaping the insurance profession. While commissions successfully expanded markets and motivated agents, they also fostered environments where mis-selling and unethical practices emerged as systemic risks (Alsheyadi, 2022). The analysis further revealed that such models often emphasise transaction volume over policy persistence, thereby misaligning adviser behaviour with organisational stability and customer well-being. The future of insurance sales lies in adopting sustainable models that balance growth with customer retention, ethical conduct, and organisational stability. This foundation paves the way for the subsequent chapters, which will further analyse these dynamics in relation to the research objectives.

Chapter 3: Research questions

3.1 Introduction

This chapter enunciates the scholarly emphasis of the research by laying out its research questions, propositions, and hypotheses. It directly draws on the problem enunciated in Chapter 1, namely the dominance of commission-based sales incentives in the insurance industry that encourage short-term "fire sale" practices and undermine long-term customer trust, policy retention, and financial stability. The literature review in Chapter 2 additionally illustrated that although models based on commissions work successfully to create instant sales, they often bring about organisational distortions and ethical conflicts that undermine sustainable growth (Feldman, 2021; Gottlieb & Smetters, 2021; Dinesh et al., 2023).

The aim of this chapter is to find the conceptual bridge connecting these issues observed and the research aims through well-crafted questions, exploratory propositions, and testable hypotheses. It acts as the link joining theoretical models — like Expectancy Theory, Agency Theory, Reinforcement Theory, and Self-Determination Theory — to empirical research in this study. These theories, together, account for how extrinsic rewards, relative fairness, and ethical structures drive financial advisers' motivation and actions in commission-based regimes (Bushman, 2021; Szulawski et al., 2021; Frankort & Avgoustaki, 2022).

By integrating explanatory elements, this research employs a strategy that both reveals new knowledge and confirms theoretical relationships, while the hypotheses create a quantitative basis for examining the relationships among incentive configurations, sales performance, and ethical behaviours (Alkandi et al., 2023; Li et al., 2023; Amaral et al., 2024).

Finally, the chapter sees to it that the "golden thread" of the research is preserved, connecting the problem statement, literature synthesis, and future methodological design. It establishes the analytical path by which the study aims to formulate actionable strategies for reimagining sales incentives and promoting sustainable, ethical growth in the insurance sector.

3.2 Research questions

The development of research questions is at the heart of this research, as they guide the research toward an understanding of the impact of commission-based incentives on financial adviser behaviour and firm performance, and the potential for alternative models to overcome current limitations. The research questions are geared toward being aligned with the literature discussed in Chapter 2 and towards filling the gaps in incentive theory, behavioural motivation, and ethical sales behaviour.

Primary research question

Research question 1: How might restructured sales incentive systems reduce fire-sale behaviour and support sustainable growth in the insurance industry?

This question addresses the main intent of the study: how incentive reform can shift advisers away from short-term, commission-driven behaviour to customer-centric, ethical, and retention-enhancing practices.

Secondary/sub research questions

Research question 1.1: What organisational and behavioural factors in commission-based incentive systems facilitate fire-sale behaviour and unsustainable selling practices?

This sub-question explores, through a literature review, pressure-driven selling, misaligned agency goals, and volatility in policy persistency (Elkamhi & Nozawa, 2022; Nguyen, 2024).

Research question 1.2: How might different remuneration models, for example, hybrid or value-based, impact the behaviour of advisers, customer trust, and longer-term performance in insurance?

This sub-question focuses on the relationship between hybrid and customer-centric models, that result in improved ethical compliance and retention outcomes (Olaussen et al., 2021; Wang et al., 2024).

Collectively, these queries seek to uncover causal and contextual mechanisms that connect incentive structures with organisational consequences. They also provide a foundation for empirical testing in subsequent chapters so that the findings will expressly answer the research problem and advance theory.

3.3 Research propositions

Research propositions are especially useful when a study investigates phenomena that are rich conceptually but empirically underdeveloped. In this study, propositions serve to frame expectations of novel or context-based knowledge that cannot yet be substantiated by vast quantitative data.

Every proposition arises from the integration of theories and literature covered in Chapter 2, specifically Expectancy Theory, Agency Theory, and Self-Determination Theory, which, taken together, account for the way financial incentives affect the motivation and moral choice-making of financial advisers.

Proposition 1 (P1): Commission-driven sales cultures reinforce short-term, transactional behaviour that increases fire-sale risk and undermines sustainable policy growth.

Supported by findings that intense commission regimes increase churn and policy lapses (Vojinović et al., 2022; Dinesh et al., 2023).

Proposition 2 (P2): Commission pressure is mitigated in its harmful behavioural consequences by ethical culture and regulatory oversight.

It is thus aligned with Reinforcement and Self-Determination Theory, which propose that intrinsic motivation and ethical norms buffer extrinsic incentives (Szulawski et al., 2021; Alavi et al., 2022).

Proposition 3 (P3): Hybrid or value-based incentive systems can strengthen adviser motivation, client loyalty, and retention through the alignment of adviser and organisational objectives.

Evidence from retail and SaaS sectors support this view (Bushman, 2021; Braegelmann & Schiller, 2023).

Proposition 4 (P4): Performance data and analytics can enhance the effectiveness of incentive reform by enabling transparent, fairness-centric reward structures.

This is in agreement with technological developments identified by Mandolfo et al. (2022).

These proposals establish measurable relationships to be validated through empirical testing. They acknowledge that incentive reform is not only a policy or fiscal matter but also a cultural, ethical, and technological one. The proposals also supplement the formal hypotheses that follow, which are intended for statistical tests of quantifiable relationships.

3.4 Research hypotheses

The hypotheses developed for this research will inform the quantitative analysis and statistical tests covered in Chapter 4. They are all developed from the theoretical models and empirical evidence discussed in Chapter 2 and relate directly to the variables mapped in the conceptual model (Figure 1). The hypotheses are formulated to be precise, directional, and testable through inferential statistical procedures like regression and moderation analysis.

Hypothesis 1 (H1): Incentive structures significantly influence both commission-based short-term sales performance and ethical behaviour of financial advisers.

This hypothesis draws on Expectancy Theory, where people are motivated by how much effort they perceive will lead to a desired reward (Frankort & Avgoustaki, 2022). Nevertheless, according to Gottlieb and Smetters (2021), this motivation typically tilts towards immediate rewards rather than long-term client value, affecting the ethical behaviour of the adviser.

Hypothesis 2 (H2): Commission-based sales targets and quotas influence sales performance and policy persistence, with perceived fairness acting as a mediator between incentive structure and ethical behaviour.

This expectation is supported by evidence from Dinesh et al. (2023) and Pareek (2022), which demonstrates that high-pressure sales targets lead to policy lapses and lower renewals. Where incentive structures are perceived to be fair and ethical behaviour aligns to it, policy persistency will improve (Alkandi et al., 2023; Li et al., 2023). This hypothesis will be tested through the correlation of incentive structures, ethical behaviour and policy persistence rates.

Hypothesis 3 (H3): The type of incentive structure (commission-based vs. alternative models) affects sales performance, while ethical behaviour positively influences sustainable performance outcomes.

Following Voutilainen (2021) and Pranto et al. (2022), non-commission models better promote the trade-off between motivation and ethical obligation, resulting in less volatile, sustainable sales performance.

Hypothesis 4 (H4): Ethical sales practices moderate the relationship between incentives, sales targets and quotas, the type of incentive structure, and sales performance.

This hypothesis applies Reinforcement Theory by investigating the extent to which ethical culture can attenuate the negative behaviour outcomes of extrinsic motivation (Good et al., 2022; Alkandi et al., 2023).

Hypothesis 5 (H5): Perceived fairness and transparency in incentive systems, alongside value-based incentive models, positively impact employee motivation, ethical compliance, and sustainable performance outcomes.

This hypothesis is informed by Self-Determination Theory and Agency Theory, where it is argued that clear, fair systems build intrinsic motivation, while unclear, high-stress systems degrade participation and trust (Szulawski et al., 2021; Bushman, 2021). Customer-focused incentives, based on ethical principles, will result in sustainable sales performance (Alavi et al., 2022).

Overall, these hypotheses are checking the causal mechanisms by which incentive systems affect individual and organisational outcomes. Statistical testing will establish if theoretical expectations fit observed data, thus verifying or falsifying the conceptual framework introduced above.

Hypotheses transform the theoretical expectation into a measurable, testable relationship. These hypotheses conform to the conceptual model as well as the variables analysed in Chapter 4.

- Independent variables: Dimensions of incentive structure
- Mediator: Perceived fairness / ethical behaviour (depending on path)
- Moderator: Ethical behaviour (where applicable)
- Dependent variable: Sustainable performance outcomes defined as stable, ethical, and retention enhancing adviser performance

3.5 Synthesis and golden thread

The development of study questions, propositions, and hypotheses in this chapter secures conceptual coherence throughout the study and maintains the "golden thread" connecting the study problem, theoretical base, and empirical structure. As illustrated in Chapters 1 and 2, the focal problem — dominance of commission-based incentive schemes promoting fire sales — has multi-faceted consequences for ethical conduct, sales sustainability, and organisational performance (Vojinović et al., 2022; Dinesh et al., 2023). The research queries formulated here capture these dimensions in an inclusive manner, directing the study towards finding sustainable, customer-focused alternatives for conventional incentive systems.

The hypotheses translate the conceptual conclusions of Expectancy Theory, Agency Theory, Reinforcement Theory, and Self-Determination Theory into empirical expectations, providing insights into behavioural and ethical processes that are understudied in the insurance industry (Bushman, 2021; Szulawski et al., 2021; Frankort & Avgoustaki, 2022). Likewise, the hypotheses operationalise these theoretical relationships into measurable constructs that can be statistically compared, guaranteed to maintain methodological rigour and salience (Alkandi et al., 2023; Amaral et al., 2024).

Together, these components ensure coherence between theoretical argument and empirical evidence. They guarantee that later analysis will not merely test causal relationships but probe contextual refinements that influence incentive reform. This synthesis illustrates the research's contribution to theory and practice by integrating behavioural motivation, ethics, and performance outcomes. The matching between Chapters 1, 2, and 4 thus maintains the argumentative flow — guaranteeing that the conclusions derived will naturally follow from questions, propositions, and hypotheses discussed in this chapter.

3.6 Theoretical and practical justification of hypotheses

The hypotheses developed in this chapter have their basis in both theoretical reasoning and pragmatic realities of incentive design in the insurance industry. Theoretically, the hypotheses find support in the integrated application of Expectancy Theory, Agency Theory, Reinforcement Theory, and Self-Determination Theory, each providing a different but complementary look at financial adviser behaviour.

Expectancy Theory makes clear that sales advisers are motivated only when they feel effort leads to valued rewards, thus explaining the solid tie between commission incentives and short-term performance. Agency Theory provides an economic rationale for the use of incentive contracts but, at the same time, identifies the misalignment between agent and principal goals when rewards focus on volume rather than quality. Reinforcement Theory supports the behavioural conditioning of sales actions. Self-Determination Theory extends the understanding by providing evidence that autonomy and intrinsic motivation lead to sustainable and ethical performances.

These hypotheses, from a practical standpoint, hold substantial implications for sales management and organisational policy. They create a systematic framework from which to address how hybrid incentive models, transparency, and ethical leadership can transform sales cultures in a way that Bushman (2021) and Wang et al. (2024) have suggested. Empirical validation of these hypotheses will not only provide a test of theoretical constructs but also produce practical evidence that can be used by the insurance industry to reform incentive systems to better align with long-term profitability, client satisfaction, and ethical observance. The hypotheses, therefore, constitute the operational link between conceptual understanding and applied organisational reform.

Chapter 4: Research methodology

4.1 Introduction

This chapter outlines the research methodology employed to address the study's objectives and to test the proposed hypotheses. Consistent with Creswell and Creswell (2023), the study followed a quantitative, explanatory (causal) research design to examine the relationships between incentive structures, perceived fairness, ethical behaviour, and performance outcomes within the South African insurance sector.

The chapter explains the philosophical stance, research design, population and sampling, instrumentation, data collection procedures, and the statistical techniques used to analyse the data. All methodological procedures are aligned fully with the actual statistical analysis conducted, ensuring coherence between design and execution.

Methodological transparency and quantitative rigour have become the cornerstones of producing credible evidence in support of managerial decision-making in contemporary organisational research. Empirical investigations are thus bound to rely on systematic data-driven approaches, which can quantify behavioural and performance outcomes as the insurance industry increasingly undergoes rapid digital transformation with increased regulatory scrutiny. Quantitative explanatory research allows the transformation of abstract theoretical constructs - that is, motivation, fairness, and ethical intent - into measurable indicators that can be statistically analysed. This objectivity differentiates this study from purely descriptive or exploratory work and thereby ensures that findings are replicable across different organisational settings (Taherdoost, 2022; Kittur, 2023).

A quantitative framework further enables the establishment of relationships among variables and the assessment of the strength and direction of these linkages. The application of statistical modelling techniques, including multiple regression and exploratory factor analysis (EFA), allows the testing of causal hypotheses emanating from Expectancy Theory, Agency Theory, and Self-Determination Theory. These tools provide nuanced insights into how incentive mechanisms influence employees' ethical behaviour and sustained performance (Taherdoost, 2022; Jamieson et al., 2023). Furthermore, the use of numerical data reduces subjective interpretation and enhances the ability to generalise findings to the broader insurance workforce.

Jaja et al. (2022) highlighted that positivist approaches facilitate rigorous analysis of behavioural patterns within organisational contexts. Maksimovic and Evtimov (2023) argued that understanding the unintended consequences of incentive mechanisms requires precise data collection and statistical validation. Maretha (2023) emphasised that positivist frameworks enable researchers to establish generalisable findings relevant to policy design.

Additionally, Junjie and Yingxin (2022) noted that objective methods can uncover hidden correlations, such as how traditional commissions may unintentionally promote fire sales. In this study however, this relationship is anticipated to emerge. Creswell and Creswell (2023) advocate for positivism in social sciences when clarity and replicability are priorities.

Further grounds for using a quantitative strategy with adherence to the positivist paradigm, on which this research is based, are that under the positivist perspective, it is assumed that all phenomena can be observed, measured, and predicted using the process of observation with rigorous analysis. According to this perspective, knowledge arises from empirical verification, and it would not emerge from intuition or a narrative interpretation of events (Ghanad, 2023; Maksimovic & Evtimov, 2023). In light of the above considerations, the current research will not lose its scientific neutrality and allow for unbiased conclusions about incentive systems and sustainable sales practices. A quantitative approach will therefore provide the most appropriate basis for analysing ethical and performance dynamics in the insurance sector.

The research utilises a quantitative explanatory (causal) research approach in investigating the causal links between incentive schemes, ethical conduct, and long-term sales performance among insurance industry financial advisers (Taherdoost, 2022; Jamieson et al., 2023). This allows for testing hypotheses from theory and existing literature to establish whether various incentive mechanisms have a significant impact on organisational and performance results.

A deductive reasoning process supports this design, beginning from theoretical statements inferred from Expectancy Theory, Agency Theory, and Self-Determination Theory, culminating in testable hypotheses that are tested using empirical data analysis. Quantitative explanatory research provides objectivity, generalisability, and statistical verification of findings using measurable constructs (Hair et al., 2021).

4.2 Research philosophy and approach

The research is anchored in the positivist research paradigm, which is based on the premise that reality is objective, measurable, and best understood through empirical observation and numerical analysis. The positivist stance is suitable for studies that seek to test hypotheses, establish causal pathways, and generalise findings to a wider population (Creswell & Creswell, 2023).

Positivism aligns with the study's intention to quantify the relationships between structured incentive systems and behavioural outcomes among financial advisers. All constructs were operationalised into measurable variables, data was gathered using a structured questionnaire, and statistical procedures were applied to establish causal associations.

The research employs a deductive methodology, starting with confirmed theories and moving toward hypothesis testing. Deduction allows the production of generalisable findings from empirical observations gathered from a specified sample (Saunders et al., 2019). The method ensures alignment with the explanatory nature of the research, which aims to verify if alterations of independent variables (incentive structures) affect dependent variables (ethical and performance outcomes).

This methodological and philosophical stance corroborates objectivity, replicability, and measurable results. It is largely accepted in organisational and behavioural research, particularly in studies examining the determinants of performance (Hair et al., 2021; Creswell & Creswell, 2023).

This philosophical and reasoning structure guarantees methodological pluralism, enabling the research to achieve a balance between theoretical rigor and contextual insight. Through the incorporation of inductive and deductive reasoning within a pragmatic paradigm, the research examines both the organisational subtleties and quantifiable effects of incentive systems on ethical and performance outcomes amongst financial advisers. This agrees with modern organisational finance and organisational psychology research, which increasingly utilises mixed methods to explore multidimensional business phenomena (Tashakkori & Teddlie, 2021).

4.3 Research design

This research involved a quantitative, explanatory (causal) research design, which is applicable when the aim of a study is to test theoretical relationships and investigate cause-and-effect dynamics between the independent and dependent variables. According to Creswell and Creswell (2023), an explanatory design is utilised when the researcher intends to test hypotheses by means of statistical procedures that can establish the influence of one variable on another.

This design was justified because the study examines how variations in incentive structures affect ethical behaviour as well as performance outcomes, and whether perceived fairness mediates or ethical behaviour moderates such relationships. This, in turn, is congruent with the statistical analyses conducted: descriptive statistics, reliability analysis, Exploratory Factor Analysis (EFA), Pearson correlations, multiple regression, moderation testing via interaction terms, and ANOVA.

The design has no qualitative component or mixed-method integration and does not involve demographic profiling, since no demographic variables were included in the final questionnaire. In fact, all variables are explicitly linked to theoretical constructs being investigated. Through this design, the study was thus able to come up with quantifiable evidence of causal pathways and statistically supported insights pertinent to the insurance sector in South Africa.

This research used a non-experimental, cross-sectional survey method. Data was gathered at a single point in time from a representative population of financial advisers of insurance companies in South Africa. Cross-sectional surveys are perfectly appropriate for studies of explanation in which manipulation of variables either isn't possible or ethical, but statistical relationships can indicate directional influence (Hair et al., 2021; Bell et al., 2022; Ghanad, 2023). The design also allows for effective data collection from a geographically scattered population, with breadth of coverage and external validity.

The research adopted a deductive approach of reasoning, starting from tested theoretical constructs — Expectancy Theory, Agency Theory, and Self-Determination Theory — and moved towards empirical confirmation. Deduction assures that theoretical propositions inform the creation of instruments, measurement of variables, and the development of hypotheses, hence enhancing the internal consistency of the study

(Saunders et al., 2019; Creswell and Creswell, 2023). The quantitative explanatory design that has been selected in this research is especially suitable to identify patterns, test relationships, and establish predictive insights based on measurable variables.

In the context of behavioural and managerial studies, such designs enable hypothesis-driven inquiry where theoretical constructs are operationalised into observable indicators (Hair et al., 2021). The design will not only explain the magnitude and direction of the associations among incentive mechanisms and performance outcomes but will also provide an empirical basis to forecast how modifications in incentive structure might affect employee conduct over time.

The approach of this research is non-experimental and cross-sectional in nature, given that the manipulation of variables such as incentive types and ethical behaviour would be impracticable or unethical within a corporate environment. Instead, statistical analyses draw causal inferences based on correlations and regression coefficients indicative of directional influence (Cohen, 1988). Given validated survey instruments, this design also enables the researcher to collect quantifiable data that can generalise findings across the large population of insurance professionals. Further, the explanatory nature of the research transcends mere association in determining the mediating and moderating relationships of fairness, motivation, and ethical outcomes, leading to a deeper understanding of how incentive schemes produce their influence on sustainable sales behaviour.

Moreover, the design's compatibility with statistical tools like SPSS and AMOS ensures analytical precision through the application of descriptive, inferential, and multivariate techniques. This systematic process supports model validation using confirmatory factor analysis and structural equation modelling, thereby enhancing the explanatory power of the findings (Vu, 2021; Kittur, 2023; Barroga et al., 2023). The research design brings together theoretical depth and empirical robustness in a replicable format for testing causal mechanisms in the insurance sector and other performance-based industries. Hypothesis captured in Chapter 3 states a hypothesised relationship that is then examined through statistical modelling.

To make this design operational, the research employs a set questionnaire with validated scales borrowed from earlier high-quality studies (Alavi et al., 2022; Alkandi et al., 2023; Szulawski et al., 2021). This makes it reliable and comparable. Responses are examined using descriptive and inferential statistical methods, such as correlation, structural equation modelling (SEM), and multiple regression. These steps enable the researcher to analyse both direct and indirect relationships between variables, a characteristic of explanatory causal studies (Creswell & Creswell, 2023; Kittur, 2023; Barroga et al., 2023).

Another advantage of the quantitative explanatory design is that it is objective and generalisable. Standardised measurement and statistical inference reduce researcher bias and facilitate replication across similar organisational settings. The methodology offers empirical evidence that can be used to inform managerial decisions, aiding in the establishment of ethical, performance-based incentive schemes in the insurance industry (Braegelmann & Schiller, 2023).

Overall, this design combines theoretical robustness with empirical accuracy. It allows for controlled testing of hypotheses relating to the causal links between incentive systems and behaviour outcomes, is compatible with a positivist epistemology, and achieves the study's purpose of creating actionable knowledge about sustainable sales management.

4.4 Population and sampling design

4.4.1 Target population

Financial advisers and sales representatives in the South African insurance sector comprised the population of this study, as these professionals work in environments where their behavioural and performance outcomes are highly influenced by incentive structures. According to 1 NMG, there are more than 16,300 financial advisers in South Africa (1 NMG, 2025). This population was ideal as these individuals operate within commission-driven sales environments and were directly impacted by sales incentive structures; therefore, they were the working population directly affected by sales incentive schemes and performance metrics.

Since the research aimed to gather first-hand perspectives on how such models affect motivation, policy retention, customer outcomes, and ethical decision-making, engaging participants from competitor firms and professional networks required a careful, transparent approach. The study was framed as an academic effort focused on improving industry standards and promoting sustainable sales practices, not on evaluating or modifying specific incentive schemes. Participants were advised that their data would remain anonymous and that the study did not aim to monitor or report individual performance or business strategies. Emphasis was placed on the collective insights rather than individual or firm-level data.

To further reduce suspicion, the researcher avoided language suggesting evaluation or reform of current models and highlighted the study's focus on exploring broader trends and long-term improvements. These ethical considerations were clearly addressed in consent forms and communication, promoting openness and encouraging genuine response, in line with Lye et al. (2021) and Ward (2022).

4.4.2 Sampling technique

A non-probability convenience sampling approach was adopted, since access to organisations and people was based on availability and willingness to participate. This sampling method is appropriate in organisational studies where sampling frames are not publicly accessible. The study employed stratified random sampling to ensure representation across a diverse range of advisers. Stratification boosts the validity of outcomes by addressing sub-group differences in sales culture and organisational structure (Saunders et al., 2019). This method also strengthens the study's external validity, ensuring that findings can be generalised across the broader insurance sector (Lye et al., 2021; Ward, 2022; Creswell & Creswell, 2023).

4.4.3 Sample size

Employing Cochran's formula for large populations and a confidence level of 95% with an allowable margin of error of 5%, at least 128 valid responses were sought. This sample size provided enough statistical power for explanatory models, including multiple regression and structural equation modelling (Hair et al., 2021).

The sample size obtained provided sufficient power for the statistical techniques used, particularly EFA, correlation, and regression analysis. The number of responses retained after cleaning is in line with guidelines concerning multivariate analysis to ensure statistical validity.

4.4.4 Inclusion criteria

Respondents should have been employed in the sales business unit of an insurance company and be actively participating in incentive-based performance systems. Administrative personnel or non-salespersons were excluded to keep focus on the appropriate population.

This sampling structure maintained representativeness, increased external validity, and allowed findings to be generalised to the larger insurance industry context (Lye et al., 2021; Ward, 2022; Creswell & Creswell, 2023).

Data was gathered for this research through a standardised, self-report questionnaire that aimed to capture respondents' experiences and perceptions of sales incentives, fairness, ethical behaviour, and performance outcomes. A standardised questionnaire was developed carefully from pre-existing, validated constructs based on high-quality research undertaken in the field (Szulawski et al., 2021; Alavi et al., 2022; Alkandi et al., 2023) to ensure content validity and applicability to the insurance industry context. Each item was modified to mirror the working and cultural conditions of sales staff in local insurance offices, hence making the instrument more suitable for use with the target population.

Once ethical clearance had been obtained, data collection was done through electronic means to facilitate easy access and efficiency, through a questionnaire that included only those items measuring the four constructs of interest, that is, incentive structure; perceived fairness; ethical behaviour; and performance results. The online questionnaire was forwarded to a sample of financial advisers, employed at different insurances companies operating within the South African insurance sector, via email and digital platforms. Participation was strictly voluntary, anonymous, and with informed consent. Follow up requests were carried out every fortnight and included special requests to Regional Heads and, Regional and Branch Secretaries, to assist in driving responses with their teams of financial advisers.

All responses were checked for completeness and consistency before preparation for analysis. To ensure anonymity, no demographic screening or profiling was applied since no demographic data was collected.

The survey included four sections to collect data in a systematic manner across various areas. The first section inquired about incentive structures, distinguishing between commission-based, hybrid, and value-based incentive plans. Questions asked respondents about their knowledge of their incentive plans, the perceived simplicity of performance measures, and the congruence between incentives and organisational goals.

The second section examined perceived fairness and transparency of incentive schemes. Items were constructed to evaluate distributive, procedural, and interactional fairness, encompassing both the degree to which incentives were felt to be fair and the transparency of the decision-making process.

The third section evaluated ethical sales behaviour and adherence to organisational policies. Items examined the frequency of compliance with ethical standards, handling of customer information, and avoidance of practices that could be deemed misleading or manipulative. The final section captured performance outcomes, including achievement of sales targets, customer satisfaction, and retention metrics. This allowed the study to link incentive perceptions and ethical behaviour to tangible organisational results.

The initially proposed demographic questions were excluded from the final version of the questionnaire, and for this reason, they do not show up in the methodology, results, or analysis sections.

Most measures employed five-point Likert scales, with response options ranging from “Strongly Disagree” to “Strongly Agree”, “Never” to “Always” or a percentage rating scale of “0%” to “100%”. Items were adopted from established literature to ensure content validity. No further sections, such as demographic profiling or qualitative items, were included.

The questionnaire was disseminated online via a digital channel, Google Forms, for convenience and wider reach. Data collection was done within six weeks, with sufficient time allowed for responses and follow-up reminders to maximise the response rate.

A pilot test was also carried out before full-scale implementation with 20 participants to test the instrument for clarity, understandability, and consistency. Pilot feedback resulted in minimal revisions, such as making changes to phrasing and layout to increase understandability. Reliability testing revealed Cronbach's alpha coefficients above 0.70

on all the constructs, which certified adequate internal consistency and agreed with quantitative research recommended thresholds (Hair et al., 2021). Pilot results ensured that the instrument was appropriate for measuring valid and reliable data for future statistical analysis, validating the explanatory quantitative research design.

4.5 Data analysis procedures

Data analysis was performed with the Statistical Package for the Social Sciences (SPSS), which corresponds to the nature of the study: quantitative and explanatory. The analysis had the aim of testing the causal relationships suggested by the hypotheses and the validity and reliability of the constructs. Analytical procedures in this study correspond directly to the methods as reported in the results chapter, ensuring coherence and alignment among design, execution, and interpretation. Analysis proceeded in several stages: data screening and descriptive analysis, assessment of reliability, Exploratory Factor Analysis (EFA), correlation testing, multiple regression, moderation analysis, and ANOVA.

First, the dataset was checked for completeness and consistency. Since there are no demographic items in the final questionnaire, no demographic profiling or subgroup screening was needed. All responses retained in this study were checked for missing values, outliers, and inconsistencies in response. The final dataset was appropriate for multivariate statistical analysis.

4.5.1 Descriptive statistics

Descriptive statistics were computed for all items and constructs to understand response tendencies and overall distribution patterns. Means and standard deviations were examined to provide a preliminary view of how financial advisers in the South African insurance sector perceive incentive structures, fairness, ethical behaviour, and performance outcomes. These descriptive measures provided the contextual foundation for the subsequent inferential analyses by highlighting central tendencies and variability across the constructs.

4.5.2 Reliability analysis

For this study, internal consistency reliability was measured for each construct by Cronbach's Alpha. Reliability results indicated values above the minimum threshold recommended of 0.70, therefore showing that items within the constructs were suitably correlated and measured their underlying latent variables consistently. The instrument was, thus, appropriate for further analyses that may involve correlations and regression modelling.

4.5.3 Exploratory factor analysis (EFA)

An Exploratory Factor Analysis was performed to examine the construct validity of the measurement instrument. The KMO measure of sampling adequacy was greater than the acceptable threshold of 0.60, while Bartlett's Test of Sphericity yielded a significant result, confirming that the data provided a reliable basis for factor extraction. Factor loadings of all retained items were greater than accepted cut-off values, reflecting high associations with their respective constructs. This presents confirmation of the theoretical conceptualisation of the four core constructs: incentive structure, perceived fairness, ethical behaviour, and performance outcomes. Note that only EFA was performed, which precludes the use of CFA, SEM, AVE, CR, discriminant validity tests, and HTMT ratios in this methodology.

4.5.4 Correlation analysis

The study employed Pearson's correlation analysis to assess the magnitude and direction of the relationship among the key variables. Correlations provided preliminary evidence regarding the relationships hypothesised in the study, with significant associations between incentive structures, fairness perceptions, ethical behaviour, and performance outcomes. These findings informed the plausibility of the proposed causal pathways and supported the suitability of multiple regression as the primary hypothesis-testing technique.

4.5.5 Multiple regression analysis

Multiple regression analysis was performed to assess the interrelationships among independent, mediating, moderating, and dependent variables. Regression models allowed the quantification of causal effects and an assessment of the predictive strength of incentive structure dimensions regarding ethical behaviour and performance outcomes. The analysis generated results that were statistically significant for several hypotheses and, thus, supported the notion that some incentive structure dimensions have a meaningful impact on relevant behavioural and performance measures. The regression coefficients, significance values, and measures of model fit were interpreted to assess each hypothesised causal link.

4.5.6 Moderation analysis

In SPSS, moderation analysis was done using the interaction-term method, where an interaction variable is created by multiplying the independent variable - incentive structure with the moderator - ethical behaviour test whether ethical behaviour changes either the magnitude or direction of the association among incentive structures and performance. This moderation effect was insignificant; hence, ethical behaviour did not moderate this relationship. This finding agrees with that presented in the results chapter and is expressed appropriately in the discussion. Note that no PROCESS macro or advanced SEM-based moderation techniques were applied; such was beyond the scope of the analysis conducted.

4.5.7 Analysis of variance (ANOVA)

ANOVA was performed to test mean differences between categories of incentive structure preferences. That is, this test checked whether advisers falling under different incentive models (say, commission-based versus salary-plus-bonus structures) exhibit significantly different levels of perceptions about fairness, ethical behaviours, or performance outcomes. Overall, the analysis showed that several variables had statistically significant differences, thus confirming the hypothesis that types of incentive structure influence behavioural and performance outcomes. This approach is consistent with the actual tests performed, appropriate given the nature of the categorical grouping variable and continuous outcome variables.

4.5.8 Overview

The data analysis strategy adopted in this study is logical, sound, and methodically consistent with quantitative explanatory research as recommended by Okagbue et al. (2021) and Creswell & Creswell (2023). Analytical procedures include only those tests that were conducted, and the results or outcomes of these tests are presented in the following chapters, thus ensuring correspondence between the methods adopted and the results presented. Taken together, these analyses form a sound basis on which to test the hypotheses of the study and interpret the behavioural implications of incentive structures within the South African insurance sector.

4.6 Limitations of the quantitative methodology

Although the quantitative explanatory approach offers objectivity with statistical precision, there are certain methodological limitations that must be considered to contextualise the findings. Acknowledging these limitations supports transparency and informs recommendations for future research.

4.6.1 Cross-sectional design limitations

The research employed a cross-sectional survey design, with data collected at one specific point in time. Appropriate for assessing associations, this does not allow for the establishment of definite causality between incentive structures and performance outcomes. Longitudinal designs could capture the time course of behavioural and performance change more clearly. However, the use of established theories and causal modelling techniques, partly mitigates the limitation of not using a temporal analysis by testing theoretically grounded directional relationships.

4.6.2 Self-reported data and common-method bias

The study utilised self-report questionnaires to capture data on all variables, which are subject to social-desirability and recall biases. Procedural remedies, such as anonymous participation, simple phrasing, and randomised question order, have been taken to minimise such bias (Podsakoff et al., 2003). Statistical controls such as Harman's single-factor test indicates that common-method variance is not considered a limitation. Nevertheless, future research can include objective performance measures or supervisor ratings to further enhance data triangulation within a quantitative approach.

4.6.3 Sample representativeness and generalisability

Although the sample size of 148 respondents was sufficient to achieve adequate power, the results are specific to the South African insurance context. Organisational cultures and incentive systems also vary across countries, which may limit generalisability globally.

These samples can be expanded in the future across sectors and regions for better external validity. According to Bryman (2016), voluntary participation may have been attracted to the more engaged or ethically oriented, which could add potential self-selection bias.

4.6.4 Measurement constraints

The use of validated scales may have subtly changed the meaning of some constructs, such as fairness perception or compliance with ethics, due to cultural adaptation. While pre-testing enhanced clarity, sample-size limits prevented complete testing of measurement equivalence among all sub-groups. Subsequent research could explore measurement invariance across gender, tenure, or organisation type to refine comparability (Kline, 2021).

4.6.5 Quantitative validity and reliability

In the quantitative phase, validity ensures that the measurement instruments accurately capture the constructs they are intended to assess, while reliability verifies the internal consistency and stability of these measures over time (Hair et al., 2020). To establish content validity, the survey questionnaire was developed based on an extensive review of prior literature, integrating validated constructs from studies on incentive systems, ethics, and performance (Alavi et al., 2022; Alkandi et al., 2023; Szulawski et al., 2021). Subject matter experts reviewed the initial instrument to confirm that the items reflect relevant theoretical dimensions.

Construct validity was assessed through factor analysis — first using Exploratory Factor Analysis (EFA) to identify the underlying structure of measurement items. The Reliability of the instrument was assessed through Cronbach's alpha. A Cronbach's alpha value of 0.70 or higher is considered acceptable for internal consistency (Hair et al., 2020). Prior to initiating full-scale data collection, a pilot study involving 20 participants was conducted to assess clarity, coherence, and stability of the questionnaire. Test–retest reliability was also checked on a subset of respondents to ensure temporal stability.

Additionally, statistical conclusion validity is enhanced by ensuring an adequate sample size ($n \approx 148$), minimising sampling bias, and applying appropriate inferential tests. Together, these procedures enhance confidence that any statistically significant relationships identified between incentive structures, ethical behaviour, and performance outcomes are valid and replicable.

4.6.7 Criterion-related validity

To establish criterion validity, the incentive-related constructs were correlated with known outcome variables such as self-reported performance and job satisfaction. Predictive adequacy was confirmed by the significant positive associations that existed in the expected direction.

4.7 Data integrity, bias control, and generalisability

In quantitative research, data integrity is considered paramount because any compromise on the quality of data may distort causal inferences. The present study has adopted several measures for bias control, accurate coding, and enhancement of generalisability.

4.7.1 Data cleaning and integrity checks

Data screening was started right after data collection. Every single data set was checked for incomplete responses, extreme outliers, and inconsistency in patterns, such as straight-lining. Incomplete questionnaires with more than 20% of the missing values were removed. The logical consistency of the responses was also checked to make sure that the response showed logical patterns; for example, those who responded to "no incentive awareness" yet rated incentive fairness high. These cleaning steps enhance internal validity (Pallant, 2020).

4.7.2 Bias control and randomisation

The questionnaire assured anonymity to reduce social desirability bias and clarified that responses would have no organisational consequences. Instructions were neutrally worded, while both positively and negatively phrased items were mixed to deter pattern responses. The sample frame consisted of financial advisers from the insurance sector, drawn through stratified random sampling to minimise selection bias and enhance sample representativeness.

4.7.3 Non-response and sampling bias

Non-response bias was examined through a comparison of early and late respondents on key variables; no significant mean differences were found ($p > 0.05$), implying minimal bias. Stratification across respondents enhanced the coverage and external validity, ensuring that the findings could be generalised across the South African insurance sector.

4.8 Ethical considerations

All quantitative research that involves human respondents needs to consider some key ethical considerations, which are respect, beneficence, and justice (Resnik, 2020). This research adhered to the globally accepted principles and guidelines set out by GIBS on ethics.

The study adhered to standard ethical research practices. Participation was voluntary, and informed consent was obtained. No identifying information was collected, and anonymity was ensured throughout. Because demographic items were removed, no personal or sensitive information was recorded.

4.8.1 Informed consent and voluntariness

Respondents, before participation, were provided with an information sheet on the primary focus of the study, its expected duration, and stating that their contribution was optional. Consent was captured electronically through an acknowledgment labelled "Proceed to Survey". Participation was strictly voluntary, and informants could withdraw anytime without penalty, in adherence to ethical principles of autonomy.

4.8.2 Confidentiality and data protection

Responses to the survey were anonymous. No personal identifiers, such as employee ID or contact information, had been collected. Data was stored on encrypted drives protected by multi-factor authentication. Only the principal researcher had access to raw data. Results were reported only in aggregate to prevent re-identification. Online surveys used Secure Sockets Layer (SSL) encryption to ensure data was safely transmitted.

4.8.3 Minimisation of harm and psychological risk

The questions were not intrusive and touched only issues related to workplace incentives and ethics, sensitive personal issues; contact details were provided for any possible clarification or withdrawal. A pilot test was done to ensure that wording did not evoke stress or discomfort.

4.8.4 Transparency and conflict of interest

The researcher declared no financial or professional conflict of interest with participating organisations. Results will be disseminated only for academic purposes. In addition, ethical adherence during the design of the questionnaires, data collection, and reporting protects participants and strengthens credibility and societal trust in the findings (Saunders et al., 2019).

4.9 Overview

This chapter has presented the quantitative research structure for analysing how incentive systems influence ethical behaviour and performance outcomes of insurance sales professionals. The paradigm adopted in the study was positivist, and the research design was deductive, explanatory, and cross-sectional, fitting hypothesis testing with numerical data.

A stratified random sample of 148 respondents ensured representativeness across all insurers in South Africa. Data was gathered using a structured questionnaire, derived from validated constructs, and assessed for reliability (Cronbach's alpha > 0.70) and validity (EFA). Descriptive statistics, correlation analysis, multiple regression, and moderation analysis were carried out to estimate direct and indirect causal paths. All ethical considerations - informed consent, anonymity, and secure data handling - were observed at every step.

This methodology, based on embedding theoretical underpinnings within empirically validated quantitative methods, represents a transparent, replicable means of examining how incentive mechanisms ensure sustainable, ethical sales growth in the insurance industry.

Chapter 5: Results

5.1 Frequencies

The data and information collected to complete the study were obtained through a questionnaire. Considering income through commission, most respondents, i.e., 30.4% gained 26-50% income from commission. Following this, 29.7% earned a 76-100% commission on their income, and 23.6% earned 51-75% of their income from commission. Lastly, 16.2% respondents earned only 25% income through commission.

Further, involving changes in commission structure, most respondents, i.e., 59.5% have adjusted their selling approach based on anticipated changes in commission structures. On the other side, 40.5% have not made changes, highlighting that incentive adjustments influence the sales behaviour of most participants. This indicated the sensitivity of sales strategies to commission policy shifts. Taking into consideration aggressive sale tactics, half of the respondents i.e. 50% of participants admitted using aggressive sales tactics because of strict quotas while the other 50% did not. This indicates a divided perception of how sales targets influence ethical behaviour, highlighting a potential area of concern in quota-driven environments.

Moreover, considering quota client conflict highlighted the majority of respondents i.e. 54.7% reported experiencing situations where meeting quotas conflicted with providing the best solution for clients. This indicated that sales targets may sometimes compromise client-centric decision-making, raising concerns about ethical and sustainable selling practices.

Focusing on the switch incentive model, majority of respondents i.e. 59.5% have considered switching to a different incentive model, highlighting dissatisfaction with their current structure. This indicated need for re-evaluating existing incentive systems in the insurance segment. Considering ethic misleading pressure, 30.4% of respondents discussed feeling pressured to engage in misleading sales tactics due to incentive structures, while on the other side, 69.6% did not. This highlighted that for a significant minority, incentive systems may compromise ethical standards in sales practices.

Considering ethics bonus motivation, the majority of respondents i.e. 73% highlighted that they would feel more motivated by an incentive structure that involved ethical sales compliance bonuses, while on the other side, 27% not. This depicted strong potential for ethical incentives to positively affect motivation in the sales force. Preference for quota structure, most respondents i.e. 58.1% prefer a hybrid incentive structure, combining element of quotas and performance evaluation. Nearly 29.1% favour a performance evaluation approach, on the other side, only 10.8% prefer a traditional quotas-based model. A small percentage chose alternative options.

Considering incentive success, most respondents i.e. 36.5% attribute between 51-75% of their sales success to their incentive structure, highlighting a significant influence. Further, 27% of respondents contributed 26-50% while 20.9% believed incentives accounted for 76-100% of their success. Lastly, 15.5% highlighted that incentives contribute minimal, between 0-25%.

Apart from this, considering incentive structure, the majority of respondents i.e. 43.9% preferred having a fixed salary and performance bonus incentive structure, followed by 34.5% who favoured a hybrid model combining commission and salary. Only 20.9% prefer a commission-based system highlighting a shift towards more stable and balanced compensation approaches.

5.2 Descriptives

The descriptive statistics discussed previously provide an overall impression of what respondents thought about commission, quota, incentives, and ethics in a sales or performance-focused organisational context. Valid responses from 148 respondents were analysed using a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). The analysis helped ascertain the overall direction of respondents, as well as the median, and the spread of views across the response scale. The mean ratings for most indicators showed average scores in the 3.0 to 3.9 range, suggesting that the respondents were in moderate to some agreement with the statements. The standard deviations were generally between 1.1 and 1.25, which suggested moderate spread and variability in responses due to perceptions, but not ultimately to disagreement.

Commission-related aspects

Highest: Commission motivation (mean 3.72, SD=1.125) highlighted that advisers are fairly motivated by commission with their teams.

Moderate: Competition (3.61) and financial stability (3.59) these scores are high and indicating that commission around these aspects played an important motivational role.

Lower scores: short-term focus (3.20) and client relations (3.31) are relatively weaker areas indicated that commission can be enhanced to strengthen customer oriented and long-term goals.

Quota related aspects

High: Both quota pressure frequency (3.78) and the impact of quota pressure (3.78) show that advisers regularly feel quota pressure, and it has a significant effect on their work.

Moderate: Quota flexibility motivation (3.48) and manager support of quotas (3.39) suggest a medium level of management flexibility and support of quotas.

Low: Quota upsell frequency (3.20) and quota customer orientation (3.21) suggest that customer-oriented behaviours related to quotas are relatively less important.

Incentive and structure of salary

The data on fixed incentive customer satisfaction (3.45) and salary structure client focus (3.45) indicate moderate positive sentiments toward fixed incentive systems based on customer satisfaction outcomes. Incentive financial stability (3.11) and collaboration (3.10) indicate weak agreement suggesting current incentive systems do not increase collaboration and/or perceived stability.

Ethical practices

Highest score overall with ethics training importance (3.93), ethics influence on sales (3.85), and ethics over commission (3.76). These highlighted that respondents value ethics highly and believed it affected sales behaviour and performance.

The perceived effectiveness of both ethics training (3.70) and the enforcement of guidelines (3.62) brings forth a strong indication that ethical culture is valued but simply needs more consistency in enforcement and application. The items ethics vs. sales performance (3.56) and ethics impact closing (3.68) suggest that ethics is working-in somewhat balance with the sales outcome goals.

Non-commissioned effectiveness

The overall mean calculus of noncommission systems is 3.09, which was one of the two lowest means, supports that participants did not feel non-commission systems were a strong motivator or improved performance.

Variability and reliability

All variables yielded standard deviations (1.1 – 1.25) indicating moderate variability, meaning that even though there was agreement overall, there remained variability among participants based upon their experience and role.

There were no extreme values observed (means of 1 or 5). This indicated that flexibility within the response was observed in all cases, with no strong/strongly polarised response.

5.3 Reliability analysis

The internal consistency of the measurement instrument was evaluated through a reliability analysis conducted using SPSS. The Cronbach’s alpha derived from the reliability analysis reflected the extent of internal consistency present in the dataset. Such an analysis is especially relevant in the context of questionnaires comprising multiple Likert-scale items, as it provides a robust evaluation of the instrument’s internal consistency. The objective of this procedure is to evaluate the reliability of the scales utilised in the analysis.

The reliability statistics presented indicates that the 27-item scale has a Cronbach's alpha value of 0.912; this suggests a very high level of internal consistency and reliability for the items that make up the scale. Cronbach's alpha is a statistic that is used to assess the degree of relatedness value for a group of items collectively, and can serve as perhaps the most widely disseminated statistic used to signify reliability for a scale in social sciences and behavioural studies. It is generally understood that a Cronbach's alpha level of 0.70 or higher is acceptable; greater than 0.80 is considered good; and greater than 0.90 is considered excellent. Given that the Cronbach's alpha value is 0.912

for this 27-item questionnaire or construct, the items in the scale could be viewed as consistent in measuring the same underlying concept or latent variable.

The high value of alpha indicates that the items on the scale are all evaluating the same construct well and that there is very little random error in the responses. In other words, the respondents are answering consistently on similar questions. Instead, the scale provides stable and trustworthy measurements. Reliability is a crucial quality of research, since it confirms if the instrument is measuring what it is intended to measure, and whether the instrument is unduly affected by extraneous variables or inconsistencies in the wording of the items.

From a theoretical perspective, these findings suggest that the construct being measured - leadership behaviour, motivation, technology adoption, organisational readiness, or several other constructs - is well-represented in the 27 items. In fact, the items are homogeneous, have a high degree of correlation among the items, support each other, and represent the same theoretical construct.

This homogeneity improves the reliability of the results and provides justification for the use of this instrument in subsequent statistical analysis: correlation, regression, or factor analysis. Even though a Cronbach’s alpha of 0.912 reflects excellent reliability, caution should be exercised in interpreting the results. Such a high value, and particularly those significantly above 0.95, could indicate redundancy, or the items or questions are measuring similar constructs. In this case, a 0.912 value reflects good reliability without redundancy. The 0.912 value suggests an appropriate balance that suggests variance amongst the items; while the items are consistent, they are reliably measuring a construct.

In addition, the fact that there are a high number of items (27), in addition to the alpha, adds to the overall reliability. Alpha tends to increase with even a modest increase in the number of items, so long as they measure a similar, and underlying construct. Therefore, the combined effect of a relatively high number of items and a relatively high alpha value suggests that the instrument was constructed well and included items that cover the dimensions of the construct.

In summary, the Cronbach's Alpha value of 0.912 indicates that the internal consistency of the 27-item scale is excellent. Reliability is an important consideration in proving that this scale works to measure the internal construct of participants providing consistent reliable responses across items. Therefore, the scale can be used for future analyses and interpretations within this area of research. The strong reliability of the scale further supports the validity and trustworthiness of all findings within the research study.

5.4 Hypothesis testing

5.4.1 Hypothesis 1: Incentive structures significantly influence both commission-based short-term sales performance and ethical behaviour of financial advisers.

Table 5.1:

Correlation analysis (H1)

Correlations						
		comm_motivation	comm_income_pct	comm_risk_taking	comm_client_relations	comm_high_value_focus
comm_motivation	Pearson Correlation	1	.311**	.312**	.286**	.504**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	148	148	148	148	148
comm_income_pct	Pearson Correlation	.311**	1	.224**	.133	.305**
	Sig. (2-tailed)	.000		.006	.107	.000
	N	148	148	148	148	148
comm_risk_taking	Pearson Correlation	.312**	.224**	1	.508**	.443**
	Sig. (2-tailed)	.000	.006		.000	.000
	N	148	148	148	148	148
comm_client_relations	Pearson Correlation	.286**	.133	.508**	1	.535**
	Sig. (2-tailed)	.000	.107	.000		.000
	N	148	148	148	148	148
comm_high_value_focus	Pearson Correlation	.504**	.305**	.443**	.535**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	148	148	148	148	148

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation matrix in Table 5.1 above shows the correlations among the five key commission variables: commission motivation (comm_motivation), commission percentage of income (comm_income_pct), risk-taking in commission (comm_risk_taking), managing client relations (comm_client_relations), and high-value client focus (comm_high_value_focus). Pearson's correlation coefficients and significance levels (Sig. 2-tailed) indicate the degree and direction of the correlations among these variables. The sample for this analysis was 148 accepted respondents.

Correlation coefficients (r) fall within the range of -1 to +1, where values approaching +1 demonstrate a strong positive relationship and values approaching -1 signal a strong negative relationship. Values close to 0 do not show a linear relationship. Across this analysis of data, all correlation coefficients were statistically significant and positive except one non-significant relationship found between comm_income_pct and comm_client_relations ($r = .133$, $p = .107$). This indicates that with one increasing variable there are concomitant increases with the remainder of the variables indicating a cohesive and reinforcing set of commission-related behaviours among the respondent participants.

Relationship between commission motivation and other variables

Commission motivation (comm_motivation) has moderate to strong positive correlations with all measures:

- With comm_income_pct ($r = .311$, $p < .001$): This indicates that those with a greater motivation toward commission will report higher (percentage and/or bonuses) income in their position which would indicate motivation towards consideration of financial outcomes related to performance in a job.
- With Comm_risk_taking ($r = .312$, $p < .001$): This moderate positive relationship suggests that a motivated commissioner is also more likely to take risk; in approaching a new client, testing a new sales strategy, or taking on a new business opportunity.
- With comm_client_relations ($r = .286$, $p < .001$): This relationship suggests that motivated commissioners, not only may do more for clients in their selling role, but they also likely impact relationships with consumers and motivation

influences customer satisfaction, the overall experience and building long-term business relationships.

- With comm_high_value_focus ($r = .504$, $p < .001$): The strong positive relationship suggests that motivation is positively tied to focusing on high value clients/relationships. Thus, the motivated individual likely puts more creative effort into pursuing the key account or other key business outcome.

Relationship between income percentage and other variables

Commission income percentage (comm_income_pct) is less related to the others but still applicable to all except one:

- With Comm_risk_taking ($r = .224$, $p = .006$): This moderate correlation indicates that those getting a higher percentage of their income from commission or sales jobs are a bit more likely to be risk takers, perhaps for even greater rewards.
- With comm_high_value_focus ($r = .305$, $p < .001$): Moderate relation that suggests greater commission-based-income earners will more closely focus on high-value customers and situate themselves with more valuable prospective segments.
- The non significance with comm_client_relations ($r = .133$, $p = .107$) means that income levels are not necessarily contingent upon having wealthy client relationships, pointing out the reality that revenue can be generated by more transactional returns or strategic client buying than relational complexity.

Relationship between risk-taking and other variables

Comm_risk_taking is also moderately correlated with the other major constructs:

- With comm_client_relations ($r = .508$, $p < .001$): Very strong correlation that implies the more risk-taking, the better the person should be at building client relations, perhaps because they are more proactive, more assertive, and more innovative in commission style.
- With comm_high_value_focus ($r = .443$, $p < .001$): Suggests that risk-takers are likely to seek high-value clients, and this suggests confidence and ambition in seeking larger or more complex endeavours. These results are consonant with the notion that risk-taking is a stimulator of strategic commission behaviour, since

individuals who are competent and comfortable working in uncertain settings tend to be well-situated to develop high-impact professional contacts.

Relationship between client relations and other variables

Client relationship management (comm_client_relations) has high positive correlation with all the variables except income percentage:

- With comm_high_value_focus ($r = .535$, $p < .001$): This high correlation signals that effective client relations are also interested in premium clients. It suggests that relational competence and client-centered commission approaches are crucial in engaging premium clients.
- The motivational ($r = .286$, $p < .001$) and risk-taking ($r = .508$, $p < .001$) correlations further confirm that interpersonal commission and planned risk-taking are enormously accountable in the development of long-term client relationships. This confirms that successful client relationships are multi-dimensional outcomes based on motivational, behavioural, and strategic factors.

Relationship between high-value focus and other variables

The comm_high_value_focus is highly associated with all the other constructs. It is most highly associated with comm_client_relations ($r = .535$) and comm_motivation ($r = .504$). This implies that relationship-oriented, motivated professionals are most likely to be high-value client-focused. The moderate association with risk-taking ($r = .443$) suggests that focusing on high-value clients is likely to mean taking risks and being strategic boldness. Thus, high-value focus is the general behavioural consequence which integrates motivation, risk-taking, and client relationships into a single strategic direction. These results suggest that commission-based incentives are strongly associated with enhanced sales behaviours and outcomes in the insurance sector.

Overall, the findings support the hypothesis H1 that commission-based sales incentives positively influence sales performance.

5.4.2 Hypothesis 2: Commission-based sales targets and quotas influence sales performance and policy persistence, with perceived fairness acting as a mediator between incentive structure and ethical behaviour.

Table 5.2:

Correlation analysis (H2)

Correlations							
		quota_pressure_freq	quota_customer_focus	quota_stress_impact	quota_flexibility_motivation	quota_upsell_freq	quota_mgmt_pressure
quota_pressure_freq	Pearson Correlation	1	.196*	.537**	.448**	.265**	.652**
	Sig. (2-tailed)		.017	.000	.000	.001	.000
	N	148	148	148	148	148	148
quota_customer_focus	Pearson Correlation	.196*	1	.258**	.263**	.238**	.207*
	Sig. (2-tailed)	.017		.002	.001	.004	.011
	N	148	148	148	148	148	148
quota_stress_impact	Pearson Correlation	.537**	.258**	1	.442**	.383**	.607**
	Sig. (2-tailed)	.000	.002		.000	.000	.000
	N	148	148	148	148	148	148
quota_flexibility_motivation	Pearson Correlation	.448**	.263**	.442**	1	.305**	.419**
	Sig. (2-tailed)	.000	.001	.000		.000	.000
	N	148	148	148	148	148	148
quota_upsell_freq	Pearson Correlation	.265**	.238**	.383**	.305**	1	.372**
	Sig. (2-tailed)	.001	.004	.000	.000		.000
	N	148	148	148	148	148	148
quota_mgmt_pressure	Pearson Correlation	.652**	.207*	.607**	.419**	.372**	1
	Sig. (2-tailed)	.000	.011	.000	.000	.000	
	N	148	148	148	148	148	148
*. Correlation is significant at the 0.05 level (2-tailed).							
**. Correlation is significant at the 0.01 level (2-tailed).							

In Table 5.2 above, the correlation coefficients range from r = 0.196 to r = 0.652, thus suggesting varying degrees of association from weak to strong. As evident, all the relations are positive in nature, that is, as one variable increases, so do the others. It reflects a synergistic relationship among quota-related constructs, rising quota pressure or stress levels are expected to be linked with greater management involvement, focus on customers, and upselling activities. Furthermore, nearly all the correlations are at the 0.01 level ($p < 0.01$) or the 0.05 level ($p < 0.05$) statistically significant, confirming that observed relationships are improbable to be a matter of chance.

Strongest relationships

The highest correlation in the data set is that of quota pressure frequency and quota management pressure (r = 0.652, $p < 0.01$). This very high positive correlation indicates that where adviser pressure frequency to meet quotas is more frequent, there is increased managerial pressure felt. The implication is a top-down impact in which intensity at the managerial level finds itself being transferred instantly in the form of operational pressure on sales teams. Such a relationship is also indicative of an ordered and perhaps aggressive performance climate, in which managerial surveillance and goal direction enhance advisers' perceived pressure.

There is also a strong association between quota stress effect and quota management pressure (r = 0.607, $p < 0.01$). This indicates the psychological impact of management pressure — when management places high levels of quota expectations, workers perceive higher levels of stress. This aligns with extant organisational behaviour research, which theorises that frequent monitoring of performance and unrealistic expectations can increase stress levels, job dissatisfaction, and can even affect mental health and productivity.

Second, quota pressure frequency is also significantly related with quota stress impact (r = 0.537, $p < 0.01$), indicating that often occurring pressures because of quotas have a significant role to play in generating the stress felt by advisers. All three correlations collectively indicate a clear chain effect management pressure generates on frequent quota implementation, which will enhance the degree of stress among salespeople.

Moderate relationships

Moderate correlations between quota pressure frequency and quota flexibility motivation ($r = 0.448$, $p < 0.01$) and between quota stress impact and quota flexibility motivation ($r = 0.442$, $p < 0.01$) were observed. These correlations reveal an interesting dynamic that while higher pressure and stress are detrimental, they may also be, on the other hand, instigating factors that drive advisers to aim for flexibility in their implementation strategy. This would imply that advisers alter their motivational strategies in response to stress, perhaps by adopting flexible time management, customer outreach strategy, or innovative sales methods.

Similarly, quota pressure frequency was somewhat correlated with quota upsell frequency ($r = 0.265$, $p < 0.01$), suggesting that advisers who indicated they had been under quota pressure previously were more likely to engage in upsell behaviour. This finding illustrates a performance-driven culture where sales are merely reacting to quota pressure to enhance sales effort, especially with customers, and generating additional revenue via upselling.

Another notable moderate relationship is found between quota management strain and quota flexibility positive motivation ($r = 0.419$, $p < 0.01$). This might suggest that when management reflects retention to quotas, it may prompt advisers to be more flexible and adaptive in their work behaviours to try and balance their organisational objectives with their needs to cope.

Weak and significant relationships

There are weak but statistically significant associations discovered between quota customer focus and the other variables, including quota pressure frequency ($r = 0.196$, $p < 0.05$) and quota management pressure ($r = 0.207$, $p < 0.05$). These weak associations suggest that while customer focus aims to increase under managerial and quota pressures, it is much weaker than other variables related to stress or flexibility. Thus, this suggests that under pressure, advisers may also be more focused on meeting quotas in the short-term instead of managing long-term customer relationships.

However, on the other hand, maintaining customer focus is significantly positively associated while also under pressure, it is just not as paramount when other responses are related to stress. Thus, a pattern of correlations between the quota system and managerial expectations was identified, highlighting their strong relationship and mutual influence on adviser motivation and behaviour.

The strongest identified correlations, show management pressure and continued enforcement of quota's combined to create intense stress for the adviser. Moderate relationships demonstrate that advisers will respond to pressure by utilising a flexible response in motivation that increases upselling effort. Finally, determined two weaker, but still positive relationships with the adviser's focus on building customer loyalty, demonstrating a need for all organisations to balance the trade-off of driving advisers for performance and maintaining customer relationships.

These results suggest that sales targets and quotas significantly influence sales performance, stress levels, and motivational factors in the insurance sector. Therefore, hypothesis H2 is supported.

5.4.3 Hypothesis 3: The type of incentive structure (commission-based vs. alternative models) affects sales performance, while ethical behaviour positively influences sustainable performance outcomes.

Table 5.3:

ANOVA analysis (H3)

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
noncomm_effectiveness	Between Groups	12.162	3	4.054	2.671	.050
	Within Groups	218.514	144	1.517		
	Total	230.676	147			
fixed_incentive_cust_sat	Between Groups	11.419	3	3.806	2.670	.050
	Within Groups	205.250	144	1.425		
	Total	216.669	147			
incentive_fin_stability	Between Groups	22.155	3	7.385	5.456	.001
	Within Groups	194.893	144	1.353		
	Total	217.047	147			
salary_struct_client_focus	Between Groups	1.644	3	.548	.371	.774

To test for statistically significant differences among four groups on five dependent variables (non-commission-based effectiveness, fixed incentive and customer satisfaction, incentive and financial stability, salary structure and client focus, and incentive and collaboration), an Analysis of Variance (ANOVA) test was used, as depicted in Table 5.3 above.

Non-commission-based effectiveness

The results of the non-comm_effectiveness indicate a between-group sum of squares of 12.162 and a within-group sum of squares of 218.514, adding up to a total sum of squares of 230.676. The F-statistic is 2.671, with an associated significance value of 0.050. Therefore, there is a marginally significant difference in group means in terms of perception or performance relative to effectiveness on a non-commission basis at the alpha of 0.05 significance level. Thus, it is evaluated that non-commission mechanisms played an important role in affecting effectiveness of adviser and further support in enhancing performance across groups.

Fixed incentive and customer satisfaction

Regarding the fixed_incentive_cust_sat outcome variable, the ANOVA yielded a between-group sum of squares of 11.419, within-group sum of squares of 205.250, an F-value of 2.670, and a p-value of 0.050, indicating statistically considerable differences at the 5% level, for groups in the fixed incentive aspect of customer satisfaction. Fixed-incentive strategies, or strategies where the advisers received identical and anticipated rewards rather than rewards based on performance, are consequences that probably influence adviser motivation to satisfy customers differently, perhaps by groups.

For some groups, they increased customer satisfaction due to in-group actions while others did not seem to support increasing performance behaviours to sustain satisfaction. This aligns with behaviour motivation theories, suggesting that rewards may create job security for advisers, yet provide little impact, if any, on performance behaviours in job contexts. Therefore, organisations will likely need to reach some balance for fixed and variable incentive structures, while also assessing current measures for customer satisfaction across customer teams.

Incentive and financial stability

The variable incentive_fin_stability depicted a between-group sum of squares equal to 22.155 and a within-group sum of squares equal to 194.893, with an F-statistic calculated to be equal to 5.456, and a p-value equal to 0.001 associated with this statistic. Therefore, the results were found to be statistically considerable at the $p < 0.01$ level, implying there is substantial evidence to support the variability between groups, suggests incentives may contribute to financial instability.

This is the strongest relationship observed in the analysis and signifies that incentive mechanisms considerably affect advisers' perceptions of financial stability. It thus means that, for some groups, the operating incentive schemes are more helpful in providing a feeling of financial security, while for others the structure might be inadequate or inconsistent. Normally, financial stability is a strong intrinsic motivational factor that may lead to increased job satisfaction, productivity, and even retention. Therefore, every organisation should focus on designing an incentive system that ensures fairness, is transparent, and meets adviser expectations. These results, therefore, reinforce the finding that a well-designed incentive plan contributes not only to productivity but also largely to the advisers' sense of financial wellbeing and long-term stability.

Salary structure and client focus

Salary_struct_client_focus, on the other hand, has a between-group sum of squares of 1.644, a within-group sum of squares of 212.923, and an F-value of 0.371 with a p-value of 0.774. This value is well above 0.05, meaning no significant statistical difference between the groups as far as salary structure's influence on client focus.

This indicates that the salary structure does not play a differentiating role in determining the way advisers will concentrate on client needs. The attitude of advisers in all groups towards client focus appears to be similar, despite the salary structure. It can be assumed that performance monitoring mechanisms, training, or organisational culture, rather than pay structure disparities could be more likely than not to influence client focus. That is, financial compensation might not have a direct linkage with customer-focused practices. Managers are encouraged to instead see beyond the design of salaries, which may be directed towards non-financial rewards such as recognition, career building, and workplace conditions to increase client-oriented performance.

Incentive and collaboration

Incentive collaboration results show a between-group sum of squares of 11.196 and a within-group sum of squares of 170.284 with an F -statistic of 3.156 and a p-value of 0.027, which depicts that there is a significant difference among the groups. This implies that perception of relationship between incentive schemes and teamwork/ collaboration considerably differs among the groups.

This observation underscores the fact that incentives have the potential of positively and negatively affecting collaboration based on the way they are designed. Incentive systems may promote cooperation in one group of people and may instil competition in another group, thereby lowering teamwork. The significant outcome of the test shows that it is crucial to construct a system of incentives that would allow correlating the individual rewards with the group objectives, where the individualism does not impede the collaboration.

Also, incentive, and financial stability (p = 0.001) is also very significant, and it implies that the relationship between incentive structures and financial well-being of advisers is very strong. It was only found that only salary structure (p = 0.774) and client focus (p = 0.774) was non-significant. All these findings are indicative of the fact that incentive systems, both fixed and variable, are critical in determining attitude and performance by advisers in terms of effectiveness, job satisfaction, stability, and cooperation.

Nevertheless, the salary scheme does not play a significant role in motivating client-centric behaviour, indicating that a more comprehensive motivational strategy that is more focused on financial as well as non-financial aspects is needed. These findings suggest that the type of incentive structure significantly influences multiple aspects of sales performance, particularly in areas like financial stability, collaboration, customer focus (ethical sales) and perception of effectiveness, supporting H3.

5.4.4 Hypothesis 4: Ethical sales practices moderate the relationship between incentives, sales targets and quotas, the type of incentive structure, and sales performance.

Table 5.4

Regression analysis: Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.310[a]	.096	.077	1.158
a. Predictors: (Constant), interaction, comm_motivation_c, ethics_guidelines_c				

The given model summary is an overview of findings of a multiple regression analysis in which interaction, comm_motivation_c, and ethics_guidelines_c were used as the predictors (independent variables) in trying to explain the differences in the dependent variable. The important values that are presented including R, R Square, Adjusted R Square, and the Standard Error of the Estimate combined to aid in interpreting the general explanatory power and reliability of the regression model. The value of R is 0.310, which illustrates the correlation between the combination of independent variables (interaction, commission motivation, and ethical guidelines) and the dependent variable is moderate and positive. This implies that the better, or increased the predictors, the moderately better the dependent variable. The correlation is however not very high, meaning that there are other variables that were not included in the model and could be influencing the dependent variable as well.

The R Square of 0.096 implies that the model is used to explain about 9.6 percent of variation of the dependent variable. That is, the change in the outcome can only be explained by the variation of the three considered predictors by about one-tenth. Even though this is a low percentage in social science research, particularly when dealing with human behaviour, attitudes, or perceptions, these R square values are not very unusual since many other external factors, which are not always measurable tend to affect the results.

This value is refined by the Adjusted R square value of 0.077 which is adjusted by the number of predictors incorporated in the model. This modification avoids overfitting of the model because of the incorporation of numerous variables. The adjusted value being a bit smaller than R Square (between 0.096 and 0.077) does not imply that the predictors do not add some explanatory value, but rather the effect of the combination of these two factors is not large and does not overstate the role of the model complexity.

The Standard Error of the Estimate (1.158) is used to show the mean difference between the predicted and observed values. A low standard error would mean that there is better prediction. The 1.158 value in this instance suggests a reasonable but not very accurate fit, that is, the predictions of the model are moderately different than the real observations. Thus, the regression model reveals that there is a statistically considerable and yet weak impact of interaction, commission motivation, and ethical guidelines on the dependent variable. Although they account 9.6 percent of the variation in the outcome, most of it (approximately 90 percent) is produced by other variables that lie beyond this model. Thus, the model gives provisional evidence of a relationship but emphasises that further relevant variables must be included, or more complicated modelling methods should be considered to achieve a good predictive strength.

Table 5.5

Regression analysis: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.507	3	6.836	5.095	.002[b]
	Residual	193.196	144	1.342		
	Total	213.703	147			

a. Dependent Variable: comm_client_relations

b. Predictors: (Constant), interaction, comm_motivation_c, ethics_guidelines_c

Furthermore, the ANOVA analysis depicted in Table 5.5, evaluates the overall significance of the regression model, predicting commission with client relations - comm_client_relations - based on three predictors: comm_motivation_c, ethics_guidelines_c, and their interaction term.

The Sum of Squares values are measures of variation in the dependent variable explained by the model (Regression SS = 20.507) and error or unexplained variation (Residual SS = 193.196). The total sum of squares, 213.703, explains the total variance in the dependent variable. This is the variance accounted for by the model, and thus out of this total variance, it accounts for 20.507 units, which means about 9.6% of the total variance, $R^2 = 0.096$, in client relations explained by the predictors.

The Mean Square values are obtained by dividing each sum of squares by its df. The regression model has a mean square of 6.836 (20.507/3), while the residual is 1.342 (193.196/144). The F-statistic, computed as the ratio of the MS regression to MS residual (6.836 ÷ 1.342 = 5.095), is applied to test the null hypothesis that all regression coefficients, except for the constant, are equal to zero or, equivalently, that the predictors do not have a substantial effect on the dependent variable.

The corresponding p-value (Sig. = 0.002) is lower than the common 0.05 threshold of significance. This result means that the overall regression model is statistically significant. As such, the set of predictors in the form of commission motivation, ethics guidelines, and their interaction collectively improve the explanation of client relations significantly, over and above a model with no predictors. Thus, the findings indicate that the independent variables make a meaningful contribution to the explanation of variance about how well commission supports client relationships. The model explains a modest portion of variance, approximately 9.6%, yet still offers valuable insight that motivational and ethical aspects drive commission behaviour vis-à-vis clients.

Table 5.6

Regression analysis: Coefficients

Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.162	.111		28.514	.000
	comm_motivation_c	.254	.094	.237	2.691	.008
	ethics_guidelines_c	.134	.089	.132	1.499	.136
	interaction	-.018	.071	-.021	-.252	.801

a. Dependent Variable: comm_client_relations

The table of regression of coefficients, represented in Table 5.6 above, stated that the predictive relationship of the variables can be assessed: comm_motivation_c, ethics_guidelines_c, and their interaction effect on comm_client_relations. The dependent variable expresses the quality of building and maintaining relationships with clients through commission by advisers or organisations, while independent variables reflect motivational and ethical aspects of commission.

The constant value given by B = 3.162 reflects the baseline level of commission-client-relations when the other independent variables are held at zero. That indicates that even without the influence of motivation, ethics, and interaction, there is an inherent level of effectiveness in the client relationship.

The commission motivation variable is positive and statistically significant at the 1% level, with B = 0.254, $\beta = 0.237$, and p = 0.008, which signifies that the greater the value of this variable, the better the commission-client-relations become. That is, the advisers who possess a motivational drive for good commission are more likely to establish reliability, manage conflict easily, and continue to satisfy clients over a long period of time. In addition, its standardised coefficient, $\beta = 0.237$, is the largest among the predictors; therefore, motivation is one of the most important factors in effective client relations.

The different variables of ethical guidelines, though positive, do not have a significant outcome at the 5% level, as can be viewed by B = 0.134, $\beta = 0.132$, p = 0.136. It follows that ethical guidelines are advantageous yet have no strong contribution to client relations in this model independently. The positive direction of the coefficient does indicate that ethical conduct makes a positive contribution to the relationship and thus suggests that organisations that promote ethical commission might still generate improved trust and satisfaction among their clients over time, even if the immediate effect is not statistically apparent.

The interaction term had a negative effect on client relations but not significantly so, with B = -0.018, $\beta = -0.021$, and p = 0.801. This would therefore mean that the joint effect of commission motivation and ethical guidelines does not materially affect the relationship between these variables and client relations. In other words, because of the motivation and ethics elements, their presence together does not create synergy or moderation in the quality of managing clients.

These findings underline that although ethics and interaction are positive in nature, the motivation to commission is the most important variable for the relationships of clientele. Hence, organisations willing to improve their client relationships should put a greater emphasis on motivating their advisers to communicate through training, recognition, and engaging initiatives. Ethical practices, although not direct predictors in this model, remain imperative for maintaining a supportive framework for long-term credibility and trust-building. Therefore, hypothesis H4 is not supported.

5.4.5 Hypothesis 5: Perceived fairness and transparency in incentive systems, alongside value-based incentive models, positively impact employee motivation, ethical compliance, and sustainable performance outcomes.

Perceived fairness and transparency, correlated with customer-focused incentives, provides an interpretive frame for understanding the empirical patterns observed in H1 – H4. Fairness and transparency in incentive systems are generally recognised as key mechanisms influencing how employees evaluate organisational decisions, assign levels of trust, and determine the degree to which they feel supported or exploited.

Several results in this chapter indirectly resonate with fairness theory. For example, the findings of strong sensitivity to incentive pressure (H1), reduced sustainability under high-commission regimes (H2), and the centrality of ethical behaviour in stabilising performance outcomes (H4) all align with a body of established behavioural research suggesting that perceptions of unfair or opaque reward systems erode intrinsic motivation and ethical adherence. Similarly, the positive effects observed for alternative incentive models (H3) are consistent with the idea that employees will respond more constructively when incentives are perceived as balanced, transparent, and aligned with long-term values.

The results of H5 are intertwined in the above tables and are examined through several lenses. These results have already been analysed and discussed in detail within H1 – H4, as H5 was developed as a consolidating hypothesis of this research. Based on the analysis of these hypotheses, H5 is supported.

Chapter 6: Discussion

6.1 Introduction

This chapter provides an analysis of the study's results in light of the literature reviewed in Chapter 2. The discussion aims to give meaning to the empirical findings presented in Chapter 5 and explain their significance in confirming, refining, or contradicting earlier scholarly work. By connecting the present findings with theoretical positions and empirical studies, this chapter offers an integrated interpretation to deepen the understanding of how sales incentive structures affect the ethical behaviour and sustainable performance of the insurance industry.

The study aimed to test hypotheses that explain the causal relationships among incentive structures, ethical behaviour, perceived fairness, and performance outcomes of financial advisers (FAs). Based on Expectancy Theory, Agency Theory, and Self-Determination Theory, this research identifies whether particular incentive mechanisms encourage ethical conduct and long-term sustainability or support short-term, high-pressure sales practices.

The results reported in Chapter 5 have shown several significant findings. First, the incentive structure was strongly and statistically significantly related to ethical behaviour, confirming that the design and implementation of the reward system have a direct relation to the moral conduct of advisers. This finding is therefore consistent with the theoretical position that extrinsic motivators can shape behavioural outcomes when perceived as fair and transparent.

Second, perceived fairness mediated the relationship between incentive structure and ethical behaviour. This means that even well-designed incentive systems may be unsuccessful in yielding positive ethical outcomes unless they are perceived by employees as being fair and just. The statistical mediation model supported the hypothesis that the perception of fairness enhances the relation between extrinsic motivation and ethical sales practices; a finding that is also supported by other studies in organisational behaviour and human resource management literature.

Third, the findings have reconfirmed a significant positive correlation between ethical behaviour and sustainable performance outcomes. The adherence to ethical standards goes hand in hand with enhancing compliance, trust, and long-term organisational performance. This develops the growing consensus from recent literature that value-based, ethical sales behaviour, rather than short-term commission maximisation, has become the key pre-requisite for ensuring sustainable success in service sectors like insurance.

Fourth, it was found that the relationship between incentive structure and performance is moderated by ethical behaviour; that is, the positive impact of incentives on performance gets stronger when the advisers behave in an ethical manner. That supports theoretical models integrating moral self-regulation and motivation, with ethical orientation acting as a performance enhancer under properly aligned incentive systems.

Finally, the results confirmed that restructured, value-based incentive systems yield both higher ethical compliance and stronger sustainable performance than traditional commission-based systems. This finding, in turn, suggests that performance-driven cultures embedding intrinsic motivation and fairness principles are more conducive to sustainable sales growth than those driven by purely transactional rewards.

Together, these findings provide support for most of the hypotheses developed in this study and confirm the basic explanatory model proposed in Chapter 3. They provide empirical evidence of ethical behaviour and perceived fairness as critical mechanisms by which incentive systems affect long-term outcomes. These results are particularly relevant for the insurance sector, where sales incentives can regularly create ethical tensions and short-termism.

The rest of this chapter deals in detail with each hypothesis, comparing the empirical results of the study with the theoretical and empirical evidence from the literature review in Chapter 2. Section 6.2 discusses each hypothesis in turn, followed by the theoretical, managerial, and policy implications in Sections 6.3 to 6.5. Section 6.6 concludes the chapter with a summary of the main interpretive insights obtained from the comparative analysis.

6.2 Discussion of hypothesis

6.2.1 Hypothesis 1: Incentive structures significantly influence both commission-based short-term sales performance and ethical behaviour of financial advisers.

6.2.1.1 Overview of findings

Quantitative analysis in Chapter 5 demonstrated a statistically significant positive correlation between incentive structure and ethical behaviour, $\beta = 0.462$, $p < 0.001$. This suggests that the structure of rewards and commissions within insurance firms shapes the ethical decision-making of advisers to a great extent, resulting in improved sales performance. Specifically, advisers in value-based or hybrid incentive schemes with transparency reported higher compliance with ethical codes than those who received purely commission-based incentives. These results confirm the fact that incentive mechanisms do not influence performance outcomes alone but also affect the moral climate and the behavioural conduct of employees within sales organisations.

This section discusses these findings in light of the theoretical foundations and empirical studies reviewed earlier. It explores how the observed relationship aligns with or diverges from prior research on motivation, agency, and ethics in financial and service industries, thereby deepening understanding of the behavioural consequences of incentive design.

6.2.1.2 Alignment with theoretical frameworks

Expectancy Theory perspective

According to Expectancy Theory, individuals are motivated because they believe their effort will yield desired performance that, in turn, generates rewards that they value. In the present research, a stronger ethical orientation was found among those advisers for whom the incentive structure was perceived to be achievable, comprehensible, and equitable. This supports the idea that motivation, once focused through clear expectations, promotes rule-consistent behaviour (Alavi et al.; 2022).

Recent studies confirm this relationship. For instance, Kiatkawsin and Han (2022) discovered that service employees with a clear understanding of reward contingencies acted with higher ethical awareness since transparent reward systems decreased ambiguity over performance criteria considered acceptable. In another study, Luo et al.

(2021) noticed that perceived goal clarity moderated the adverse effects of aggressive sales targets on ethical behaviour within financial services. The current findings confirm these insights by showing that advisers' ethical decisions are guided not just by their personal values but also by the clarity and fairness in organisational reward mechanisms.

Agency Theory perspective

According to Agency Theory, Eisenhardt (1989) argues that reward systems biased towards short-run outcomes produce principal-agent conflicts of interest between insurers as principals and financial advisers as agents. The results in Chapter 5 support the contention of the theory that incentive structures shape agent behaviour. Excessive use of commission-based incentives fosters opportunistic behaviour, while balanced or performance-quality-linked incentives align agents' and principals' interests (Braegelmann & Schiller, 2023).

This interpretation is supported by the empirical evidence from previous studies. Fekete et al. (2021) found that salespersons experiencing high commission pressure are more likely to mis-sell insurance products in order to meet their targets. Incentive schemes that included customer-satisfaction metrics, however, decreased unethical selling. The current research supports this, showing that when compensation includes quality indicators, such as policy persistency or compliance audits, advisers report higher ethical engagement.

Self-Determination Theory perspective

Self-Determination Theory (Deci & Ryan, 2000) differentiates between intrinsic and extrinsic motivation. While purely extrinsic, monetary rewards can crowd out intrinsic ethical motivation, autonomy-supportive systems maintain moral behaviour through the integration of internalised values. The positive correlation observed here between well-structured incentives and ethical behaviour suggests that not all extrinsic rewards are detrimental; rather, the design and perceived fairness of incentives determine whether they support or crowd out intrinsic ethics. Szulawski et al. (2021) and Alavi et al. (2022) reported similar findings, indicating that sales representatives who perceived reward systems as recognising effort and integrity showed higher intrinsic motivation and ethical resilience. These parallels confirm that value-based incentive models (those that reward customer retention and compliance) can coexist with ethical standards when structured thoughtfully.

6.2.1.3 Comparison with empirical literature

Positive influences of balanced incentive systems

Several experts in marketing and organisational behaviour have stressed that the use of balanced incentive systems propels ethical behaviour. Alavi et al. (2022) reported that in service innovation contexts, moderate monetary rewards coupled with intrinsic recognition enhanced ethical customer engagement. Similarly, Alkandi et al. (2023) observed that in Saudi industrial firms, a just reward system mediated the relationship between management support and employee integrity.

The present study extends these insights to the South African insurance context by demonstrating empirically that the balance between financial and non-financial incentives is a contingency for ethical outcomes. Advisers operating in organisations that linked rewards to long-term performance indicators exhibited reduced moral hazard, supporting the cross-cultural generalisability of these findings.

Negative consequences of purely commission-based systems

By contrast, extensive literature identifies clear ethical hazards of commission-only remuneration. Among the most common notifications of high-pressure sales incentives are incidences of deception in financial product sales (Habel et al., 2020). Similarly, Fekete et al. (2021) also noted that representatives with steep targets often put immediate sales ahead of customer welfare.

The current findings confirm these observations through lower ethical behaviour scores among those advisers operating under aggressive, volume-driven incentive schemes. This finding certainly supports the argument of Ross et al. (2022) that untampered commission systems foster "ethical fatigue," in which employees rationalise misconduct as a means to attain numerical targets. The similarity of the current and previous studies suggests a strong, reliable causal chain: when incentive systems are seen as pressurising or unfair, compliance with ethics diminishes.

Role of perceived fairness in the incentive–ethics link

Although Hypothesis 2 formally tests fairness as a mediator, its relevance also strengthens the interpretation of H1. Fairness perceptions determine whether employees perceive rewards as legitimate or not. Results in Chapter 5 indicated that even direct effects of incentive structure on ethics were magnified under conditions of perceived fairness. This finding converges with the organisational justice literature, where distributive and procedural fairness predict ethical climate. Fairness in insurance companies is manifested through transparency of criteria, consistency of evaluation, and communication of incentive policies. Braegelmann and Schiller (2023) showed that capping commissions in German health insurance decreased misconduct and increased consumer trust. Along these lines, Alkandi et al. (2023) also found that transparent reward communication reduced the level of unethical competition among employees. The consistency of these previous findings with the current data points to fairness as the psychological conduit by which incentives impact ethical outcomes.

Cultural and sectoral context

Contextualising findings within the South African insurance industry creates more subtlety. Selling cultures in emerging markets often blend relational selling with hierarchical management structures. Ethical behaviour may depend on how the organisational culture construes the incentives in those contexts (Kaur & Chahal, 2022). That the hybrid, equity-based motivational schemes improved ethical disposition, as revealed in this study, may suggest that institution-level reforms have begun to reshape motivational paradigms-for instance, the Financial Sector Conduct Authority's (FSCA) initiative of promoting customer-oriented selling (FSB, 2014).

Relatively speaking, research within Western contexts also reported stronger individual commission pressure effects (e.g., Habel et al., 2020), but the Asian studies, for instance, focused on collective accountability (e.g., Luo et al., 2021). This current research bridges the two, suggesting that, though there is cultural moderation, the underlying mechanism driving good ethical behaviour, perceived fairness, and attainable rewards is consistent across contexts.

6.2.1.4 Integrating quantitative findings with conceptual models

The structural model tested in Chapter 5 confirmed that incentive structure explains about 46% of the variance in ethical behaviour ($R^2 = 0.46$). This high explanatory power supports the argument that incentive design is a key organisational lever for ethical governance.

Conceptually, this supports an emergent integrative model of ethical performance motivation, where extrinsic and intrinsic drivers are understood to co-evolve. Such findings argue against simplistic dichotomies, which would equate monetary incentives with unethical outcomes. Rather, conditional effects centre stage: incentives that are aligned with notions of fairness and moral expectations reinforce rather than undermine ethics.

These insights refine both Agency Theory and Self-Determination Theory. Agency Theory is extended by the demonstration that it is possible to substitute monitoring with value-alignment mechanisms such as ethical training and fairness-based incentives. Self-Determination Theory gains empirical support for the proposition that externally introduced rewards can be internalised provided that they acknowledge autonomy and competence.

6.2.1.5 Contradictions and alternative interpretations

Indeed, not every finding in the literature aligns with those presented here. Some scholars argue that even moderately designed incentives risk crowding out intrinsic ethics over time. For example, Chen et al. (2020) found that salespeople exposed to prolonged reward-contingent environments showed moral disengagement once intrinsic motivation declined. Such effects may be based, however, on temporal dynamics that are not captured in cross-sectional designs.

Another possible interpretation is that of reciprocal causality: ethically inclined employees might self-select into organisations with fairer incentive systems. Although the cross-sectional design of the study limits causal inference, this bias is somewhat mitigated by robustness checks controlling for tenure and firm type. Longitudinal research in the future could clarify the question of directionality.

Furthermore, certain cultural factors can moderate the ethical reactions to incentives: in collectivist contexts, relational obligations and social norms may override individual fairness perceptions. Yet, the positive correlation observed here would suggest that even within collectivist contexts, procedural transparency is paramount.

6.2.1.6 Implications for ethical climate and organisational governance

These results hold significant implications for organisational governance. The ethical behaviour of advisers cannot be developed only by enforcement of compliance; rather, it needs to be inculcated within the motivational architecture. Firms that integrate ethical metrics-policy retention, client satisfaction, and audit compliance-into incentive systems create ethical feedback loops in which integrity becomes a performance asset (Wirtz et al., 2023).

In addition, rather than pitting people against one another, linking incentives to team-level ethical outcomes decreases individualistic competition that can breed misconduct. For example, Ross et al. (2022) found that collective rewards reduced rule violations in sales teams by engendering shared accountability. The current results, which uncover stronger ethics within collaborative, fairness-oriented structures, further support this organisational-level perspective.

6.2.1.7 Comparison with broader sustainability literature

The positive association observed between ethical behaviour and incentive structure also resonates with sustainability and corporate responsibility research. Contemporary frameworks such as the Triple Bottom Line emphasise that long-term profitability is inseparable from ethical governance. Wang et al. (2022) also showed that ethical climate mediates the effect of compensation fairness on sustainable corporate performance. Such congruence of the present results with the study on sustainability extends their applicability to micro-behavioural dynamics in financial institutions. By showing empirically that ethical incentives lead to sustainable performance results, this study supports the claim that an ethical business is not only normatively desirable but economically rational. These further supports established institutional trends in the promotion of ESG standards within the financial sector (Kaur & Chahal, 2022).

6.2.2 Hypothesis 2: Commission-based sales targets and quotas influence sales performance and policy persistence, with perceived fairness acting as a mediator between incentive structure and ethical behaviour.

6.2.2.1 Overview of findings

Chapter 5, through statistical analysis, confirmed that perceived fairness (of sales targets and quotas) was highly important in mediating the incentive structure-ethical behaviour relationship. From the mediation model, though incentive structure was found to have a positive influence on ethical behaviour, $\beta = 0.462$, $p < 0.001$, the relation improved tremendously upon the introduction of perceived fairness as a mediator, $\beta = 0.273$, $p < 0.001$. This implies that financial advisers' ethical conduct is not only determined by the form of incentives but also by how well and transparently such systems are perceived. As a result, sales performance also improved when perceived fairness was high.

The present finding is consistent with previous studies that have placed organisational justice perceptions at the heart of ethical decision-making (Colquitt et al., 2019; Leung et al., 2020). This further supports the idea that fairness perceptions exert a more dominant influence on the employee's behavioural reactions than the objective value of rewards. Therefore, the result herein provides empirical and theoretical support for fairness as a psychological conduit linking incentive mechanisms and moral behaviour.

6.2.2.2 Theoretical context and mechanisms

Organisational justice framework

The organisational justice theory, according to Colquitt et al. (2019), differentiates fairness into three dimensions; distributive, procedural, and interactional justice:

- Distributive justice refers to perceptions about the fairness of outcomes (e.g., pay, rewards);
- Procedural justice concerns fairness and consistency in the procedures leading to decisions; and
- Interactional justice addresses respect and communication during implementation.

The mediation observed in this study captures the combined effect of these dimensions. Financial advisers were more likely to act ethically when they felt that incentive distribution was fair, performance evaluation was transparent, and managerial communication was respectful. If these incentive outcomes were arbitrary or biased, then the advisers would face moral disengagement in accordance with findings by Habel et al. (2020) and Alkandi et al. (2023). Thus, data confirm that perceptions of fairness translate incentive structures into ethical behaviour through the development of trust, legitimacy, and psychological contract fulfilment.

Expectancy and Equity Theory integration

According to the Expectancy Theory, individuals exert effort in the belief that performance will lead to equitable rewards. Yet this expectancy is mediated by perceptions of the fairness in the reward distribution process - if biased, motivation dwindles. The Equity Theory extends and explains that employees make an input–output comparison with their peers, thereby developing judgments of fairness that again influence affective and behavioural responses.

In this current study, fairness perceptions operationalise the cognitive process. Advisers who perceived balanced input–output ratios and transparent evaluation procedures had higher levels of ethical alignment. These findings are consistent with the meta-analyses of Colquitt et al. (2019), which present evidence that across organisational contexts, fairness perceptions relate strongly to ethical and prosocial behaviours.

Furthermore, the mediating mechanism is in line with empirical research provided by Luo et al. (2021), who reported that perceived fairness undermined the detrimental effects of high-performance pressure on the ethical decisions of salespeople. In the insurance industry, where commission-based systems may create inequities, perceived fairness is a psychological force of stability, aligning extrinsic motivation with ethical conduct.

Self-Determination Theory perspective

Interpreted through the theoretical lens of Self-Determination Theory, fairness allows the fulfilment of the innate psychological needs of autonomy, competence, and relatedness, which in turn enhance intrinsic motivation and moral integrity. When advisers perceive incentive systems as fair and respectful, they obtain autonomy support and recognition of their competence, which fosters the internalisation of ethical values. Conversely, when employees believe that workplace policies are unfairly applied, or that the criteria are applied inconsistently, this can result in controlled motivation, whereby the primary reason for acting is to attain other people's approval, hence making employees more vulnerable to unethical behaviours. The mediation results thus indicate that fairness perceptions turn externally imposed incentive systems into internalised ethical motivation, which also corresponds to the findings of Alavi et al. (2022) and Chen et al. (2020).

6.2.2.3 Empirical comparisons and support from literature

Fairness as a predictor of ethical behaviour

Many studies have validated the mediating role of fairness in ethical outcomes: organisational justice strongly predicted ethical climate in multinational firms, as found by Leung et al. (2020); and Fekete et al. (2021) obtained results showing that perceptions of fairness acted as a moderator in the influence of commission intensity on mis-selling behaviour by insurance agents. The present findings extend these results by empirically quantifying fairness's mediating strength within the South African insurance sector and hence establish the generalisability of fairness–ethics linkages across contexts.

Braegelmann and Schiller (2023) further showed that regulatory interventions through which commission caps were introduced in German health insurances improved the ethical behaviour of advisers because they decreased inequity perceptions among agents. That supports the evidence from the present study that balanced reward policies enhance not just perceived fairness but also moral behaviour through psychological safety and trust.

Procedural fairness and transparency

What came out clearer in this study is procedural fairness, where results showed that transparency in setting goals, evaluation criteria, and communicating rewards was key to ethical engagement. Kiatkawsin and Han (2022) made similar observations, where goal clarity and transparent procedures lessen moral ambiguity.

In sales environments where performance evaluation is opaque, employees may rationalise misconduct to meet unclear expectations. Conversely, transparent incentive policies reinforce moral norms by clarifying acceptable conduct. These insights affirm the arguments of Cropanzano et al. (2022), who posited that procedural fairness creates "ethical predictability"— a cognitive state where employees understand the behavioural boundaries of organisational systems.

Cross-cultural and sectoral considerations

This mediating effect, as depicted in this study, also reflects cultural dynamics. In collectivist societies, fairness perceptions are not purely individual; instead, they are influenced by relational and social considerations (Sun et al. 2024). When employees perceive equity across peer groups, trust and ethical cohesion strengthen. This is a cultural layer that amplifies the fairness–ethics relationship by embedding justice perceptions within social identity and community belonging.

This interpretation is supported by comparative research. For example, Luo et al. (2021) found that Chinese financial advisers were more compliant with ethics under team-based and fairness-oriented incentive structures, while Habel et al. (2020) reported similar findings across European contexts characterised by high levels of procedural transparency. Consistency in findings across geographies emphasises fairness as a universal ethical mediator shaped by contextual nuances.

Fairness and psychological safety

Another explanatory mechanism that may underpin how fairness relates to ethics is psychological safety, which is defined as a belief that one can act honestly without facing any negative consequences (Ross et al., 2022). Fair treatment strengthens this perception and would encourage advisers to report unethical practices or resist customer misrepresentation pressures. Fairness perceptions were positively related in the current study to the respondents' willingness to disclose ethical concerns; hence, the transparency of incentive structures was seen to create a psychologically safe ethical climate.

This result is in line with the arguments of Wirtz et al. (2023), who said that in service organisations, sustainable customer relationships are achieved when workers experience psychological safety based on perceived fairness. Fairness, therefore, acts not only as a cognitive mediator but also as an emotional buffer in sustaining ethical decision-making under sales pressure.

6.2.2.4 Contradictory findings and alternative interpretations

Although much of the empirical evidence emphasises fairness as a positive mediator, some studies suggest there may be limitations or contextual reversals. For example, Habel et al. (2020) observed that high levels of emphasis on fairness metrics can have the unintended consequence of making people complacent and less proactively ethical once they feel overprotected by procedural equity. Chen et al. (2020) further showed that employees at times exploit fairness rhetoric to justify putting forth less effort, which they referred to as “equity shirking.” These divergent findings are an indication that fairness mechanisms need to be balanced against accountability frameworks. In this study, perceptions of fairness fostered ethics partially due to organisations adopting equitable rewards and monitoring compliance simultaneously. Fairness, therefore, is just one attribute; it might not guarantee ethical conduct but functions optimally along with consistent enforcement and value-based leadership (Wang et al., 2022).

Another consideration is the possibility of reverse causality: ethical organisations might just design fairer incentive systems, and fairness perceptions would thus be a result rather than a mediator. While the cross-sectional design limits causal inference, statistical controls for firm type and tenure lower this bias. In any case, longitudinal studies provide clearer temporal precedence.

6.2.2.5 Integration with the broader ethical and sustainability literature

The mediating role of fairness also consolidates into broader discourses on corporate ethics and sustainability. Ethical fairness has increasingly been recognised as a part of corporate social responsibility, or CSR. Fair reward systems sustainably add to internal governance, reinforcing both social and economic sustainability (Wang et al., 2022).

Empirical studies in the service and financial sectors have identified fairness as not only enhancing employee ethics but also strengthening trust among customers, important in long-term sustainability. Wirtz et al. (2023) note that perceptions of fairness form a critical influence in transacting monetary reward structures into sustainable and ethical sales mechanisms.

Furthermore, the findings are consistent with institutional economics views emphasising fairness as a mechanism for building trust in exchanges and hence reducing transaction costs in service exchanges. According to Ross et al. (2022), fairness-based governance mechanisms offer dual benefits: ethical stability and competitive advantage.

6.2.2.6 Theoretical refinement and model extension

Fairness confirmed as a mediator enriches the theoretical framework of this study in several ways:

- **Agency Theory extension**

While Traditional Agency Theory focuses on control and monitoring to reduce opportunism, this study proposes fairness as a relational control mechanism, a softer governance approach that aligns agent behaviour with the goals of the principal not through the threat of external enforcement but through moral legitimacy.

- **Integration with Expectancy Theory**

Fairness addresses that gap between expectancy-effort-reward linkage and ethical intention through making the reward pathway perceived as morally just, which in turn reinforces the motivational salience of ethics in performance systems (Alavi et al., 2022)

- **Enhancement of Self-Determination Theory**

The mediating role of fairness supports the proposition that external rewards can be internalised when perceived as autonomy-supportive and competence-enhancing, providing an empirical counterpoint to claims that extrinsic incentives inherently erode intrinsic motivation.

- **Proposed Conceptual extension**

The findings of the study indicate a "Fairness–Ethics Integration Model" in which fairness acts both as a cognitive and affective mediator that translates structural incentives into ethical outcomes. This model underlines fairness as the mechanism through which extrinsic motivators sustain intrinsic ethical orientation over time.

6.2.2.7 Practical implications

From a managerial perspective, the mediation effect underlines the need for fairness-based incentive design. Insurance organisations should emphasise a principle of transparency about goal setting, distribution of rewards, as well as open communication regarding evaluation performance. Training programs regarding the principles of managers can further reinforce ethical climates (Kaur & Chahal, 2022). Fairness audits, or periodic examinations of reward processes and employee perceptions, would help avert ethical violations by the early detection of misalignments. Making indicators of fairness part of performance dashboards would institutionalise justice perceptions and allow for ethical motivation at an individual and organisational level.

6.2.3 Hypothesis 3: The type of incentive structure (commission-based vs. alternative models) affects sales performance, while ethical behaviour positively influences sustainable performance outcomes.

6.2.3.1 Overview of findings

The findings reported in Chapter 5 indicated that ethical behaviour was positively related to sustainable performance outcomes at a level of $\beta = 0.537$ and $p < 0.001$, thus confirming that advisers who exhibit ethical conduct - characterised by honesty and transparency and adherence to the professional code - produce better and more sustained performance outcomes. Although the relationship held well for organisational controls, ethical behaviour explained about 51% of the variance in the sustainable performance indicators assessed through client retention, policy persistence, long-term revenue stability, and incentive structure.

Such results corroborate growing evidence that ethical behaviour is not only a question of compliance but also a strategic asset fostering sustainable organisational performance. According to Kaur & Chahal (2022) and Wirtz et al. (2023), it increases the reputational capital, customer loyalty, and policy renewal rate of an insurance company for which customer trust and long-term relations are needed. The subsequent discussion embeds these findings within the theoretical and empirical matrix and examines the ways in which they support or extend the current scholarship.

6.2.3.2 Theoretical orientation

Expectancy theory and moral efficacy

At the same time, Expectancy Theory (Vroom, 1964) postulates that individuals are most likely to engage in those behaviours they perceive will result in valued outcomes. Thus, ethical performance is likely to be improved when employees perceive that integrity-based actions achieve positive outcomes such as client trust, recognition, and long-term job security. This supposition is supported by the significant positive coefficient in this study which suggests that advisers believe ethical behaviour is right and instrumentally rewarding.

Recent research supports this interpretation. Kiatkawsin and Han (2022) observed that service employees with high moral efficacy-confident in ethical problem-solving-exhibited stronger performance since clients perceived them as trustworthy. Similarly, Luo et al. (2021) found that goal clarity and ethical decision-making jointly predict customer satisfaction in financial service firms. In this way, ethical behaviour becomes an integral part of performance expectancy and further supports sustainable achievement.

Self-Determination Theory perspective

Self-Determination Theory, proposed by Deci and Ryan (2000), offers a motivational explanation of how ethical behaviour furthers sustainable outcomes. According to Self-Determination Theory, intrinsically motivated people, through the internalisation of moral values in guiding actions, are more consistent and produce higher-quality performance compared to those driven by external rewards alone (Deci & Ryan, 2000).

Results of this study show that advisers with higher intrinsic ethical motivation achieve better sustainable performance. This aligns with Szulawski et al. (2021), where intrinsically motivated salespeople were found to exhibit better persistence, customer empathy, and lower burnout. Ethical behaviour, through the satisfaction of the psychological needs of competence, autonomy, and relatedness, fuels the self-sustaining motivation to support long-term productivity.

Additionally, ethical consultants who facilitate deeper, trust-based relations with clients deliver more effective and sustainable sales performance (Wirtz et al., 2023). In this way, ethical behaviour can serve as not just a moral compass but also as a self-determination-based energiser toward sustained effectiveness.

Agency Theory and reputational control

In another context, from an Agency Theory perspective, ethical conduct has been found to reduce agency conflicts between principals-insurers-and agents-advisers. According to Eisenhardt (1989), there are contexts in which incentives tempt behaviour and where ethical norms become self-regulating mechanisms that better align agent behaviour with organisational goals. The present findings confirm that ethical adherence reduces opportunistic risk and enhances firm-level sustainability through reputational trust and compliance stability. Fekete et al. (2021) also showed that within insurance companies, selling agents who adhered to ethical codes were able to improve customer retention and cross-selling ratios to sustain revenue growth. Ethical conduct may, therefore, be seen as a low-cost substitute for governance in the absence of external monitoring, enhancing efficiency and long-term performance, which also stands in correspondence with the developments of Agency Theory regarding relational governance.

6.2.3.3 Empirical evidence from previous studies

Ethics and long-term performance

There is a considerable amount of literature supporting the positive relationship between ethics and performance. Alavi et al. (2022) have found that in service innovation contexts, ethical engagement has improved both financial and non-financial performance indicators. Wang et al. (2022) reported that ethical climate positively influenced sustainable corporate performance across service industries, mediated by employee commitment and customer satisfaction.

Similarly, Kaur and Chahal (2022) established that ethical leadership fosters sustainable sales behaviour in financial services, showing that ethical orientation acts as a long-term performance enabler rather than a short-term constraint. The present study further builds upon those findings by quantifying the magnitude of the direct effect of ethical behaviour on sustainability outcomes within the South African insurance sector, reinforcing the global relevance of linkages between ethics and performance.

Customer trust and relationship continuity

Ethical behaviour enhances sustainable performance primarily through strengthened customer trust, which constitutes a durable performance asset. Wirtz et al. (2023) asserted that service firms create "ethical value propositions" when integrity is central to the core of the customer relationship. Relationships based on trust improve client satisfaction, lower attrition, and increase word-of-mouth referrals major elements of sustainable business performance.

In the present study, a higher ethical behaviour score from advisers was also associated with lower policy lapse rates. This finding is consistent with those of Habel et al. (2020), who show that reductions in deceptive selling due to ethics training are linked to increased customer retention. Ethical behaviour thus contributes to relational capital, transforming moral integrity into measurable business outcomes.

Reduced turnover and organisational commitment

Ethical climates reduce turnover intentions and enhance employee commitment, which in turn contributes to sustainable performance. For example, Luo et al. (2021) and Ross et al. (2022) illustrate how psychological safety and engagement are higher among employees in ethically supportive environments, thus reducing turnover and increasing the probability of increased productivity.

The current results reflect this dynamic: advisers who perceived their organisations as ethically aligned provided higher levels of job satisfaction and commitment, which mediated the ethics-performance relationship. This echoes Braegelmann and Schiller (2023), who found that in insurance firms, incentive systems based on fairness reduced employee turnover while improving ethical compliance and sales persistence.

6.2.3.4 Ethics as part of sustainability

Ethical behaviour plays a positive role in all three dimensions of the Triple Bottom Line - economic, social, and environmental sustainability. On an economic level, ethical conduct ensures the firm is financially viable because customers remain loyal and the reputation of the firm is maintained. Socially, it helps in offering trust among stakeholders and ensures the well-being of its employees. Indirectly, by aligning with sustainable business norms, ethics support environmental responsibility.

Empirical evidence from Wang et al. (2022) and Wirtz et al. (2023) suggests that organisations incorporating ethics into their operational strategy outperform their competitors on sustainability ratings. The results of the present study complement this view by showing that ethics-based sales practices are associated not only with short-term gains in compliance but also with long-term profitability.

6.2.3.5 Contradictions and contextual nuances

While the positive association between ethics and performance is well-supported, some scholars report contextual contingencies that complicate this relationship. Chen et al. (2020) found that in environments with excessive regulatory scrutiny, employees sometimes engage in surface ethics-compliance motivated by fear rather than conviction-which may temporarily boost compliance metrics but not true sustainability.
By contrast, the results of the current study suggest that the internalisation of ethical values is genuine, given the strong association between ethics and performance remained robust even after accounting for external monitoring and regulation. This supports Self-Determination Theory’s claim that authentic, internalised ethics yield more stable outcomes than externally enforced behaviour (Deci & Ryan, 2000).

Another nuance is temporal horizon: short-term financial performance sometimes seems to benefit from opportunistic behaviour, but longer-term, unethical practices undermine trust and result in volatility in performance. Works by Fekete et al. (2021) and Habel et al. (2020) showed that while unethical selling increases sales initially, it also raises cancellations and reputational loss later on. The sustained positive ethics–performance link in this study confirms that integrity yields compounding benefits across time.

6.2.3.6 Sectoral insights: the insurance industry

The insurance industry indeed has a unique context wherein ethical behaviour cannot be separated from business sustainability. Policies are intangible, long-term promises of monetary security; therefore, clients' trust lies at the heart of value creation. The empirical results also reflected this structural dependence: those advisers who focused on honest disclosure and suitability matching reported better persistency ratios and repeat business.

Braegelmann and Schiller (2023) also observed similar trends in the German market: both commission caps and ethical selling guidelines were associated with better long-term premium growth. These parallels indicate that convergence across markets implies ethical behaviour in financial advisory roles, equating both to moral necessity and economic rationality.

In emerging markets, such as South Africa, where insurance penetration is still increasing, ethical behaviour also supports the legitimacy of the industry. Kaur and Chahal (2022) noted that ethical sales practices enhance institutional trust and consumer confidence in the financial system. Therefore, the present study further substantiates the view that ethical behaviour serves as an institutional stabiliser, essential for sustainable sectoral growth.

6.2.3.7 Integration with quantitative results

Chapter 5's regression model showed that ethical behaviour explained a significant proportion of the variance in sustainable performance, at 0.51 R^2. SEM further established that ethics had a significant impact on the financial dimension of sustainability, represented by the attainment of the sales target, and the non-financial dimensions, as expressed through customer satisfaction and retention.

This quantitative evidence complements theoretical expectations that ethics functions as a multidimensional performance driver. The indications are that ethical behaviour enhances efficiency through reduced wrong selling, effectiveness through customer retention, and stability through reduced reputational risk. Such empirical patterns support Wirtz et al. (2023) and Wang et al. (2022), who identify that ethics-driven cultures perform better on longer-term metrics even during periods when sales growth has slowed.

6.2.3.8 Cultural and ethical climate effects

Ethical behaviour's influence on performance is also contingent on organisational ethical climate. Luo et al. (2021) argued that shared moral norms create collective efficacy, amplifying individual ethical effects. This is supported in the current study through aggregated findings showing higher levels of performance where advisers reported stronger ethical norms.

In the South African context, where insurance is concerned, this ethics–performance link is further bolstered by cultural values that enforce shared moral responsibility. But this also means that unethical norms, once normalised, can swiftly diffuse through teams, making the case for ethical leadership all the more compelling in a process of consistent value communication.

6.2.3.9 Theoretical contributions

- **Extension of Expectancy Theory**

In essence, the study extends Expectancy Theory by incorporating ethical behaviour as an intrinsic expectancy variable: employees expect the practice of ethical conduct itself to yield desirable outcomes such as client trust and professional recognition.

- **Integration with Self-Determination Theory**

This would support Self-Determination Theory, insofar as internalised ethical motivation results in superior performance that will also be more sustainable, independent of external control mechanisms.

- **Reinterpretation of Agency Theory**

Ethical behaviour is an endogenous control system that aligns agent-principal interests and, hence, decreases reliance on costly external monitoring.

- **Contribution to Sustainability Theory**

It provides empirical proof that ethical conduct is the foundation of economic and social sustainability, promoting theoretical integration between ethics and the frameworks of corporate sustainability.

6.2.3.10 Practical and managerial implications

The managerial implication of the strong ethical-performance linkage is that investment in ethics is a strategic imperative. Insurance firms should:

- Embed ethics-based key performance indicators in the evaluation system.
- Include ethics and compliance training in performance development programmes.
- Recognise and reward employees exhibiting ethical selling behaviour to reinforce positive norms.
- Design customer-feedback-linked incentives to appropriately align sales outcomes with long-term client satisfaction.

These kinds of interventions are also consistent with the recommendations of Alavi et al. (2022) and Wirtz et al. (2023) for an ethics-based approach within performance measurement frameworks for better organisational sustainability.

6.2.4 Hypothesis 4 - Ethical sales practices moderate the relationship between incentives, sales targets and quotas, the type of incentive structure, and sales performance.

6.2.4.1 Overview of findings

The results in Chapter 5 showed that ethical behaviour significantly moderates the association between incentive structure and overall performance (interaction $\beta = 0.318$, $p < 0.001$). That is, the incentive system's positive effect on sales and non-sales performance indicators becomes much stronger when advisers show higher levels of ethical behaviour; the opposite holds for low-ethics contexts, where incentives either fail to attain motivational effectiveness or sometimes even induce counter-productive behaviours.

These results suggest that ethical behaviour is a contextual amplifier that determines whether financial incentives translate into sustainable performance improvements. Ethical behaviour, therefore, translates extrinsic motivators into value-consistent action, in a way that ensures incentive-driven productivity that does not erode long-term organisational credibility and client trust.

This moderating dynamic builds on the conceptual linkages between Agency Theory, Self-Determination Theory, and Expectancy Theory by providing an integrative understanding of how moral orientation conditions the efficacy of incentive systems.

6.2.4.2 Theoretical interpretation

Agency Theory and ethical governance

Traditional Agency Theory (Eisenhardt, 1989) suggests that incentive contracts align agent behaviour with principal goals by mitigating self-interest. However, when ethical standards are weak, monetary incentives can exacerbate rather than control opportunism. The moderating effect here suggests that ethics act as an internal governance mechanism constraining opportunism and channelling incentive-driven effort toward legitimate, value-creating activities.

Recent empirical work supports this refinement. First, Habel et al. (2020) showed that salespeople with a strong ethical orientation respond to incentives by increasing customer satisfaction and retention, whereas low-ethics employees manipulate the metrics for personal gain. Second, Alavi et al. (2022) found that ethical framing in incentive communication reduced dysfunctional sales competition and improved innovation outcomes. The current findings extend these results by quantifying ethics as a boundary condition defining the success of performance-linked pay.

Therefore, ethical conduct turns Agency Theory's logic from a logic of mere control to a logic of moral self-regulation that decreases monitoring costs, thereby increasing organisational efficiency (Cropanzano et al., 2022).

Self-Determination Theory and moral internalisation

Within the Self-Determination Theory framework (Deci & Ryan, 2000), the continuum of motivation runs from controlled (externally driven) to autonomous (internally endorsed). Employees who internalise ethical values experience that rewards are not used as a coercive means but given as supportive acknowledgments of competence and fairness. The rewards are internalised to bring forth sustained and genuine performance (Szulawski et al., 2021).

In the present study, high-ethics advisers sustained high performance even in the presence of moderate incentive pressure, while low-ethics advisers demonstrated volatility in performance, reflecting over-reliance on extrinsic triggers. This supports the finding that ethics moderate the reward–effort relationship in guaranteeing motivational stability through internalised moral commitment. Kiatkawsin and Han (2022) arrived at a similar conclusion when they observed that service employees whose moral regulation is autonomous translate rewards into prosocial behaviour that enhances service quality. Ethical behaviour secures the motivational function of incentives and does not allow the erosion of intrinsic motivation - a necessary condition for sustainable performance according to Alavi et al. (2022).

Expectancy Theory and cognitive framing

According to the Expectancy Theory proposed by Vroom (1964), motivation depends on perceived effort-reward contingencies (expectancy), reward-outcome value (instrumentality), and desirability of outcomes (valence). Ethical orientation modifies these cognitive appraisals: employees high in ethics perceive performance-reward linkages through a moral lens, valuing legitimate success and reputational integrity more highly than short-term financial gains. In other words, ethical employees interpret incentives as confirmation of good behaviour while unethical employees may narrowly focus on monetary outcomes.

The moderation uncovered here thus reveals a differential cognition process: ethics influence how incentives are perceived and hence their subsequent influence on performance. Empirical parallels exist in Luo et al. (2021), who revealed that sales target pressure increased unethical selling only when ethical commitment was weak, whereas strong ethical orientation converted target pressure into constructive motivation. This aligns directly with the current results.

6.2.4.3 Empirical support and comparative analysis

Positive moderation of ethics on incentive–performance link

The moderating pattern observed is consistent with international evidence. Fekete et al. (2021) reported that in the Hungarian insurance sector, incentive intensity enhanced sales performance only under strong ethical climates. Kaur and Chahal (2022) similarly found that ethical leadership amplified the positive effect of performance bonuses on sustainable sales behaviour in Indian financial institutions.

Taken together, these findings show that ethical behaviour amplifies the functional power of incentives by improving psychological safety, client orientation, and compliance awareness. It suggests a synergistic relationship wherein incentives prompt effort, ethics directs that effort responsibly, and the combination yields superior outcomes.

Boundary conditions and cultural context

This interaction is further moderated by cultural and institutional environments. In certain contexts, ethical norms are strengthened by social accountability and peer monitoring. For the respondents of the present study operating in team-based branches, a mutual moral oversight might have bolstered the ethics-incentive synergy.

In contrast, in an individualistic context, extreme competition could slacken ethical constraints, which may weaken the moderating effect. Braegelmann and Schiller (2023) found that, in European insurance markets, commission caps rebalanced by externally enforcing ethical balance where intrinsic moderation was lacking. Thus, cultural and regulatory factors interact with ethical behaviour to shape the outcomes of incentives.

6.2.4.4 Mechanisms explaining the moderation

- **Trust and customer orientation**

Ethical advisers translate incentives into trustworthy actions, elevating quality in relationships and repeat sales. When ethics are absent, the same incentives could engender manipulative selling, undermining long-term performance.

- **Moral self-efficacy**

Workers who are confident in their ethical capabilities manage goal-achievement pressure more effectively. Ross et al. (2022) found that moral self-efficacy buffered stress from aggressive sales targets. The current findings echo this dynamic: ethical behaviour provides resilience that sustains performance under incentive pressure.

- **Reduced cognitive dissonance**

When incentives are aligned with ethics, it minimises moral conflict, and employees can pursue goals without psychological strain. Reduced dissonance thus directly equates to higher focus and productivity.

- **Reputational motivation**

Ethical advisers give importance to long-term professional reputation. Incentives, which are perceived as opportunities to reinforce credibility, motivate extra effort in enhancing sustainable performance results (Wang et al., 2022).

6.2.4.5 Contradictory evidence and nuanced findings

Not all studies confirm a uniformly positive moderation. For example, Habel et al. (2020) showed that under incentive competition that is extreme, even highly ethical employees sometimes experience temporary weakening of the moderating buffer as a result of "ethical fatigue." Similarly, Chen et al. (2020) found that employees with rigid moral identities sometimes disengage when incentives seem misaligned with ethical principles, thus lowering motivation.

However, such effects seem context-specific. In the present data set, fair incentives and ethical framing likely avoided ethical fatigue; thus, ethics could support and not undermine performance. This supports the notion of Cropanzano et al. (2022) that fairness and ethics together create moral equilibrium within incentive systems. Therefore, the positive moderation observed here does not imply that ethics immunise organisations against all incentive distortions; rather, they increase system resilience within reasonable incentive intensity.

6.2.4.6 Quantitative validation

The structural-equation model indicated that the slope of the incentive–performance path steepened at higher levels of ethical behaviour. Simple-slope analysis indicated that at +1 SD ethics, the incentive–performance coefficient was 0.58 ($p < 0.001$), whereas at −1 SD it declined to 0.19 ($p = 0.041$). This quantitative evidence supports that ethics significantly strengthens the motivational utility of incentives. Such numerical confirmation parallels Wirtz et al. (2023), who recorded a similar pattern of differential slope in service organisations. Therefore, ethics functions both as a statistical and behavioural moderator-a fact that corroborates Alavi et al. (2022), who saw moderation as the test of contextual conditionality in explanatory studies.

6.2.4.7 Integration with broader ethical-performance discourse

The moderating role of ethics also resonates with the broader corporate sustainability literature. For instance, Wang et al. (2022) have argued that an ethical climate can change instrumental profit motives into socially responsible innovation. By analogy, ethical employees transform incentive pursuit into sustainable value creation.

Furthermore, the moderation corresponds to the concept of shared value by Porter and Kramer (2019), where financial incentives are successful only when they yield simultaneous social benefit. Ethical behaviour ensures alignment through filtering out exploitative practices, thus reconciling profit with purpose.

6.2.4.8 Theoretical refinement

- **Revisiting Agency Theory**

The incorporation of ethics transforms Agency Theory into a dual-control model that melds extrinsic contracts with intrinsic moral governance. This lowers monitoring costs while strengthening principal–agent alignment (Eisenhardt, 1989).

- **Extending Self-Determination Theory**

Ethical behaviour represents the internalisation pathway through which external rewards become self-endorsed. This explains why incentives yield durable rather than transient motivation among ethical employees (Deci & Ryan, 2000).

- **Integrating organisational justice**

Fairness perceptions strengthen the ethics-incentive synergy by ensuring procedural legitimacy. In support of current findings, Cropanzano et al. (2022) show that justice climates magnify ethical influence on performance.

- **Developing a moral amplification model**

Evidence from this study supports a conceptual "Moral Amplification Model," where ethical behaviour amplifies the effect of extrinsic motivators on performance through trust, fairness, and intrinsic alignment.

6.2.4.9 Practical implications

From a managerial perspective, recognising ethics as a performance moderator yields several actionable insights:

- **Ethics screening and training:** Recruit and develop employees with demonstrated ethical orientation to ensure incentives yield desired outcomes.
- **Ethics-aligned incentive design:** Make bonuses contingent not only on sales but also on ethical compliance metrics; this creates dual accountability.
- **Leadership role modelling:** Ethical leadership comes with strengthened collective moral norms, which, in turn, enhance individual moderation effects.
- **Monitoring for ethical fatigue:** Establish feedback systems that signal when high incentive pressure is starting to undermine ethical resilience.
- **Transparency and communication:** Continuous explanation of how incentives reflect ethical and organisational values is necessary for ensuring alignment between motivation and morality.

These measures, if implemented, can turn incentive systems from transactional mechanisms to integrative frameworks for sustainable performance.

6.2.4.10 Limitations and future directions

Though the moderating role of ethics finds empirical support, there are some limitations that deserve consideration. The cross-sectional design precludes causal inference. Longitudinal studies would trace how ethics evolve to be more moderating over time. The study relies on self-reported ethical measures. The results might include social-desirability bias. Combining behavioural ethics audits with validation through client feedback is possible for future research. Such multi-level moderation, where branch-level ethical climate interacts with individual ethics, might create richer insight into collective moral dynamics. Comparative studies across sectors would test whether this generalises beyond insurance services to other high-pressure industries.

6.2.5 Hypothesis 5: Perceived fairness and transparency in incentive systems, alongside value-based incentive models, positively impact employee motivation, ethical compliance, and sustainable performance outcomes.

6.2.5.1 Overview of findings

Chapter 5 revealed that value-based incentive systems made a significant positive influence on both ethical compliance ($\beta = 0.489$, $p < 0.001$) and sustainable performance results ($\beta = 0.512$, $p < 0.001$). Value-based systems, including client satisfaction, service quality, and ethical conduct measures, while replacing traditional commission-driven systems, were found to produce higher levels of integrity, fairness, and long-term productivity.

These findings confirm the hypothesis that aligning incentive structures with core organisational values provides not only a moral but also an economic benefit. Rewards based on values seem to turn short-term, target-oriented motivation into broader ethical commitment and sustainability-oriented performance.

The findings further reinforce a growing shift in organisational scholarship and practice away from purely transactional incentive systems toward value-integrated compensation frameworks (Kaur & Chahal, 2022; Wirtz et al., 2023). The empirical evidence is interpreted here through the lenses of Agency Theory, Self-Determination Theory, and Stakeholder Theory, comparing the findings with international empirical research.

6.2.5.2 Theoretical context and interpretation

Agency Theory and moral contractualism

Traditional Agency Theory (Eisenhardt, 1989) assumes monetary incentives align agent effort with principal goals, but this alignment often fails when agents pursue self-interest at the expense of ethical standards. The present findings support a modified, moralised Agency framework in which value-based incentives replace narrow financial targets with multidimensional performance indicators encompassing ethical compliance and client well-being.

Incentives of this sort extend the agent's perceived responsibility from simple sales achievement to fiduciary stewardship, creating moral as well as financial accountability. Alavi et al. (2022) argued that this transition represents a shift from instrumental contracts to relational contracts, in which trust, fairness, and shared values replace constant monitoring as the dominant control mechanism.

The data here validate that view. Where incentives included non-financial indicators, such as ethical sales and customer satisfaction, financial advisers exhibited improved results. Thus, the evidence supports the idea that value-based systems are governance mechanisms which encourage ethical congruence and sustainable performance.

Self-Determination Theory and value internalisation

Self-Determination Theory provides an explanatory model of how value-based incentives foster ethical and sustainable behaviour. Self-Determination Theory postulates that the quality of motivation will improve when external rewards are integrated with intrinsic values. Value-based incentives satisfy advisers' needs for autonomy, competence, and relatedness, thus encouraging authentic moral engagement rather than superficial compliance.

Szulawski et al. (2021) showed that sales incentives based on the recognition of social contribution and service quality produce intrinsic satisfaction that is long-lasting in driving motivation. Parallel with this mechanism, financial advisers working under a value-based system showed higher job satisfaction, higher intrinsic motivation, and a stronger sense of purpose in the present study.

Value-based incentives signal not just pay for performance but moral validation, building a virtuous circle where ethical acts reinforce intrinsic motivation, which in turn sustains high-quality performance.

Stakeholder and sustainability theories

Following Freeman (1984), from the perspective of Stakeholder Theory, value-based incentives widen accountability beyond shareholders to include clients, employees, and society. The findings show that reward systems that embed ethics criteria of compliance lead to stakeholder-balanced decision making that aligns the success of an organisation with social welfare. Indeed, Wang et al. (2022) revealed that companies that integrated ethics and sustainability metrics into employee performance evaluations scored high on reputational ratings and customer trust. Similarly, Wirtz et al. (2023) noted that "ethical value propositions" in service organisations were associated with better brand equity and financial stability.

The present study provides empirical support for these findings; financial advisers motivated by value-based measures create more customer satisfaction and policy persistency, both considered critical markers of sustainable organisational performance. Thus, the data supports a stakeholder-based performance model that makes ethical behaviour a measurable dimension of success, while incentives become instruments of moral integration.

6.2.5.3 Empirical validation and comparison studies

Value-based versus transactional incentive systems

This is consistent with recent empirical evidence, which has shown that value-based incentives are superior to commission-based systems. Using an experiment, Habel et al. (2020) found that purely transactional commissions increased unethical selling and short-termism, while balanced systems with ethical metrics reduced misconduct by 28%. Fekete et al. 2021 reported that insurance agents operating under the blended incentive models that combined sales with quality indicators achieved more stable long-term income streams. In the same vein, Braegelmann and Schiller (2023) found that moves by European regulators toward commission caps and value-based remuneration reduced the instances of mis-selling and improved trust.

The present study extends these insights by quantifying the dual effect-ethical compliance and sustainable performance-within the South African insurance sector, suggesting that value-based remuneration aligns employee incentives with organisational longevity.

6.2.5.4 Mechanisms of ethical compliance

Incentives for value improve ethical compliance on several levels:

- **Moral salience:** Explicitly relating rewards to ethics maintains moral standards in a more cognitively active state and reduces the rationalisation of unethical acts.
- **Reputational motivation:** Advisers view ethical compliance as a means of achieving professional recognition and promotion.
- **Procedural fairness:** Value-based indicators are indeed perceived to be fair and legitimate by the employees when applied in a transparent manner. This further helps reinforce moral engagement among them (Cropanzano et al., 2022).
- **Reduced goal conflict:** Value-based systems lessen tensions between profit motives and ethical duties through metrics that can be integrated into decision-making.

This interpretation supports the findings of Kiatkawsin and Han (2022), who reported that transparent, ethically weighted incentive designs enhanced service quality and minimised moral disengagement in hospitality contexts.

6.2.5.5 Sustainable performance pathways

The findings also confirm that value-based incentives influence sustainable performance through multiple pathways:

- **Customer-oriented behaviour:** Consultants who put the client first express satisfaction and policy renewal rates that are higher (Wirtz et al., 2023).
- **Reduced turnover:** Ethical and meaningful motives improve employee commitment and reduce turnover intention (Ross et al., 2022).
- **Reputational capital:** Ethical observance enhances brand reputation, which in turn leads to long-term market share growth.
- **Innovation and service excellence:** Value-oriented metrics inspire creative, customer-centred problem solving (Alavi et al., 2022).

Together, these mechanisms confirm the hypothesis that value-based incentives create multidimensional sustainability benefits: financial, relational, and ethical.

6.2.5.6 Cross-cultural and institutional dimensions

The South African insurance context provides a telling example of the adoption of value-based systems. High competition and inadequately stringent regulatory oversight often foster aggressive sales practices in emerging economies. However, firms embracing value-based incentives nurture trust and institutional credibility, differentiating themselves by their ethical reliability.

Comparative studies support this. Luo et al. (2021) showed, in the context of Chinese financial services, that the inclusion of customer-satisfaction bonuses leads to increased ethical awareness and compliance. Similarly, the movement of European regulators toward "fair remuneration principles" reflects an international convergence on the need for value-integrated incentive governance (FCA, 2023). Therefore, the current findings add to a growing global evidence base that highlights how integrating ethical metrics into incentive frameworks yields better and more sustainable performance outcomes across different institutional contexts.

6.2.5.7 Contradictory evidence and nuances

Although the value-based systems are strongly supported by most evidence, some studies do note possible trade-offs. Habel et al. (2020) warned that too many non-financial evaluation criteria might dilute sales motivation or cause ambiguity about performance expectations. Chen et al. (2020) also note that ethical auditing will result in defensive compliance, as opposed to genuine moral engagement, if it is applied punitively.

However, the present findings show that when perceived as being fair and developmental rather than punitive, the value-based systems enhance rather than constrain motivation. This supports the contention of Cropanzano et al. (2022) that fairness perception mediates the success of ethical governance tools. Hence, the efficacy of value-based incentives is contingent not only upon their design but also upon their communication, managerial integrity, and perceived justice within the organisation.

6.2.5.8 Integration with quantitative evidence

Accordingly, the results of SEM indicated that value-based incentives have a strong direct effect on ethical compliance and performance, controlling for different variables.

The combined model explained around 58% of the variance in sustainable performance outcomes, revealing robust predictive power for value-integrated reward frameworks.

The positive coefficients confirm the theoretical expectations of how ethical orientation amplifies performance through aligned motivation and relational trust. Moreover, the test for mediation suggested that ethical compliance partially mediates the influence of value-based incentives on performance—meaning ethics are both a pathway and an outcome of such systems.

This dual role underlines the circularity of ethical performance: value-based incentives encourage ethical behaviour, and the latter sustains superior performance in a self-validating, reinforcing ethics–performance loop.

6.2.5.9 Conceptual contributions

- **Refinement of Agency Theory**

Introduces the concept of moral contracting in governance, where incentives overtly include ethical obligations that mitigate agency risk.

- **Extension of Self-Determination Theory**

It shows that value-based rewards from outside may enhance intrinsic motivation when those rewards address moral and professional values.

- **Integration with Stakeholder and Sustainability Theory**

Empirically validates that ethics-oriented incentives help in triple-bottom-line sustainability by balancing the financial, social, and reputational goals.

- **Model proposition**

The findings of the study support a Value–Ethics–Sustainability Model (VES Model), according to which value-based incentives drive ethical compliance (cognitive–behavioural) and sustainable performance (organisational–relational) through motivational and fairness pathways.

6.2.5.10 Practical and policy implications

The findings have important implications for both managerial practice and industry policy:

- **Incentive system design:** Organisations should integrate ethical performance metrics, such as customer satisfaction, compliance scores, and complaint resolution quality, into performance reviews.
- **Balanced scorecards:** include value-based KPIs, which ensure that the motivation of employees is fully aligned with long-term organisational values.
- **Ethical leadership:** Managers must model and reward ethical conduct; they should ensure consistency between communicated and practised values.
- **Regulatory frameworks:** Policymakers are encouraged or should eventually compel value-linked remuneration in the financial services industry to avoid misconduct and ensure consumer protection.
- **Training and internal communication:** Regular workshops on ethics will help in reinforcing an understanding of value-linked incentives and ensure internalisation rather than compliance-based adherence.

The interventions together institutionalise ethical compliance and sustainability in organisational culture and reduce reliance on external mechanisms for enforcement.

6.2.5.11 Limitations and future research directions

Although these findings strongly support H5, several limitations suggest avenues for further investigation. Causal inference is limited by the cross-sectional data; longitudinal designs could assess how shifts from transactional to value-based systems are related to performance changes over time. Qualitative insights from employees and clients could add depth to the understanding of perceptions of fairness and motivational dynamics.

Future research should also test the VES model across other service sectors, like banking and telecommunications, where value-based incentives are emerging. Comparative analyses across cultural contexts could further establish the generalisability of these findings and help inform global incentive design practices.

6.3 Policy implications and recommendations

These findings have profound significance for policymakers, regulatory agencies, and professional institutions in developing better ethical governance, accountability, and sustainability in the financial services industry. The study established that value-based incentive systems, in which ethical compliance and fairness metrics are explicitly embedded within remuneration frameworks, significantly enhance ethical behaviour and sustainable performance outcomes.

In light of repeated ethical and regulatory shortcomings within finance and insurance around the world, these findings form a strong empirical case for incentive-related policy revisions. Policy recommendations in this section aims to reduce the discrepancy between the academic evidence and the institutional practice of aligning incentive regulation with the higher-order objectives of financial stability, consumer protection, and sustainable development.

6.4 Regulatory reforms in incentive governance

6.4.1 Institutionalising value-based remuneration principles

The first and most direct policy implication concerns incorporating the principles of value-based remuneration into the statutory frameworks governing financial services. Regulators like the FSCA should make it compulsory for incentive systems to transparently introduce ethical and compliance parameters in addition to traditional performance metrics.

For instance, remuneration structures might include minimum ethical compliance thresholds or "ethical performance scorecards" as preconditions for receiving a bonus. This is in line with international best practice recommendations made by the European Insurance and Occupational Pensions Authority (EIOPA, 2025) and the Financial Conduct Authority (FCA, 2023) in the UK, which call for balanced scorecards that attach remuneration to both conduct and performance (Braegelmann & Schiller, 2023).

These frameworks reduce short-term profit-chasing and embed long-term value creation as a regulatory norm. By linking pay to ethical outcomes, regulators effectively operationalise the principles of ethical capitalism, ensuring that financial success is inseparable from integrity and stakeholder welfare.

6.4.2 Imposing ethical disclosure and transparency

To reinforce market discipline, regulators should make the incentives design framework and aggregate ethical performance data publicly available. Firms could be required to publish annual "ethical remuneration reports" on:

- The percentage of incentives tied to non-financial metrics;
- Ethical breach statistics and corrective actions; and
- Ethics and compliance training hours by employees.

This level of transparency holds actors accountable, opens up such matters to stakeholder scrutiny, and builds reputational incentives for ethics (Wirtz et al., 2023). Parallel disclosure models have been successful in the UK’s “Senior Managers and Certification Regime” to encourage proactive governance and ethical benchmarking.

6.4.3 Regulatory oversight and audit mechanisms

Value-based remuneration should be subject to scrutiny from regulators through the establishment of Ethical Governance Auditing Units. They would carry out periodic audits of incentive systems on the basis of indicators such as sales–complaint ratios, compliance adherence, and customer trust indices. Non-compliance could trigger graduated penalties, which range from mandatory reform plans to suspension of variable pay privileges. Simultaneously, regulators could reward high-performing ethical organisations with public recognition schemes or reduced intensity in monitoring, thereby institutionalising rewards for positive reinforcement

6.5 Standardisation and industry guidelines

6.5.1 Development of ethical incentive standards

Industry associations like the FSCA must come together to agree upon common guidelines applicable across the sector. These guidelines should define the minimum benchmarks for incorporating principles of fairness, transparency, and sustainability indicators into reward systems.

The adoption of a unified framework ensures a level of uniformity and comparability, thus reducing regulatory arbitrage between firms. Standardisation also facilitates compliance auditing and enhances the credibility of industry players before consumers and investors.

6.5.2 Creating "Ethics-by-Design" certification

This could be fostered through the introduction of an Ethics-by-Design certification program, enabling firms to voluntarily adhere to incentive policies that meet ethical standards. This certification, provided by regulators and professional bodies together, would serve a similar purpose to ISO quality standards by signalling responsibility in remuneration. Certified organisations would, therefore, stand to receive regulatory incentives in the nature of faster approvals or preferential public procurement eligibility, thereby linking ethical performance to tangible business advantages.

6.5.3 Developing sectoral ethics scorecards

Policymakers should work with industry councils to publish sector-wide ethics scorecards that benchmark organisations on such dimensions as ethical compliance rates, perception of fairness surveys, and customer satisfaction indices. Such scorecards make comparative data available that encourage firms to achieve better ethical performance; in return, this rewards transparency. This system fosters competitive ethics, turning moral responsibility into a strategic differentiator (Wang et al., 2022).

6.6 Professional accreditation and capacity development

6.6.1 Incorporating ethics into licensing and accreditation

Professional licensing bodies should incorporate ethics as one of the important bases for professional certification and recertification. For instance, financial advisers, brokers, and agents must undergo an ethics certification program on a regular basis that is validated by regulating authorities.

This, in turn, will help make sure that professional competency includes moral literacy, thus filling one of the most significant behavioural gaps observed in this research: having ethical blindness amidst technical proficiency. Recent research by Ross et al. (2022) reinforces these findings, indicating that ethical fatigue among salespeople can be avoided through structured moral training and value reinforcement.

6.6.2 Developing a national code of ethical incentive practice

There should be a unified National Code of Ethical Incentive Practice that guides managers and remuneration committees. It would provide normative principles — fairness, transparency, proportionality, and sustainability — and set out mechanisms for operationalising them in incentive design.

In formalising these principles, policymakers ensure that ethical performance management becomes institutionalised as a profession, ultimately standardising expectations among both firms and industries.

6.6.3 Building ethical competence in leadership

The introduction of leadership capacity-building programmes should be carried out in collaboration with business schools and regulatory academies. Courses in ethical decision-making, the management of fairness perception, and value-based leadership should equip executives to manage ethical incentive systems.

Embedding such training in executive development curricula institutionalises moral awareness at the top management level, effectively guaranteeing ethical alignment throughout the organisational hierarchy (Deci & Ryan, 2000).

Chapter 7: Conclusion

7.1 Introduction

Chapter 7 provides the final integrative synthesis of the study by drawing together the principal conclusions derived from the discussion in Chapter 6. Whereas the preceding chapters dealt with the conceptual underpinning, empirical relationships, and theoretical implications of incentive systems within the insurance sector, this chapter condenses these into a clear set of overarching conclusions. According to Creswell and Creswell (2023), a conclusion chapter should not reiterate the entire literature or empirical results but rather frame the conceptual insights emanating from the interpretation of those results. In support of this notion, the present chapter frames the findings discussed earlier into broader research outcomes that demonstrate how incentive structures, ethical conduct, and fairness perceptions collectively shape sustainable performance within commission-driven environments.

The chapter is structured in such a way as to preserve conceptual continuity — the “golden thread” — that has guided the study since its inception. Logically derived from the argument in Chapter 6, the conclusions herein arise from the interaction of the variables of the study and the theoretical reasoning previously discussed. In other words, the intention is to emphasise not just what the study found, but what these findings mean for organisational behaviour, for the design of incentive systems, and for the future of ethical sales practice in the insurance industry. According to Saunders et al. (2019), the conclusion section should move the findings beyond descriptive or statistical statements to interpretive insights that carry theoretical and managerial relevance. Accordingly, this chapter favours that approach by emphasising research conclusions rather than a restatement of data patterns.

In this respect, the chapter also sets the study in wider debates on sales compensation, behavioural ethics, and sustainable organisational performance. Indeed, extant scholarship increasingly acknowledges that incentive structures have impacts not only on productivity but also on the ethical climate and relational integrity of service sectors (Armstrong & Taylor, 2020; Fang et al., 2021). As seen from the discussions above, commission-based incentive regimes can yield both positive and negative behavioural consequences, depending on exactly how such regimes interface with advisers' ethical judgment and fairness perceptions. For this reason, the findings here contribute to a burgeoning body of research calling for more balanced, ethically harmonious compensation mechanisms within industries whose core dynamics involve customer trust and long-term relationships.

Besides synthesising conclusions, this chapter highlights the managerial, practical, and policy implications of the research. These have operational consequences for insurance firms trying to redesign their incentive structures in pursuit of sustainable performance and ethical behaviour. As Bailey et al. (2018) note, conclusions in applied organisational research should go beyond theoretical contributions by offering guidance to real-world decision makers. The chapter, therefore, gives specific recommendations based on the conceptual interpretations in Chapter 6.

Lastly, the chapter discusses the limitations of the study and suggests avenues for future research. It is imperative to acknowledge limitations so that findings are interpreted responsibly, while suggesting areas for future research makes sure that contributions are taken further in continuous scholarly debate. Through the integration of conceptual, theoretical, and practical insights into one unified and coherent conclusion on incentive structures and sustainable performance in the insurance sector, this chapter marks the final product of the research process.

7.2 Overall conclusions of the study

The study aimed to explore how incentive structures influence the behaviour, ethical decision-making, and fairness perceptions of financial advisers in the insurance industry, as well as long-term performance outcomes. The conclusions reached in Chapter 6 represent a cohesive set of behavioural, organisational, and ethical dynamics that together determine how advisers respond to commission-driven and hybrid incentive environments. These conclusions provide integrated insight into how short-term incentives create immediate gains but also involve structural vulnerabilities that potentially undermine sustainable organisational growth. As Armstrong and Taylor (2020) underlined, performance systems and reward structures are among the most powerful ways of influencing employee behaviour, and this study confirms their significant impact.

The first overall conclusion is that commission-based incentive systems are extremely effective in motivating short-term sales performance. Financial advisers respond strongly to the direct and immediate nature of commission rewards, consistent with the principles of expectancy and reinforcement, where effort is guided by perceived reward value. This finding is in concert with the broader behavioural literature that indicates financial incentives accelerate effort in contexts where rewards are proximal to output. However, it also finds that such short-term effectiveness carries inherent behavioural risks. Advisers often prioritise rapid sales conversion at the expense of customer needs, leading to transactional interactions that neglect to build customer relationships in the longer term.

A second significant implication is that commission-driven regimes undermine sustainable performance. Discussion indicated that fire-sale patterns, policy lapses, and reduced policy persistency have their roots in pressures embedded within high-intensity commission structures. This is supported by the recognised limitations of incentive systems reliant on high levels of extrinsic motivation, which can crowd out long-term relational practices (Bryman, 2021). Consequently, organisations experience increasing volatility and a reduced capacity for building trusted customer relationships.

A third conclusion centres on the role of ethical behaviour. Ethical adherence emerged as an important mediating mechanism that can help counterbalance the adverse effects of commission pressure. If advisers commit to the standards of honest disclosure, clients-first principles, and responsible selling, the likelihood of mis-selling and fire sales diminishes. This echoes findings from research that proves how ethical climate can moderate the very behavioural distortions brought on by financial incentives (Fang et al., 2021). However, this study takes a different turn by concluding that ethical behaviour does not structurally change how incentive systems work. It improves the outcomes but does not neutralise biases structurally inherent in short-term-oriented commission systems.

The final conclusion is that hybrid or value-based incentive structures offer a more sustainable alternative. These systems combine stable income components with performance-based rewards linked to customer satisfaction, compliance, or retention metrics. It thus observes that the above kinds of balanced systems support long-term relationships and align adviser actions with organisational objectives consistent with strategic human resource perspectives advocating the integration of ethical and relational indicators into reward systems in general (Bailey et al., 2018). Taken together, these findings show that incentives remain crucial motivators of adviser behaviours, but their design must balance productivity in the near term with long-term viability. Ethical conduct, fairness perceptions, and reward models of a hybrid type all play fundamental roles in ensuring that incentive systems do not compromise either organisational stability or customer trust.

7.3 Implications for theory

The results of this research contribute to the theoretical understanding of incentive structures, behavioural ethics, and sustainable performance in financial services environments. This paper integrates notions from Expectancy Theory, Agency Theory, Reinforcement Theory, and Self-Determination Theory and extends established frameworks by showing how these theories interact in complex and commission-driven environments. The theoretical implications speak not only to the dynamics of sales performance and motivation but also to broader organisational behaviour processes shaped by fairness, ethical judgment, and systemic pressure.

A central theoretical implication concerns the application and limitations of Expectancy Theory within high-pressure sales environments. The study confirms that financial advisers demonstrate behaviour consistent with the expectancy-value mechanism in that they exert greater effort when they perceive a strong link between performance and reward, in line with the outcomes of Alavi et al. (2022). However, results show an important nuance. The expectancy mechanism seems temporally constrained-effective mainly for short-term behavioural activation, but not sufficient for promoting long-term, relationally oriented performance.

This nuance expands the interpretation of Expectancy Theory, showing that the strength of expectancy is weakened where reward structures cannot support longer-term goals like policy persistence or ethical client interaction. This thinking is corroborated by recent open-access organisational research that identifies the potential of expectancy-driven motivation to result in narrow goal pursuit where rewards are immediate and tangible (Fang et al., 2021). Thus, this study contributes to an evolving view that there may be a need to balance an expectancy-driven motivational approach with intrinsic and relational motivators to achieve sustainable results.

A second implication follows for Agency Theory, in which it is asserted that incentive structures should align the agent's interests with those of the principal. This study endorses the basic premise of the theory - incentives determine agent behaviour - but it also highlights a major limitation. A commission-based structure does not clear misalignment; rather, this arrangement can exacerbate agent-principal conflict because advisers may pursue personal short-term interests at the expense of long-run organisational health. In doing so, this finding supports calls within open-access scholarship for Agency Theory to be extended, given its simplification of behavioural determinants by not accounting for the ethical and relational dimensions of choice (Bryman, 2021). The study therefore reinforces arguments for the development of broader agency models incorporating behavioural ethics and perceptions of fairness as moderating variables influencing agent alignment.

The present study also makes some significant contributions to the Reinforcement Theory, at least in the context of ethical sales behaviour. Reinforcement Theory traditionally postulates that any form of behaviour is determined by the consequences surrounding it. The findings have established commission payout as one of the strong positive reinforcers for immediate sales behaviour. However, the current study has found that reinforcement mechanisms cannot be explained in isolation from the ethical milieu.

Ethical behaviour turned out to be an influential mediator that shaped the reinforcement mechanisms' internal working process. Where ethical standards are high, advisers are less susceptible to reinforcement-driven distortions such as fire-sale patterns. This is prima facie consistent with behavioural research indicating that reinforcement, when set in performance-oriented environments without ethical safeguards, may lead to dysfunctional behaviours (Fang et al., 2021). Thus, this study adds nuance to document how reinforcement effects are partially contingent upon organisational ethical climate.

Moreover, it extends the use of Self-Determination Theory (SDT) in the explanation of the behaviour of financial advisers. According to SDT, better quality and more ethics in performance are given through intrinsic motivation and the satisfaction of psychological needs, such as perceptions of fairness, autonomy, and competence. The results of this study empirically underpin the theoretical position: those advisers who consider systems of incentives fair and transparent show more ethics and more sustainable performance patterns. These findings complement the research on SDT by showing that fairness is not only an attitudinal outcome but also a structural feature of the incentive system that influences motivational quality. This is in tune with SDT research, which states that fairness and autonomy-supportive systems are essential for ethical performance and its sustainability in the workplace (Armstrong & Taylor, 2020; Bailey et al., 2018).

Another theoretical implication is the recognition that the interrelationships between incentives, ethics, and performance represent a system of multi-layered behavioural determinants rather than isolated causal pathways. The findings indicate that incentive structures shape behaviour directly via reinforcement and indirectly via their impact on perceptions of fairness and through ethical mediation. This systemic interaction resonates with contemporary theoretical movements advocating multi-theory integration to explain complex organisational behaviours (Saunders et al., 2019). In this way, the study contributes to an emergent perspective on organisational behaviour research that incentive effects should be studied through integrated behavioural lenses rather than single-theory models.

Finally, the study has provided theoretical insight into the conceptualisation of sustainable performance as a multi-dimensional behavioural outcome. The findings support a richer conceptualisation of performance that includes behavioural integrity, ethical interactions, and client retention, rather than treating performance as a narrow output measure. This implies a theoretical clarification of the concept of sustainable performance in service settings, proposing that long-term, ethical, and relationship-based components are necessary for performance models to remain relevant in modern practice. This is consistent with literature advocating for broader definitions of performance in complex service environments (Fang et al., 2021).

On aggregate, the theoretical implications reiterate that traditional motivation and agency theories need to be reframed into a context that considers ethical behaviour, perceptions of fairness, and long-term sustainability. This study enhances incentive design theory by showing that behavioural consequences are not simply functions of reward magnitude but result from a complex interaction of psychological, ethical, and organisational forces.

7.4 Managerial and business implications

The conclusions derived from this study highlight numerous critical managerial and business implications for insurance organisations that want to redesign incentive systems, foster ethical behaviour, and promote sustainability in their performance.

As the analysis in Chapter 6 has shown, incentive structures shape almost every dimension of adviser behaviour - from effort and motivation to relationship-building and ethical judgment. For managers, this means incentive design cannot be treated simply as a compensation mechanism but must be understood as a strategic tool with a direct impact on organisational culture, long-term customer trust, and financial stability. This section sets out these implications and gives insight into actionable changes insurance firms could make.

A key implication is that managers have to redesign incentives strategically. Commission-based systems entrench short-term behaviour, which increases sales immediately but at the cost of long-term outcomes. For this reason, managers should implement hybrid or value-based structures that include fixed and variable components. This format retains motivational power through performance-linked bonuses while providing income stability.

Research conducted by Bailey et al. (2018) on strategic human resource management supports such a movement toward more equilibrated compensation systems, because narrowly framed incentives distort behaviour and diminish long-run organisational value. With hybrid systems, managers can dampen fire-sale behaviours, enhance policy persistence, and set up a more sustainable performance culture.

A second implication involves embedding ethical behaviour into performance evaluation and reward systems. Ethical behaviour emerged within this study as a stabilising influence that mitigates negative consequences associated with commission pressure. This places a strong obligation on organisations to provide rewards for not only sales outcomes but also the quality of sales interactions.

Indicators of ethical conduct - such as compliance scores, customer satisfaction measures, complaint ratios, and policy retention rates - should be included on adviser scorecards. This is consistent with arguments from Armstrong and Taylor (2020) that contemporary performance management needs to reflect both behavioural and ethical dimensions rather than being limited to output. In bundling rewards with ethics, advisers learn to appreciate the value of honest disclosure, responsible selling, and building long-term relationships.

Third, the study underlines the managerial relevance of fairness and transparency regarding incentive systems. Perceived fairness, both distributive and procedural, has a direct impact on adviser motivation, commitment, and ethical judgment. When advisers understand how rewards are calculated, feel that targets are fair, and can rely on unbiased evaluations, their intrinsic motivation significantly increases.

This is in line with the implications of the Self-Determination Theory, which underlines the role of perceived fairness and autonomy as a driver of continuous performance (Fang et al., 2021). Therefore, managers need to clearly explain changes in incentive structures, make reward calculations more transparent, and avoid ambiguities that give rise to the perception of manipulation or favouritism.

Another major implication deals with a shift in organisational focus from short-term transactions to long-term customer value. More often, insurance firms reward volume-based behaviour that generates immediate revenue but erodes trust in the long run. For sustainable growth, managers have to weigh customer retention, persistence, and satisfaction heavily in performance scoring.

This strategic shift rhymes with calls in business research for organisations to apply customer-centric metrics that prioritise relationship quality over transactional measures (Cropanzano et al., 2022). Training programmes, coaching frameworks, and CRM tools should then reinforce this shift by equipping advisers with skills for long-term engagement rather than quick conversions.

The study also suggests that managers need to address cultural and psychological risks associated with high-pressure incentive environments. Commission-driven systems may inadvertently encourage unethical practices such as mis-selling, policy twisting, or withholding important information. To counteract this risk, it is crucial for leaders to foster a culture of ethical responsibility through regular ethics workshops, leadership modelling, and enhanced compliance monitoring. Studies in organisational psychology demonstrate that cultures with strong ethical norms constrain misconduct even when financial incentives are strong (Fang et al., 2021). Managers therefore have an important role in reinforcing ethical expectations and ensuring adviser behaviour is aligned with the values of the organisation.

Furthermore, organisations should be open to analytics-based monitoring and data-driven decision-making. As the conclusions of the present study indicate, technological systems in the form of digital dashboards, risk scoring algorithms, and customer behaviour analytics can lead to increased fairness, accuracy, and transparency in reward distribution. Data-driven monitoring of performance minimises potential biases and helps managers detect mis-selling or abnormal churn patterns. Literature draws on the fact that analytics increase the efficacy of incentives by offering real-time visibility into adviser behaviour (Armstrong & Taylor, 2020). By integrating analytics into managing incentives, organisations can develop a properly objective, reliable, and ethically aligned reward system.

Another implication is the need for ongoing professional training of the advisers. The profession needs development to adapt to constantly changing incentive structures and increasingly complex customer expectations. Training should include modules on ethical decision-making, analysis of customer needs, regulatory compliance, and long-term relationship-building. This will reinforce behaviour that underpins sustainable performance rather than short-term sales maximisation.

Finally, the research provides wider business-level implications for organisational competitiveness and industry reputation: firms that rely too heavily on commission-driven mechanisms stand to face customer dissatisfaction, policy lapses, regulatory scrutiny, and reputational damage.

In adopting balanced models of incentives, encouraging ethical conduct of business, and fostering customer-oriented behaviour, businesses can ensure brand trust and long-term profitability. Only in a fiercely competitive insurance market will organisations focusing on sustainable performance acquire a strategic advantage by securing loyal customer bases and reducing volatility.

7.5 Policy implications

The conclusions of the study yield critical insights for policy development at the organisational, industry, and regulatory levels. As was revealed in Chapter 6, sales incentive structures in the insurance sector shape adviser behaviour, ethical decision-making, customer trust, and long-term sustainability. Policy frameworks must therefore address the systemic risks created by commission-driven selling environments while fostering customer-centricity, transparency, and ethics. This section sets out the policy implications arising from the findings and makes a number of actionable recommendations to policymakers, regulators, and industry bodies.

A key policy implication, therefore, exists regarding the need for greater regulatory oversight regarding commission-based sales incentives, given the propensity for such incentives to create short-term, high-pressure selling and to increase the risk of mis-selling. This notion is evidenced by the empirical findings of financial regulation research that poorly designed incentives have a steadfast connection with consumer harm, policy churn, and misconduct alike (FSB, 2018; FCA, 2020). In turn, it becomes the regulator's task to enhance guidelines in respect of limiting excessive sales-based commissions and securing alignment with TCF principles. Any such policy interventions could include commission capping, rigorous disclosure requirements, and enforced suitability assessments for all types of insurance. These would diminish the risk of misaligned incentives and offer further protection for consumer interests.

Another policy implication concerns incentive transparency and mandatory disclosure. The results showed that ambiguity in the rules of incentives and reward calculation is one of the causes of adviser dissatisfaction, perceived unfairness, and ethical lapses. Policymakers should impose requirements on insurance companies to clearly disclose incentive structures to advisers and, where appropriate, to clients. This is also in line with international regulatory directions toward transparency; for example, the Insurance Distribution Directive of the European Union puts a high emphasis on clear communication of remuneration arrangements to prevent conflicts of interest (EIOPA 2021). Transparent disclosure also facilitates informed decisions by customers, enhancing consumer confidence and reducing information asymmetry.

The study further points out that supportive policy interventions are needed, promoting ethical sales behaviour. In this regard, ethical behaviour emerged as a mitigating variable in the potential negative impact of commission pressure on long-term performance. Therefore, policy should require the inclusion of ethical metrics in performance evaluation and remuneration systems. For instance, regulatory bodies may prescribe the inclusion of non-financial indicators (such as complaint ratios, customer satisfaction, policy persistency, and compliance scores) in adviser performance reviews. Studies have underscored that if non-financial measures are integrated into remuneration policies, organisations report fewer incidents of poor conduct and show improved consumer outcomes (Oehmichen et al., 2020). This policy approach will ensure that insurers incentivise ethical behaviour, not just the volume of sales.

A more specific policy implication is the development of industry-wide codes of conduct for incentive governance. This study illustrates that incentive structures need to be balanced, transparent, and ethically aligned to deliver sustainability in organisational performance. Industry associations could therefore adopt standardised codes that would compel insurers to periodically review incentive schemes against risk patterns and ensure ethical alignment. Such codes are already well implemented in other sectors of the financial industry. For instance, several countries' Banking Conduct and Culture

Reform frameworks have placed incentive reform at the heart of mechanisms designed to reduce misconduct risk (FSB, 2018). The application of similar frameworks to the insurance sector would enhance consistent practices and reduce the risk of competitive distortions.

Second, the study recommends policy interventions regarding professional training and certification standards. Because adviser behaviours and ethical judgment are influenced by both incentives and competencies, policymakers should make ethics and compliance training mandatory in professional licensing. The study's findings confirm that trained advisers are in a better position to make ethical decisions, even when external pressures are at their peak. Research in financial ethics corroborates the fact that structured training limits misconduct and consolidates trust between consumers and financial professionals (Boatright, 2019). By embedding such training into licensing requirements, regulators help ensure that advisers possess both technical and ethical competencies.

The research also supports the increased use of digital monitoring tools and data analytics within policy frameworks. Policy guidelines can encourage insurers to use analytics to identify high-risk sales patterns, monitor compliance in real time, and evaluate adviser performance more objectively. Analytics-based supervision has been recommended globally by regulatory bodies as a means to reduce misconduct by identifying anomalies early on (FSB, 2018; FCA, 2020). Including such tools in the regulatory policy would support fair, consistent, and transparent incentive oversight.

Another, broader policy implication is the encouragement of customer-centric business models. As commission-based incentives bias towards transactional rather than relational priorities, regulators should require insurance companies to show that their incentive structures uphold customer welfare. This may extend to mandatory reporting on retention rates, measures on customer satisfaction, and policy sustainability. Recent research makes the case that policy frameworks need to move from a minimal compliance enforcement approach to one focused on the sustainable creation of consumer value (Armstrong & Taylor, 2020). A customer-centric policy focus makes regulation congruent with the ultimate goal of insurance markets: long-term financial security and protection of the consumer.

The study finally suggests a need for periodic auditing and evaluation of policies. Incentive systems evolve along with market dynamics, and static policy may turn ineffective after some time. Regulators can institutionalise methods of regular assessment of incentive risks informed by analytics of market performance and customer complaints or reported patterns of misconduct. This agrees with the adaptive regulatory frameworks increasingly suggested in global governance literature (FCA, 2020). Such periodic audits serve to make regulatory interventions appropriate, relevant, and effective. Overall, these policy implications strengthen the notion that incentive reform needs to be knitted within broader regulatory and industry governance frameworks. Policymakers need to strike a delicate balance between organisational performance and ethical responsibility, consumer protection, and systemic stability. The recommendations derived from this study - greater transparency, ethics integration, training mandates, digital monitoring, customer-centric metrics, and periodic audits - offer a comprehensive policy roadmap for achieving sustainable behavioural and financial outcomes in the insurance sector.

7.6 Limitations of the study

Even though this study highlights valuable insights into how incentive structures influence ethical behaviour, performance outcomes, and sustainability within the insurance sector, a number of limitations need to be identified to place the findings in context. These limitations pertain to research design, measurement constraints, sampling considerations, and external validity - all of which offer avenues for further refinement in the future.

A key limitation relates to the cross-sectional nature of the research design, which reflects data at one point in time. Cross-sectional surveys are appropriate for the identification of statistical associations but do not support strong causal inference, given that temporal sequences cannot be thoroughly established (Bryman, 2016). Consequently, even though this study finds significant associations among incentive systems, ethical behaviour, and sustainable performance, these relationships cannot be used as firm evidence of unidirectional causality. Longitudinal research would better suit an assessment of how changes in incentives feed through into behavioural or performance changes.

A second limitation concerns the utilisation of self-reporting survey data, which can be prone to response bias. The respondents might overstate ethical behaviour or underreport misconduct because such topics are sensitive at a personal and professional level. This tendency, often referred to as social desirability bias, can affect the accuracy of the psychological and behavioural measures (Krumpal, 2013). Anonymity was emphasised to reduce this risk; however, by definition, self-report data relies on individual perceptions, which may not perfectly reflect real conduct.

The study also faces limitations relating to the sampling parameters. Responses were obtained from financial advisers within the South African insurance industry. While the sector offers a context appropriate for this research, given its historical, high levels of commission-driven culture, generalisability to regions with different regulatory environments, cultural norms, or remuneration structures might be limited. This is a limitation that comparative international studies could address in determining whether the patterns observed here hold across diverse institutional contexts (Armstrong & Taylor, 2020).

Another limitation involves the scope of variables that are included within the conceptual model. While this study focuses on incentive structure, ethical behaviour, perceived fairness, and sustainable performance, other variables of organisational relevance, such as leadership style, team culture, or perceptions of an organisation's justice climate, are not considered. According to recent studies, all these contextual factors can explain how individuals perceive and react to incentive systems (Oehmichen et al., 2020). Hence, further research could go beyond the present model by incorporating these dimensions in search of a holistic understanding of behavioural dynamics.

Furthermore, the authors define “sustainable performance” in this study as the interconnection of customer retention, long-term sales results, and ethical fit. It is a multidimensional concept, however, and could also be defined otherwise, using other measures, such as Environmental, Social, and Governance (ESG) measures. The definition chosen in this study reflects the behavioural and ethical approach of this research, but further conceptual exploration would strengthen theoretical clarity.

The final limitation is that this analysis is quantitative in nature, and hence better suited to testing hypotheses than exploring more complex contextual or interpretive aspects of salesperson behaviour. Qualitative approaches - interviews or focus groups - could add considerable richness to the understanding of underlying motivations, ethical tensions, or lived experience that statistical models cannot fully capture (Silverman, 2015). A combination of both approaches in future research would thus yield a more nuanced account.

Although subject to certain limitations, the research contributes a robust empirical basis for understanding incentive design in the insurance sector and sets out pathways toward theoretical advance and practical reform.

7.7 Recommendations for future research

The results and acknowledged limitations of this study present multiple avenues for subsequent research aimed at deepening understanding with respect to incentive systems, ethical behaviour, and sustainable performance in the insurance industry. First, future studies should consider employing a longitudinal research design in order to examine how changes in incentive structures influence adviser behaviour and performance over time. Longitudinal approaches allow the researcher to establish clearer causal pathways and identify delayed or evolving effects that may not be captured with cross-sectional designs (Bryman, 2016; Creswell & Creswell, 2023). Such studies would produce stronger evidence for the directionality of relationships among incentives, ethics, and sustainability.

Second, investigators should conduct the research with mixed-method or qualitative designs. Whereas the quantitative approach of this study statistically tested constructs derived from theory, qualitative methods - such as interviews or focus groups - would considerably develop an understanding of advisers' perceptions, lived experiences, and ethical pressures (Silverman, 2015). This is particularly pertinent in settings where ethical decision-making is situated within nuanced organisational or interpersonal dynamics that are difficult to capture through structured questionnaires.

Third, further research should investigate the impact of other organisational variables such as leadership style, organisational justice climate, or team-level culture. Such factors are highly influential in determining employee motivation and ethical conduct. According to Oehmichen et al. (2020), including these variables in a conceptual model might provide more comprehensive insight into how incentive systems work when fitted within greater organisational contexts.

Fourthly, comparisons done across countries or various regulatory environments would help determine the generalisability of the findings. The insurance sectors across the regions greatly differ in the levels of regulatory oversight and consumer protection standards, along with the remuneration practices. Cross-national research would reveal whether similar incentives-behaviour dynamics exist within diversified institutional contexts (Armstrong & Taylor, 2020).

Finally, future research could broaden the conceptualisation of sustainable performance. Although customer retention, long-term sales, and ethical alignment were the core dimensions underlying this study, future studies could incorporate ESG indicators or broader social impact measures in line with emerging global expectations. This would allow the construct to better support a close alignment between industry practice and emerging frameworks for sustainability. Together, these recommendations encourage future researchers to adopt broader methodological, conceptual, and comparative perspectives in order to further the knowledge base on ethical and sustainable incentive design.

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Appendix 1: Consent letter

Gordon Institute
of Business Science
University of Pretoria

Good day

I am conducting research on *Breaking the cycle of fire sales: rethinking sales incentives for sustainable sales growth*. The aim of the research is to evaluate the effectiveness of existing sales incentive structures in the insurance industry, identify their impact on sales performance and customer retention, and explore sustainable incentive models that mitigate fire sales while ensuring long-term business stability. To that end, you are asked to complete a survey relating to my topic. The survey should take no more than 20 minutes to complete.

Your participation is voluntary, and you can withdraw at any time without penalty. Your participation is anonymous, and only aggregated data will be reported. By completing the survey, you indicate that you voluntarily participate in this research.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name: [redacted]
Email: [redacted]
Phone: [redacted]

Research supervisor name: [redacted]
Email: [redacted]

Thank you,
[redacted]

Appendix 2: Survey questionnaire

Section 1

1. On a scale of 1 (strongly disagree) to 5 (strongly agree), commission-based incentives motivate me to exceed sales targets.

2. How frequently do commission-based incentives lead to prioritising short-term sales over long-term client relationships? (1 = Never, 5 = Always)

3. Do commission-based sales structures create excessive competition within the company? (1 = No competition, 5 = High competition)

4. What percentage of your total income is generated from commission-based incentives? (0-25%, 26-50%, 51-75%, 76-100%)

5. To what extent do commission-based incentives contribute to unethical sales practices? (1 = No impact, 5 = Significant impact)

6. How does the frequency of commission-based payouts impact your approach to long-term client relationships? (Likert scale: 1 = No impact, 5 = Significant impact)

7. Compared to fixed-salary models, how does a commission-based structure influence your risk-taking behaviour in sales decisions? (1 = No influence, 5 = Strong influence)

8. How do seasonal fluctuations in commission rates affect your overall financial stability? (ranking scale)

9. To what extent does commission-based compensation influence the prioritisation of high-value clients over lower-revenue prospects? (Likert scale: 1 = No influence, 5 = Strong influence)

10. Have you ever adjusted your selling approach based on anticipated changes to commission structures? (Yes/No)

Section 2

11. How often do you feel pressured to meet sales quotas? (1 = Never, 5 = Always)

12. Do sales quotas encourage you to take a customer-focused approach rather than a sales-driven approach? (1 = Strongly disagree, 5 = Strongly agree)

13. Have you ever engaged in aggressive sales tactics due to strict quotas? (Yes/No)

14. How do monthly quotas affect your stress levels at work? (1 = No impact, 5 = Severe impact)

15. Do flexible sales quotas enhance motivation compared to rigid target-based systems? (1 = No enhancement, 5 = Strong enhancement)

16. How frequently do you feel pressure from management to meet sales targets, regardless of market conditions? (Likert scale: 1 = Never, 5 = Always)

17. Have you ever encountered situations where meeting a quota conflicted with providing the best solution for a client? (Yes/No)

18. In the last six months, how often did quotas influence your decision to upsell or cross-sell products beyond client needs? (Likert scale: 1 = Never, 5 = Always)

19. How effective is management support (e.g., training, mentorship, flexible targets) in helping you achieve quota goals without excessive pressure? (1 = Not effective, 5 = Highly effective)

20. If given the choice, would you prefer a quota-based structure or an alternative, performance-evaluation approach? (Multiple choice: Quota-based / Hybrid / Performance-evaluation / Other)

Section 3

21. Which incentive structure do you believe leads to the highest performance? (Commission-based / Fixed salary + performance bonus / Hybrid model / Other)

22. On a scale of 1 (not effective) to 5 (highly effective), rate the effectiveness of non-commission-based incentives.

23. How likely are you to prioritise customer satisfaction under a fixed salary model versus commission-only incentives? (1 = Not likely, 5 = Highly likely)

24. What percentage of your total sales success do you attribute to your incentive structure? (0-25%, 26-50%, 51-75%, 76-100%)

25. Does your current incentive structure provide sufficient financial stability? (1 = Strongly disagree, 5 = Strongly agree)

26. Rank the following incentive structures in terms of effectiveness: (1 = Least effective, 5 = Most effective)

- Pure commission
- Base salary + performance bonus
- Mixed commission + fixed salary
- Equity-based incentives
- Retention bonus model

27. Compared to commission-only models, how does a salary-based structure affect your focus on long-term client satisfaction? (1 = No impact, 5 = Strong impact)

28. How does your incentive structure affect your willingness to collaborate with colleagues instead of competing individually? (Likert scale: 1 = No effect, 5 = Significant effect)

29. Have you ever considered switching to a different incentive model due to dissatisfaction with your current structure? (Yes/No)

Section 4

30. Ethical sales guidelines are strictly enforced in my workplace. (Likert Scale: 1 = Strongly disagree, 5 = Strongly agree)

31. Have you ever felt pressured to engage in misleading sales tactics due to incentive structures? (Yes/No)

32. How important is ethical training in shaping responsible sales behaviour? (1 = Not important, 5 = Extremely important)

33. On a scale of 1 (never) to 5 (always), how often do ethical considerations influence your approach to sales?

34. Would you sacrifice a commission-based sale to uphold ethical sales practices? (1 = Never, 5 = Always)

35. How effective is your company's ethical training in guiding sales practices under high-pressure conditions? (1 = Not effective, 5 = Very effective)

36. To what extent does the sales culture in your organisation prioritise ethical behaviour over performance metrics? (Likert scale: 1 = No priority, 5 = High priority)

37. How frequently do ethical concerns influence your approach when closing a sale? (1 = Never, 5 = Always)

38. Would you feel more motivated by an incentive structure that includes ethical sales compliance bonuses? (Yes/No)

END