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## **GOVERNANCE OF AN ACCOUNTANCY BODY – THE STORY OF CIMA**

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## **GOVERNANCE OF AN ACCOUNTANCY BODY – The Story of CIMA**

### **ABSTRACT**

The UK accountancy bodies have grown as global organisations controlling vast sums of money and influencing substantial membership. The six chartered bodies had over 350,000 members and 365,000 students in 2005. The income of the six bodies in 2005 was over £236 million. The purpose of this paper is to document the way in which one of these accountancy bodies are being governed. It specifically deals with one such body, the Chartered Institute of Management Accountants, CIMA. CIMA had at 31 December 2005, 67,670 Members (ACCA 109,588) 86,565 students (ACCA 260,644) and an income of £33.8 million (ACCA £72million). 81% of CIMA members work in industry and commerce. The members are not shareholders and receive no dividends. Instead they pay an ever increasing subscription. The old model of running a professional association was premised on a high involvement of volunteers, which established policy through large councils and committees. Such governance structures do not allow associations to be proactive or respond quickly to demands and pressures. CIMA is a medium size enterprise which is not compelled to undertake best business practice as outlined in UK Corporate Governance Codes. The paper reports on a study by reporting on semi structured interviews with Current and ex council members.

## **GOVERNANCE OF AN ACCOUNTANCY BODY – The Story of CIMA**

### **1. INTRODUCTION**

Accountancy continues to expand in the UK. The six chartered bodies have over 260,000 members and over 155,000 students in the UK and the Republic of Ireland, (FRC, 2006).

While the global view of governance is talked about, the governance of accountancy bodies has rarely been researched (but see Sikka & Mitchell and the Wilmott studies) and is the subject of this paper.

This paper is about Governance of the UK Accountancy bodies namely the Chartered Institute of Management Accountants (CIMA) The evidence has been collected through archival research together with in-depth semi-structured interviews with Members of Council, both past and present.

The paper is structured as follows: The first section sets the scene and looks at the background. The second section looks at three perspectives on governance followed by other models of governance. The third section looks at Governance in CIMA and discusses the existing model and the rationale for change. The fourth section look at the research methods. The fifth section looks at the findings while the sixth section discusses and summarises the paper while the seventh section concludes.

The Accountancy Profession in the UK and Republic of Ireland is largely represented by the six members of the Consultative Committee of Accountancy Bodies (CCAB), which comprises of six bodies.<sup>1</sup>

The Professional Oversight Board for Accountancy, FRC (2006) states that in 2005 the accountancy bodies have over 350,000 members and over 365,000 students world-wide.

The accountancy bodies have over 260,000 members and over 155,000 students based in the UK and Republic of Ireland; Membership has been growing at an average rate of 3.6% per year worldwide and 3.0% per year in the UK and the Republic of Ireland; Student numbers have been growing at the rate of 6.7% per year worldwide;

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<sup>1</sup> The Institute of Chartered Accountants in England and Wales (ICAEW)  
The Institute of Chartered Accountants of Scotland (ICAS)  
The Institute of Chartered Accountants in Ireland (ICAI)  
The Association of Chartered Certified Accountants (ACCA)  
The Chartered Institute of Management Accountants (CIMA) and  
The Chartered Institute of Public finance and Accountancy (CIPFA)

46% of accountants were employed in industry and commerce in 2000 (growing at the rate of 6.9 per year) compared with 27% in public practice; 29% of members and 48% of students of the accountancy bodies are female. The income of the accountancy bodies in 2005 was over £236 million, spent on education and training; member services; management and governance; regional and international activities; publications course and conferences; regulations and discipline, promotion and development and policy and technical. Members' fees and students' and examination fees accounted for almost 60% of the income. Income from regulation, member services and trading subsidiaries accounted for the majority of the remaining income.

Burchell et al (1980) note how little is known about the organisation of the accountancy profession and of the broader social and economic context of its development. Given that accountants bear a major responsibility for the development and regulation of modern economics (Stacy, 1954; Johnson 1980) it is a fact that so little research has been directed to the study of the professional associations that play a significant part in shaping and controlling accounting practice. Willmott (1986) provides a theoretical framework for understanding the emergence, development and role of accountancy bodies. By including a consideration of the professionalisation as well as an examination of the institutions of the market and the state, this framework provides a perspective for understanding professional associations as political bodies developed to defend the interests and preserve the scarcity of their members' labour. Accounting practices affect social and economic welfare and that accounting "is not only the concern of accountants but also of government and the public" (Earl 1983 p.10; Metcalf 1976). Recent developments regarding Enron and WorldCom testify to this.

Willmott (1986) suggests that the sociology of the profession incorporates a number of contrasting approaches. Before the early 1970's *functionalist* and *interactionist* perspectives were dominant. Since then a more *critical* approach which draws heavily upon the work of Weber and Marx has emerged.

The *functionalist* perspective attends to professions as integrated communities whose members undertake highly skilled tasks that are crucial for the integration and smooth operation of society (Carr-Saunders & Wilson, 1933; Greenwood, 1957).

The *Interactionist* approach is committed to studying professions as interest groups that strive to convince others of the legitimacy of their claim to professional recognition (Haug & Sussman, 1963; Roth 1974). The professional body is regarded as a basic organisational instrument for defining and securing a respectable and valued social identity.

The critical approach draws upon the writings of Weber and Marx to place the formation and development of professional associations within the material context of bureau-capitalist society.

A second significant condition for the development of accounting practice and organisations has been the emergence of the modern state (Berlant, 1975; Larsdon, 1977, Cornforth & Edwards 1998). Willmott (1986) argues that the relationship between

professional associations and the state is best described as one of interdependence and tension in which each party enables as well as constrains the other. Or as Johnson (1982, p.189) puts it, "the professions are emergent as a condition of state formation and state formation is a major condition of professional autonomy".

## **2. PERSPECTIVES ON GOVERNANCE**

Cornforth and Edwards (1998) put forward three perspectives on governance:

1. A market perspective on governance – the agency or stewardship model
2. A managerial perspective – a partnership model and
3. A democratic perspective – a political model

### **Market perspective the agency or stewardship model**

In this perspective the agency theory is of particular relevance as it directly addresses the issues of governance. According to agency theory the owners of any enterprise face a problem, because managers (their agents) are likely to act in their own self-interests, rather than the owners' interests. The main function of the board is to control the behaviour of the managers. This suggests that directors of companies should be independent of management and their primary role is one of stewardship- to make sure that the resources of the organisation are safeguarded and to monitor and if necessary control the behaviour of managers. This view of governance has been reinforced by Bank of Credit Commerce International (BCCI), Pollypeck, Maxwell, Enron Worldcom etc. In the case of CIMA however, policy is decided by the Council, which is then put into operation by Managers. The reporting lines of the managers are to the Chief Executive, rather than to the Council.

### **A managerial perspective – a partnership model.**

Board members should be selected on the basis of their expertise and contacts so that they add value to the organisation's decisions rather than just select, monitor and control management; that Boards like managers will require careful induction and training; that they will need to know how to operate effectively as a team (Kirkland, 1994). The managerial perspective is also evident in various models of governance that have been put forward. Pound (1995) suggests what he calls the 'governed corporation model' of governance. In this model the board and major shareholders, are seen as partners of management, and the prime function of the board is to add value to the organisation by improving its top decision-making. Pound recommends five changes from the stewardship model:

1. Board members should be selected for their expertise;
2. boards should focus on new strategies and policies;, not just reviewing past performance;
3. directors should be given better access to company information;

4. board members should devote a substantial proportion of their time to governance
5. board members should be rewarded appropriately

In the case of CIMA, Board members or Council members are elected by Areas . They are not selected for their expertise, other than in the case of the co-opted members. Although the council does focus on new policies and strategies, a large proportion of time is spent on reviewing past performance. Council members complain that they should be given better access to Institute information. They do not devote a substantial proportion of their time to governance and council members are not paid for their time, only their expenses are reimbursed.

### **A democratic perspective – a political model**

A democratic perspective on governance suggests that the role of the board is to represent the interests of one or more stakeholder groups in the organisation. When voluntary and non-profit organisations are established as membership organisations, it is laid down in the organisation's constitution that the governing body should be elected by and represent the membership in some way. This leads to a political model: a means of expressing, resolving or choosing between the interests of different stakeholders and setting the overall policy of the organisation, which can then be implemented by staff. As anyone can put himself or herself forward for election as a board member expertise is not a requirement as it is in the managerial perspective. This is what happens in CIMA. The governing body is elected by and represent the membership. Any Fellow member can put himself or herself forward for election as a Council member and expertise is not a requirement. It is assumed that an FCMA would have the relevant expertise but this leads on to a criticism that all Council members are accountants.

The way in which CIMA is governed is in accordance with all three models. The managers may act in their own self-interests rather than the members' interests. Governing an accountancy body is not like governing a public company. There is also the role of stewardship where the resources are safeguarded and the behaviour of managers controlled. Co-opted members to Council are selected on the basis of their expertise and contact so that they add value to the organisation's decisions.

### **OTHER MODELS OF GOVERNANCE**

At CIMA the Council has to serve the members. It has to be fit for its purpose ;it has to exercise its responsibility in terms of leadership. It has to effectively communicate with members in spite of general apathy.<sup>2</sup>

“An organisation's leadership has a moral, legal and fiduciary responsibility to its members, constituencies, users and beneficiaries, staff and volunteers, as well as the general public. Specifically, it is responsible for the effective governance of the organisation” (PAGVS 1999).

According to Watkins (1996), the old model of running a professional association was premised on a high involvement of volunteers, who would establish policy through large councils and labyrinthine committee structures, and who would also implement those

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<sup>2</sup> Nearly 15 per cent of members took part in the 2006 membership survey with Corporate Governance leading as the most important CIMA topic for the accountancy profession.

policies at operational level. In the case of CIMA the first two: high involvement of volunteers and large councils and a committee structure still takes place although implementation at operational level is carried out by paid staff. This gave members a strong sense of ownership of their associations, often at the cost of slow and poorly coordinated procedures. Friedman, Phillips and Ming (2002) suggest that current governance structures do not allow associations either to be proactive or to respond quickly to demands and pressures.

Rumbaugh (1999) suggests that Policy Governance Model, which is an approach to the job of governing which emphasises values, vision, strategic ability to lead others, and empowerment by the board (council) of its subordinate operating boards, other committees and staff. Carver & Carver (1999), claim that Carver's Policy Governance Model is the world's only complete, universal theory of governance – a conceptually coherent paradigm of principles and concepts. The model enables boards – as “servant-leaders” of shareholders, public, members to ensure that organisations achieve board-stated goals and conduct themselves with probity. The Policy Governance Model is designed to give organisation's true owners competent servant-leaders to govern on their behalf. Carver believes that a board that is committed to representing the interests of owners will not allow itself to make decisions based on the best interests of those who are not the true owners. The Policy Governance Model is based on two different kinds of policy decisions: ‘ends’ and ‘means’.

‘Ends’ decisions are about results, together with the cost or priority of the changes required. Which students should acquire what knowledge at what cost or whether members should undertake CPD are ends issues. The enhanced employability of members and the status of the qualification are end issues. All other decisions are ‘means’ decisions. These relate to the steps necessary to bring about the results. The choice of syllabus, ethics, what CPD should be offered, staff credentials, are examples of means decisions. A Further development of the Policy Governance model suggested by Rumbaugh (1999) is the introduction of limitation policies. The board establishes boundaries of acceptability within which subordinate group methods and activities can take place. These policies apply to operating boards, committees and staff and empower the subordinate units in implementation of the ‘end’ policies. This model enables extensive empowerment to staff while preserving controls necessary for accountability. The US/UK definition of Corporate Governance suggests that directors are servants of the shareholders. In the King (1994 & 2002) model, quoted in CIMA (1999) (King was President of the Commonwealth Association of Corporate Governance when it issued the

Statement of Principles for Corporate Governance in the Commonwealth in 1999), the Board is an autonomous organ of the company – one that manages and acts on the company's behalf. In the case of CIMA, the Board would be the Council. The Board is accountable to the company's shareholders and are required to act individually and collectively on the company's behalf. King's measure of success is the triple bottom line, which covers the Economic, Environmental and Social bottom lines.

The most recent research in the UK has been by the Professional Associations Research Network (PARN) based at the University of Bristol, Friedman, Phillips and Ming (2002). In accepting that there are opposing views on the delineation of governance and management roles, Friedman et al use the definition of “work that matters” and repeat Hudson’s (1999) model of governance and management, Which suggests that the governing body should let managers manage but should hold them accountable, steering a course between two extremes: on the one hand governance and management should be completely separate, resulting in a lack of communication and consultation between the two and on the other hand no roles or functions are apportioned.

Friedman et al (2002) recommend a model of governance, called the ‘cupped hands’ model that has a broad separation of tasks and roles between four sets of people: the CEO, the staff, a strategic group (the Executive Board) and a member’s or stakeholder assembly. This is based upon the assumption that separation between these groups is predicated on distinguishing:

- the management and implementation of activities
- strategic planning and monitoring of those activities
- Overall guidance and monitoring of the general purposes and mission of the professional body as a whole.

The group concerned with strategic planning should be a working group, small enough to allow decisions to be taken and taken quickly. The strategic group is likely to need individuals with expertise that is not readily found among the association members and therefore this small group is unlikely to be composed entirely association members. The problem is that such a group cannot adequately represent member-views and the views of other stakeholders. For this purpose a much larger group is needed

### **3. GOVERNANCE AT CIMA**

#### *The Context: Origins of CIMA*

During the First World War, the UK government discovered cost accounting and that it could be used as a basis for agreeing prices for war material.

The period after the First World War suffered shortages, availability of a large number of demobilised soldiers swelled the labour force and there was a need for reconstruction and transform manufacturing for peacetime output. Building on their wartime experience, business people saw cost accounting a means of introducing order and control (Loft 1986).

The Chartered Institute of Management Accountants (CIMA) was founded in 1919 as the Institute of Cost and Works Accountants (ICWA), to focus primarily on cost accounting.

At this time there was great interest in cost accounting and the clerks and accountants who were employed in the area had gained in status during the war. The first members were admitted without examination, on the basis of the position, which they held, backed up with appropriate references. Members were divided into two categories: to be an Associate an applicant had to satisfy the Council of their general experience in cost accountancy; to be a fellow the applicant had to have held the position of Chief Cost accountant on the staff of a manufacturing concern for a period of at least three years or some position considered by the Council to be equivalent. Those rejected for membership were advised to sit the examinations, the first of which was held in 1920. The Institute set up a student category of membership and by 1929 nearly 1500 students had registered. The biggest disappointment during these years was the failure to obtain a Royal Charter (Loft, 1990). In 1919 enquiries were made into the possibility of the Institute obtaining a Royal Charter but the matter was let to rest when the cost was found to be around £700. An application was lodged in 1923. The ICAEW successfully opposed the ICWA's application for a charter, arguing that "such persons were not employed in professional work but in the service of traders". In 1919 a number of committees had been formed, an Executive Committee, an Examinations Committee, a Publicity Committee, a Finance Committee and a Magazine Committee. The Council, the ruling body of the Institute was dominated by a few individuals. It seems to have been the practice to co-opt onto council any moderately important person who could be persuaded to join. In 1919 the first branches were formed. The very first was at Birmingham and the second in Manchester. The branches were important to the institute as a way of attracting new members and of keeping the membership outside London informed and involved. A reorganisation took place in 1924 and the Institute's organisation was made more democratic through the principle of area representation. The whole of England, Wales, Scotland and Ireland was divided into twelve areas. Each area was to elect one member to Council except for London and South of England, which was to elect three. This gave fourteen elected members of the Council. Another ten were co-opted. One third of the 24 were to retire each year. In the 1924 re-organisation the branches had attained a formal position in the Institute's structure and all members in the UK were automatically allocated to a branch and thus had a right to vote in the election of a Council Member. This practice has carried on to the present day.

CIMA is a medium sized enterprise by using the criteria of annual turnover and number of employees (Income in 2005, £33,820,000 and employing 240 staff) is not legally compelled to undertake best business practice as outlined in Cadbury, Greenbury, Hampel, Turnbull or the Combined Code. It is a not for profit organisation which qualifies and regulates chartered management Accountants who hold responsible posts in industry, commerce, government etc( In 2005, 98% of CIMA members worked in business or the public sector, the highest proportion for any CCAB body). Having started in 1919 as the Institute of Cost and Works Accountants to provide the range of information needed to plan and manage modern business, CIMA was granted a Royal Charter in 1976<sup>3</sup>. The name was changed to the Chartered Institute of

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<sup>3</sup> The Royal Charter invests in Council responsibility for the overall governance and control of CIMA and its affairs

management accountants, recognising the importance and commercial relevance of management accountancy. In 1995 the members were given the right to use the title Chartered Management Accountant.

Professional bodies are always subject to two often-opposing forces,( Allott, Weymouth and Claret 2000):

On the one hand, the market place for services creates a pressure for change. It demands new services, techniques and products. This is evident in the manner in which product managers are being appointed at CIMA purely to bring in revenue from members. These require the people in a profession to learn new skills take new approaches and refocus their priorities. On the other hand, there is often a kind of inertia where a large proportion of existing members inhabits a particular existing territory and failing to keep up with change and failing to see the need for this change.

In 1997/8 work by the then Vice President David Melville with involvement from other council members, the governance of CIMA was substantially revised with the aim of improving processes and thereby saving time. A major part of this revision involved the amalgamation of standing committees and the setting up of a Board system below them, together with substantial revision of the terms of reference and composition of Executive Committee. The Presidential Task Force set up in 2000, reported to Council in March 2001 identified some specific governance tasks which council also agreed should be included in the work of the Representation and Governance Working party.

## **THE EXISTING MODEL**

The existing model which CIMA follows is that traditional for professional bodies in the UK and elsewhere and dates from 1975 in terms of the Royal Charter. A Royal Charter confers a privileged status on a trade association in that it differentiates those who qualify as members from other providers of accounting labour. The body has control over the training and regulation of its members in exchange for an undertaking that this function will be performed "in the public interest". There have been substantial changes within CIMA since 1975 including the following:

- A significant increase in Council 58 members in 2005 (30 elected 8 international and the rest co-opted);
- A staff three times the size in 1975, 240
- An annual income and expenditure now approaching £34 million
- Members 63,618 and students 75,263
- Commercial activity has become vital to achieving the mission of the business;
- A strongly competitive environment for the qualification;
- A substantially increased regulatory environment
- Increasing public interest in the activities of professional bodies

The overall requirement is for CIMA to be run on business lines rather than a club. The current CIMA council structure implies a vertical flow in both directions, and shows a channelling of activity through Executive Committee from the Policy and Enabling Committees. This chart does not make clear how decision making is carried out or what

decisions are taken at what level. The present decision making has been described as diary driven and the levels at which decisions are taken are partly dictated by delegation. The Presidential Task Force identified a number of governance matters, which it believed should be tackled in the short to medium term. Its main concerns were with the Appointments Committee and the perceived uneven representation of the international membership. The roles of the honorary officers and the Chief executive were also highlighted by the Presidential Task Force as ill defined and required writing into the constitution more thoroughly. Previously there has been criticism of the Executive Committee including:

1. Duplication of this committees' work with other committees and council causing delay rather than speeding decisions
2. Taking on the work and responsibilities of the former resources and General Purposes Committee.

There is some opinion on council that too much is delegated to Executive Committee and that Council is thereby losing some control. This can only be resolved by the definition of clear roles for each body, for other Committees and the CEO and by the discipline of maintaining the agreed roles. In the Friedman (2002) cupped hands model, there is separation of tasks and roles between four sets of people: the CEO, the staff, the Executive Committee and the Council.

The ICAEW, which could be described as a competitor of CIMA (merger talks took place recently and failed due to lack of support at members' level) had a debate about governance in the 1980's which resulted in the Tricker and Worsley Reports. The Tricker report proposed the establishment of a structure of governance that would more adequately reflect and represent the divergent interests of disparate segments of membership, the Worsley report argued that such a change would exacerbate the growing difficulties faced by the leadership in securing the power and privileges enjoyed by the membership. Similar tensions can be seen in the governance of CIMA. The majority of members of the Institute are employed in industry rather than in public practice (just as in the ICAEW). Tricker's rehearsal of the widespread belief that the context of accounting is rapidly changing and to the unsettling implications of this change for the governance of the institute holds true even today.

### *The background*

CIMA(2005) states that the Council is the de facto 'board of directors' to whom certain of the provisions of the Companies and Insolvency acts apply. Council is responsible for the setting of strategy and policy, determining and reviewing the vision, mission, values and space for CIMA and for the approval of any policy changes which may raise significant issues of principle or risk. The Chief Executive proposes and advises on

strategy and policy to Executive Committee for initial discussion and formulation of strategy and policy to be approved by Council. He is also responsible for implementation and delivery of approved strategy and policy which the council monitors by report-back. Other than the Executive Committee (12 members) there are two Governance Committees (Audit (6 members) and Appointments (8 members) and six Policy Committees (Professional Standards (11 members), International (12 members), Life Long Learning (14 members), Marketing (9 + 1 vacancy), Technical (11 members) and Member services (15 members)). There are 52 members of council; at least 38 of those are directly elected by CIMA Members. The remaining 14 are made up of the President, Deputy President, Vice president the Immediate past president and 10 co-opted members. Co-opted members must not exceed one third of the elected members. They are appointed for a specific purpose: skills, experience, geographical representation etc Council meets five times a year to discuss and set policy. The governance and policy committees meet at least four times a year.

### Composition of Executive

The executive Committee of council is made up of members of Council who have been Committee chairmen and are elected to the Executive Committee by council for a two year term and allocated to Committees by Council on the recommendations of the Appointments committee who also recommend to council each committee vice chairmen.

CIMA was established as a member run organisation. The individual members are effectively the owners. Every member has the opportunity to nominate a Fellow as a candidate for election to Council and vote by secret ballot. The voting takes place in geographically divided areas which cover the world.

Members of council are elected for a period of three years to direct the activities of the institute. The Royal Charter granted in 1975, invests in Council responsibility for the overall governance and control of the Institute and its affairs. Each year the council elects three members to be the honorary officers of the Institute. The Chief executive is responsible for management and operational performance of the Institute under the direction of the council and its supporting committees. A staff director who is a member of the Management Team and reports to the Chief executive is assigned to work with each committee. They are responsible for developing, researching and analysing policies and operational results and keeping abreast of all matters external to the Institute that impact on the workings of the committee

### **RATIONALE FOR CHANGE**

Following the Likierman working party (1991) and the Melvill (1998) working party the reasons for change were expressed as follows:

- Council has direct responsibility for policy creation but spends much of its time discussing nugatory matters;
- There is a perceived threat that CIMA will be less able than its competitors to respond effectively and rapidly in the global market-place;(ACCA being seen as a direct competitor)
- Council time is a precious and limited commodity. This time is not currently being used as effectively as it should be
- The Institute processes both externally and internally must be open and democratic, in the public interest; governance of an organisation should be the subject of regular review and should as far as possible reflect best practice;
- CIMA must capture and utilise the full talents of its council members.

The current interview evidence shows concern in all of the above.

#### **4. Research Methods**

The methodology for this study is threefold.

One: the study is archival. The information obtained from an archival study would be information which already exists and so there would be little bias. Loft (1986) was commissioned to carry out an archival study relevant to the genesis of Cost Accounting in the U.K. She states in her study that the interviews she conducted with founder members of CIMA UK were really useful as they gave insights and mental pictures of how it was to work as a Cost Accountant that archive material could never provide.

Two: semi-structured interviews were carried out with council members that were willing to take part in interviews. The total number that took part in the interviews were 16. Two females and 14 males, including four ex-presidents. The interviews were recorded with permission. Easterby-smith, Thorpe and Lowe (1991) suggest that unstructured or semi-structured interviews would be appropriate when, it is necessary to understand the construct that the interviewee uses as a basis for his or her opinions; and every effort was made to keep interviewer bias to a minimum. Care was taken to put the interviewees at ease, and not to make them give what they consider to be 'correct', or 'acceptable' responses. Despite their disadvantages these interviews enabled the researcher to ask complex questions and to ask follow up questions, something which would not have been possible with a questionnaire. Three: The author is a CIMA member and directly involved in Branch and Area level of CIMA for some 20 years and as such has been able to witness and take part in some of the events that changed the history of CIMA. Power (1991) states that while there have been some extensive ethnographic studies of the professional education process in other areas, medical students in the USA is an example, little has been said about accounting education. The concept of ethnography has its roots in anthropology and the attempts to describe alien cultures. The theoretical and methodological issues that arise in the search for adequate descriptions are relevant to qualitative sociological research in general.

Ethnography has been defined as an approach in which the researcher uses socially acquired and shared knowledge to understand the observed patterns of human activity. The main method of collecting data is participant observation where the researcher becomes a working member of the group being studied. The aim of the methodology is

to interpret the social world in the way that members of that particular world do. The problems with this methodology have been described as negotiating access, developing a high degree of trust and being able to cope being a member of the group as well as doing the research.

Using these three methods in this study has been described as triangulation and this can overcome the potential bias and sterility of a single method. Denzin (1970, p.267) defines triangulation as 'the combination of methodologies in the study of the same phenomenon. He argues that the use of different methods by a number of researchers studying the same phenomenon should, if their conclusions are the same lead to greater validity and reliability than a single methodological approach.

## 5. Research Findings

*Interviews with council members.*

*Council: Composition of members*

Questions were raised by 80% of the interviewees if the council makes possible proper representation of members at branch root level. There were mixed views on whether the elections lead to the right people on council?. Elections are held annually when vacancies occur when members retire by rotation. Few members are willing to stand as timings of council/committee meetings held in the day time on week days is restrictive to working members, who do not live in London. Sometimes members are returned unopposed as no one is willing to stand and even when the election goes to a vote, the voting is around 20% of those in the electorate. "Cost is used as an excuse to exclude international members from full participation in the council processes". An example was quoted of the ACCA, also an international body, having a council meeting in Malaysia.

Demands placed on Council members to sit on more than one main committee in addition to area and divisional duties result in having to give up at least a day a week to CIMA activities. This restricts the Fellow members being able to serve, prevents them from attending and from being prepared for meetings. Demands being placed on Presidents to carry out numerous activities result in them having to give up three days a week to CIMA. This means "those possessing sought after skills do not stand for election and get elected to council and their expertise is lost".

Questions were raised by a majority of interviewees as to whether the branch structure facilitate this or should there be better selection; Should council and committees include non members to add additional skills and value. Currently almost all are CIMA members and so accountants by profession. Would non members add value or bring additional skills to council? Comments were made on the size of the council, whether a council of 52+ members is conducive appropriate for quick decision making?

" as presently structured, the Council is the greatest club in London";

"The size of the Council is too big for proper decision making"

Currently Council members are elected for a three year term. There is nothing stopping them standing for election indefinitely. This could be contrasted with the ACCA which has

a nine year limit. An analysis of current council members reveals that 24 members have been council members up to five years, 14 have been council members up to 10 years and 14 members have been council members for up to 15 years. One wonders if a council member has been there for more than 10 years, whether they could contribute anything new or it is a case of simple belonging to a club and going along with the majority. Because they have been there for more than 10 years and the majority of them are not in full time employment this raises the question whether the skills mix is right or are some skills lacking? They may not be aware of the current working conditions and also what happens in the real world. This raises the question as to how they can represent the global membership which is diverse in language, culture, religion, education, gender, nationalism and class etc. The ACCA has had performance appraisal of council members. Is there scope for a skills audit? Most board of directors have evaluation as best practice so should there be a board evaluation exercise? Questions were raised about the efficient operation of the council. Currently there is no induction and training of council members. The general consensus was that the council does not communicate effectively on a regular basis with its stakeholders.

### ***Meetings***

The majority of the interviewees were concerned on the ideal number and length of meetings and whether meetings were useful in keeping members informed? Whether Meetings were useful to drive CIMA forward, whether the right things were covered in the agenda and receipt of right information for decision-making. Currently there is no effective process for handling urgent business between meetings. "We are concerned on how meetings are conducted: on the tendency to want to move through the agenda very quickly at meetings; not to wish to discuss anything too controversial or lengthy. There was an unwritten requirement to keep the minutes clean." Several interviewees noted the failure to encourage input from committee/council members during development of ideas. There concern that some committee meetings contain non-council members who are not aware of the council's mind. A common theme was the Chairmen and committee members receiving papers too late for studying before meeting. There was insufficient information provided on which to base discussion and decisions. Another common concern was the failure to answer questions posed by the members and the failure to use members' time to the optimum in planning meetings. There were restrictions imposed on the circulation of papers. It was surprising to find that Council/committees have no standing orders to facilitate business. Several members expressed concern on Staff tendency to try and manipulate decisions being taken by committees by writing and presenting pre-emptive papers. There was concern at attempts by staff and Honorary officers to use tactics to block papers. There was failure to clearly present papers so that there is no doubt about the decision that is being asked to be made. Currently changes made to papers presented for approval at different meetings do not clearly indicate any changes that have been made. Proposals made by members for changes to the minutes are inappropriately dismissed summarily by the Secretary or Chairman. Another theme was that the style of Council minutes should be more business like, focusing on decisions of council rather than attempting to be a narrative.

There was concern that meetings are currently taken up primarily with internal matters; There is insufficient time for real debate even on important items due to lengthy agendas. The timings of council/committee meetings held in the day time on week days is restrictive to working members, who do not live in London.” Cost is used as an excuse to exclude international members from full participation in the council processes”. “The demands placed on Council members to sit on more than one main committee in addition to area and divisional duties result in having to give up at least a day a week to CIMA activities. This restricts the Fellow members being able to serve, prevents them from attending and from being prepared for meetings.”

“Demands being placed on Presidents to carry out numerous activities result in them having to give up three days a week to CIMA.” From an ex president

Alarm was raised over out of committee working when used for important decisions of council; lack of ability to hold discussion prior to voting, lack of interaction between members: voice, tone, inflection and body language were missed; lack of transparency on what members have said and how they have voted and a suspicion that it was used as a method of “pushing things through” without further opportunity for proper discussion.

“Out of committee working may be appropriate for use in the work of some committees such as urgent items drafting and consultation processes but the primary mode of decision making within the Council should be face to face discussion and debate via the committee hierarchy.”

### **Council papers**

There was anxiety expressed at the difficulty in identifying what stage the paper has reached in the council process and lack of evidence on whether financial legal or marketing implications of the proposals have been considered. Another theme was the Order of discussion. The council papers are Colour coded: Agendas yellow and governance papers Blue; Preliminary proposals think piece pink; Discussion draft green and the Final paper white.

### **Committees**

The majority of interviewees were worried that there were too many committees, and the question raised, do too many committees undermine the council. “There is duplication of work between committees and between council and committees”. Concern was expressed as to whether Committees were effective and whether Committees were accountable. Is there a need to explore any alternatives?

### **Relationship with management**

Another common theme was whether information was received at the right time from the right members of the management. Concern was expressed on the performance evaluation of managers; Review effectiveness and performance and the lack of guidelines specifying their authority. Concern was expressed that the Chief executive was at times exceeding his authority.

### **Audit committee**

According to the Combined Code, (FRC, 2006) the board should establish an audit committee of at least three, who should all be independent non-executive directors. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience. The audit committee is a committee of council appointed annually by the council on the recommendations of the Appointments committee from Fellow members of CIMA. It consists of six members. It is chaired by a past president of the institute. The current membership of six includes two past presidents, two council members and two CIMA fellows. The quorum for the meetings is two. It meets at least twice a year and should report to council after each meeting. It is recommended that at least one member (currently there are 2) should be a serving council member to facilitate greater understanding of council business. It could be argued that only a third of the members could be described as independent. Perhaps this was why the Chairman of the audit committee believed that the audit committee should only report to council on an annual basis and by exception during the rest of the year: there may be occasions when due to the sensitive nature of the information involved a report to council is not appropriate. The argument was that keeping routine reports off the agenda would mean the council would be able to concentrate on more developmental work. Some members argued that this serves the same purpose as non-executive directors making up the Audit Committees of a commercial organisation. Members normally serve up to three years. The independence of the audit committee should not be regarded as synonymous with secrecy as it is essential that complete transparency is maintained.

### **Provision of information**

Concern was expressed that lack of accurate and relevant information with council papers delays the decision-making process. Lack of meaningful performance management criteria for operational activities makes monitoring of efficient use of resources difficult and time consuming; Lack of a consistent method of reporting information to Council from all Committees leads to confusion and failure to inform in some cases; Lack of post project review information. Concern at the lack of the necessary market research and competitive information being collated for use in the strategic planning process. Lack of relevant financial information (this is surprising for an accounting body).

There was a suggestion that the Chief Executive's report, the Monthly Statistical Summary and the Monthly Management Report should be replaced by a Quarterly Management reporting Package including the last quarter's financial performance with

comments and analysis, a financial forecast for four quarters ahead and reports from committees on their activities.

Council's need is not just for raw data but intelligent interpretation of statistics providing insightful information focussing attention on matters which need addressing.

## **Communication**

Another common theme was that ideas being put forward to the institute by members and students are not being received and acted upon in a positive and consistent manner.

Poor committee/departmental communications both between staff chairmen and members within the committee and between committees/departments are not conducive for proper working relationships. Poor communication with international members due to geographic economic and cultural differences was also a concern. There was concern that departmental organisation does not correspond to the council committee structure and concern that the financial affairs of the institute are not being properly monitored since the disbandment of the Resources and general Purposes Committee. Efforts should be made to ensure that members and students (the owners) who approach the Institute are treated in a courteous manner and that any ideas they bring forward are logged and directed through the appropriate channel.

There is need for International Committee to become more integrated over time with other committees and for more staff to be located internationally. There should be more international representation on the Executive Committee to aid the decision-making process.

## **Governance**

It was felt that the Charter, byelaws and regulations are in dire need of revision. The appointments committee is perceived to have an excessive concentration of power. The Appointments committee ballots and procedures need to be tightened. One example was given where when three names were put forward by council for election of a future president, the then president put forward only one candidate. The council members had only one name to vote for. There was concern that international members are not equally represented at Council and across committees and that this causes serious distortions in the decision making process. Current strategic planning process lacks input from members of council

## **Legal liability**

As CIMA is established under Royal Charter, it has corporate responsibility for all actions taken by Council members, in good faith, in the course of their council duties. If

a judgement is made against CIMA any financial settlement would normally be made out of CIMA funds rather than from the personal funds of individual council members. Byelaws 49 and 50 grant indemnity to members of Council.

Council members should comply at all times with the Code of Best Practice and the institute's Ethical guidelines and Royal Charter Byelaws and regulations with requirements relating to the use of the Institute's funds and to act in good faith and in the best interests of the Council. Council members should not use information gained nor seek to use the opportunity of Council membership to promote their private interest. All Council members should ensure that they do not receive any gifts, hospitality or benefit of any kind from a third party which might be seen to compromise personal judgement or integrity.

Council members serving on committees are expected to stand by the decision of their committees when they are reported to the Council. As part of its responsibilities for the stewardship of funds, CIMA as a chartered body must ensure that it includes a full statement of the use of such resource in its Annual review and accounts. The Presidential task force of 2000 recommended that that Annual review must provide a full description of CIMA's activities, state the extent to which key strategic objectives and agreed financial and other performance targets have been met; list the names of the current members of council together with their attendance records ; provide details of total reimbursement of out of pocket expenses incurred by members of council on Institute business and any payment of remuneration made by the Institute to any members of Council. This last recommendation has been ignored.

In this context, it would be useful to look at some episodes to explore some of the tensions and difficulties of running CIMA:

1. A professional body is defined by its syllabus. Devising a suitable curriculum is always a problem, especially when the body has competitors. Successive CIMA syllabuses have been developed in close collaboration with the market. The 1985 syllabus sprang from a competency study that heavily involved employer. The 1995 syllabus developed a similar pattern. The Institute engaged the Industrial Society to conduct research for the 2001 syllabus, to gather the views of employers, members, students and educators. The 2004 syllabus followed internationally based research consulted CIMA members, students and employers on a global scale across the full range of private and public enterprises, but has been criticised by the stake holders for the lack of consultation and the speed of implementation and the fact that it had input from the University of Bath who do not prepare students for the CIMA examinations.
2. There is tension between the Council members who are volunteers and who man committees such as Membership and the panel of Assessors and staff who see their role in increasing membership. The former strictly follows the rules while the latter may be tempted to be flexible.

- 3 Every new president wishes to do something different. There was one who wanted to donate £75,000 to the Prince's Business Trust during the 75<sup>th</sup> Anniversary of the Institute. There was another who wished to visit every branch in the country and another that hosted a dinner in Dublin Castle with the Irish President. In these instances CIMA appears to be run like a club rather than a professional association.
- 4 The Council is too big as a decision making body. The co-opted members are selected for their contacts and are not democratically elected. The number of members taking part in Institute affairs is fairly small as the younger members do not feel that they have to do their share of public interest as work and family commitments take precedence.
- 5 There is always something that is produced by staff or committee members. A Member's portfolio was produced at great expense only to be discarded. At Branch Officers conferences held every two years, new members of staff listen to the same old problems and no follow up action is taken. A good example to follow would be the ACCA, which organises regional network events. CIMA tried to organise Biz Net events, which had a charge, but these proved so unpopular, that they have been toned down.
- 6 Some topics are flavour of the month. There was something called the Hot Topic Forum, which ran seminars on hot topics but this has died a natural death.
- 7 The name of the journal was changed from Management Accounting to Financial Management. There was a president who was keen that the title of the Institute should drop the word Accounting.
- 8 In 2001 the institute wrote off £2m on the Computer project. This involved TATA of India. Both parties agreed to say nothing. The council members responsible are still on the council.
- 9 The Royal charter requires the maintenance of a library. The library was shut down with two days notice and the books sent to Sri Lanka.

## **6. DISCUSSION and Summary**

The size of the council is too big. Large councils are more effective in terms of representation but less effective in terms of setting strategy and in decision making. As Council becomes larger, it is inevitable that some of its decision making powers are delegated to an Executive Board, (Wood, 1992). This is happening in CIMA. The Executive Committee develops and change sits role. The executive Committee and senior staff develop agendas, collect information and prepare background documents without guidance from or significant reference to the Council.

CIMA does not appear to be concerned with cost. A large council costs a lot to service. Cost is put forward as one reason for inadequate representation of international members.

There is evidence of inadequate skill sets individually or collectively. Council members who have been there for more than 10 years are part of the status quo. Accountants may not possess expertise to govern a large commercial organisation. The majority of the current council members would not gain high level experience in their professional roles that they can bring to their governance roles. Where the council has co opted

members, there is perception by some co-opted members that elected members are not up to the mark. There is evidence of this in CIMA. There is evidence that some members have been willing to become involved for the 'wrong' reasons. The council was described as on interviewee, a past President as the best club in London.

The CIMA Council has been described as "the de facto board of directors'. If in such a situation, one was to apply the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006, the following would be found lacking:

A.1 Every company should be headed by an effective board which is collectively responsible for the success of the company. It is arguable whether the council is an effective board.

A.2 There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. The Chief Executive at CIMA has already been criticised as having exceeded his authority.

A.3 The board should include a balance of executive and non-executive directors (Independent non-executive directors). This is not true in the case of CIMA.

A.4 There should be a formal rigorous and transparent procedure for the appointment of new directors to the board. This is not true especially as regards co-opted members.

A.5 The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. This does not happen in CIMA as several of the council members have said.

A.6 The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. This does not happen.

A.7 All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The board should ensure planned and progressive refreshing of the board. This is not true. Some council members have been there for fifteen years.

D.2 The board should use the AGM to communicate with members and to encourage their participation. Participation of members at the AGM is not encouraged.

In view of the entire above, one wonders how CIMA Council could be described as a board of directors.

This paper is a study of governance at CIMA. It has looked at different perspectives on governance and other models of governance and sets the scene by looking at governance in CIMA. It has looked at the existing model and the rationale for change. By interviewing 16 council members it argues for change. Questions were asked whether the council makes possible proper representation of members at branch root level, the conduct of meetings, the number of council members, the committee structure and the provision of information and communication.

## **7. CONCLUSIONS.**

About one fifth of the membership of CIMA is overseas, It has several overseas divisions. CIMA has to take into account the effect of globalisation in its markets. Issues like democracy have to be taken on board. Even though elections are said to be democratically held, the number of contested elections and the number of members

voting is fairly small. There are still a large number of co-opted members who are not elected by the members Even in Presidential elections, elections of honorary officers, sometimes only one name has gone forward.

CIMA has to address its accountability to its members. When the £2million was written off against the ill fated Indian computer contract none of the members were informed. When a £3 million write off was necessary re the move to Chapter Street, this was hidden as a restructuring cost. For an accounting body CIMA still has to embody effectiveness as a professional body

CIMA in common with other professional bodies is finding that the traditional committee structure, depending on member's voluntary participation cannot respond quickly enough to implement the kind of changes needed to provide the support and services that members want. In addition the Council is too big to make immediate decisions. Every president wants to do something different and make his or her mark and the Institute foots the bill. There is tension between the staff and the voluntary members who are Council members. For instance the Membership Committee and the panel of Assessors who assess applicants for membership try to apply the rules strictly and staff members try to be flexible with standards. Voluntary branch members run the branches but CIMA wanted a hold on this and arranged Biz Net events for which there was a charge. This did not prove popular so that the organisation and number of events was cut down and the person responsible left the Institute. Most members do not wish to be involved in unpaid voluntary activities, because of their work and family commitments.

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