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Research Article

IDENTIFICATION OF FACTORS AND DEVELOPMENT OF FRAMEWORK FOR NEW PRODUCT DEVELOPMENT IN INDIAN MUTUAL FUND INDUSTRY

Dr. Sundar, C.,

School of Management SRM University, Ramapuram, India

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ABSTRACT

New Mutual Fund product has been major component of competitive strategy to improve investor's objective and their profitability. There are several mutual fund products available and there is an expectation from asset management companies to customize a new mutual fund product based on the investors' expectations and their objectives. Asset Management Companies are focusing on the investor's needs based on their objective, by framing a new product development. There exist Research Analyst, Investment Advisors impact on the new mutual fund product creation - for creating an environment and breaking the difficulties in mutual fund product objectives. There is certain amount of internal resource role like Research Analyst, Portfolio Manager, Investment Advisor, and Investment Planning Consultants in developing new mutual fund product activities. It is made mandatory for ensuring the right skill at the right time for driving the tradition of new mutual fund product development.

INTRODUCTION

To meet the investors' expectations has become the major focus for Asset Management Companies in India. Research Analyst, Investment Advisors and other resources from an Asset Management Company along with the third party consultants, will do their initial research based on the investor's feedback on the new product success, and there might be a chance of failure with respect to this new product. Hence companies will look for other research area to better plan and control their operations. Improving the analytical skill and performance in tailoring / customization / new product has become one of the critical factors for gaining competitive advantages for mutual fund companies. In order to have efficient new product, the objectives, design, development, defect and identify events, access and prioritize needs, select a risk response, control and monitor functions must operate in efficient and in integrated manner. To order to extend the performance in new mutual fund product development one of the ways is refinement in the induction of investors for the new mutual fund product. When and how portfolio managers and his team make the decision to engage in organizational change is both theoretically and practically important inasmuch as change (or the lack thereof) is studied across a diverse set of organizational theories and is argued to be the source of adaptation, learning, evolution, and inertia (Cyert and March, 1963; March, 1981; Hannan and Freeman, 1989; Tushman and Rosenkopf, 1992; Greenwood and Hinings, 1996).

The behavioral theory of the firm theorizes about change decisions and their antecedents (Cyert and March, 1963), positing that change is driven in part by the feedback that firms receive from comparisons made either with the firm's prior performance or with the performance of others (Greve, 2003c). Study on mutual funds explores the critical factors that influence to restructure the Mutual Funds business models to provide for increased efficiencies and investor satisfaction and focuses on the key growth drivers for the industry, identifying in the process the factors which may also reflect growth in the future (Prakash and Sundar, 2014). Abdulla Yameen (2001) discussed that the investors should be alert to any new development in capital market and take advantage of the Investor Education and Awareness Campaign program. He also focused on creation of new breed of financial intermediaries, which will deal on the market for their clients. Investor's dependence on these intermediaries makes them men of integrity and honesty as they would deal with money.

Purpose of the study

This study is to understand the major factors for the professionals getting selected for new product development group. By analyzing and focusing on important factors, asset management companies to develop / enhance their plans and frame themselves to the non-static changing speed of innovation and learning in mutual fund products.

Scope of the study

The process flow explains the steps followed during the new mutual fund product creation / development. This study has

*Corresponding author: Dr. Sundar, C.,
School of Management SRM University, Ramapuram, India.

been planned to list out the factors / dimensions that are critical for the asset management company, in order to develop a new mutual fund product.

Significance of the study

In current competitive market where there exists a situation where the "change" is expected and accepted in all fields. The study attempts to identify the key factors that will be, when identified for its presence level, during the induction into new development team, will makes an Asset Management Company to get identified separately from competition. Tailored / Customized Mutual Fund Product development in Mutual Fund Industry demands for real and sustainable growth for both Investors and the Industry. Any aspects of mutual fund business that are identified as important for successful target to be reached and that will be maintained by important factors. Important factors are usually tracked in such segments like compliance, legal, finance, marketing, sales and operations. These factors may be similar to identifying core competencies, and is treated as mandatory attributes in achieving and maintaining competitive advantage.

Effective Practices and Conceptual Model

Innovation – It typically holds creativity and should be unique. Based on the investor’s needs / market changes, innovation involves framing of creative ideas.

Creativity – It refers that someone creates something new portfolio that has some kind of benefits / weightage / values.

Technology – It improves the effectiveness in quantifying the product using research analysis, ratings and will be much efficient during the development of new mutual fund product.

Interpersonal – It is a methodology of influencing the group by assigning the list of tasks to achieve the new mutual fund product.

Forecasting – Preliminary assessment of a proposed product determines the appropriate level of internal review based on, among other things, whether it is a new product or a material modification of an existing product.

Testing – Stress test built into the product approval process establish how the product is likely to perform under a variety of conditions, both within and outside of the design parameters.

Leadership – Decisions to approve, disapprove, or table the proposal are made by the firm’s senior management.

A conceptual frame work (Fig: 1) had been developed having the following parameters / factors as base – Interpersonal Skill, Continuous Assessment, Technology, Creativity and Forecasting. The base factors have been mapped to the following factors / parameters like Leadership, Innovation and Testing. These factors combine leads to Benefits to Investors / Employees for new mutual fund product development.

The following Variables / Factors has been categorized as Dependent Variable and Independent Variable

Independent Variable

- Interpersonal Skill
- Continuous Assessment
- Technology
- Creativity
- Forecasting
- Leadership
- Innovation
- Testing

Dependent Variable

- Benefits to Investors / Employees

Objective of the study

To identify the factors and to design a framework - this plays important contribution in new mutual fund products in mutual fund industry

Research and sample design

Descriptive Research has been planned for this study. It’s a fact finding analysis which is focused to the factors as it exists at present. We are planning to focus on Mutual Fund Industry in India.

Research Process

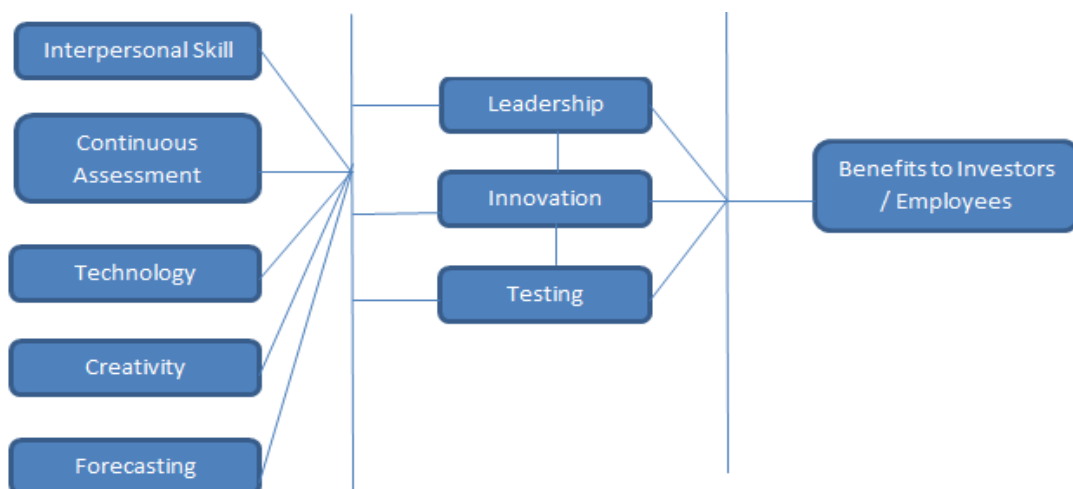


Fig 1. Conceptual Frame Work

Table. 1 Content validity ratio Report on subject matter expert and probable respondent's

Respondents Type	Respondents Numbers	Expected Content Validity Ratio	Content Validity Ratio for Clarity	Content Validity Ratio for Relevance
Probable Respondents	16	0.49	0.62 – 1.00	0.68 – 1.00
Subject Matter Experts	16	0.49	0.50 – 1.00	0.50 – 1.00

Asset Management Companies, which are listed in Top 10, has been considered as the sampling unit. Top and Middle level executives has been taken into consideration for population parameters. Number of respondents (sample size) is 500. Probability sampling plan has been selected to represent the characteristics of the population.

Content validity ratio analysis

Content validity ratio has been derived based on the subject matter expert and probable respondent's inputs. The details are shown in the below table:

Conclusion

Content Validity Ratio shows the understanding that there exists alignment with the new products. The relations are logically mapped to the factors provided in the framework. This study is aimed to ascertain the vital factors for new mutual fund product development. This may reveal a quantitative mapping among the factors / parameters, leading to managing excellence in research analysts, legal, compliance, marketing and sales team for a new mutual fund product development. This administrates an organization a chance to serve the investors as they wish and beyond.

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