



IIMC CASE RESEARCH CENTER (IIMCCRC)

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PERFORMANCE MANAGEMENT AND INCENTIVES AT HOUSING FINANCE LTD HFL (B)

In the summer of 2015, Ms. Vani, Chairman and Managing Director of XYZ-Housing Finance Ltd (referred as HFL hereinafter) was discussing with Mr. Singh, Vice President (HR), about the need to review various HR policies at the company. It was not because there was any ongoing or impending crisis looming in the near future, but certain fault lines had appeared, and HFL was making a strategic shift. The company was looking to diversify its portfolio beyond household retail business that constituted almost 85% of its portfolio, and grow in higher margin and lower risk businesses, such as mortgage-based credit, solely targeted at HNI professionals like doctors and merchant navy professionals, among others, who wanted to set up their commercial properties or buy high-end houses. The other focus was to grow in high margin and higher risk businesses, such as commercial loans to big developers, wherein HFL thus far, had single digit market share. “We created a vertical for high margin business, we posted good CAs and marketers; these people are drawn from HFL only,” said CMD.

By and large, HFL had been doing well, and was counted among the top three lenders in the housing space, and the largest in the pure play housing finance cohort, outside the banking conglomerates with their housing finance arm. It had evolved over the years, since its beginnings in early 90’s, as a successful lender. In 2004/05 the company’s management made a radical change by breaking the core operations into business development process at the front-end, and case appraisal and decision-making at the back-end, managed respectively by area offices and back operation office. This was specifically done at the behest of external auditors, and this restructuring effectively helped HFL to grow business and improve its quality of assets.

However, challenges had appeared in such a structure with diluted accountabilities at individual levels, unbalanced load of work, duplication, misalignment in responsibility, performance appraisals and incentives, and neglect of customer centricity. CMD laid out the objectives of the project for the Mr. Singh to address these issues.

Prof. Amit Dhiman of the Indian Institute of Management Calcutta developed this case study as the basis for class discussion rather than to illustrate the effective or ineffective running of an organization. It is fictionalized case but is based on real events and real data. Any resemblance to events is coincidental.