



**UNIVERSITI PUTRA MALAYSIA**

**THE TRAINING NEEDS OF UNIT TRUST AGENTS OF A SELECTED  
FUND MANAGEMENT COMPANY**

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THE TRAINING NEEDS OF UNIT TRUST AGENTS OF A SELECTED FUND  
MANAGEMENT COMPANY

By

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Project Paper Submitted in Partial Fulfilment of the Requirements for the Degree  
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Abstract of project paper presented to the Senate of Universiti Putra Malaysia in fulfilment of the partial requirements for the degree of Master of Science

THE TRAINING NEEDS OF UNIT TRUST AGENTS OF A SELECTED FUND  
MANAGEMENT COMPANY

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The main aim of the research was to determine to what extent training need exists among the unit trust agent, and which area of job related knowledge, skill, attitude deserve emphasis in a training program. It also aimed to determine the training need of the agency leaders and which area of key task needed to be stressed in a training program.

In this study, training need of unit trust agents and agency leaders were identified and described. One hundred and forty-five of the unit trust agents and 73 agency leaders took part in this survey.

Data were collected via a need assessment questionnaire, which required among others, a rating by the unit trust agents of the proficiency level of unit trust agents on 22 knowledge items, 13 skill items, and the relevance of these items to the job of the unit trust agents. As for the agency leaders, they were required to rate their proficiency level of 14 key tasks, and the relevance of these tasks to the job of agency leader.



Attitude of the unit trust agents towards the customer, selling job, company and product was assessed based on the agreement of the respondents towards 12 attitude statements in relation to the customer, selling job, company and product

The result were descriptions of training needs in knowledge and skill for unit trust agents and key task training need for agency leaders. The result included the overall degree of training need, the degree of training need, the ranking order of training need to training importance in knowledge and skill for unit trust agents, and in key tasks for the agency leaders. The description of attitude training for the unit trust agents was inferred from the level of attitude, which is high, moderate or low towards the customer, selling job, company and product

The overall findings show that training needs in knowledge and skill exist for unit trust agents, and training needs in key tasks exist for agency leaders. Training is also required to improve the attitude of the unit trust agents toward the selling job and further research is required to find out causes which have contributed to moderate attitude of the agency leaders toward the company before suggesting training is the solution in this finding

It is recommended that the selected fund management company look into the viability of providing training to this group of unit trust agents and agency leaders, using the findings of this research as a starting point in the process of designing the training program. It is also recommended that the selected fund management company to incorporate both knowledge and skill aspects of unit trust agents' job in the designing of the training program. It is encouraged to involve both unit trust agents and agency leaders in establishing training objectives so that the training program will be more effective and focused

Abstrak projek penyelidikan yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi sebahagian daripada keperluan untuk Ijazah Master Sains.

KEPERLUAN LATIHAN UNTUK AGEN-AGEN UNIT AMANAH DARI SEBUAH SYARIKAT  
PENGURUSAN DANA YANG TERPILIH

Oleh

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Tujuan utama kajian ini adalah untuk mengenalpasti sejauh manakah keperluan latihan wujud di kalangan agen unit amanah, samada dari segi pengetahuan, kemahiran, dan juga sikap yang berkaitan dengan kerja agen unit amanah itu sendiri yang perlu ditekankan dalam program latihan. Kajian ini juga bertujuan untuk mengenalpasti keperluan latihan yang berkaitan dengan bidang tugas utama ketua agensi yang perlu ditekankan di dalam program latihan.

Dalam kajian ini, keperluan latihan untuk agen-agen unit amanah dan ketua-ketua agensi dikenalpasti serta dihuraikan. Seramai 145 orang agen-agen unit amanah dan 73 orang ketua-ketua agensi mengambil bahagian dalam tinjauan ini.



Data yang telah dikumpulkan melalui borang soal-selidik keperluan latihan antara lainnya bertujuan mendapatkan maklumat tentang tahap kemahiran agen unit amanah di dalam 22 item pengetahuan, 13 item kemahiran, serta sejauh manakah item-item tersebut berkait rapat dengan kerja agen unit amanah.

Sikap agen unit amanah terhadap pelanggan, tugas menjual, organisasi dan produk dinilai berasaskan persetujuan responden terhadap 12 kenyataan sikap yang berkaitan dengan pelanggan, tugas menjual, organisasi dan juga produk.

Hasil kajian adalah satu diskripsi keperluan latihan dari segi pengetahuan and kemahiran untuk agen unit amanah dan keperluan latihan tugas utama untuk pemimpin agensi. Hasil kajian ini juga mengandungi keseluruhan darjah keperluan latihan, tahap keperluan latihan, susunan keperluan latihan mengikut kepentingan, yang berkaitan dengan pengetahuan dan kemahiran kerja agen unit amanah, dan juga tugas utama ketua agensi. Diskripsi latihan untuk sikap agen unit amanah boleh disimpulkan daripada tahap sikap agen itu sendiri samada tinggi, sederhana atau rendah terhadap pelanggan, tugas menjual, organisasi dan produk.

Hasil kajian pada keseluruhannya menunjukkan wujudnya keperluan latihan untuk agen unit amanah, dan wujudnya juga keperluan latihan dalam tugas utama untuk pemimpin agensi. Latihan diperlukan untuk peningkatan sikap agen unit amanah terhadap tugas menjual. Dalam masa yang sama juga, kajian yang lebih mendalam diperlukan untuk memperolehi sebab-sebab sikap sederhana ketua agensi terhadap organisasi sebelum mencadangkan latihan sebagai penyelesaian dalam penemuan ini.

Adalah disyorkan supaya syarikat pengurusan dana yang terpilih memberi pertimbangan yang sewajarnya dalam memberi latihan kepada agen unit amanah dan ketua agensi, dengan menggunakan hasil penemuan kajian ini sebagai titik tolak dalam proses pembentukan program latihan. Adalah juga disyorkan kepada syarikat pengurusan dana yang terpilih supaya menggabungkan kedua-dua aspek pengetahuan dan kemahiran yang berkaitan dengan kerja agent unit amanah dalam pembentukan program latihan, dan juga melibatkan agen unit amanah dan ketua agensi dalam pembentukan objektif-objektif latihan supaya program latihan lebih berkesan dan tertumpu.

## CHAPTER 1

### INTRODUCTION

The KL Branch of the selected fund management company (the selected company) is selected for this research purpose. The selected company a well-established and renowned local unit trust company in Malaysia. It is one of the pioneers in the industry with over ten years of experience in unit trust management maintaining majority share of the private unit trust market. As at 31<sup>st</sup> July 1998, the selected company managed the size of fund valued at RM1.8 billion, which commands a 37% market share of private unit trust investments, thus giving the selected company the largest market share in private unit trusts in size of fund managed. The selected company maintains a tied sales agency force to promote its funds to potential investors. They will be rewarded for sales made, in the form of commission as a percentage of the amount invested. The sales agency force is widespread among twenty-one branches of the selected company.

Among the twenty-one branches of the selected company, the KL Branch is the largest sales contributor to the total sales of the selected company. For three years running, KL Branch has been the top performing branch where it has contributed approximately 40% of the yearly nation wide sales to the selected company. It also has the largest number of agents, which is 40% of total agents in the organisation. Therefore, the KL Branch is considered the largest and most active branch in terms of sales volume and number of agents.



## **The Unit Trust Industry in Malaysia and The Unit Trust Agents**

A unit trust fund is an investment scheme, which pools money from many investors who share the same financial objectives. A full time fund manager then invests the pooled money in shares or other authorised securities on their behalf. In simplicity, we can describe that unit trusts offer the opportunity for any investor to have his or her money managed by professionals, to achieve pre-stated objectives, usually capital growth, from investment in securities market. Unlike securities, unit trusts should be seen as a vehicle for accumulating savings, not for speculation purpose. It is this latter aspect that needs to be emphasised when promoting the unit trust fund.

Unit trust was introduced in Malaysia in 1959. Growth was initially very slow, and things only started to take off in the 1980s. From 1959 to 1980, there were only six unit trust companies incorporated (Sally Cheong, 1992). In recent years (1991-1996), the growth of the unit trust industry reached an all time high with twenty companies joining the ranks.

In Malaysia, unit trust funds are distributed through the following routes (Aldcroft, 1994)

- i) Direct sales – company to investor
- ii) Tied agents – employed by the company to sell to and service investors
- iii) Intermediaries – independent of the company, selling the unit trust of a number of fund management groups
- iv) Bank branch networks – direct to their customer base



It has often been said that the success of any unit trust organisation is far more dependent on its ability to successfully distribute its product than on the excellence of its performance record (Aldcroft, 1994). There is no denying that the two aspects go closely together, but without sales being made and a product sold, there are no funds to manage. In Malaysia, people rarely walk in off the street to buy a financial product.

More and more fund management companies are recruiting tied agents to sell products to prospective clients. Agents are rewarded for sales made, in the form of commission as a percentage of the amount invested. The tied agents are usually accepted by investors as being suitable people for discussion on their investments. This requires the relevant company to which the tied agent is attached, to provide suitable and sufficient training in the sale of investment products so agents will be able to give proper advice to their customers.

The years 1993 and 1994 were a watershed period for the capital markets of Malaysia, including unit trusts. The stock market euphoria of 1993 and the appearance of state funds in the industry have acted as a catalyst in introducing unit trusts to the general public (Securities Commission Annual Report, 1996). In 1993 and 1994, the net asset value of the unit trust industry had grown by 79% and 26.9%. Although the unit trust industry benefited during the watershed period, several weaknesses were also revealed.

One such weakness was related to the aggressive distribution of unit trust products in the industry. The use of agents, already common place in the insurance

industry, became more widespread in the unit trust industry in the first half of the 1990s. The use of agents was especially apparent during and after the “super bull-run” of 1993. There were several reasons for the introduction of agents. One of them was the unit trust is being perceived as similar in the retail nature with insurance and following from the “success” of agents in distributing insurance to the general public has contributed to the widespread of the use of agents in unit trust industry.

As the distribution of unit trusts at that time was not strongly regulated, concern grew over the quality of information imparted to investors and over the quality of salespeople in the industry. These concerns stemmed from the fact that, on the whole, the level of qualification and knowledge among salespeople was unsatisfactory, and that certain salespeople (especially the agents) were “hard selling” their products. Thus, to gain a strong handle on the situation, certain measures were taken by the Securities Commission. One of the measures was to freeze recruitment of agents by new fund management companies (to suppress the rapid proliferation of agents). Meanwhile, the Securities Commission's efforts were channelled into the setting up of a regulatory framework for the marketing of investment products. The aim was to promote investor confidence, by ensuring persons who market unit trusts, were “fit and proper”. It is simply obvious that an industry, which deals with the public's savings be operated and administered with the highest degree of ethics and professionalism.

To ensure proper control of product and information dissemination, the Securities Commission issued a basic regulatory framework for the marketing and distribution of unit trusts. Starting with unit trust agents, the requirements include registration with the

Federation of Malaysian Unit Trusts Managers (FMUTM), minimum entry and other requirements in areas such as age, educational background, personal and financial background, training and examination, code of ethics, and standards of professional conduct.

The rapid growth of the unit trust industry has led to the formation of the FMUTM in 1993 which represents most of the unit trust companies of Malaysia. It was set up with the objective to promote the industry, to agree on standards of practice for the protection of the interests of investors, to maintain the good name of the industry and to improve regulations, tax and other rules affecting the sales of unit trusts.

The unit trust industry will naturally evolve from its formative stage as investors continue to increase the level of their knowledge and understanding, and therefore become more demanding in their requirements for product information and service from their agents. As there is a new competitive environment in the increasingly professional industry, the way to sell unit trusts will also change. To cope with change and new challenges, therefore competent training should be provided to persons dealing directly with investor because the unit trust agents need to be more informed and aware, as their customers of the future will expect more from them.

### **The Problem and Its Context**

The KL Branch of the selected company has a total of 1961 agents at all levels. There are four level hierarchies agents in the sales force, namely Sales Agent (SA), Agency Supervisor (AS), Agency Manager (AM) and Group Agency Manager (GAM).

The AS are the majority and also at the lowest rank, which consists of 53% of the total sales force. The AS (43% of the total agents) is the next higher rank after SA, followed by AM (3% of the total agents) and GAM (1% of the total agents). GAM is the highest rank in the agency structure. Generally, there is a relatively smaller number of agents at the higher rank compared to agents at the lower rank. If a unit trust agent has fulfilled the required sales quota with a certain number of salesperson (direct down lines) reporting directly to him or her, then, he or she will be promoted to the next higher rank. Promotion means an increase of commission rates, and higher ranking in the agency structure.

In this research context, unit trust agents or salespeople are the SA, AS, AM and GAM and agency leaders are the AS, AM and GAM.

The AS, AM and GAM are the so-called agency leaders in the unit trust industry context (may be called as field sales manager in other industry context) because at these rankings, they are allowed to recruit new agents and build up his or her team. Sales secured by the recruited agents are called group sales. The agency leaders are responsible for producing his individual sales and the combined results achieved by his salespeople in order to meet his own promotion requirement.

In order to meet his group sales requirement, beside selling unit trust, the agency leaders have to play the role to recruit, develop, train and motivate his or her agents or salespeople to achieve their individual and team goals. In return for this effort, the agency leader could enjoy the overriding commission from the sales produced by his or her team and other benefits.

Basically, the agency leader is playing two major roles, which is salesperson, to promote unit trusts, and sales supervisor, or manager to manage and develop the sales team. The agency leader is being perceived as role model by the down-lines in playing these two roles.

### **Insufficient Training for the Agency Force**

The unit trust industry has experienced a quantum leap. The investing public is getting more sophisticated and in a better position to be selective with a wide array of investment vehicles that are available in the market. It has become imperative for the selected company to seriously consider the issue of quality unit trust agents who dispense sound advice on the product. To ensure that the unit trust agents are adequately trained, and equipped with the necessary knowledge and skills to market unit trust products, as such the selected company has launched ATD (Agent Training and Development) Programme in 1995. This formed the hallmark of the company's initiative towards improving the quality of its agents to meet the need for greater professionalism within the unit trust industry.

Professionalism in the agency force is the requisite to enhance further growth and healthy development in the industry. The Chief Executive Officer of the selected company has always stressed that professionalism is the appropriate approach the unit trust agents must adopt in the dealing of financial products like unit trust. The unit trust agent must provide the customers with the highest quality of sales advice in order that they make informed investment decisions. The ATD Programmes represent the means towards upgrading the organisation sales force's professional standards and ethics in

promoting unit trust funds Greater professionalism among the agency force will give the organisation the edge

Under the ATD Programmes, there are courses designed for training at each level of the agency hierarchy In the recent agent satisfaction survey (September, 1997) conducted by the selected company, one of the significant findings is inadequate training courses available to the agency force for their career development in the unit trust industry It was reflected on the organisation that the agency force required more training courses for enhancing their knowledge, skill and attitude in their selling activities in order to meet the increasingly challenging and competitive sales environment It also revealed that the uncertainty of training efforts given so far apply to the areas of greatest needs of the agency force The outcome of the survey showed that there is room for improvement under the ATD programme This has triggered the author to carry out a research on training needs for the sales force of the organisation

### **Training Needs for Agency Leaders**

The agency leaders are an important link within the organisation since they help translate sales and marketing strategy into implementation, co-ordinate these activities, monitor and evaluate performance, motivate their salespeople or agents and reward them Therefore, studying their training needs in playing an effective role as agency leaders can provide the selected company with important insights and contribute towards the effort of training



A survey conducted by Barker (1994) in investigating the factors that influence the effectiveness of a sales organisation has pointed out that training for salespeople and field sales manager, is one of the most important factors in improving the effectiveness of the sales organisation. One interesting finding (Barker, 1994) is that the managers of high performance firms consider training of the field sales managers to be very important over the training of the salespeople. The findings indicate strongly that training is critical for field sales managers because a better-trained field manager is more capable of both managing and training their own salespeople. This is important because salespeople prefer a management style based on providing direction and training that helps them control activities (Hite and Belizzi, 1986). By reviewing the current training courses (1998) offered by the selected company to the agency force there are only two (out of nine) training courses provided for agency leaders. There are relatively more training courses offered to the SA compared to the agency leaders. This implied that less training is being focused on agency leaders.

### **Demand for Training**

The unit trust industry has become more competitive now compared in the years between 1959 and 1980. The Chief Executive Officer of the selected company acknowledged this fact during his speech in the 7<sup>th</sup> National Sales Convention (1996),

“ Today, amidst stiff competition from other private, bank-backed unit trust companies we have still maintained the major share of the unit trust market. And for the new era ahead, we will be going all out to expand our market share amidst rising competition in the industry ”

in the same year (1996), for the first time in history senior and mid management which represents all facets of the organisation, came together to design the future of the organisation. The management team had collectively drawn up the vision of the selected company, which is to become “Malaysia’s premier unit trust company”

The critical indicators for being the “premier” company in the industry were identified and one of them is to achieve at least 40% of gross sales of the private unit trust industry. The other critical indicator is to make sure 90% of customers surveyed are satisfied with the products or services provided by the selected company. The selected company relies on the agency force to secure the sales and satisfy the customer. The vision of the selected company creates a special challenge to the function of training in supporting the agency force to play their role more effectively.

### **New Concept of Selling**

To achieve the vision of being the “premier” company in the industry there is a paradigm shift in the thinking of the selected company to allow for the continued expansion of the industry. The selected company realised that the old ways of selling and promoting unit trusts by the agents were not sufficient for the future. In 1997, the selected company introduced selling through financial planning.

Financial planning focuses on customer needs and objectives, instead of hard selling. The organisation believes that through financial planning, the salespeople will be able to help their customer form integrative and win-win solutions plus provide value added services to the customers. The ultimate goal is to nurture and build a professional



and productive agency force that is service and customer oriented. Thus, training plays an important role in educating the sales force to adopt the new concept of selling.

### **Quality of Unit Trust Agents**

Generally, there is no prerequisite given by the authority for those who registered as a unit trust agent prior to 1<sup>st</sup> January, 1997. Since then, only an individual at least 21 or above and with a minimum of Sijil Pelajaran Malaysia Grade 3 qualification is allowed to register as a unit trust agent. The registered agent has to pass a pre-registration examination set by the FMUTM before obtaining the license to sell the product. Code of ethics and standard of professional conducts were also included in the regulatory framework for marketing and distribution of unit trust.

The regulatory framework for the marketing and distribution of unit trust is aimed at raising the professional standards in the industry to better serve and protect investors. The level of education and knowledge of the agent who distributes the product is very crucial apart from being an integrity and responsibility marketing person. Thus, the pre-registration examination attempts to ensure salespersons have adequate basic knowledge of unit trusts.

The above requirements show that the authorities aim to professionalise the industry and are serious in wanting a healthy and orderly growth of the unit trust industry. By giving training to the agency force, it plays a significant function in enhancing the quality and professionalism of the salespeople.