

**RESPONSE TO**  
**“THE GRAVEL REPORT”**

by

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*This response has been prepared to address the issues raised in “The Gravel Report”. It is not a “stand-alone” document, being meant to be read in conjunction with the “Draft Version 1” of “The Gravel Report”.*

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## **1.0 Explosive Growth of Members**

No evidence has been introduced to support the assertion that “growth is rising but volunteerism isn’t”, but it seems like a logical development. As the fact of membership becomes less of a confirmation of elite status than a “union card” (section 5.6), individual members, on average, will care less about their organization.

### **1.1 Causes of high growth of membership**

AIMR has been quite successful in promoting itself as a benchmark of knowledge in the industry. Many firms will not hire a new employee if he does not possess the CFA designation, or is not on the road to getting one.

This is not, in and of itself, a bad thing. It is quite appropriate for the CFA designation to be considered the gold standard of formal academic training. However, the decline in rigour of the examinations implied by AIMR’s weak response to such criticism (see section 1.8) and the unsatisfactory nature of the work-experience requirements (see sections 2.7 and 2.8), has led to “senior members of the financial community [referring] to the CFA [Charter] as a ‘union card’” (see section 5.6).

### **1.2 Implications of high growth of membership**

Perhaps the greatest implication of a high rate of membership is the loss of elite status within the industry. This is not necessarily a bad thing: our judgment here must reflect AIMR’s *raison-d’etre* (see section 2.6).

### **1.3 Budgetary implications**

It is surprising to see that a reduction in spending is not considered an alternative even worth mentioning. AIMR has been engaged in an advertising campaign for many years to raise public awareness; this campaign has been part of an insipid branding strategy completely devoid of useful purpose and (publicly disclosed) measurable objectives and results.

The report acknowledges the wide recognition given to AIMR and its potential members: there is no need to gild the lily. Therefore, the money spent on the bulk of AIMR’s advertising has simply been thrown away. The Board of Governors must enforce accountability on staff to justify any spending: an accountability that has been sorely lacking.

### **1.4 Depersonalization**

Is there, in fact, a deep need for members to know one another based on geographic proximity? Such a judgment depends on AIMR’s purpose (see section 2.6) – is it a mere social club?

The nature of AIMR's assistance required for the transition from smaller to larger societies has not been disclosed in this report. However, it is fundamental to good governance that different levels of authority shoulder a clearly related level of responsibility. It is not appropriate for AIMR to subsidize local societies (see section 3.4), nor to interfere in their internal affairs (sections 7.2 and 9.3).

### **1.5 Charter Dilution**

This is largely addressed in Part 2.

### **1.6 Servicing members**

The meaning of the term "international member" is not clear. What, then, would be defined as a "domestic member". As far as I am aware, there is no such class of membership, nor should there be (see sections 4.6, 5.5, 8.9).

This section assumes that it is appropriate for AIMR and the local societies to address issues regarding job prospects and licensing requirements. It is very difficult to see just how such a conclusion may be drawn.

AIMR can serve a useful purpose by acting as a central repository for specialized job postings (as it is currently doing). Licensing requirements for individual members are most certainly not within AIMR's mandate, or that of any local society.

There is certainly no need to spend large amounts of money on translation to non-English languages (see section 5.5), at whatever level of governance.

### **1.7 Growth can strain Society resources**

It is difficult to see any necessity for young societies to strain themselves "servicing the needs of candidates". What, precisely, are these needs? Why, precisely, is the local society expected to pander to them?

### **1.8 Possible ways to manage growth**

This section makes the claim that a decline in the average pass rate is proof that exams are getting more difficult and make a similar assertion can be made regarding a decline in the percentage of enrolled candidates who obtain the CFA Charter.

The logic utilized in making these statements is indefensible. Consider the following thought experiment: Two examinations on physics are prepared, based on a course outline at a given high school. One exam is administered to senior students taking physics. The other is administered to all students in that school – some of who will never even make it to the senior level. The pass rates on the examinations are similar and the claim is made that this proves the two exams are comparable in difficulty.

It should be obvious, even to AIMR's apologists, that such a claim is completely without merit. AIMR's continual peddling of such tripe increases the suspicion of the bureaucracy in all who think about the issue with any degree of logic.

AIMR's examinations may well have maintained a *constant quality of those applicants receiving a passing grade*, but this issue has never been discussed by AIMR in a meaningful manner.

It should be pointed out the paragraph discussing de-marketing contains the phrase "*emphasize the difficulty of the exams and the continual commitment to high standards and continuing education...*". AIMR's membership made it perfectly clear on May 12, 2002, that a commitment to continuing education, in the mandatory sense implied by the sentence, was neither required nor desired. When will AIMR's apologists finally face up to this fact?

What is the desired number of members? There are 102,000 registrants with securities commissions in Canada ex-Quebec (see [http://www.nrd-info.ca/en/NRD\\_Benefits\\_-\\_Summary\\_report.pdf](http://www.nrd-info.ca/en/NRD_Benefits_-_Summary_report.pdf)): let us assume that this means there are 120,000 total registrants. The "AIMR Directory" for 2002 reveals that there are 7,144 members in Canada, and that 80% of all AIMR members worldwide are CFA Charterholders. This implies that roughly 5% of all registrants are AIMR members and roughly 4% of all registrants are CFA Charterholders.

The "total registrants" is a very amorphous category, as it includes, for example, every bank clerk licensed to sell money market funds. It would be better to cast the proportion in terms of percentage of institutional investment specialists who are CFA Charterholders, but I do not have this information.

A better methodology of ensuring that AIMR's actual membership resembles its desires (20% of institutional specialists? 100%? 100% of all registrants?) is simply to determine what maximum number of new charters should be granted annually to ensure equilibrium between new grants and retirements at replacement level: such determinations should be made on a national basis, due to the "maturity" of the designation in North America compared to other regions. Then, simply ensure that the number of grants does not exceed this number. This has the rather neat effect of sidestepping much of the argument regarding examination rigor, while ensuring that the process in fact, protects any elite status that is desired.

However, any discussion of desirable membership size should be preceded by a clear statement of why AIMR should exist at all (see section 2.6).

### **1.9 How AIMR and Societies should work together to manage membership growth**

It is fascinating to observe that yet again there is no thought given to the idea that since "some" (I would say 'most') "members do not believe that they get much value for their

dues”, then perhaps dues should decline. No substance has been offered in the support of the assertion that “the general perception is that AIMR has not adequately addressed the needs of Societies”, nor have any measures been proposed that would address such an issue if it exists.

## **2.0 MEMBERSHIP ISSUES**

### **2.1 Membership growth**

I am most impressed that this report proposes that policy issues must be addressed. As discussed in section 2.6, the “big tent / small tent” pseudo-dichotomy sidesteps the real issue facing AIMR

### **2.2 Experience Requirements**

If AIMR is to maintain any purpose at all beyond the sale of memberships, full membership must be restricted to those who pass the exams, in addition to meeting the experience requirements – non-voting, “affiliate” membership should be sufficient for those not meeting both requirements (see section 2.13).

Implicit in the above statement is the view that the bylaws should be revised such that only Charterholder Members have the right to vote in elections.

Again, the discussion of this sub-issue serves only to obfuscate the real issue (section 2.6) facing AIMR.

### **2.3 Changed application forms**

It is noteworthy that for the first time there has been some claim made by AIMR that there is, in fact, some checking of claimed work-experience. It is puzzling, however, as to just why such a claim has been so long in the making: this was a major issue on the discussion board of the unpopular MCE by-law initiative and an AIMR spokesman was quoted in the November 25, 2002, issue of *Canadian Business* as declining to state what proportion of applications was audited.

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Much of the problem with respect to authenticity of claimed experience could be sidestepped by the simple expedient of publishing the claim in the Membership Directory. Enforcement of the requirements would then largely take place through a regular disciplinary process.

### **2.4 Joining local Societies**

The current ability for an AIMR member to decline to be a member of a local Society entirely proper and should be maintained. There must be a mechanism whereby members can easily disassociate themselves from local societies that do not meet their needs.

For instance, I commenced my professional career in London, Ontario; about 200 miles (320 km) from Toronto and was expected to join the Toronto Society. This despite the facts that it was impossible, practically speaking, for me to attend lunchtime meetings; that the Toronto Society was irrelevant to my professional interests; and that the Toronto Society was managed in such a manner that they were forced to restate their financials (in a very material manner) a year after initial publication. I was able to decline membership in the Society, although I had to jump through several quite unnecessary hoops in order to do so; this ability should be maintained.

I do not mean to single the Toronto Society out for opprobrium – but obviously, it is the society I know best.

Additionally, there should be no requirement that CFA Candidates apply for local Society membership. The local societies should stand or fall on their own merits, not through AIMR intervention.

If the executives of a local society wish to spend, they must be prepared to “tax”, and to justify their level of dues to their members – who should have the option to resign from local membership if the justification is insufficient. Responsibility must go hand-in-hand with accountability or the organization will become a mere forum for bureaucratic finger pointing.

## **2.5 Society / Chapter viability and the size issue**

As implied in the response to section 2.4, there should be no central subsidy of local Societies.

There is no substance to the claim that “Societies provide the main vehicle for delivering services successfully to members”. What services? For most members, programming does not count as a service. AIMR members in any region should have the option of deciding whether they wish to partake of such “services” – and to pay for them in their entirety if they do.

Similarly, the assertion “local Societies are a primary promotion device for the CFA Charter” simply illustrates AIMR’s policy vacuum. The primary promotion device for the CFA charter is simply the fact that it has become a “union card” (section 5.6); the question remains as to what the primary promotion device should be – this will require a clear and visible purpose for AIMR’s existence, as discussed in section 2.6.

## **2.6 Major membership policy considerations**

This section of the draft Gravel report comes closest to addressing the actual issue facing AIMR, but in its discussion of “big/small/dual tent” approaches it becomes bogged down in bureaucratic definition.

The issue is: Why do we want to have AIMR? What is AIMR for? Once we have resolved this issue, all other issues – the role of local societies, work-experience requirements, and examination rigour – will fall into place.

AIMR should look carefully at its title: “Association for Investment Management and Research”. It is not the Association for Financial Planners, not for Stockbrokers, not for Accountants, not for Administrators ... each of these groups has their own professional association to address their own concerns. These professionals have important things to say and may have an interest in joining our group – but they should not be given full voting power. Affiliate membership should be quite enough – full membership should be restricted to those engaged in institutional business, where is actually Management and Research that is at issue, not salesmanship (see section 2.13).

So let us assume, then, that we have formed a group that is exclusively comprised of Institutional Investment Professionals in the highest meaning of the term. What should this association do?

- **Ethics:** The AIMR Code of Ethics and Standards of Practice should be central to any mission statement – violations of these principles hurt us all. Enforcement should be vigorous, and the current ineffective Star Chamber system should be upgraded to something that will command respect in the eyes of the membership and the general public (see section 3.1).
- **Representation:** Buy side professionals are a fractured group, with a large proportion working in small shops that have very few resources or influence to deploy on behalf of its employees. Sell side professionals have had well publicized problems in the past year, as it has finally become apparent to many that there is a major conflict of interest inherent in their terms of employment. Representation is required, both against regulatory authorities and employers.
- **Research:** This is the least important objective, but many will appreciate the opportunity for hearing different views in an independent environment. I have no objection to local societies sponsoring company presentations, provided such operations are performed on at least a break-even basis (or that deficits are covered solely by the dues of the members of the sponsoring local society). It should be noted, however, that AIMR itself has recognized that these presentations do not really represent research, *per se*: CE credits are not awarded for attending such functions. The Financial Analysts Journal should be retained, as it could be useful despite its abject failure to serve the community in a meaningful way over the past several years, if ever.

Clearly, the bulk of all efforts should be focused on Representation. The Advocacy committees and their activities should be given a higher profile in AIMR’s advertising (see section 3.2): while there has been some advocacy advertising in 2002, it has served mainly as a method to puff up the importance of the executive and the bureaucracy than as a means to any useful end. Note that the assertion in the Gravel report that “it will also enhance our advocacy efforts if we can claim the widest possible membership”. Securities regulation is not a direct democracy. Allowing full representation to very

junior members of the industry (and even to untested candidates for entry into the industry) will not necessarily improve the acuity of our analysis. The fiduciary obligation to promote the interests of such members will very possibly have the effect of forcing us to advocate measures counter to the opinions and views of those who have actually been impacted by the problem under consideration.

Additionally, members should be eligible for assistance when pressured by their employers to perform actions contrary to the code. Has an analyst been fired due to a sell recommendation? If his allegations are credible, AIMR should be contributing to his legal fees, and mounting an advertising campaign explaining why the issue is important and should be litigated, regardless of the eventual outcome of the case.

Once it is made clear that the Association has become a group that actually has an agenda, inspection of that agenda will resolve many difficulties in determining membership standards. The verbiage contained in the report with respect to big/small/dual tent approaches simply confuses the issue.

## **2.7 Drop the “B” list**

It is agreed that the “B” list should be dropped.

## **2.8 Re-review the experience requirements**

Following the elimination of the “B” list, consideration of the proper objectives of the Association also suggest that the following categories be dropped from the “A” list:

- Accountant
- Auditor
- Client Services Manager
- Compliance Examiner
- Corporate Chief Financial Officer
- Corporate Controller
- Director of Finance
- Investment Sales: Consultative
- Marketer (of investment management services, funds, securities, etc.)
- Portfolio Performance Evaluator
- Instructor of investment, finance and economics (Professors may be retained)

None of the above categories can logically be included in a listing of specialties related to Investment Management and Research.

It is agreed, given the nature of job titles, that the experience requirements should be “principles based” with respect to function, rather than “rules based” with respect to title.

## **2.9 Redesign the application forms**

It is clear that a move to a principles based job-function requirement will necessitate the need for narrative work-experience submission and inspection. These submitted narratives should be published by AIMR as part of the membership directory - this will go farther than any other action to ensure that Association standards are upheld.

I have been mystified since the time of my own membership application as to the perceived need for a sponsor. In the absence of any repercussions for the sponsor should the new member be found to be lacking, the process is a mere bureaucratic rigmarole.

It is agreed that Societies have, and should have, independent rights to accept or reject applicants for membership. However, it should be made clear that, in theory and in fact, the applicant for AIMR membership has an equal right to decline membership in the local Society (see section 2.4).

### **2.10 Enhance the application review process**

No justification has been given for the suggestion that local Societies be involved in the review process. In the absence of a compelling argument in favour of such a change, it seems to merely open the door for confusion of responsibility in the process.

As noted in the response to section 2.9, there does not appear to be a case for any sponsor to be involved in the process.

All work experience should be audited, not just that which fails to fit conveniently into a pre-determined category.

### **2.11 Require earlier qualification for candidates**

I am opposed to any requirement for work experience prior to writing the exams, and do not see any justification for such a step: examinations measure factual knowledge and grasp of theoretical principles and can be judged only on such a basis: there is nothing to be gained in terms of rigour by demanding work experience.

I am astonished that the “large number of Charters sitting in the warehouse because candidates who passed all the exams could not demonstrate relevant work experience” is considered a problem. If it was, in fact, necessary to print these charters in the first place, simply destroying them if they were printed in error is simply competent document management. Why is AIMR so desperate to maintain a collection of invalid documents?

Should charters need to be reprinted after a grace period has elapsed, it seems reasonable to charge the late applicants a fee – if the cost of printing a charter is large enough that the cost cannot simply be absorbed as administrative overhead – this, however, is a management issue which should not be addressed as part of the final version of the report. It should not be the function of this report to micro-manage the association.

Publication of work-experience, as recommended in the response to section 2.9, together with publication by AIMR of suitably edited examples of borderline applications and minutes of board meetings at which the borderline applications were discussed (in an effort to provide guidance to staff, if nothing else), will be sufficient to avoid the trivial problem discussed in this section.

The statement that “it does make sense to check for experience as soon as possible” has not been supported by argument.

## **2.12 Eliminate the 50-mile rule**

It is agreed that the 50-mile rule should be eliminated. Nobody should have to join any local society as a condition of receiving the Charter or of AIMR membership – the local societies must stand or fall on their own merits (see section 2.4).

## **2.13 Promote membership for non-Charter holders**

I have no objection to non-Charter holders being members of AIMR, provided they do not get a vote. If AIMR is to become an effective association with an actual agenda, it is difficult to discern any reason why non-Charter would wish to become members, or why the BOG would direct management and staff to promote membership to those whom are outside our aegis – but if they want to pay dues for no representation, why not?

## **2.14 Membership considerations for the Board of Governors**

It is, perhaps, unfair of me to mock minor editorial issues in a draft document, but I can't help but be amused that this section “Membership considerations for the Board of Governors” is considered to be separate and distinct from section 2.6, “Major membership policy considerations”.

The critical phrase in this section is “all the persons responding genuinely care about the organization and its future”.

Most members

- are not aware of this initiative
- would not have responded to this initiative if requested
- retain membership simply in order to retain the “union card”
- do not care about AIMR or its future.

The last point deserves some elaboration: let me take my own case as an example.

I am an AIMR Member in good standing. I believe that a membership in a professional association of investment professionals has the potential to be a worthwhile use of time and money. But why, specifically, am I an AIMR member? Simply because in today's environment for institutional investment professionals one either has the CFA or has an excuse: it is easier to maintain my Charter.

AIMR has done nothing for me whatsoever during my tenure within the organization. I sign a cheque and a professional conduct affidavit every year – full stop. I have been embarrassed by an infantile branding campaign, seen the value of my charter diluted and, in short, have seen no return on my dues.

Advocacy committees are pleased to endorse the views of their consultants, as long as they can be assured that their deliberations will have no effect – the idea of communicating AIMR policies to the general public was met with horror when presented to the Canadian Advocacy Committee (see section 3.2). The Board of Governors appears to be composed of politically adept careerists who will unhesitatingly endorse anything proposed by staff and who do not have sufficient character to take responsibility for their own actions. I cannot remember a single instance of an AIMR publication, whether a conference summary or an issue of the FAJ, which was of the slightest professional value, or even interest, to me.

As it stands, AIMR is a joke, a complete waste of time for a busy investment professional. It is time to face that fact and do something about it – and to take immediate steps to define an actual purpose for AIMR beyond the collection of membership fees (see section 2.6). That is the challenge presented by the formulation and consideration of this report: define a purpose for AIMR that will provide something of substance which individuals may accept or reject, having found something in the purpose that is actually worthy of consideration.

One can draw no conclusions whatsoever regarding the priorities of AIMR members from the views of those involved in its governance. Many of those who attended the AIMR AGM on May 12, 2002, will remember the audience reaction to the announcement that the proposed MCE bylaw revision had been massively rejected by the membership, despite unanimous support for the idea from the Board of Governors, an expensive promotional campaign and utter disdain for the idea of a formal “No” committee. To wit: one person applauded the announcement, one person in a room holding several hundred so-called representatives of those who had voted. Several hundred people, most of whom I presume attended the AGM at membership expense, were unwilling to applaud the success of their membership in decisively rejecting a poor idea. Several speakers deprecated the result in the ensuing Question and Answer period. It was made clear by the (now former) Chairman of AIMR that the idea of accountability for poor policies was considered a laughable idea, unworthy of comment.

Those who are formulating future policy for the organization should bear last May’s repudiation of their leadership uppermost in mind.

### **3.0 Public Awareness**

I am surprised to read that the Public Awareness Campaign has been met with loud applause: I have not heard a single positive comment regarding AIMR’s infantile branding campaign. There has been no disclosure of any measured benefits to the

programme: AIMR would appear to have the idea that any money spent through Citigate will be beneficial.

This section lauds the “program initiatives, speaker retainer and speaker network programs” – a judgment which is open to opinion. My major concern with these initiatives is how they fit in with a coherent vision of AIMR’s purpose (section 2.6), how accountability may be maintained (section 2.4) and how they relate to the confidence issue in a meaningful manner (section 3.4).

### 3.1 Ethics

There are several major problems with enforcement of the AIMR Code of Ethics and Professional Conduct:

- **The process is secretive:** There is no justification given for the judgments handed down by the enforcement authority. I have been surprised many times to see what transgressions are equated in terms of Private Censure: a list of most of the Private Censures publicized in the last 5 years is presented on the [www.analystVoiceForums.org](http://www.analystVoiceForums.org) discussion board. In order for there to be confidence in the system, the system must become more transparent. All notifications should be accompanied by a thorough statement of facts and the nature of the reasoning used in determining the severity of the sentence discussed.
- **There is no initiative taken in enforcement:** According to articles published by AIMR, it is not enough for a transgression to receive front-page banner headlines in the Wall Street Journal. An ordinary member must make a complaint. It must be recognized that there are many sources of information available to enforcement authorities and none should be disdained.
- **There is no public notice given of results:** Currently, AIMR is authorized to publish “Censures” only in “The Exchange”, which is not conveniently available to the general public. Censures should be given wide publicity: the material proposed in the first point above should be published on the AIMR web site in an easily accessible fully public section; and be distributed to the press.
- **There is no attempt to gain a competitive advantage:** This section of the report notes that many non-AIMR members/CFA Charter holders have been found to have engaged in conduct which would be a violation of the Code of Ethics and Standards of Professional Practice had they been bound it. This fact should form a part of AIMR’s public awareness activities, e.g.: “So-and-so has just been found by regulators to have been guilty of acts A, B and C and has been punished by regulatory actions D, E and F. AIMR wishes to applaud the actions of the regulator: So-and-so is not an AIMR member, but if so, would have been breaking our strictly enforced ethical standards [web reference], specifically sections X, Y and Z.” – followed by the standard verbiage as to how AIMR supports ethics in the industry (see section 4.0)

### 3.2 Crisis of Confidence

This section makes the point that “AIMR is prohibited from lobbying”, which indeed was my perception until quite recently, when I read in section 4.3 that Mr. Bowman has engaged in lobbying. It is clear not only that AIMR’s governance and communication policies are in total disarray, but that a lackadaisical Board of Governors is unable to exercise any control over management.

Lobbying aside, there is no lack of other methods whereby public attitudes can be influenced, both in favour of AIMR’s policy goals and in terms of improving AIMR’s visibility. I am referring, of course, to advocacy advertising, as suggested in my presentation to the Canadian Advocacy Committee (<http://www.himivest.com/activism/CACPresentation020709.pdf>).

I oppose the recommended resolution, which has as its goal the objective of allowing management to determine AIMR policy. AIMR is an association of industry professionals: it behooves us to respond with deliberation to any “rapidly unfolding events”. I have no confidence in the AIMR bureaucracy – or in any bureaucracy – to represent my interests without due process.

I confess to being somewhat mystified by the paragraphs concerning defined contribution and defined benefits plans. Why are these paragraphs included in this report? This would appear to be just another attempt at micromanagement.

### **3.3 AIMR’s role in restoring confidence**

It is agreed “AIMR must help differentiate the CFA designation in the minds of these [many] constituencies, and communicate AIMR’s principles at the local, national and international level”. AIMR has failed to do so in the past, preferring to present interested parties with pictures of clouds.

### **3.4 Facets of the confidence issue**

There should be no funding by AIMR of local societies – these societies have authority to exact dues from their membership. As is usual in such cases, this cross funding serves no other purpose than to confuse the relationship between authority and responsibility. Local societies should stand on their own merits; local society leadership must remain accountable to their members for their spending (section 2.4).

The \$5,000 per Society/Chapter annual expenditure for public awareness needs to be examined as to its utility. Certainly, some argument may be made that there is, in fact, a bigger bang for the buck to be obtained by such small expenditures – but has any study been done to ensure that this is, indeed, the case? And if so, just how was the \$5,000 subsidy per member calculated? The problem here, as always, is the accountability for dues within the organization (section 2.4). ‘Subcontracting’ promotional work to local societies may indeed be a cost effective method of handling the issue: but this needs to be verified.

I find myself equally puzzled by the approving tone of the comment regarding “media conferences”. Such conferences formed a part of my proposals for Advocacy Advertising, referred to in section 3.2, but was advised (David L. Yu and Patricia Doran Walters, 2002-09-24):

As a general rule, an organization must be very careful to call a press conference only when there is legitimate news to announce or something particularly noteworthy to say, or the media will learn very quickly to ignore any information that that organization puts out...

One significant concern for an organization in media outreach always is to speak with one voice. Thus, it is public-relations best practice to minimize the number of spokespeople representing an organization to the mass media, and to be sure that they understand the organizations (*sic*) view on an issue and are reinforcing very similar messages. The more spokespeople there are and the more decentralized the communications, the greater the possibility that spokespeople will start to contradict each other and create confusion. Therefore, AIMR is very cautious about who it enlists to speak to the press and to represent the views of the organization

It would appear that, as usual, there is no coherent policy whatsoever in AIMR’s administration other than ‘keep the insiders in and the outsiders out!’

It has been my experience that everybody in the industry who should know about the CFA designation does know about the CFA designation, even in those rare cases where the subject is not actually a Charterholder.

The focus of any public awareness campaign should be to create a public consensus in favour of our positions; this may be expected to translate to favourable legislation, regulation and corporate behaviour. There is no need to advise an investment industry largely comprised of CFA Charterholders of AIMR’s existence.

This section contains many sweeping generalizations each of which is completely unsupported by evidence and is far more contentious than implied here, as discussed in other parts of the report, notably section 2.6. It should also be noted that those solemnly preparing this report cannot be said to have their fingers on the pulse of AIMR’s membership (see section 2.14).

### **3.5 Public Awareness Considerations for the Board of Governors**

I regret that I am mystified as to what concrete action is actually being proposed in this section.

### **4.0 Advocacy**

No citation for the rather sweeping generalizations regarding AIMR members’ desires noted in this section is given. See section 2.14 for a discussion of why such assertions by those who have prepared this report must be regarded with extreme caution.

The “seven core principles” of the AIMR Global Advocacy Plan are quite reasonable. However, the importance of the listed benefits shows some confusion as to the role of AIMR with respect to advocacy.

AIMR does not exist to promote, for instance, “Integrity of the Capital Markets”, although adoption of AIMR principles will have that effect. The primary objectives of AIMR’s advocacy efforts with respect to this general area are to:

- ensure that AIMR members are not penalized in a “race to the bottom” of ethical standards
- ensure that AIMR members collectively are recognized by potential clients as having high ethical standards (that is, higher ethics becomes a positive competitive advantage)
- ensure that breaches of ethical standards are punished savagely by regulators (that is, lower ethics becomes a competitive disadvantage)

It should be noted that ethics in the industry may be thought of in game-theoretical terms as a form of the “Prisoners’ dilemma”: after the classically played round there is a chance that the unethical will be penalized to some extent. See also section 3.1. We must think in terms of improving the direct pay-off for ethical practices and making unethical behaviour a risky proposition.

Properly focused efforts by AIMR to promote the three primary objectives will have a side-effect of promoting integrity in the capital markets; this side effect will make our efforts more palatable to the public, politicians and regulators. But this is a bonus, not the point of the exercise.

## **4.2 Advocacy Defined**

It is agreed “the size of AIMR is such that it is now in a position to take a pro-active, principle-based approach to advocacy”.

## **4.3 Appropriate Resources and Historic Legal Implications in the U.S.**

I confess to some shock at the disclosure that “Now that Tom Bowman is testifying regarding the Sarbanes-Oxley bill, a small amount of time allocation must be converted to taxable income for AIMR in 2002 because our testimony did influence legislation in the eyes of the IRS”.

I was advised in the summer that AIMR was very careful not to engage in lobbying activities and the Board of Governors would be considering the situation carefully during its term commencing August 1. Was Mr. Bowman’s testimony specifically permitted by the Board as a known exception to the “no lobbying” rule, or is this yet another example of AIMR Management thumbing its nose at an ineffective Board?

I am not alone, as an ordinary member, in my surprise: section 3.2 states that “AIMR is prohibited from lobbying”.

I cannot agree that funding for the Speaker Retainer Program should take precedence over funding for advocacy work. Any individual member can buy a book, or attend a seminar: it takes a representative organization to communicate views to the public at large and to regulators in particular. Again, we return to the question discussed in section 2.6: just what, precisely, is AIMR’s purpose? Will this question ever be addressed?

I cannot support the recommended resolution: it appears to be just another mechanism for the Board to evade responsibility: it is much easier to whine that a funding limit has been reached than to accept accountability for a decision that A is more important than B.

#### **4.4 Pro-active, principal-based advocacy**

This section states, correctly, that “AIMR should be a member-led organization and, as such, members must feel responsible for advocacy output” – but then goes on to recommend that staff take a more pro-active role in the process. This is a complete non-sequiter and there has been no argumentation to justify this centralizing step.

#### **4.5 AIMR advocacy committees**

It is agreed that the labyrinthine structure of the advocacy process is detrimental to AIMR’s goals. Additionally, it should be noted that this structure is mirrored on AIMR’s website. Every committee and task force should have its own home page, linked directly to the overall advocacy home page. These various home pages should include information regarding the composition, authority and activities of the committees, together with links to all final reports and official letters. Clear contact information should be available; past minutes and future agendas for the committee should be readily available for download.

#### **4.6 International Advocacy**

It should not be necessary for AIMR to adopt a principal ensuring fairness to all members with respect to services and benefits – although the part of section 8 referring to European response to the *Sarbanes-Oxley Act* illustrates why some might feel the need. If unjustified favouritism has been shown by the executive, the executive should be terminated.

The language concerning “conflict of interest” is not clear. Are there allegations that committees are advocating positions that would be harmful to the interests of members represented by other committees?

#### **4.7 Illustration of international advocacy issue**

The problem cited in this section should not be blithely dismissed as a problem of communication. AIMR Standards themselves refer specifically to the issue of plagiarism of research reports; plagiarism of any form is universally regarded as an action to be deprecated.

This problem is of basic management and accountability, both of which are sorely absent from AIMR's management.

#### **4.8 Current International Structure**

It is almost amusing to see just how much trouble the *Sarbanes-Oxley Act* has caused. Unfortunately, the episode simply points out that all the talk of AIMR being a global organization is simply – talk. Non-Americans, particularly, are expected simply to pay dues and keep quiet on matters of importance. It would appear that Mr. Bowman has simultaneously defied the Board of Governors (section 4.3) and done a poor job of representing the membership.

A letter requesting public comment on this issue was sent by the OSC [Ontario Securities Commission] to “stakeholders with particular expertise in key areas” – but the list did not include AIMR. It was then sent to 13,000-odd investment professionals in Ontario ([http://www.osc.gov.on.ca/en/HotTopics/prom\\_inv\\_conf/pic\\_20020903\\_mkt\\_participants\\_letter.pdf](http://www.osc.gov.on.ca/en/HotTopics/prom_inv_conf/pic_20020903_mkt_participants_letter.pdf)) – but not to AIMR. So I wrote an eMail to Mr. Brown of the OSC on September 13:

Thank you for the captioned letter [of September 3] regarding the OSC's consideration of the Sarbanes-Oxley Act.

I was interested in your listing of “stakeholders with particular expertise in key areas”, and the fact that it did not include the Association for Investment Management and Research, or any of its constituent committees or local societies. Can you advise why this was the case?

In a reply dated September 23, Frank Switzer (OSC Director of Communications) wrote, in part:

The four stakeholders that Mr. Brown referred to carry some degree of responsibility for implementing the types of reforms covered by the *Sarbanes-Oxley Act* -- including reforms to analysts, stock exchanges and the accounting and legal professions. The letters to these four stakeholders were published on our website along with an open letter to all market participants to stimulate debate on a Canadian response to the U.S. initiatives.

We would be pleased to hear the views of the Association for Investment Management and Research on the *Sarbanes-Oxley Act* and its relevance to Canada. I encourage you to provide a written submission directly to Mr. Brown at the following address: ....

I was somewhat shocked that my modest inquiry had been answered by an invitation for AIMR to submit comments and immediately forwarded the reply to Mr. Yu [co-chair of the Canadian Advocacy Committee] – with another query:

My inquiry to the OSC as to why AIMR was not specifically queried regarding the OSC's consideration of the Sarbanes-Oxley Act was answered by an invitation for AIMR to make a presentation.

Will the CAC be making such a presentation?

My query to Mr. Yu has gone unanswered. It would appear that for an ordinary member to get a reply to queries directed to the CAC, such queries be routed through the AIMR's Chairman.

Given the fundamental importance of advocacy work to implementation of AIMR's purpose (section 2.6), it seems clear that the advocacy structure should be unified within AIMR under a staff member reporting directly to the CEO. This is "Advocacy Model 2" from the appendices.

#### **4.9 International advocacy solutions**

As noted in section 4.8, is important that AIMR does not get into a position in which the committees are advocating mutually exclusive courses of action. However, it is not clear as to why any significant number of dedicated advocacy personnel should be hired in any event – surely most specific issues may be addressed with the help of consultants, while the impetus for more general advancement should come from committee members, not from another layer of AIMR bureaucracy!

The budgetary process should be managed similarly to any large, multinational corporation: Committees submit draft budgets, which are adjusted during the budgetary negotiation process to reflect continuing operations, special needs and discretionary reserves.

#### **4.10 Advocacy concerns specific to the Asia-Pacific Region**

Again, I acknowledge that it may be considered unfair to point out subtleties in the draft that may simply be errors in wording views of dissimilar content.

However, I will point out that the phrase "members prefer to allocate financial resources to programming [as opposed to advocacy], where the members benefit directly", implies no direct benefit to AIMR members from Advocacy efforts. This clearly indicates the disconnect in the members' minds between AIMR's advocacy efforts and any useful purpose.

Advocacy advertising must be implemented, to provide a clear statement of AIMR's purpose both to the membership and the public at large and to help influence the course of regulatory change through public opinion (see also section 3.2).

#### **4.11 Advocacy considerations for the Board of Governors**

It is agreed that the current policy vacuum needs to be addressed.

## **5.0 AIMR ORGANIZATION AND STRUCTURE**

It is agreed that the issue of a decentralized versus a centralized organization is fundamental. Any choices made should be made in the light of the goals of the organization. (Section 2.6)

### **5.1 Decentralization and policy process**

This section asks many questions, fails to address them and then produces two extremely vague recommended resolutions unsupported by argument. It is difficult to see just how far forward this section takes us.

Many of the unanswered questions relate to the role of Societies within AIMR, and without the enunciation of a clear strategic purpose for AIMR's existence, it is difficult to draw any conclusions. However, I do not see any advantage for AIMR's governing structure becoming more like a parliamentary democracy; nor is any advantage immediately discernable from a move to the "two-chamber" system of governance which is implied by the points concerning Society involvement in policy setting, vetting of decisions by the PCR's, PCR's having a greater role in governance and Society leaders' input into decisions. While these lower levels of the organization do have a definite role to play, this role should be restricted to ensuring that Board of Governors is independent, mandated and representative (section 5.4). A strong Board of Governors should be sufficient to address most policy issues and to ensure adequate execution of the policies by the executive.

The chief worry with respect to direct society involvement in policy setting is that this will result in a gutting of AIMR's role at national levels. This is illustrated by those sections of this report that reveal a desire by some local Society leaders to use AIMR as simply a vehicle to obtain additional revenue while retaining the ability to absolve themselves of the responsibility for imposing the corresponding dues. These sections of the report are 3.0, 3.4, 4.0, 5.3, 5.5, 7.1, 9.2, both 9.3's, 10.1, 10.2, 10.3, 10.4 and 10.5. Such actions, however, would violate a fundamental rule of good management: accountability and authority must be matched (section 2.4).

It is agreed that there should exist "a 'roadmap' which clearly delineates the roles, rights and responsibilities of the various constituencies involved in the management and policy-making of the organization". It is somewhat surprising such a basic organizational document is not already extant.

### **5.2**

Missing.

### 5.3 Is the AIMR dues structure appropriate?

There is nothing intrinsically wrong with the current system whereby AIMR collects dues for itself and for its constituent Societies. However, the various methods whereby certain activities are taxed by AIMR and spent by the Societies are clearly wrong. (Sections 2.4 & 2.5), representing only a mechanism that allows the dodging of responsibility by those in positions of authority.

There should be no “funding for those programs that assist Societies in benefiting their members directly”. If local society leaders want to spend the money, let them raise it.

### 5.4 Board of Governors nominating process

The resounding rejection of the policies of the Board in the MCE ballot showed just how far the Board has strayed, over time, from actual representation of the membership.

There is no sure answer to this: most CFA Charterholders simply do not care what the organization does, and will not care even should the organization actually attempt to accomplish something. They will rouse themselves only should they be given the opportunity to vote on a clearly ludicrous bylaw amendment that impinges upon their daily lives.

The nominating process must become more inclusive: it is absurd that Governors should have a majority on the nominating committee, which in practice (due to membership disinterest) is the selection committee.

Two considerations stand out as requirement:

- **Nominations to Board level should be controlled by a broad group below board level.** I suggest that the PCR’s are the logical group to strike such a committee. This will ensure that political power in the organization is “passed upwards” rather than being self-perpetuating, as is currently the case
- **There should be more nominations to the Board than there are seats available.** This will ensure that
  - Potential Governors will have to articulate a policy prior to election
  - Members will have a voice in the selection of these policies
  - Governors will have a meaningful claim to a mandate in the course of their duties

### 5.5 Lack of non-US infrastructure a hindrance to non-US Societies

Several questions were posed with respect to non-US infrastructure:

- Advocacy issues should be addressed by the relevant committee
- Translation facilities are not appropriate. For good or ill, English is the international language of business (and of examinations) – translation of press-releases, etc. to other languages is best dealt with by staff on an as-needed basis

- Local volunteers are preferable to permanent staff. It should be anticipated that most public relations efforts would fall under the authority of the local Advocacy committee.
- All services offered by AIMR in the US should be offered in other countries in which AIMR purports to represent its members – unless AIMR intends to provide discounted second-class membership.
- The question of whether offices in non-US areas should be established should be dealt with after the question of AIMR’s purpose is addressed.
- It is not clear what is meant by “the composition of the Board”.
- All Governors should be elected annually. Staggered boards are a mere anti-takeover device.
- The size of each incoming board should be at the discretion of the outgoing board.
- The board should not have any members specifically and explicitly representing any special interest group. It is a board of governors, not a parliament!
- If the board feels that something so formal as a “study” is required for this, or any other question, that is their prerogative. It is to be hoped that the board will come to understand that responsibility and authority go hand in hand.
- Communication between Board and staff seems fairly efficient: staff presents its proposals and the board members stick their hands up. Neither communicates with the membership.
- There was certainly failure to communicate with the membership respecting the vote on MCE. The lack of a “No” committee was a poor policy decision, for which board members decided they were not accountable, even in the face of the membership’s repudiation of their policy.
- Governors and PCR’s have discretion as to what manner they intend to keep in touch with the membership. Attending local society board meetings would be one method. Another method would be a permanent discussion board on the Internet – preferably one that board members did not disdain to use.
- This question should be addressed by new societies only.
- Whether the board responds quickly to issues is not nearly as important as whether the response is effective and judicious.
- This section of the report again refers to “delivering services in local markets”. As noted in section 2.14, the meaning of “services” is unclear.

## **5.6 Organizational policy considerations for the Board of Governors**

It is quite clear that AIMR’s administration leaves much to be desired. It would seem proper to alert local Societies of prospective media campaigns – but is this an issue that needs to be addressed in a report of this nature? This is micromanagement: the board should simply ensure that the company has a CEO who will deliver results.

The question of membership numbers is addressed in sections 2.6 and 2.14

It is quite clear that the CFA Charter has become nothing more than an admission ticket to the job-interview process – somewhat less clear just what this point has to do with the section title.

## **5.7 Board size and composition**

This section repeats points made in section 5.5.

## **5.8 Communication between Governors, staff and membership**

This section repeats points made in section 5.5

## **6.0 AIMR CONTACT WITH SOCIETIES**

### **6.1 Improving the contact**

Of the recommendations:

- “Establishing benchmark service levels” has an intensely bureaucratic ring to it. Is it not enough for AIMR to publish on its web site just what services are available and leave it to local societies and individual members to complain if delivery of these services is inadequate?
- An “Account Management System” is best left to the discretion of management. With such authority, of course, goes the responsibility and the board should not be tolerant of failures of execution.
- It is not clear why such a list, published on AIMR’s website, could not be updated whenever a personnel change occurred.

### **6.2 Developing a faster response time**

The recommendation to “develop and foster a working environment ...” is a meaningless platitude. Additionally, the very fact of its formulation speaks to an impulse amongst the drafters of this report to micro-manage the execution of AIMR’s mandate – an impulse that should be resisted (section 5.0).

If the executive cannot execute the mandate, replace the executive.

### **6.3 Non-Binding “Set of Expectations Compact”**

If it is non-binding then there is no need to discuss it. We have no time for platitudes.

## **7.0 VOLUNTEER DEVELOPMENT**

### **7.1 Facets of the Volunteer Issue**

I find inclusion of this section somewhat odd: the report is intended for delivery to the AIMR Board of Governors, yet much of the discussion revolves around purely local issues.

Some of the argument in this section continues the wailing for additional funds so prevalent in this report (see section 5.1). This wailing is counterproductive: see section 2.4.

I must take issue with the mindset implied by use of the phrase “They are not encouraged to perceive a role in the local Society as a networking opportunity that might build their careers” in a deprecatory manner. I should certainly hope no such encouragement is given. I hope, in fact, that putative volunteers with such an attitude find their services declined. The source of AIMR’s problems and its lack of direction may be traced in large part to careerism as a motivating force for its governance. Careerists will not think deeply about radical changes, nor will they make propositions for changes or improvements, nor will they take responsibility for their actions. Throw the rascals out!

## **7.2 The volunteer policy issue**

I am delighted to read that “AIMR is an organization that facilitates interaction with fellow investment professionals – locally and worldwide – in a nurturing, rewarding manner.” What does it mean?

It is agreed that “from the standpoint of most Societies’ membership and the public, the main and often the only contact with AIMR and their society is through the programming function”. However, this shows the failure of AIMR to execute a coherent mandate, not a necessity to emphasize this local society function. AIMR must become an organization with a purpose if it is to justify its existence, as discussed in section 2.6.

The recommended resolution is faulty: there should be little, if any, interference by AIMR in the internal affairs of any constituent local society. The local societies have the prerogative and the responsibility to recognize or disdain the efforts of their own volunteers (see section 2.4).

## **8.0 TRANSPARENCY AND COMMUNICATIONS**

### **8.1 Recommendation to the Board regarding transparency**

- Changes required for the nominating process are discussed in section 5.4
- Expanded public awareness of AIMR should be addressed by enhanced advocacy advertising, as discussed in sections 2.6 and 3.2
- The discipline process is discussed in section 3.1
- Volunteer indemnification is discussed in section 8.5
- AIMR Remuneration is discussed in section 8.4
- Publicize AIMR Achievements: see section 8.7
- Strategic planning is addressed in section 8.8
- AIMR must certainly determine its purpose! See section 2.6
- Our strategy for ‘fighting competitors’ should be simply to provide a more rational reason for membership than others: again, see section 2.6

- The role of so-called “international societies” is addressed in section 8.9
- Relevancy of work experience is addressed in various subsections of part 2.0
- International advocacy is addressed in section 4.6
- Society/AIMR relations are addressed in various subsections of parts 5.0 and 6.0
- Ethics are addressed in various subsections of part 3.0

## **8.2 Board of Governors’ nominating process**

Changes required to the nominating process are discussed in section 5.4

The specifics contained in section 8.2 of the Gravel Report are mere truisms.

## **8.3 Discipline committee**

It is agreed that “the disciplinary process appears to lack transparency and communications”. See section 3.1

## **8.4 AIMR remuneration**

It is agreed “we should aim for complete disclosure”: specifically, the top five paid employees of AIMR should have details of their remuneration made public, similarly to employees of listed Canadian corporations.

## **8.5 Volunteer indemnification**

I am most surprised to see the suggestion that “the AIMR By-Laws be amended to make indemnification of volunteers voluntary rather than discretionary, given the unevenness of administration in the past”. I suggest that it would be preferable for those responsible for such administration start looking for other work.

## **8.6 AIMR Finances**

It is agreed that our own financial statements and supporting documents be a model of fair and effective disclosure.

## **8.7 AIMR Achievements**

Much of this should be left to the discretion of the individual advocacy committees. A self-congratulatory “tombstone” for a particular regulation will have a negative effect; a short note explaining past successes when engaged in advocacy advertising (sections 2.6 and 3.2) will enhance credibility.

## **8.8 Strategic Planning**

I suggest that Society leaders are unaware of AIMR's strategic direction because AIMR does not have a strategic direction. It has become our professional health-club, run solely for the purpose of selling memberships.

It is agreed that the level of disclosure of BOG and committee agendas and minutes on AIMR's website is a disgrace (cf. section 4.5). The main question to be answered is: Why does AIMR exist (section 2.6)?

The Board of Governors should initiate their preparation of a strategic business plan with a firm acknowledgement that this plan should be "zero-based".

### **8.9 Roles of the international Societies / members**

There are no international societies. The largest political unit encompassed by a single society is a nation.

The fact that there was little, if any, European or Asian input to AIMR's ROS Task Force is actually quite easy to understand: it was not considered necessary. Mr. Bowman's statements prior to the public comment period made it plain that this was a staff initiative and he expected the Governor's to vote as instructed, as usual.

AIMR-ROS existed (and may currently exist) in a policy vacuum: 'There's a problem somewhere having something to do with capital markets! Obviously, AIMR must fix it!'

### **8.10 Society / AIMR relations**

Communications could be greatly improved by the institution of a message board (vBulletin software is preferred), open for comment by all members, moderated by volunteers selected by a standing committee set up to run it (it may be expected that committee membership would be a sinecure – but policy determinations will be necessary from time to time, moderators must be selected and clear political accountability for these actions must be maintained. In the absence of a logical committee that could absorb these responsibilities, a separate committee would be necessary. This committee might also have authority over AIMR's entire website policy, although this comes very close to usurping the prerogatives of management. However, I am thinking in terms of ensuring that information on policy be available to all members (not hidden behind "Society Leader" passwords) and setting overall structural guidelines.

It should be noted that I would not expect a huge volume of posts on the message board proposed above: even the board devoted to the most contentious issue (as determined by the membership) in AIMR's history, the MCE fiasco, had a very low volume in all key metrics. However, it is important to have the facility in place: inquiries and commentary directed to staff on questions of policy may be answered simply by referring the questioner to the Board, which should save at least some staff time as opposed to endless repetition that a particular question is outside staff jurisdiction – as occurred in at least one case during the MCE debate.

### **8.11 An AIMR credibility issue**

I am pleased to see a section of substance in the Gravel Report with which I can agree whole-heartedly.

## **9.0 REVENUES AND PROGRAMMING**

The introduction to this section of the report vividly illustrates the concerns highlighted in the response to section 2.6. It would appear that local societies have contact with their membership solely through programming; they have programming as their sole reason for existence. We must have local societies to provide programming; programming is required in order to give the local societies something to do!

It is a chicken-and-egg problem, which must be considered in the light of a strategic question: what is AIMR for? What are local societies for? This question has not been addressed in the Gravel Report.

### **9.1 Revenue and programming issues**

It would appear that AIMR's membership is indicating that it does not want to pay for programming. As usual, the membership's opinions are blithely ignored.

### **9.2 Some revenue and programming solutions**

It is not surprising that the Speakers' Bureau and Speaker Retainer Programmes have been well received, given that they are funded centrally and presented locally. However, these programmes simply represent an obfuscation of responsibility/authority pairing and should be eliminated (section 2.4).

It would indeed seem reasonable that if AIMR offers services and information to Societies, that the Societies are aware of and use these services.

### **9.3 (first) Return a larger share of dues to Societies**

It is news to me that a "programmers chat room" exists – I am not sure whether the functionality noted in this section is, in fact, chat or is a message board – in any event, such communication would be greatly enhanced by a discussion board (see section 8.10) with a 'forum' for programming.

"Technology" is addressed in the response to section 8.10 and the second section 9.3, below.

As noted (section 7.2), AIMR has no place rewarding local volunteers. Clear delineations of authority and responsibility are absolutely necessary (section 2.4).

It is agreed that, in certain cases, it would make sense for AIMR to solicit large companies for presentations, attaching a list of local societies. However, this is contingent on a clear definition of AIMR's purpose including support of local dog-and-pony shows: it may be desirable simply to make the determination that such programming is irrelevant to AIMR's strategic goals.

I must say, I have never quite understood the point of these presentations, beyond providing indolent members with a cheap lunch. Even AIMR has recognized the irrelevancy of these meetings by refusing to grant CE credits for attendance.

No Regional offices should be created or budget for back office and logistical support for Societies. This is merely a back-door methodology of creating AIMR subsidies for local Societies – as has been reiterated constantly in this response, local societies must stand alone, on their own dues and their own volunteers, or they have forfeited the credibility required for their existence.

It may well be that more effort should be made to recognize and reward (and even accept! Section 7.1) volunteers, but each administrative unit should be responsible for recognizing its own workers. See section 2.4.

I presume that the Toronto Society's forecast dinner is among those lauded in the last paragraph of this rather oddly-captioned section: but the Toronto Forecast Dinner is a mere social event. If we want to be a social club, then by all means encourage forecast dinners – but let us make that determination first! (section 2.6).

### **9.3 (second) Revenue and programming considerations for Board of Governors**

See the response to section 8.10 for technology issues. I confess I am unable to determine just what technology needs to be developed: message boards, eMail and websites are considered fairly mature technology at this point in time.

Any efforts to build a regional infrastructure that has the goal of assisting local societies should be suspended, as implied by the response to section 9.2 and the general principle of self-reliance (section 2.4).

## **10.0 SERVICE DELIVERY**

It is agreed that the efficiency of AIMR's website needs to be improved (see section 8.10), but it is unclear as to what is meant by "hands-on navigation training". Navigation is clearly an issue in the site, but this is due to faulty design, not lack of training.

### **10.1 Centralized versus localized**

Much of this report does, in fact, agree that both centralized and localized service delivery are appropriate in different circumstances. It seems clear that the circumstances usually relate to the flow of money: respondents prefer to spend money for which they

are not accountable (see section 5.0), in defiance of good management practices (section 2.4).

It should be noted that the “universal support and acclaim” had as its universe only those members involved in the preparation of this report. No statistics for participation of actual members are given – no study of the motivation of participating members has been submitted. There are some members who will participate in these things simply because a cheap lunch with an hour or two away from the office and social networking thrown in is a rather appealing deal. There are others who feel that an hour or two spent obtaining the equivalent of a half-page press release is not well utilized. Have programming, by all means: but only if it breaks even financially for the Society and sufficient volunteers are available to run it.

Nevertheless, I support the brilliant recommendation put forward in this section, and suggest it be submitted for publication in Harvard Business Review.

### **10.2 Satellite offices**

It is entirely appropriate that Regional offices not, in fact, get involved with local societies. The recommendation here is somewhat counter to the recommendation of section 10.1 (which is supported in this response) and, as must be reiterated, accountability and responsibility should be clearly delineated (see section 2.4).

### **10.3 Society and Future Leaders Conference**

If these conferences are, in fact, great training opportunities for Societies, then the Societies should be willing to pay for them. Accountability and authority should be clearly delineated! (see section 2.4)

The recommendation to increase the number of junkets available for local AIMR hacks is opposed: AIMR should, in fact, be eliminating funding by the central body for attendance at such events. If the local Society executive is convinced they are a great training opportunity, with a great deal of ultimate benefit for their membership, they will be more than pleased to explain to their members why local dues are being used to fund this wonderful system. (see section 2.4).

### **10.4 Society leader training conference calls**

I cannot believe that adults feel they need training to navigate a professionally designed website. See, however, section 10.7.

### **10.5 Administrative support aid**

Naturally, a \$500 grant, free of the necessity of any explanation to members, enables societies to utilize their own resources more efficiently. This is simply another truism.

However, this funding should be eliminated. If the spending is worthwhile, then the local society leaders will be happy to explain the dues requirements to their memberships.

### **10.6 Written feedback and minutes**

The proposal is supported. See section 4.5. It should be noted, however, that substantial resistance is pervasive throughout AIMR and its committees towards the very idea of committees having to justify their activities to the membership: a degree of glasnost was proposed as part of my proposals for Advocacy Advertising (section 3.2), but the proposals were rejected *in toto* as being “akin to lobbying”, prohibited to policy makers (section 3.2) although permitted to staff (section 4.3).

### **10.7 Distribution of information through the web site**

It is agreed that AIMR’s website is poorly designed and poorly executed. See sections 4.5, 6.1, 8.8 and 8.10. However, there is no expectation that anybody will actually be held accountable for this, unless the recommendation of the response to section 8.10 is implemented.

## **11.0 CONCLUSIONS AND RECOMMENDATIONS**

These recommendations have been dealt with in other sections of the Gravel Report:

- “Expectations” – see section 6.3
- There is no mention here of a positive reason for AIMR to exist.
- The “50-mile rule” is discussed in section 2.12
- Affiliate membership is discussed in section 2.6 and section 2.13
- Public awareness is discussed in generally in part 3.0; specifically in sections 3.4 and 3.5
- Staff involvement in advocacy is discussed in section 4.4
- I admit to being quite impressed that the words “confirm”, “developing” and “prioritization” are being used in the same sentence with a straight face.
- Another entirely useless recommendation. Is it suggested that management is not decentralizing functionality in the face of compelling reasons for such action? Has the board in the past refused a request for authority to decentralize? Just how much micro-management by the board is necessary?
- AIMR should not interfere in the internal affairs of local Societies. See section 7.2 with respect to volunteers.
- AIMR should not interfere in the internal affairs of local Societies. See section 9.3 with respect to programming.