



CASE STUDY: CHANGE MANAGEMENT

Case Name: Change Management for Frontline Sales & Middle Management

Case Abstract: Against the backdrop of a Regulatory Change the ways of Business Changed. Managing the Change warranted a Re focused Managerial pool who, while learning to cope with their own anxieties were to lead their teams which included the intermediaries & the channel partners through the New Landscape.

Executive summary on the objective of the study & the background:

The mutual fund industry in India has witnessed a significant growth in the last one decade, in terms of the asset under management & the number of investors. For an economy that has been historically biased towards the relatively safer debt based savings & investment options, the interest & participation in capital markets by the retail investors, caught the fancy of many global players who rushed to set up their mutual fund boutiques, in India. The most prominent participant to the entire gamut of wealth management remained the financial product distributors & intermediaries ranging from the independent financial advisors, banks, wealth management outfits etc. The intermediaries and the distributors received an impetus to their otherwise dwindling choice of investment options which were pre-dominantly fixed deposits, vanilla insurance covers & post office savings schemes.

While everything was moving in a steady pace, with happy investors & distributors and a happier asset management companies (mutual fund); the global economic meltdown, triggered by the sub-prime crisis exposed the halo effect of the risk-reward phenomena when every investment became abundantly volatile leaving the hapless investors clueless and bleeding in the bourses. The best of compliance, governance, benchmarks & the investment management principles were busy licking their wounds. While some distributors & intermediaries chose to turn a blind eye to the depleted portfolios, offering no plausible solutions, the regulators woke up to question the fundamentals of the mutual fund distribution scenario.

For every INR 100 that was invested by the investor to the mutual fund, an amount equivalent to INR 2.25 was paid to the distributor as his fee or brokerage, while INR 97.75 got invested in the markets. What was the distributor offering to the investors in lieu of the fee? Everyone said, 'service' but chose not to define it. The unanimous thing that came out in the open was, selling or distributing mutual fund in India requires no expertise or experience in handling client's money and thus the only service that got rendered to the investors or clients was 'transaction'. Advisory had taken a back seat.

The market regulator, SEBI (Securities Exchange Board of India) came down heavily on the prevalent practises and banned the entry load of INR 2.25 to the distributors from 1st August, 2009, and instead advised them to charge 'advisory fees' to the investors for the advisory. The mutual fund industry was up in arms, seething with



despair as no alternative was in place with regard to business models, resources, technology platforms or for that matter expertise to face the heat from the regulator. The investors, who had been donning the 'ignorant' cap all along, to the practises, became aware of the alternatives and started questioning, 'what is in it for me?' The distributors became speechless.

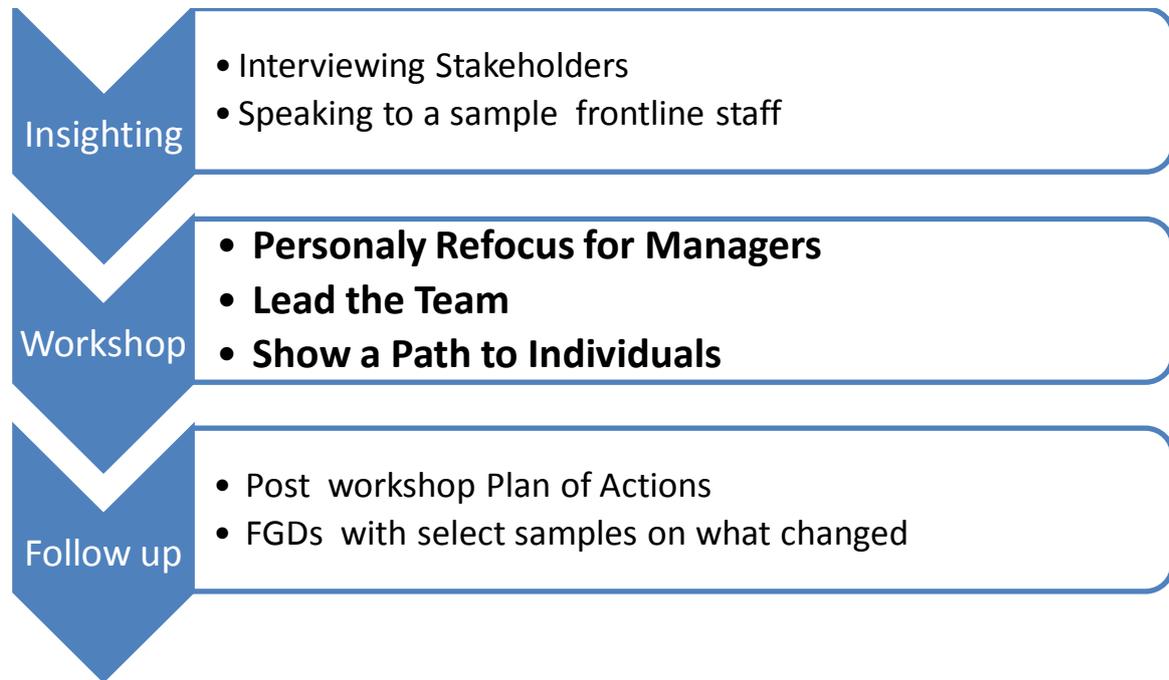
It was evident that competence will outsmart reach and competence got defined as the technical knowhow, specific skills and attitude. This re-definition witnessed the ceremonial exit of many distributors and intermediaries who were at their wit's end and hitherto unchallenged in their prowess in reaching out to the teeming hundreds, for whom 'return on investment' was as good as Greek and the quality of the portfolio was Vedic mathematics.

The ones who decided to see through the 'change model' became defiant with renewed vigour in addressing the research & analysis, asset allocation, technology backed transaction, convenience and comfort of knowledge backed service and a revamped team of advisors.

CLIENT: Wealth Management and Asset Management

CLIENT NEED: Against the backdrop of the promulgation by SEBI on 1st August 08 which heralded a new chapter & dimension at which the mutual fund products were distributed and sold, AMCs needed their frontline cadres & the middle management to be sensitised to the change. In order to respond to this large scale change, they needed their Managers to 1) Refocus, 2) acquire Tools to understand self and Team responses to Change and 3) Learn the skills of mentoring and guiding individuals on a day to day basis.

METHODOLOGY



CLIENT BENEFITS:

- Widely accepted and appreciated by participants – front line, junior & the Middle Management.
- Created a long term commitment of this cadre to the change at large.
- Built visibility for few Change resilient front line staff who later led some regional projects.
- Helped in reducing Turnover.