



...Strength in Numbers

The Society of Professional Accountants

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Dear Paul

Proposed Merger with CIMA/CIPFA

On behalf of SPA, and as a Council Member, I welcome any action that will promote the future amalgamation of the various independent accountancy institutes, and enable one body to speak for the profession both to UK and other world governments; just as important is the ability to carry a common message to the general public and our clients wherever in the world they may be found.

But is ICAEW ready for this Strategic Fit?

I apologise if any of the matters I raise in the attached summary were resolved at the recent Council conference which I was unable to attend, however, it appears to me that our current strategic planning focuses primarily on the opportunities for growth and higher profile, but without directing initial attention to resolve internal tensions and shortcomings which may already be hindering both growth and member engagement.

I also recognise that my suggestions may be seen as radical and would take several years to achieve – getting our Institute moving smoothly ahead isn't an easy 'done by Monday' job – it requires belief and commitment over a lengthy period – but a start could be made with target implementation dates set, say, two to four years ahead.

Perceptions and Opportunities

Our Institute has a long and distinguished history, but like Topsy, it has grown and grown – and extremely rapidly in recent decades. It now appears to be faltering as the internal support structures appear over-complex and not robust enough to take the strain – or perhaps more importantly meet the current needs - of this expanded membership; if our Institute is to go forward in the new millennium as the foremost accountancy body plus acting as the unifying influence on both UK and world accountancy institutes, we should reflect first whether our house is in order – are the rooms prepared, do we have the right supply lines in place?

Much that our Institute does or provides is very worthwhile and well received by those members who can advantage themselves of practical and technical support available - albeit somewhat difficult to locate in the labyrinthine structure of Moorgate Place. In particular the faculties and member support deserve special mention, however, these are 'non-contentious' areas, and it is this balance with regulation and disciplinary activities that tends to condition members' attitudes.

High on the list of members' concerns is whether they own their Institute and can thus democratically determine its direction. Ownership of our Institute needs to be restored or reinforced to members if this is not the case; our burgeoning bureaucracy should understand that we pay them for their services to do what we direct, and that they should respect this position; at times the staff appear more the owners than the members!

I have copied this note to my Council colleagues as I know from discussions with local Council members that there are concerns with the drift of our Institute and it is felt this merits consideration – could this possibly be a suitable topic for the 2005 Council Conference?

I look forward to receiving your initial observations and shall be pleased to discuss these ideas with you.

With best wishes for the success of your Presidential year and the future success of our Institute.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Peter J D Mitchell', written in a cursive style.

Peter J D Mitchell
Chairman

INSTITUTE STRATEGY - THE PREMISES FOR SUCCESS

Consolidating the Accountancy Profession

There appear to be two principal points in the framework of a single co-ordinating body that should be in place to enable such a merger process to be acceptable and effective to those considering joining:

- An appropriate name
- An appropriate structure

If these are not present, or proposed to the future, merger ambitions seem likely to continue to fail (you may have seen my letter in Accountancy Age of July, a copy of which is attached).

A Future Name?

Over recent years, SPA has propounded the view that the CCAB be transmogrified from an ugly duckling to a beautiful swan by changing its name to 'The Federation of Professional Accountants', which would be the over-arching organisation within which all professional accountancy institutes could gather internationally whilst retaining their current identifying initials, ie each practitioner would gain a further set, eg Paul Druckman FPA, FCA.

'FPA' would be the defining initials capable of being promoted to and understood by the public at large – worldwide – in fact a worldwide brand!

The identification of one unifying body appears most important when promoting consistent messages to UK business and individuals about the benefits of using a professionally qualified accountant – which cannot be achieved on a long term basis by any one institute at economic cost. If this seems somewhat defeatist towards the aspirations of the ICAEW, perhaps a little consumer awareness research on the High Streets of the UK may help confirm the opinion of many practitioners –we could even help you set the questions!

From those in Practice ... Owners or Tenants?

For practitioners the internal image of our Institute has been seriously damaged in the last two decades by the excessive zeal of its regulatory activities which have in turn frightened, coerced, punished and for some 'turned off the lights; too many members have become distant, unresponsive and cynical towards their Institute.

The Practice Assurance scheme provides an opportunity for these excesses to be put behind us and a new, wholesome relationship established – but only if it can be seen this process is 'owned' by the members – not the administrators!

It is of note that proposed Practice Assurance standards have been written to accommodate both smaller and larger practices, a parallel with those proposed under 'Institute Structure' outlined further on.

.... and those in Business ... Initials – but little else?

On the business side I can reflect on approaching twenty years in commercial positions where, other than the desire to retain my professional initials by paying an annual subscription, the Institute had little relevance to my work and with whom contact was otherwise non-existent. Having spoken to a plc CEO in recent days I know this 'relationship' remains true today for him and I suspect many others. Institute research should perhaps be examined or undertaken if the current perceptions, needs and wishes of members in business are not reflected in our strategy.

The new CPD provides an opportunity to re-engage with distant members in employment, as long as its application remains 'light touch' and encouraging, rather than seeking to seize on and punish apparent lapses.

A Future Structure for our Institute

It is surely not only by achieving the right external image for our Institute that it will grow and flourish, but also the requirement that our Institute carry its members with it and, to do this, our Institute should be proactive, relevant, receptive and supportive.

The perception is that members are losing control of their Institute, and there appears a real need to demonstrate not only in words but through our Institute's structure, that members retain ownership of and can determine the direction of the Institute to the future.

However, our Institute currently appears to be 'service led' rather than 'member orientated' – the axis seems the wrong way round (which I drew out broadly for you and Ian Morris recently at lunch). My simplistic (and unfinished!) schematic of a future Institute structure follows, which demonstrates ownership by our members and signposts their coherent organisation within that framework.

This model, if you will, suggests a corporate structure for our Institute, a Main Board, possibly 3 Divisional Boards and possibly 5 or more Subsidiary Boards.

- Members would opt to join one or more divisions, each division would have its representative board of Council members from whom Main Board members would be drawn.
- Services provided should be relevant to that division; e.g. communications, technical support etc.

Significantly you will note the solid link to Council through the member divisions, whilst a 'dotted line' is shown for Executive Services and Administration, as this speaks to ownership and the structure of Council.

Council Members

The most recent attempt to redefine how Council should be structured was made by Michael Groom – and I sat on his Working Party – but proposals were not accepted by Council as they were perhaps drawn too tightly within the existing structure; it remains correct to examine the selection of Council members, but not in isolation of a review of our Institute's structure.

To the casual observer our Council probably appears unwieldy and inefficient, with potentially up to 90 individuals able to attend; plus the apparent need to refer all business first through a somewhat secretive Executive Council which must duplicate much effort.

Council meetings can be very frustrating to sit through – the business transacted is very wide and there may be little of relevance or contribution to certain members attending; such meetings have to be hugely expensive operations to undertake if you value the time and expense involved.

The divisional structure allows a reduced number of 'divisional board' members to go forward to Council, and should simplify Council business by becoming the 'Main Board' – the ideal size of which I suggest should be no more than 12 members including the chairman.

All elected representatives should be provided with at least two opportunities to meet together each year – one of which could be the Council Conference.

Overall the number of elected representatives could remain broadly the same and the method of their election could remain largely unchanged. I suggest 72 in total as this divides by 2:3:4:6:8:9:12 which should resolve most selection needs, and would maintain the presence of a sufficiently large body of volunteers to assist with the various Institute committees.

