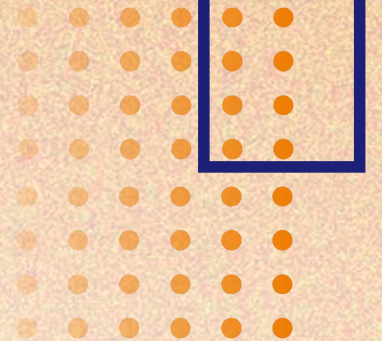




Morningstar Organizational Change Case Study



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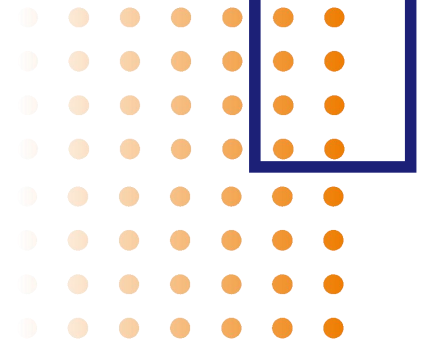
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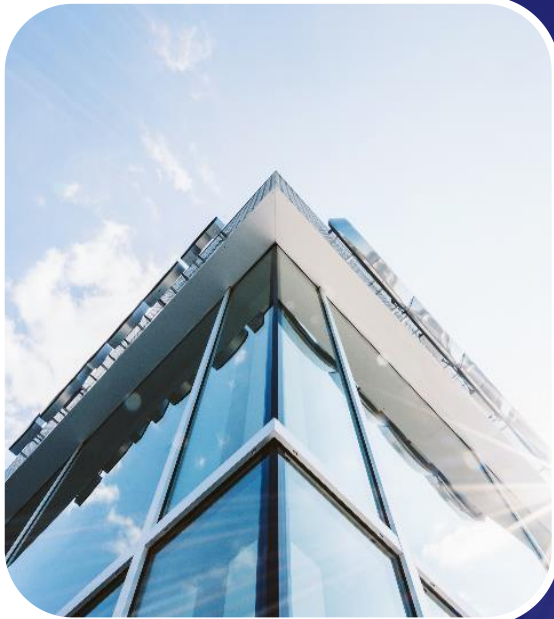
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INTRODUCE



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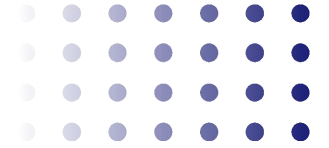


Introduction of organization

Morningstar Corporation is a Chicago-based financial information firm founded in 1984 and is one of the most prominent investment research firms in the industry. Its main business includes providing investors with professional financial information, fund and stock analysis and rating services, as well as providing convenient and practical applications and accurate financial data.

Morningstar is a global company with subsidiaries in Asia Pacific, Western Europe and the Americas, covering 29 countries and regions and employing more than 8,000 people worldwide. Morningstar China branch was established in 2003. Its data and information services cover more than 260,000 funds, stocks and other financial securities in the global financial markets, serving millions of investors. Morningstar has been neutral and does not participate in investment transactions, which highlights the independence and objectivity of its fund rating. Morningstar is focused on helping investors make the right investment judgment and solving the problem of timeliness, accuracy and professionalism in accessing global financial data for ordinary investors.

INTRODUCE



Product Mix

Morningstar has a variety of products. Its main products are investment instruments, fund rating, investment advisory services, etc., and these products are also interdependent.

All products and services are actually based on 'Morningstar authorization data,' which is not only used to trade directly with investors to gain access to additional data sources, but also supports the sophisticated professional financial analysis work within Morningstar.

Authorize data and tools	Morningstar licensing data
	Fund Supermarket licensing tools and information
Software platform	Morningstar Global investment research platform
	Asset allocation software
Fund evaluation	Evaluation and guidelines
	Morningstar Equity Research
Investment consulting	Morningstar Qualitative evaluation and reporting
	Consulting service
	Morningstar Equity Research
other	Morningstar index products
	Morningstar.com advertising and sponsorship
	Morningstar overseas publications

Corporate Change process

● 2016.12 Identify existing problems

Since the appointment of the new CEO Kunal Kapoor in 2016, the overall situation of the company has been thoroughly sorted out, and the overall operation of the company has been analyzed in two levels. First of all, the management of the company held internal meetings on the company's operation, organizational structure, market competition and so on to identify the current key issues of Morningstar. Secondly, the company conducts general interviews and surveys on all employees, and analyzes the current situation of the company according to the employees' feedback

● 2017.4 Change goal setting

Technology upgrade -- With the development of AI technology, Morningstar may lag behind Fin-tech if it does not make necessary changes in technology selection at present

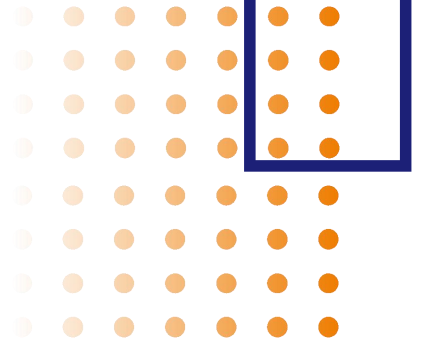
Business strategy upgrade - the company added data centers in Madrid and Mumbai, and supported the differentiation analysis needs of different markets around the world. Upgrade of organizational structure: The original organizational structure is changed from functional division to product line division, and all functional departments of the same product line are integrated to jointly take responsibility for the same product and market.

● 2020.6 Achieve stage results

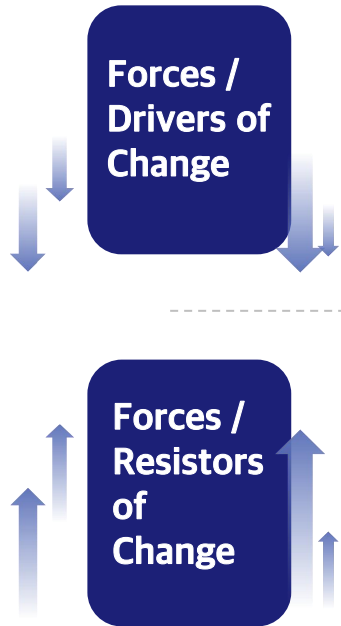
Through 4 years of reform, Morningstar has achieved certain achievements, such as reducing operating costs, promoting technological innovation, and cultivating a group of first-line technical talents. At the same time, however, Morningstar's changes also had a number of negative effects, such as the loss of senior management, the workplace atmosphere and so on



Change Analysis



Step 1: Create a crisis atmosphere



·Increased competition in the financial sector

With the development of artificial intelligence technology and other emerging IT technologies, more and more Internet companies are joining the financial field. Fin-tech is leapfrogging Morningstar in quantitative analytics, real-time data collection and other areas with new technology. Morningstar's traditional "human & tool" data collection technology has been difficult to meet customer needs

· The poor economic environment

The global pandemic in 2020 has caused a serious negative impact on the world economy and financial system. Morningstar is facing an increasingly harsh external environment, and customers are also putting forward higher requirements on the real-time, accuracy and foresight of financial data, analysis and consulting products

1 Higher operating costs

More refined markets, more complex data sources, and higher data quality requirements have undoubtedly greatly increased the operating costs of Morningstar, which still relies on a large number of human resources for data collection and analysis.

1 An unstable political environment

Morningstar is a U.S. -owned global foreign company, and its revenue in China accounts for a large share of its total revenue. The company's global development is bound to be affected by the volatile relationship between China and the United States. Morningstar is in urgent need of changes to cope with the uncertainty of the political environment

1 Impact of the epidemic

Most employees are worried about the change and think they will be eliminated by artificial intelligence technology. The company's overseas executives found it difficult to direct changes from close quarters after the pandemic, and the communication problems caused by telecommuting deepened the gap between employees and managers.

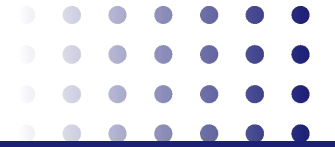
· The organization management mode is aging

The department distribution of Morningstar Company is mainly divided according to the function, the overall boundary is relatively obvious, there are some problems in the cooperation between departments, and the branch companies in different regions also reflect the problem of cross-functional

· Corporate culture

Morningstar Company advocates the culture of "Great People Great Company" and emphasizes individual influence. In projects that emphasize cross-regional collaboration and resource coordination, the lack of influence of key players can easily create bottlenecks.

Step 2: Form a change leadership team



Morningstar mainly develops the strategy of reforming the responsible person through the following aspects:

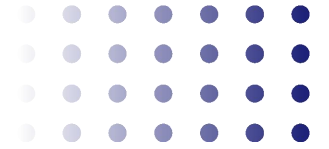
1. The responsible person shall fully understand the strategic objectives of the company's change and be familiar with the characteristics of the change projects in the field of wire and tube;
2. The responsible person can help the change team to publicize and implement the change project through his influence and leadership;
3. The responsible person has enough energy in organizational change to provide support for the change and reduce resistance;
4. The responsible person can identify the risks in the process of change and lead the team to avoid and solve them through his own and his team's ability.
5. The responsible person can invest resources in the change project and manage the change milestones and organizational expectations

Based on this principle, Morningstar has established a change management team with the company's COO as an investor and the Asia Pacific president as the primary change project manager. In addition, sub-teams of change projects in different regions and branches have been established, and the leading members are all business department heads of subsidiaries. But there are problems with Morningstar's accountability policy. Although the change project sub-teams were established in different branches in the hope of deepening the change to each region and branch, the relationship between the original administrative organization and the change project team of each branch was not coordinated and stipulated, that is, the policy of the change responsible person was not "localized", so the actual project management efficiency had problems.

Step 3: Create a vision for change

Morningstar chose to conduct research and analysis on the Asia-Pacific business division before the reform. Morningstar (China) extensively collects opinions and opinions of employees through the company's IT system, evaluates the current internal changes in organizational structure, project management, human resources and other aspects of the company, and then feeds back the analysis results to the company's senior management, so as to provide more authentic and reliable information for the strategic objectives of the change. Morningstar's analysis focuses on the effectiveness summary of the past organizational structure reform and the analysis of the impact on employees, hoping to understand the attitude and acceptance of the new reform by employees.

However, Morningstar does not effectively analyze the market response, customer relations and most importantly, the attitudes and opinions of corporate management, middle and grassroots leaders towards change. In addition, Morningstar, as a multinational company, only analyzes the situation of a single region and ignores the influence of different regions and cultures in the preparation and analysis of company-level strategic change.



Step 4: Deliver the change vision

In the process of project approval, Morningstar established an independent change project organization, developed a publicity manual for project change and set up a special team. They mainly took the following publicity measures:

- In the process of communication and release of reform information, Morningstar follows the principle of openness and transparency, and timely, clearly and concisely releases the information of reform process and staff feedback through the company's IT platform.
- Communicate and publicize the change proposal, including the content of Morningstar's change, participating regions, departments and personnel, change goals and milestones.
- Opened a special email address for the reform project, directly collected and listened to the feedback of employees, and regularly reported to the leadership team of the reform project.
- Establish a "radio station" for the reform project, collect achievements and milestones in the reform process, related team cooperation and other examples through the special mailbox, and publicize the whole company.
- The immediate communication channel, content and timeliness requirements of information transmission between the staff, supervisors, HR and the change project management team are determined.
- The pilot project in the reform process will be notified to the relevant employees and department heads by weekly report every week, and the HR department will encourage the participants to make and report the policies in time.
- Every three months at the milestone point of change, the whole company to achieve the situation and typical cases of notification and publicity.

Step 5: Remove obstacles to change

Partnership system

In 2017, Morningstar officially released the "Morningstar Partner Incentive System", which stipulates that "partner is the actual title, the honor of employees, but also the company's business leaders and core managers. Partners can enjoy more distribution rights in project incentives and company bonuses. This system stimulates the potential of senior experts and middle managers in the company. Combined with the reform of project incentive, it greatly improves the development space and practical benefits of employees in the company.

Flattening project group

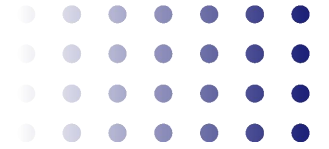
In the original project operation of Morningstar, the project team is mostly based on the original department, and usually a large department is responsible for certain products and projects for a long time.

Morningstar made changes to its program organization in 2017 and 2018. The company identifies the project type, scale and market segment, and assigns corresponding roles from corresponding departments to join the project team. The company uses the project team as a minimum unit to respond quickly and flexibly based on market trends and customer demands

Organizational structure upgrade

The original organization structure divided by functional departments is transformed into one divided by product lines. All functional departments of the same product line are integrated together and jointly responsible for the same product and market. The company uses this light, exploratory organizational formation to support new technologies and businesses

Step 6: Accumulate short-term results



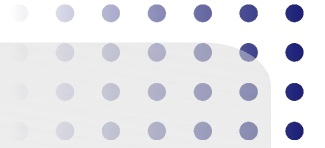
Morningstar optimizes the income distribution ratio of the company according to the size of the project, that is, the project team and its departments and subsidiaries will obtain the majority of the project income.

Meanwhile, Morningstar has implemented the latest "talent marketization" mechanism since 2019. In project operation, project leaders can invite relevant departments to provide temporary help and necessary personnel support across regions and departments. After the completion of the project, the bonus will be divided from the project income according to the actual input of the department.

For the reform pilot business line, the immediate incentive and evaluation skew scheme for employees and teams were customized, and the optimization was carried out in combination with the new project-oriented organizational structure and partner system.

Such a strategy, while not obviously wrong, did not adjust and balance the company's other organizations and projects. Due to the relatively large time span of the nodes in the overall plan, it is difficult to coordinate across the entire company. As a result, coordination problems of project teams occurred in the late stage of reform, and communication costs exceeded expectations.

Step 7: Consolidate progress in the current stage



Morningstar's change management has the following problems in terms of continuous change and continuous learning:

1. The change mentor system was not established. Morningstar has a new employee training program, but it does not include changes related content, and there is no solid "mentor" relationship between new and old employees;
2. The "golden seeds" of the Change project do not take into account differences in employee culture and work habits in different regions. Morningstar takes a small number of nurturing new employees from the old business units to serve as "reserve players" in the change project. They grow rapidly in different roles and positions within the program and feed back to their original business units as "seeds of change" to promote the way Morningstar's change program is run. However, this plan does not take into account the differences in the culture and working habits of employees in different regions. As a result, the transmission effect of the reform results is not good, and it usually costs more to implement in other regions.
3. The inheritance of the effect of change and the training of skills are not emphasized enough in the work of the whole change project. Organizations and change managers at all levels pay too much attention to the current results and ignore the investment in continuous learning and consolidation of results, which results in the slow progress of relevant training.

Step 4: Deliver the change vision

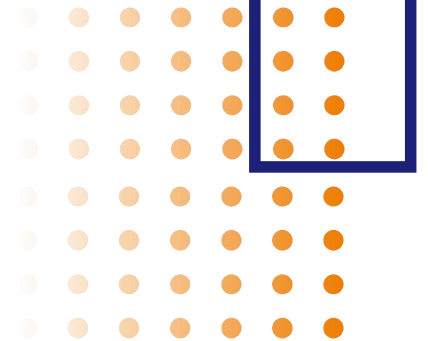
Morningstar, based on technology upgrading, flattening project organization, project incentive, partner institutionalization and other reforms, finally builds a new "division" system.

The original business departments were customized from the head office in the United States, and local branches also followed the same division, forming various functional departments and business divisions, which gradually resulted in the current situation of poor cooperation and resource waste among various departments in trans-regional cooperation projects. In response to this situation, Morningstar has set up a new organizational model since 2017, simplifying the number of branch departments and empowering the project team. From data to research to marketing, we have established several new business divisions besides administrative functions, and separated the functional scope covered by them from the original head office and branch office to be responsible for global business uniformly.

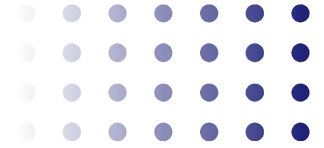
At the same time, IT, technology research and development and other support departments are independent from the original business departments, as the company's new core business division. Although most of these divisions still have their headquarters in the United States, they have simplified the organizational structure of each branch, no longer set up "divisions" in a similar way, but put more emphasis on the business capabilities of the branch, and a few of the newly established divisions have their headquarters in other countries. For example, the Asia Pacific branch becomes the headquarters of the technology research and development center. For the branch company with small business volume in the past, part of the organizational structure was cut down and simplified to multiple project teams and a small number of supporting staff.



Conclusion and Suggestion



Conclusion and Suggestion



The overall change project carried out by multinational enterprises should localize the change strategies and measures for the branches in different countries and regions. Morningstar (China), as the business and data center in the Asia Pacific region, will have a much greater impact and effect in the strategic transformation than the Japanese branch that only provides the market and connects with the local users. Then the company should analyze and identify these differences in the analysis process



In the process of change, the company needs new talents to continuously innovate and stabilize the result of change. In addition to bringing in new types of talent from the outside, companies also need to think about how to train existing employees to become the people needed for future positions. The latter plays a more obvious role in promoting the success of change.

In the process of change, the most common problem is employee resistance. Employees are insecure about the future, and don't know what the company will look like after the change, and if there will be a place for them. If employees can be effectively guided and trained in new skills, they will be less anxious about changes and accept changes.

Effective reward and punishment mechanisms can also greatly reduce the resistance to change. Companies need to adopt incentives based on rewards, set an example for employees, and encourage more people to support and understand the change. But at the same time, the company also needs to make appropriate adjustments to the punishment of individuals and teams that hinder the smooth progress of the change

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Thanks for watching



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