

This is the third in a series of Institute bulletins on the proposed CA-CMA merger. These bulletins will provide additional information that members have requested so that they are in a position to make an informed decision when the issue comes before the membership for ratification this fall.

The Manitoba Council recently endorsed the new Strategic Plan for the profession, which was prepared by the Council of Senior Executives' Strategic Planning Task Force. Among other things, this plan calls for the development of a new multi-stream certification model, including a stream in management. This bulletin addresses whether or not it would be better to build our own management stream or merge with the CMAs and use their program.

We hope that this merger bulletin, together with a variety of other information resources still to come, will help you in your consideration of the merger proposal.

"Build" vs. "Merge" - How Can the CA Profession Best Develop a Management Stream?

Since merger discussions began some months ago, some members have asked why merger is being put forward as the best way to achieve the CA profession's objectives.

It's a good question. A merger is not the only way to achieve a number of the objectives recommended in the CA profession's new strategic plan, including the development of a multi-stream education model. The profession could build its own model from scratch. However, an examination of the pros and cons of "build" vs. "merge" indicates that a merger with the CMA profession would be the fastest, most effective and least costly way to do it. It would also improve services to members, reduce marketplace confusion and preserve and enhance the CA profession's domestic and international influence.

A New Strategic Plan for the CA Profession

Over the past year, the Strategic Planning Task Force has developed a new strategic vision for the profession (to find out more about the Task Force findings, visit the Institute's website at www.icam.mb.ca). The strategic planning process, which included extensive, independent research, led to some clear and compelling conclusions, including:

- The growth potential of the CA profession, in its present form, is limited by the current certification process and its single pathway through the audit stream, a stream that does not provide the job growth of the past due to advances in technology and related changes to how audits are performed. The profession has become less attractive to students and is experiencing an "articling bottleneck", contributing to lower output of CAs. In addition, members who are part of the "baby boom" generation will retire in large numbers over the coming years. Without a broadening of the routes to becoming a CA, the profession's membership will decline in numbers - and, therefore, in influence - within 10 years.
- The CA profession should be - and could be - better positioned to significantly influence major worldwide developments, including the international convergence of GAAP and advances in strengthening corporate accountability and third-party assurance.
- While CAs have traditionally dominated many business management and leadership roles - and should continue to do so in future - some are clearly being targeted by competitors. As well, there is a growing trend on the part of employers to favourably consider these competitors.
- More than 60 per cent of CAs work in industry, the public sector or other organizations outside of public practice. The profession must improve its focus on serving the needs of these members.

To respond to these findings, the Task Force recommended a new strategic vision for the profession, which calls for CAs to be "trusted, internationally recognized financial leaders in senior management, advisory, tax and assurance roles". To achieve this vision, the Task Force recommended the development of a multi-stream certification model, a re-positioning of the CA brand, an improved focus on members and measures to support core CA values and uphold the CA commitment to protect the public interest.

MERGERbulletin #3

As the Task Force was completing its work, the merger talks between the CA and CMA professions were announced.

"Build" vs. "Merge"

If the merger talks had never occurred, the CA profession would still be examining how to best implement its new strategic vision, particularly the development of a new multi-stream education model that includes a management stream. Developing such a model from scratch would have been one option. Merger with another professional accounting body would almost certainly have been another option considered. The fact that merger discussions are currently underway with the CMA profession gives us an opportunity to more carefully examine which option would be best.

The following table sets out the pros and cons of each option, based on a number of criteria, including effectiveness, speed to market, cost and resource allocation, competition, influence, consolidation and service to members.

Criteria	Building a Management Stream	Management Stream via Merger
Effectiveness	<p>Allows the CA profession to develop a management stream entirely according to the CA profession's needs and specifications.</p> <p>Creates the opportunity to develop joint programming with university business schools that are not yet affiliated with programs such as the CMA program.</p>	<p>Allows a CA Management stream to build on the infrastructure and experience of the existing CMA program. No other program offers a similar "fit" with traditional CA focus and strengths.</p> <p>The CMA organization has been training students and serving members in management since 1920. It offers the flexibility of different pathways to certification, including ones designed to be attractive to potential MBA and Executive MBA students and to Vice-President level business executives - a pathway that the CA profession could build upon and further develop. The CMA infrastructure includes several officials who are experienced in working with existing and potential management employers across the country.</p> <p>Allows a CA management stream to capitalize and build upon business school relationships that have been established by the CMA program, such as joint MBA and EMBA programming, which would be important starting points for creating joint CA/MBA programming. It would also permit the CA profession to leverage and build upon the CMA-sponsored management research and to pursue similar relationships at other universities.</p> <p>Unlike a CA-built management stream, a merger-created CA management stream would not cause universities to risk their relationships with CMA organizations in order to work with the new CA management program.</p>
Speed to Market	<p>It would require considerable time to identify "CA standard" entry-level management competencies, establish curriculum, develop learning materials, establish practical experience standards and processes, create evaluation tools (such as an adapted UFE), develop brand recognition and develop the necessary academic and employer relationships. The success and cost-effectiveness of the new program might also be delayed due to the time it would take to build up a critical mass of students and be slowed by the competition of the continuing CMA program.</p>	<p>To accomplish the same activities would take considerably less time by building on the existing CMA competency map, programming, academic and employer relationships, branding and critical mass of students.</p>

Criteria	Building a Management Stream	Management Stream via Merger
<p>Cost & Resource Allocation</p>	<p>The cost of developing the management stream would be considerable, in addition to the costs to develop a taxation stream and to implement other initiatives called for in the CA profession's Strategic Plan.</p>	<p>The cost of developing a management stream would be considerably less when built upon the existing CMA programming, academic and employer relationships, branding and critical mass of students.</p>
	<p>Many of the staff and volunteer resources required to develop a management stream would also be in demand to develop a taxation stream and to address other aspects of the profession's new strategic vision.</p>	<p>Building a management stream on the base of the CMA program would free up certain staff and volunteer resources that could be dedicated to the development of the taxation stream and implementation of other aspects of new CA strategic vision.</p>
<p>Competition</p>	<p>The CA profession would lever the reputation of "the CA standard" (developed in the audit and assurance stream) to create a management stream that would compete effectively with the CMA, MBA and other management career streams. The profession would be in a position to fully compete after several years of development.</p> <p>Without a merger, the CMA profession would likely pursue a strategy to:</p> <ul style="list-style-type: none"> • continuously improve its management stream to aggressively compete against, among others, the CA profession, and • ramp up an audit stream so that CMAs could capitalize on recently expanded and potentially expanding audit practice rights in order to compete with CAs. <p>Aggressive pursuit of such a strategy by the CMA profession would not only enhance its members' competitiveness, it would exacerbate the duplication of resources employed by the CA and CMA professions to serve and protect the public.</p> <p>Individuals who obtain their CA designation prior to a CA management stream being operational, or future CAs who obtain their designation through the audit and assurance stream, would compete for positions or services in management, as they always have, based on:</p> <ul style="list-style-type: none"> • the high standards and experience of audit and assurance, and • their own evolving career and accomplishments. 	<p>A new profession would capitalize on, rather than compete with, the long-established CMA program and be better positioned to compete with MBA and other management streams (and do so several years sooner).</p> <p>Individual CAs who obtain their designation in the audit and assurance stream, now or in the future (or future CAs who qualify through the taxation stream, with or without a merger) would similarly compete for management positions or services based on their designation and their own evolving career.</p> <p>Independent research indicates that industry employers do not hire or determine compensation based solely on one's accounting designation, but instead tend to hire and pay according to the position being filled and the personal qualities of the individual candidate.</p>

MERGERbulletin #3

Criteria	Building a Management Stream	Management Stream via Merger
Influence	The influence of the CA profession is threatened by the impending retirement of the baby boom generation, combined with the restrictions on growth and the limited career focus of the existing audit-based certification process. This trend would not be fully addressed until additional certification streams could be developed and fully implemented.	The influence of the CA profession would receive an immediate boost of more than 35,000 members, becoming one of the largest professional accounting bodies in the world. Furthermore, limitations to growth could be addressed more quickly by developing a management stream based on the CMA experience.
Consolidation	Without a merger, the CA profession makes no contribution to the consolidation of the accounting profession.	A merger accomplishes some significant consolidation of the accounting profession, reducing marketplace confusion and placing CAs in a better competitive position.
Member Services	<p>With more than 60 per cent of members working in industry, the public sector or other organizations outside public practice, the CA profession must enhance services to this portion of the membership, while continuing to:</p> <ul style="list-style-type: none"> • protect the public interest in an increasingly important and complex audit and assurance environment, and • build upon and enhance the profession's traditional reputation in taxation ... <p>... all in competition with other professional bodies, including the CMA profession.</p>	<p>With 75 per cent of its members working in industry, the public sector or other organizations outside public practice, the new profession would have a stronger resource base to:</p> <ul style="list-style-type: none"> • meet the needs of these members, • protect the public interest through audit and assurance, and • build upon its reputation in taxation ... <p>... and do so in concert, not competition, with the CMA brand and resources.</p>

An Important Decision

On the basis of this evaluation, the leadership of the CA profession has taken the view that the "merge" option is the more desirable, less costly and fastest path to implementing the CA strategic vision and positioning the profession to thrive in the future.

That being said, obtaining an existing management stream program is not the major reason why the profession is pursuing merger talks. As we approach member ratification, I urge you to consider all of the merger's potential benefits for the profession. Overall, a merger would:

- Create a larger, stronger, more diverse, attractive and influential profession, nationally and internationally;
- Create more opportunities for CAs in key positions across all sectors, providing members with access to a greater variety of leadership roles in more market segments (better positioning CAs to hire other CAs);
- Help maintain high standards and protect the public interest, because the CA Code of Professional Conduct will be embedded in the new profession;
- Improve service to members while achieving economies of scale;
- Reduce marketplace confusion; and
- Position the CA profession for growth and success in the future.

If you have questions that you wish to see addressed in future issues of the **MERGERbulletin**, please forward them to Institute CEO Gary Hannaford, FCA, at ghannaford@icam.mb.ca or drop him a line at the Institute offices located at 500-161 Portage Avenue, East, Winnipeg, Manitoba, R3B 0Y4.