

# IMCA

## investment management consultants association

### IMCA as a Community of Practice: Responses to Emerging Ethical Practices through Educational, Technological, and Organizational Enhancements

*“Professional associations constitute the third leg of the tripod – expertise, conduct and self-regulation – that supports a professional as fiduciary of client interest.”*

-- Ashish Ananda, Harvard Business School.

**Background:** Since its beginnings, a hallmark of the Investment Management Consultants Association – a professional community of practice – has been its commitment to ensure quality service to the public by developing and encouraging high standards in the investment consulting profession. IMCA serves investors by developing the highest standards for investment management consultants. IMCA brings these high standards to the certification process so that investors can trust that consultants with CIMA licenses operate at the highest level of their craft. Ethical practices are a pillar of IMCA’s practice standards.

IMCA’s commitment to the continued development of exceptional standards and practices, coupled with some unfortunate events within the larger investment community, led to a decision to hold an Ethics Think Tank. The meeting was designed to identify ways to enhance IMCA’s efforts to offer its membership the best training in, and support of, exceptional ethical practices. It was also critical to the work of the Think Tank to keep central to our conversation the client-centric orientation that is at the heart of the IMCA professional’s practice. Because of this commitment, the recommendations in this report involve efforts aimed at IMCA members, as well as potential and current clients.

**Springboard Questions:** A set of key questions, along with a set of pre-work readings, was distributed ahead of the event to facilitate our work together at the Ethics Think Tank. The questions became springboards for our discussion, out of which the content for this report emerged.

The group reviewed a set of key questions and developed answers that then guided the discussion. The questions and answers follow:

1. *What are the key ethical practices that IMCA members and their organizations do well?* These practices include a commitment to appropriate disclosure, strong and on-going education, the development and communication of best practices in investment strategies and client-centric focus.
2. *What are some examples of extraordinary ethical behaviors that you have witnessed in your organization?* Individuals showed some reticence to speak of their own actions. It is clear that there are many examples that can be drawn upon for the work ahead. This will be covered in more detail in the “Community of Practice Section Below.”
3. *What principles were applied in achieving this higher level of ethical practice?* The strong culture of professionalism that has been a key element of IMCA’s development provides a number of these principles. Integrity, analytic rigor, a commitment to the highest levels of service and excellence, continuous professional development including education in ethics and strong institution support were cited as principles that support high level ethical practices.

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4. *What are the key challenges you see IMCA members and their organizations facing in the next three years?* The key challenges that were framed by the group are discussed in the sections below.
5. *Who do you see as the key influencers in forming ethical practices in this same time span?* These influencers are discussed in the report below as well.

As we worked through these questions, two core areas of development took shape, which are framed in the following questions:

**I. How can we assure clients and potential/clients that IMCA members are operating at the highest level of professional practices -- especially in the area of key ethical practices?**

**II. How can IMCA grow as a community of practice?**

The responses and recommendations growing out of these questions frame the rest of this report.

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### **I. How can we assure clients and potential/clients that IMCA members are operating at the highest level of professional practices -- especially in the area of key ethical practices?**

The rich history of IMCA, particularly with its strong focus on developing the investment consulting profession through education and the CIMA certification process, provides a great foundation for identifying, teaching and maintaining the highest level of professionalism. Programs and practices that build on this foundation will serve the purposes that the Ethics Think Tank was convened to address. A listing of these programs and practices is presented below.

At the Think Tank, many things were discussed and we identified some key, emergent themes. Keeping these themes in mind, what follows can be rightly considered as key integrative and emergent ethical practices for IMCA members, especially for those who have earned the CIMA certification. To the extent that they draw on existing, stated ethical practices and focus on on-going efforts to enhance them in ways that support the highest level of ethical professionalism, these programs and practices are integrative. To the extent that they respond to issues that present themselves as part of the context for the continued development of the community of practice that is IMCA, these programs and practices are emergent.

### **Emergent Practices: Descriptions and Implementation Recommendations**

#### **Practice #1 - Enhanced training in ethical practices**

##### **Description:**

IMCA includes thoughtful training in ethics throughout its programs and in its various gatherings and events. Still, as in the other areas of professional practices that an investment management consultant can be expected to master, on-going and enhanced training must be the standard. Without drawing too fine a point here, it might be argued that, moving forward, the practice of ethical intelligence is the core practice for CIMA holders and IMCA members in general.

*"Ethical intelligence is created from the inside out. It comes from the desire to be not just a good corporate leader, but also a well-rounded individual whose every interaction has meaning beyond the immediate term."*

-- William Damon, "The Moral Advantage: How To Succeed in Business by Doing the Right Thing"

A key theme in our Think Tank conversation was the dilemma consultants face from the pressure to take a short-term, rather than long-term, view of success.. It was stated in several ways that there is no consensus – either in the industry or among companies, clients and consultants -- on what constitutes success.

##### **Recommendations:**

1. *Develop and publish a strong set of clear metrics that respond to the following questions:*
  - a. What constitutes a successful outcome from the engagement of a consultant by the client?
  - b. What are the key dimensions of service a client should expect from a consultant?
  - c. What is the IMCA ethics brand promise?

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2. *Continue to enhance all the educational activities that IMCA supports so that a key feature of these offerings is their effectiveness in building ethical intelligence.* This follows the recommended approach of “ethics across the curriculum” that is being implemented in business schools and is widely advocated by many within the business ethics community. This approach can be accomplished through such means as:
  - a. Focused membership communications and training that tracks changes in the industry, especially in emerging ethical practices.
  - b. Development of a catalogue and collection of supporting resources as an out growth of the work of [The Journal of Investment Consulting](#) and the *IMCA Monitor*. Develop this as a searchable reference database for practitioners and academics alike.
  - c. Review and update third party documents and add them to the collection of practice documents. Build a catalogue of these documents that is easily web-accessible.
3. *Develop new resources for enhancing ethical intelligence and ethical practices.*
  - a. Build a working definition of ethical intelligence and ethical practices.
  - b. Develop an ethical practices on-line forum, in *The Monitor* and through other community building tools.
  - c. Create additional ethics resources for IMCA meetings:
    - i. Featured speakers and workshop leaders
      1. Ethics experts
      2. Accomplished CIMA practitioners
      3. Ethics practitioners from other professions.
    - ii. An ethics resources table.
    - iii. Additional discussions/break outs.

**Comments:** This report includes a partial list of recommendations. Additional ideas are bound to emerge as the recommendations from the Think Tank report become more widely discussed. Making conversations about ethical practices and ethical intelligence a core function of the work of IMCA and its members is essential to fulfilling IMCA’s mission. Whatever supports these conversations should be encouraged.

### **Practice # 2 – Encourage investment consultants to clearly articulate and consistently implement full disclosure**

**Description:** Full disclosure and transparency are at the heart of the consultants’ professionalism and personal integrity and help them avoid conflicts of interest. As we move forward, full disclosure should continue to be an essential area of focus for IMCA and its members.

A focus in this area is also timely. Changes in laws and general changes in the larger investment community, along with the more public and damaging examples of companies and individuals placing their own interests ahead of their clients’, have prompted a reassessment of disclosure practices. IMCA’s own practices and policies are clear about the inappropriateness of serving one’s own interests ahead of the client’s. As the IMCA Code of Ethics states, each member will:

“Serve the financial interests of clients. Each professional shall always place the financial interests of the client first.”

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Furthermore, IMCA members commit to:

“Disclose fully to clients services provided and compensation received.”

### Recommendations:

We should consider a three-pronged response to strengthen overall awareness of, and adherence to, the practices associated with this ethical commitment. This response could include these elements:

1. *There should be continued work to ensure members communicate (disclose) with great clarity and transparency all relevant information regarding how they are rewarded and incentivised.*

IMCA recommended guidelines for individual consultants and the companies that employ them should address the following issues:

- **What should be stated?** We should develop a series of small publications and sample cases to help both potential clients and consultants understand what should be disclosed. This is in part an extension of the work that IMCA has done in creating [www.investmenthelp.org](http://www.investmenthelp.org).
- **When?** We should include strong recommendations for consultants about the timing of their disclosure conversation in the materials mentioned above. Any available, existing individual or company check lists should be collected and catalogued as resources for IMCA members.
- **How?** We should make materials available for download from a special section of the IMCA site. These could be protected, available only to those who have user name and passwords, or they might be offered as a public service so that consultants and potential client alike could view them ahead of any conversations. An ideal way to engage potential clients in understanding and expecting the recommended approach might be a tool that walks them through the process. An example can be seen in the mini-course, “Testing Your Knowledge Beyond Basics.”

**Additional possibilities:** We should collect and catalogue the current best-practice standards for IMCA members’ use. Any guidelines that are useful for clients should be distributed as a matter of course whenever first level contact with a potential client is begun. This may be redundant if the potential client has already viewed them on-line, but it would still serve as a positive statement of the consultant’s approach. Either way, the standard should be established that these are made available to all potential clients as a matter of course.

2. *A new training module on disclosure should be developed out of the work outlined above and be available as a resource for IMCA members. This can be included in the suite of stand alone offerings, as well as be included in the existing training program for CIMA certification. Some time should be allowed for a focus group process at the annual IMCA meeting to elicit best practices from its members; these can be used to develop training and communications materials.*
3. *As a support for IMCA as a community of practice and for this particular practice a more active on-line community should be encouraged as a part of IMCA’s Discussion Board. The opportunity to engage members in a lively discussion of best approaches to handling*

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transparency issues will solidify the work that is being done on this emergent practice. In a larger sense it will support the dispersed community of practice that is IMCA. Given on-going developments in the area of digital media, the inclusion of streaming media, document repositories and web-based seminars are additional ways to enhance IMCA's community of practice.

There are certainly other possibilities for the continued development of the emergent practice of transparency. Using the three-pronged approach outlined above will generate additional ideas and insights, as well.

### **Practice #3 – Identify, communicate and celebrate effective ethical practices:**

**Description:** Effective ethical practices should be a key aspect of what is covered in gatherings, publications, classes and workshops. Some part of this work will require a thoughtful plan for gathering these practices. Another part of the work here will be to develop systems of communication for these practices.

### **Recommendations:**

Some immediate steps that can be taken to support this practice include:

1. *Develop a regular feature in The Monitor that focuses on ethical practices of IMCA's members.*
  - a. Use the Ethics Think Tank material as a framework for The *Monitor* pieces.
  - b. Ask members of the Ethics Think Tank group to write brief pieces on ethical trends and issues facing IMCA members and consultants.
  - c. Solicit pieces by appropriate ethics thought leaders.
2. *Initiate conversations with IMCA members about their organizations' Codes of Ethics.*
  - a. Select members from different types of organizations and ask for their company's ethics codes.
  - b. Gather these results and develop a catalogue of these practices for use by members and their organizations. Make the results Internet accessible.
  - c. Present the results through available communications channels (*Monitor*, website, *The Journal of Investment Consulting*).
3. *Develop an ethics review process.*
4. *Develop an ethics continuing education module or course.*
  - a. Consultant receives CEUs upon successful completion
  - b. Create additional ethics cases based on CIMA-level consultants' experiences.
    - i. For personal use
    - ii. For use in IMCA training
    - iii. For use in developing academic programs/Wharton.
    - iv. For use in company training programs.
5. *Develop awards for individual and companies that have implemented programs to enhance ethical intelligence. Note: This recommendation was greeted with much skepticism because of the inherent public relations embarrassment it could cause if awardees later get into trouble.*

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6. *Gather ethical practice documents for other similar professional associations.*
  - a. Use search tools and other methods to gather additional resources (Lexus/Nexus, etc.).
  - a. Gather information from other groups.
  - b. Create a repository of these practices.
7. *Create a best practices resource.*
  - a. On the website.
  - b. In a print form.
  - c. As a basis for some of the course content.
8. *Create additional training for enhancing ethical decision making skills.*
9. *Develop an on-line survey of IMCA members to assess current attitudes and best practices.*
  - a. Current attitudes assessment.
  - b. Best practices assessment
  - c. Future training needs assessment.

### II. How can IMCA grow as a community of practice?

What does it mean to be a “community of practice”?

*“A Community of Practice (COP) is a special type of ... network that emerges from a desire to work more effectively or to understand work more deeply among members of a particular specialty or work group.”*

-- From “Communities of Practice” [www.c2.com](http://www.c2.com)

A prominent feature of communities of practice is the combination of a shared identity around a particular type of work and the constant sharing of knowledge. To put a finer point on this, these communities form a particular kind of identity and generate a particular kind of learning:

*“Learning, from this point of view, is not simply a matter of acquiring information; it requires developing the disposition, demeanor, and outlook of the practitioners.”*

-- John Seely Brown and Paul Duguid.

IMCA’s history is rich with the dual dimensions of identity formation and knowledge creation and sharing. Given IMCA’s commitment to “Setting the Standard for Investment Consulting,” the articulation of key emerging ethical practices is critical. More importantly, developing ways for consultants and investors to use these practices seems a faithful extension of the IMCA ethos, as it has developed from its very beginning.

To facilitate IMCA’s growth as a community of practice, it is useful to look at the principles recommended by (authors) in their seminal work, “Cultivating Communities of Practice.”

- Open a dialogue between inside and outside perspectives
- Invite different levels of participation
- Develop both public and private community spaces

How each of these might work remains to be developed, but here are suggestions that emerged from the conversation at the Ethics Think Tank.

**Open a dialogue between inside and outside perspectives.** The addition of the [www.investmenthelp.org](http://www.investmenthelp.org) website to IMCA’s offerings expresses this principle. In this instance, the outside and the inside are drawn together as the investor is given the benefit of the consultant’s wisdom. A larger possibility was expressed at the Think Tank with the idea that IMCA might lead an initiative to coordinate efforts with other professional organizations with Ethics Codes and Practices. This coordination might produce a repository of ethics codes, a supra-ethics code, a roundtable, a publication or a course offering.

**Invite participation.** The current website discussion area is currently under utilized. There are 24 threads, with the Practice Management thread having the most posts at 2 topics and 8 posts total. At the Ethics Think Tank, the participants seemed, to a person, to be accomplished Blackberry users. It is easy to extrapolate from this that IMCA members as a group have taken strong advantage of information technology. It would seem worthwhile to gather a group at the IMCA meeting in St. Louis to identify ways that IMCA might serve as a stronger resource through the use of digital and IT tools. And doing some survey work with customers and potential customers, as well as with journalists who cover the industry and academics in both

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the investments and ethics areas would be worth exploring as another way to develop a deeper understanding of the issues connected to the on-going development of IMCA as a community of practice.

**Develop both public and private community spaces.** To encourage development in this area, IMCA should:

1. Use threaded discussions to facilitate discussions of cases, issues and practices connected to ethics.
2. Continue the development and promotion of the [www.investmenthelp.org](http://www.investmenthelp.org) site as a valuable way to connect with the larger investment community.
3. Explore ways that IMCA and its new foundation can serve the needs of the public.

These steps, in conjunction with those outlined above, should enhance IMCA's strength as a community of practice and broaden its influence in the investment management community and beyond.

### **Conclusion:**

A final recommendation is to develop an implementation plan for the recommendations presented in this report. This plan should include timelines, responsible parties and action steps. The allocation of staff time, coupled with the commitment of key members to this work, will go a long way toward bringing the desired result – an enhanced level of ethical intelligence and practice within the IMCA community of practice.

The quality of this work owes everything to the fine group assembled for the Ethics Think Tank.

I wish to personally thank Evelyn Brust, Jeff Van Orden , John Casey, Lee Zimmermann, Phil Maisano, Norm Nabhan, Sam Paglioni, Steve DeAngelis and Vic Rosasco for their active engagement in the Think Tank and their clear dedication to IMCA and its continued ethical development.

Because of their work IMCA is assured a strong future of committed ethical practice on behalf of its members and the people they serve.

Steve Lawler  
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