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Task Force on Strategic Funding

REPORT

Submitted to

CMC-Global Delegates

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Final Report

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Definitions: a Note on Terminology

CMC-Global.

Federation of IMCs formerly known as ICMCI. The legal name remains ICMCI, but it was decided at the Johannesburg Conference to brand our organization as CMC-Global.

Secretariat.

The staff organization that supports the global work of CMC-Global. This currently comprises an Executive Director, part time administrative support, and outsourced support for administration and financial activities contracted to MoS in the Netherlands.

IMC.

Institute of Management Consultants that are Members of CMC-Global and operate within a territory.

Delegates.

Individuals appointed by an IMC to attend the annual meeting of CMC-Global. Replaces the role of Trustees with the Bylaw changes.

Annual General Meeting.

Annual meeting of Delegates to govern the work of CMC-Global.

Board of Directors (Board)

Body of Directors elected to oversee the operations of CMC-Global between Annual Meetings. Replaces ExCom with the Bylaw changes.

Member vs member

CMC-Global has as its Members the IMCs of countries. IMCs have members who are management consultants within the country. To distinguish CMC-Global capitalizes "Member" when referring to an IMC and does not capitalize "member" when it refers to members of IMCs. We follow this convention in this report and further differentiate with the use of the term "IMC Member".



EXECUTIVE SUMMARY

This Task Force has its genesis at the CMC-Global Congress in Noordwijk in October 2016. There were extensive discussions about how IMCs would fund the global operations of CMC-Global. The Treasurer's proposed budget for this work was not approved, but a one-time Member Fee increase for the 2015-16 fiscal year put in place. This was intended to provide time for a Task Force on Strategic Funding to be established and to develop a report based on the mandate of how we would fund CMC-Global if the organization were created today.

The Treasurer was asked to Chair the task Force. His first action was to canvass all IMCs for members of the Task Force so each IMC would have the opportunity to participate. In particular, the Treasurer felt it desirable to have representation from different sizes of IMCs, to ensure a variety of perspectives. Volunteers came forward from the United Kingdom, Ireland, Canada and the Caribbean. The original candidate from Canada was not able to participate in all sessions, so an alternate was named.

The Task Force met several times to establish its approach and the principles for its work. Thereafter a draft report was prepared and amended regularly through internet conferences and email correspondence.

Seven principles for the funding of the Secretariat (which represented the global operations of CMC-Global) were established to guide the work of the Task Force. These are recommended for approval and for future use as guidance for budgeting and funding purposes. Thirty recommendations are made by the Task Force and are submitted in this report for consideration by Delegates.

The starting point is that the core operating costs of The Secretariat will be covered by Membership fees. This establishes a basis for the global operations of the federation of IMCs to cover off the cost of those activities better carried out globally than by individual IMCs. These can be thought of as core activities that require ongoing funding. Special activities and strategic initiatives should be funded from other forms of revenue or special levies, and not built into the core budget. The Annual Assembly of Delegates should continue to approve a two-year budget for Secretariat activities at each of its annual meetings.

Assessment fees were reviewed and increases are recommended. This is to assure that there is some threshold for the entry of new members, to assure that they have substance as national organizations within their own territories. The cost of travel for assessments should be built into the assessment fee so as not to penalize the more remote IMCs. It is also recommended that the cost of reassessments be built into the base membership fee so as not to cause triennial blips in the budgets of IMCs.

One of the principles recommended by The Task Force is that larger, more established IMCs should carry a larger part of the cost of operating the global organizations. This can be accomplished by setting a base fee which all IMCs would pay. A supplementary portion of the IMC membership fee would be variable, based on the size of the IMC. Size is determined by membership in four classes:

- Management consultant members of Corporate members of the IMC
- CMC members of Corporate members of the IMC

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- Management consultants who are individual members of the IMC
 - CMC members who are individual members of the IMC

The numbers of various classes of membership would attract additional membership fees, but in a proportional way so that the few largest IMCs don't end up carrying a disproportionate amount of the cost of the global operations. Student, Honorary and Retired Members are excluded from the assessment of fees paid by the IMC. It is recommended that members of IMCs who pay fees through their membership to CMC-Global should be informed of this to create the link to the global organization.

No fees are recommended for corporate members of IMCs, as the manner in which these memberships are registered and counted vary widely from IMC to IMC. Similarly, no fees are recommended at this time for management consultant (non-CMC) members of corporate members. It is suggested that both of these situations be reviewed once better statistical records can be gathered.

The means of balancing the proportionality between a base fee and member-based fees was explored and discussed. A recommended approach is presented, which will need to be tested against the budget to be approved by Delegates at the Annual Meeting in Toronto.

The Task Force recognized that there are different economic situations for IMCs, and the real cost of a Euro varies widely. The World Bank PPP index is used to calculate the relative economic standing of Member IMCs with respect to the calculation of Member Fees. This has more fairness than the current approach, as it takes into account GDP plus the cost of doing business within the country. It is also recommended to create one additional category of economic class to more smoothly distribute the economic classifications.

It is recommended that the practice of issuing Member Fee invoices for each year at the beginning of that fiscal year be continued.

The Task Force felt that the size of the annual budget of the Secretariat is growing, and therefore an independent, professional review of CMC-Global financial statements should be made beginning with the 2016/17 fiscal year.

Finally, because the means of allocating the costs of membership has changed, the implications for each IMC vary. In addition, as the way in which allocations are made has become more sophisticated, the reporting of statistics by each IMC becomes more important, and it would appear that not all IMCs are using the same definitions of membership. It is recommended that the Treasurer be accountable for working with the Finance Committee and the Membership Committee to work through solutions to the fee increases in cases of any undue hardship to an IMC.



1. INTRODUCTION

This Task Force has its genesis in the Treasurer's Budget Report to Congress at its meetings in Noordwijk in October 2016. The budget presentation was followed by small group sessions to discuss the contents, with reports to a plenary session. This, together with the number of one-on-one meetings with individuals and groups between sessions, resulted in some excellent feedback on the recommendations for the financing of CMC-Global going forward.

During the business meeting the reactions to the proposals were diverse, from suggestions that CMC-Global significantly increase membership fees to expressions of concern that IMCs could not afford to pay for the increases that were suggested.

The tone of the discussions was very positive in the sense that the Trustees came together as a group to consider how CMC-Global, as a global organization, can work together to advance the profession of management consulting. CMC-Global has a strategy that can be successfully implemented by building on the foundation established through the excellent work of the Breakthrough Strategy which began its work in FY 2010-11, after being approved at the Congress in London in 2009. Over the three years of its work, and since then, CMC-Global has created tools that can now be used to create additional revenue for both IMCs and the Secretariat.

For the 2014-15 budget year, which was presented and approved in Seoul, it was anticipated that IMCs, working together could assist in the generation of revenue to support the global activities of CMC-Global. That turned out to be too large a step. It is anticipated that there will be greater success in 2015-16. However, having been unsuccessful in raising the additional revenue from alternative sources in 2014-15, it would not be wise to follow the same path.

Therefore, the 2015-16 budget relies on a combination of increased revenue from alternative sources together with an increase in membership fees. This budget was ratified by all IMCs which implemented a one-time increase to Secretariat funding.

In discussion with Trustees in Noordwijk, the following activities were put in place to assure successful financing of global activities moving forward.

1. The creation of a Task Force on Strategic Funding. This Task Force will have membership from IMCs, including those that are larger and carry the largest burden of funding global activities, and representatives of other sizes of IMCs, together with CMC-Global Officers. The objective will be to start at Ground Zero – how would we fund a global organization for CMC-Global if we were starting today? The work of the Task Force will be in this calendar year, and its recommendations will be brought forward to all IMCs for deliberation and discussion in early 2017. Ideally we would be able to use this as a framework for the 2016-17 budget which could be approved in 2016, but at the latest we can make decisions for future funding at the Annual Assembly of Delegates in Toronto.

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2. Creation of a Revenue Generation Committee that will work in parallel with the other CMC-Global committees. Reporting to the Board, this committee will take the lead on collaborating with IMCs to create revenue for both IMCs and our global operations. It will focus on high value returns on products that have already been developed such as CMC-firm, CMC International Conference, CMC-GI and Corporate Sustaining Members. Trustees also asked that the creation of a Global Registry of management consultants be created which could be joined for a fee shared between IMCs and CMC-Global.
 3. ExCom, as it was then known, and now the Board of CMC-Global, is working to increase communications with IMCs, both in terms of creating a more fulsome communication channel, but also to look for the win-wins between national and global activities. Revenue generation and the provision of services to IMCs in an equitable and helpful way will both be high on the agenda.

It is anticipated that the Task Force on Strategic Funding deliberations and recommendations will result in a different way of thinking about the funding of global operations including the balance between membership fees and alternative revenue sources, and how membership fees are allocated to IMCs.

The deliberations in Noordwijk, and discussions since then have been engaging and illuminating. On the one hand there was acceptance of the fact that if we are serious about becoming a global operation and wish to advance the profession globally as a true federation, that there will be a cost to us that has not been funded to date.

On the other hand, it was stated quite clearly that the current way of generating revenue for the support of our global work, i.e. simply raising Member fees, is also not acceptable. (This lack of acceptance came from two very different perspectives; some wanting to increase spending by several orders of magnitude, and other wanting no increases at all.)

Whatever the perspective, we have real work to do as a federation to decide on the degree of work we want done centrally, and how we will fund that work. The approval of this fee increase for 2015-216 should not therefore be thought of as an increase to base fees upon which future increases will be built. Rather, it is an agreement that we do need more central activity, and that it will be funded in this fiscal year as a one-time increase while we figure out what to do going forward.

The mandate of the task Force was to examine the membership fees to Member IMCs for a green field, and answer the question: ***"If we were starting this organization today, how would we fund it?"***

The report of the Task Force is respectfully submitted in the following pages.



2. SECRETARIAT FUNDING PRINCIPLES

Following are seven principles that the Task Force recommends as an underpinning of its work. They guided our discussions, and can serve as a benchmark to Delegates in their consideration of the discussions and recommendations of the Task Force.

1. Member IMCs with larger numbers of members should pay more than IMCs with smaller numbers of members.
2. There should be recognition of the implications to Member IMCs of the economic and currency valuation situation of their countries, and the resulting impact on the relative cost of membership.
3. Basic fees should cover the core operating costs of the Secretariat.
4. CMC-Global should be able to establish and maintain appropriate level of reserves for risk management purposes.
5. There should be an explicit linkage between the amount of membership fees paid by an IMC and its degree of representation on the governing body
6. The costs of Triennial Assessment (including assessor expenses) should be amortized into annual membership fees.
7. Secretariat financing, on a year-to-year basis should not have wide variances so as to allow for planning and continuity by Member IMCs.

Recommendation 1.

The Secretariat Funding Principles be adopted and used as guidance for budgeting and funding purposes.



3. The Cost of Operating as a Global Organization

CMC-Global operates as a global organization, comprising 48 Member IMCs and a Secretariat. Each Member IMC is accountable for conducting its activities, recruiting members, and certifying CMCs within its territory. The Secretariat is a coordinating body that supports the work of Member IMCs, expands the network of Members, and carries out trans-national or global activities consistent with CMC-Global's Vision and Mission.

The funding of activities within the territory of a Member IMC is entirely at the discretion of the Member. The Members approve a two-year budget for the activities of their Secretariat at each Annual meeting. Through this process, the Members decide the extent of the activities that will be carried out globally, and how they will be funded.

There are two aspects to the nature of the funding of the Secretariat.

One aspect is the funding of the core activities of the Secretariat. These are the activities that are necessary for the ongoing operations of CMC-Global that are key to its work as a global organization.

The second aspect is the funding of the developmental or transitional work of CMC-Global. These would be goals or projects that are helpful, and perhaps even necessary to the attainment of the vision of CMC-Global, but are not fundamental to the maintenance of core activities.

The Task Force recommends that the first aspect, the core costs, should be covered by fees that are charged directly to Members. The second aspect, those activities that are more discretionary or not as time-bound, should be funded through alternative sources of revenue.

In addition, it is important that there be some continuity of Secretariat financing requirements. Core operating costs of the Secretariat should generally increase by a minimal amount as may be driven by inflation or other typically increasing expenses in order that base membership fees do not vary greatly year to year. This is important for planning purposed for Member IMCs.

Following we will discuss each of these aspects.

3a. Core Funding

Following are the categories of funding that are core activities.

Secretariat Expenses

- Executive Director Role. Regardless of incumbent, this role is essential to the growth and strengthening of CMC-Global.
- Core administrative support.
- Financial reporting support.
- Basic travel expenses for core activities.

Board of Directors.

- IT support for web-based meetings

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- Incidental expenses for a face-to-face to be held once per year.

The Task Force considered a change in the way CMC-Global manages the financing of its Board work and of its Board appointments. The Task Force explored whether these are core expenses to enable the candidacy of individuals from any IMC on an equal basis. In current practice, only individuals who can be financially supported by their home-IMCs or who volunteer to cover their own travel expenses are able to be candidates for Board positions. It was decided that now is not the time to implement a new policy which would increase the cost of the base Members Fee.

Consideration should be given to doing this in the future to allow equitable candidacy of Directors from all IMCs.

Marketing and Communication

Core marketing and communications activities such as the publication of CMC-Today, and protection on our trademarks.

Internet / Website

Maintenance of our website.

Legal and Treasury Expenses

Core legal and Treasury expenses.

Recommendation 2.

The core operating costs of The Secretariat will be covered by Membership fees.

The 2015 – 17 core operating expenses budget for CMC-Global Secretariat and global activities is available as a separate document. The final approved amount of the proposed budget, of course, has an impact on Member Fee levels. The mandate of the Task Force is to recommend how this final approved budget, and funding costs moving forward, will be allocated to IMC Members.

3b. Non-Core and Development Expenses

Development Expenses are those things that are important to do but not critical to the delivery of the core services of the Secretariat. These activities would be funded through revenue generation activities.

There may be situations where IMCs may decide to fund a special project in this category through additional levies or voluntary contributions. In these situations, these funds are not considered part of the base membership fee. The CEN and Breakthrough Strategy projects are good examples of this form of activity.

The role of the Executive Director is considered to be core funding, although part of the work of the Executive Director would be on non-core activities. The balance in this regard is managed by the Board through strategy and objective-setting exercises.



There may be situations that arise where exceptions could be made, but this should be decided by Delegates at an Annual Meeting.

Any revenue generated in excess of budget should be retained in the CMC-Global reserve funds.

Recommendation 3. Non-core Secretariat costs should not exceed core operating costs on an annual basis unless specifically decided by the Annual Meeting of Delegates.

Following are the categories of funding that are non-core or development activities.

Secretariat Expenses

- Funding for the staffing of special projects or other non-core activities.
- Funding for special projects, including travel and outsourcing expenses.

Marketing and Communication

Marketing and communications activities for projects or other non-core activities.

Internet / Website

Enhancement of our website.

Special Projects

Any other projects agreed upon through the budgeting process by The Annual Meeting of Delegates.

4. REVENUE SOURCES FOR CMC-GLOBAL OPERATIONS

In the previous section the point was made that the IMC Members of CMC-Global have the sole discretion to determine and fund the activities within their territories, to the extent of course that they comply with Membership requirements.

Through the appointment of delegates to the Annual Assembly of Delegates, they also determine and fund the activities of the global operations through the Secretariat budgeting process. The Members approve a two-year budget for the activities of their Secretariat at each Annual meeting. Through this process, the Members decide the extent of the activities that will be carried out globally, and how they will be funded.

Each Member IMC therefore is accountable for conducting its activities, recruiting members, and certifying CMCs within its territory. The Secretariat is a coordinating body that supports the work of Members, expands the network of Members, and carries out trans-national or global activities consistent with the CMC-Global Vision and Mission. But the Secretariat cannot operate in isolation from its Members.

All activities which are considered core to the activities of CMC-Global's operations should be funded through membership dues. This ensures:

1. Core activities that support the CMC-Global strategy are debated and determined through a budget process
2. Core activities are maintained at a level that is acceptable to and affordable by the Membership
3. The core activities of the Secretariat are sustainable over time.

Recommendation 4. The Annual Assembly of Delegates shall approve a two-year budget for Secretariat activities at each Annual meeting.

Recommendation 5. The core activities of the CMC-Global Secretariat should be determined through a budget approval process and funded through Membership fees.

Recommendation 6. The developmental and special activities of the CMC-Global Secretariat may be funded by special levy of Members or through alternative sources of revenue generation.

In the following sections we discuss each of the two sources of revenue.

4a. Base Membership Fee

Each IMC Member of CMC-Global pays a base membership fee. This is the base fee that all Members must pay to be a Member of CMC-Global. The base fee is sufficiently substantive to reflect the global nature of CMC-Global and its mandate. However, it should not be so onerous as to restrict Membership to only the world's wealthiest countries. In a later section of this report we recommend a means of allocating fees based on the economic situation of the territory in which the IMC operates.

The IMC base membership fee appears to be disproportionate to the fees charged to individual members of the IMCs. This varies from the equivalent of a single member fee in some IMCs to a handful of members in others. On the other hand, we do want to maintain our focus on numbers of IMC Members as a key indicator of success.

Following is the historical growth of the basic membership fee:

	HIC	UMC	LMC	LIC	Increase
2008/2009	575.00	517.50	460.00	402.50	---
2009/2010	621.00	558.90	496.80	434.70	8.0%
2011-2012	647.96	583.16	518.37	453.57	4.3%
2012-2013	667.40	600.67	533.92	467.18	3.0%
2013-2014	687.42	618.69	549.94	481.20	3.0%
2014-2015	708.04	637.25	566.44	495.64	3.0%
2015-2016	849.65	764.70	679.73	594.77	20.0%

The above table shows the membership fee by economics category, as published by the World Bank, and updated annually:

- High Income (HIC)
- Upper Middle Income (UMC)
- Lower Middle Income (LMC)
- Low Income (LIC)

It must be noted that although it appears that the Basic Member fee has grown only modestly over the past several years, IMCs did agree to pay double their annual dues for a three year period to support the work of the Breakthrough Strategy. This was an essential contribution to the current state. In addition the increase in 2015-16 reflects a one-time increase.

The current practice is that Members are charged a fee of €200 as an application fee for provisional membership. There is an application fee for €550 to become a full Member which includes the assessment. In addition, the IMC being assessed is re-assessed every three years for a fee of €550. Direct travel charges of the assessors are also charged, although every effort is made to keep this as reasonable as possible through virtual meeting or selection of assessors who are located in a neighboring country or at least the same region. Once they are accepted as a provisional Member, the normal membership fee is charged on an annual basis, and they complete the data gathering form to count numbers of members.

The assessment for provisional membership should be a sufficiently significant amount to merit the seriousness of a national organization applying for membership in a global organization. If the fee is set too low, it is possible that organizations without sufficient wherewithal to be financially stable may be tempted to apply. So while the fee should not be prohibitive, it should be substantive. In addition, the travel costs of assessors, if any, should be built into the cost of the assessment so that all new Member applicants have the same opportunities. Finally, the stratification of fees that are used to allocate membership fees should be applied to the provisional member assessment fee.



It would follow that this same logic should apply to all forms of institutional assessment, i.e. to become a full Member, or for the triennial re-assessment. The fee for Provisional membership assessment is covered in the next recommendation.

Recommendation 7. It is recommended that the fee for all assessments (full Member application, ongoing re-assessments) be €1,000 plus an average of the cost of assessor expenses. This fee should be pro-rated based on the economic status of the country of the applicant.

The assessment fee for a provisional member is calculated separately. The current fee for a provisional assessment is €200 plus travel and direct expenses for the assessor. Efforts are made for the assessor who travels to be in the same region, and as close as possible to the IMC being assessed. It is required by policy that a provisional Member assessment requires an on-site visit by one assessor. For the provisional Member fee calculation we assume that the average cost of travel and direct expenses for a provisional assessment would be €2,000. This, together with the base assessment fee of €1,000 (Recommendation 7), results in a provisional Membership assessment fee of €3,000.

Recommendation 8. It is recommended that the assessment fee for provisional membership into CMC-Global should be €3,000, which would be inclusive of assessment expenses. This fee should be pro-rated based on the economic status of the country of the applicant.

During the period of time that an IMC is a provisional Member, it shall be charged membership fees in the same way as full Members. This fee will become applicable at the beginning of the next fiscal year following the formal recognition of the IMC as a provisional Member. The IMC shall be asked to complete its member statistics at the time of acceptance as a provisional Member, and thereafter at the same time as all other members.

Recommendation 9. It is recommended that provisional Members pay the same membership fees as full Member IMCs beginning with the first fiscal year after formal recognition as a provisional Member. This fee should be pro-rated based on the economic status of the country of the applicant.

The application and assessment costs for Full membership are not covered by the above considerations. The assessment for full membership therefore would require the payment of an assessment fee.

Recommendation 10. It is recommended that provisional members pay a fee of €1,000 for the full membership assessment. This fee should be pro-rated based on the economic status of the country of the applicant.

The logic for the base membership fee will now be addressed. The starting point is that the base membership fee should be sufficiently significant to reflect the institutional nature of an IMC and its membership in a global organization. There are options on how this should be calculated.



Every three years an IMC is required to be re-assessed to ensure that it is in compliance with all CMC-Global requirements. The Task Force believes that the cost of this assessment should be built into the annual fee, so that all IMCs are equally treated in terms of the cost of reassessment, so that the cost of membership remains relatively constant from year to year. In addition, the re-assessment cost should also include the direct assessor expenses.

To this point in time, the historical base membership fee with some minimal annual adjustment has been applied to all IMCs. This fee, together with fees allocated for individual members, comprise the budget for CMC-Global. This is problematic as the membership fee thereby has no relationship to the number and nature of objectives that the federation of all IMCs would expect to be accomplished within that fiscal year. Rather, the fees that are paid by Members should be driven by the strategy of CMC-Global, as approved through due process by the membership. A budget for the implementation of the strategies and the provision of services to Members should then be developed. This budget becomes a basis for the discussion of activities that will be carried out by the Secretariat. Once this is decided the cost of the provision of these services and activities should be allocated to the membership according to the approved allocation process.

One of the principles recommended by the Task Force is that membership fees should cover the core activities of the Secretariat. It would therefore be the core activities only of the Secretariat budget that would be covered by Member fees.

Recommendation 11. It is recommended that the annual Membership fee for an IMC to be part of CMC-Global should be calculated annually to cover the core Secretariat budget as approved by CMC-Global governance. This fee would include the triennial re-assessment fee, and related assessor expenses. This fee should be pro-rated based on the economic status of the country of the applicant.

It was recommended earlier that the assessment fee be increased to €1,000. As a re-assessment is required every three years, there would be a cost of re-assessment of €333.33 annually. As a matter of policy, every third re-assessment requires the on-site visit of an assessor. This would result in an average cost for assessor travel of €2,000 every nine years, or €222.22 per year. On average, therefore, the cost of re-assessments should be invoiced to all Members at an amount of €555.55 per year. All re-assessment costs would be covered. For the ease of calculation, a rounded amount of €550 per year is recommended.

Recommendation 12. It is recommended that the base annual Membership fee for an IMC include re-assessment fees, to be calculated on an average cost to all IMCs over a nine year period. This reassessment portion of the fee shall be €550 per IMC. This fee should be pro-rated based on the economic status of the country of the applicant.

Taking all of this into account, each Member IMC has a contribution to make for membership in the global body, for the services which they receive, and for the amortized cost of triennial assessments. In addition, the specific costs of the operation of the Secretariat and related global operations must be allocated to IMCs. This would be



done as part of the annual budget as opposed to the base membership fee as it is an operational as opposed to a membership expense.

The Task Force has analyzed the core costs of the operations of CMC-Global, and the implications for Members. In addition, an iterative analysis was conducted between the variable part of the membership fee, which is based on membership levels of the Member IMC. Taking all of these factors into account, the Task Force recommends a higher portion of the overall Member fee be entrenched in the base fee. This helps to stabilize the overall fee to avoid annual fluctuations for Members. It also helps to more evenly allocate the costs of the operations of the global organization across its membership base.

There is however an open question with respect to the approach to be taken in calculating the fee. Various approaches can be taken to carry out the amortization.

This has to do with how the fees will be amortized across Member IMCs. To do this in an equitable way all costs associated with Membership fees must be addressed. We will do so in the next section, and then come back to the matter of base fee in the section entitled "Allocation of Fees to Member IMCs".

4b. Variable Membership Fee

The second component of Membership fees is based on membership levels within the IMC's territory. The number of members and CMCs in a territory is reflective of the success of the IMC and therefore of its ability to fund the global operations on CMC-Global.

In the broadest terms, IMCs can have corporate members (members which are themselves also a legal entity) and individual members. Revenue from these sources is considered part of flexible revenue. Examples include:

- Corporate memberships in the IMC
- CMC Firm

Corporate Sustaining Members are not typically in this category and this is a membership class that is more akin to a sponsorship, and would not typically have management consultants as its own membership based. For example, a credit card or an insurance company might become a Corporate Sustaining Member.

Over time, the funds obtained from a flexible revenue source may become regular and predictable. At that point, this revenue source can be considered regular revenue to the extent that the revenue is ongoing and sustaining.

Revenue from individuals is considered to be part of the regular contribution of IMC Members. Examples of this can include:

- Management consultants who are fee-paying members of the IMC
- Associate members who are fee-paying members of the IMC, who through their membership wish to support the profession of management consulting
- Students whose studies are in a field related to management consulting

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- Members who are management consultants and are affiliated through other formal mechanisms, such as Accredited Consulting Practices (ACPs).

The fee level for individual members varies, as the degree of services received varies.

Students are rather a special case, as IMCs charge a minimal fee to reflect that students are focused on their education and typically are not earning significant income. In support of this, it would not be appropriate for CMC-Global to charge a fee for student members.

Members of IMCs should be informed of the portion of their fee which supports the global work of CMC-Global, so they can become aware of their participation in a global movement and the benefits that accrue to them as a result of their membership.

In a general way the individual fee structure will vary as the degree of services varies. The membership levels of the IMC become a basis to calculate the overall Member fee and is not a direct levy on the membership of IMCs. IMCs are, however, encouraged to inform their members about the fact that a portion of their membership fee supports the global work of CMC-Global.

In broad terms there are two classes of membership of IMCs.

In one class, which we call **Corporate Members**, membership is through an individual's membership in another organization, typically a management consulting firm. The individuals do not pay a membership fee directly to the IMC. The IMC collects a fee from the management consulting firm, and through that process, acknowledges the relationship with its employees or partners. These relationships can provide access to the IMC services and certification. IMCs can also accredit the consulting firm to train and certify its management consultants through an Accredited Consulting Practice agreement. There are many variations of this, the bottom line being that the consultants do not take individual memberships with the IMCs, but are affiliated through a formal agreement between the IMC and the practice with which they are affiliated. Some IMCs recognize these management consulting members in the same way as any individual management consultant applying for membership directly with the MC. Others do not. As a result, the service levels these management consultants receive from the IMC vary widely from IMC to IMC. Moreover, the fees charged by the IMC are typically based on the corporate membership and not necessarily on the number of management consultants in the firm (apart from CMCs). Again, this varies widely.

This is the second major class, **Individual Membership**: membership of an individual directly with the IMC. These can be management consultants who wish to affiliate with the IMCs, its code of ethics and competency framework. These management consultants are encouraged to become certified, but some or indeed many may choose not to become certified. Those who do become certified are recognized as CMCs, and reflect the ultimate goal of CMC-Global and Member IMCs. These individual members comprise the governance structure of IMCs (in a variety of ways depending on the legal framework of the IMC's country), and have access to the services and support of the IMC.

These two classes of membership are the ones of concern to CMC-Global. Depending on the circumstances of an IMC, there may be other classes of membership to do with in-



country activities. Many have associate or affiliate members, who are non-management consultants, who through their membership wish to support the profession of management consulting. They are charged a basic fee by the IMC. Some may be professionals who eventually become management consultants, but others may not for a variety of reasons.

Finally, we must recognize that IMCs may have as members management consultants who do not pay a fee to the IMC (e.g. retired members, honorary members, etc.) would not be charged a fee by CMC-Global, although the numbers should be reported for statistical purposes. In addition, full time students, who typically pay a reduced fee to the IMC would not be charged a fee, although the numbers should be reported for statistical purposes.

Recommendation 13. Student Members and Honorary or Retired Members will be excluded from the assessment of fees paid by the IMC to CMC-Global.

The definitions of the two main classes of membership are:

- **Corporate Members:**
 - Professional management consultants (non-CMC), who are affiliated by membership through an external formal mechanism through a corporate membership (Consulting Practice Member [CP], Accredited Consulting Practice [ACP]). It is not recommended that these consultants be charged an individual fee at this time, as there is a wide variance on the nature of these memberships, the service offering by IMCs and whether they are charged a fee by the IMC. This should be re-examined after the statistics gathering methods for measuring this activity is improved.
 - Certified Management Consultants (CMCs) who are accredited by an Accredited Consulting Practice (ACP)
- **Individual Members:**
 - Professional Management Consultants (non-CMCs) who are members of the IMC, are typically part of the IMC's governance process, and can avail themselves of the full array of training, development and services of the IMC.
 - Certified Management Consultants, who have all of the rights and benefits of members, but who also enjoy the reciprocity of being certified together with any additional rights and benefits this brings to them.

As a global membership organization, whose Members are also membership organizations, it is important to be aware of the membership base, and therefore an accurate count of both corporate and individual members is important. The size of the membership of an IMC is also indicative to some degree of the size and sustainability of the IMC, so membership size should have some impact on the level of fees that can be fairly shared by the IMC.

Recommendation 14. Management consultant and CMC members of IMCs should be counted for statistical purposes.

Recommendation 15. Management consultant and CMC members of IMCs should be reflected in the IMC Member fee calculation.



The current practice is to charge corporate memberships one fee at the organizational level.

These corporate memberships must be differentiated from the Corporate Sponsoring Member program. Corporate Sponsors can pay various levels of fees to CMC-Global and the IMC for promotional purposes. This is a revenue generation activity not related to corporate memberships.

Corporate members are management consulting organizations that belong to the IMC for the professional association that it brings for the management consulting partners or employees.

As a general principle, individuals who are associated through corporate members should not be allocated a fee because the fees charged by the IMC to the corporate member are not necessarily based on the number of management consultants in the firm. In addition, these individual management consultants do not receive direct services from the IMC.

Recommendation 16.

Individuals who are associated with IMCs through corporate memberships (CPs and ACPs) as management consultant members and as CMCs should be counted for statistical purposes.

Recommendation 17.

Individuals who are management consultant members associated with IMCs through corporate memberships (CPs and ACPs) should not be reflected in the IMC Member fee calculation at this time. This should be revisited in the future after statistical methods for this class of membership are improved.

The Certified Management Consultant is the fundamental purpose of CMC-Global and its member IMCs. All CMCs should be treated the same, everywhere in the world, as reflected in the reciprocity agreement by which all IMCs are bound. It is important to acknowledge that all CMCs have achieved and maintain this professional standard. The Task Force therefore recommends that all CMCs be treated the same in terms of variable Member Fee allocations.

Consideration was made to charging a reduced fee for CMC members of Corporate firms, as the membership proposition, the service offering and the fee structure vary in these situations from IMC to IMC. However, after consultation more broadly, there seems to be a consensus that all CMCs, no matter how they achieve their designation. Should be treated the same from the global perspective. This may be revisited in the future.

Recommendation 18. CMCs certified through corporate memberships (ACPs) should be counted separately, and should be reflected in the IMC Member fee calculation at the same rate as CMCs certified directly by the IMC.

As a result of this fee structure, all members and CMCs associated with IMCs, whether through corporate or individual memberships, contribute to some degree to the work of the IMC and to the global activities of CMC-Global. They are part of the global network of management consultants that are working together to advance the profession globally.

They should be informed of this fact by IMCs, together with information about their affiliation with the global organization through the IMC and the reciprocity of the CMC designation.

Recommendation 19.

Fee-paying members of IMCs should be informed of the portion of the fees that are used to support the global work of CMC-Global.

Non-CMC members should also be at a lower rate than CMCs as the costs associated with them are again much lower and their joining can be handled by online processes. Following is a table that details the four distinct classes of membership and shows the benefits and services received by them:

Benefit	Corporate		Individual	
	Management Consultant	CMC	Management Consultant	CMC
Membership in National Institute	✓	✓	✓	✓
Newsletter and access to knowledge base	✓	✓	✓	✓
Networking within IMC	✓	✓	✓	✓
Professional Development	✓	✓	✓	✓
Structured approach to professional consultancy	✓	✓	✓	✓
Certification process	✓	✓	✓	✓
Certification		✓		✓
Reciprocity and transferability of certification anywhere in the world		✓		✓
Access to global registry of CMCs		✓		✓

Recommendation 20.

The recommended fee structure for membership based fees is:

Corporate member management consultant No Fee at this time

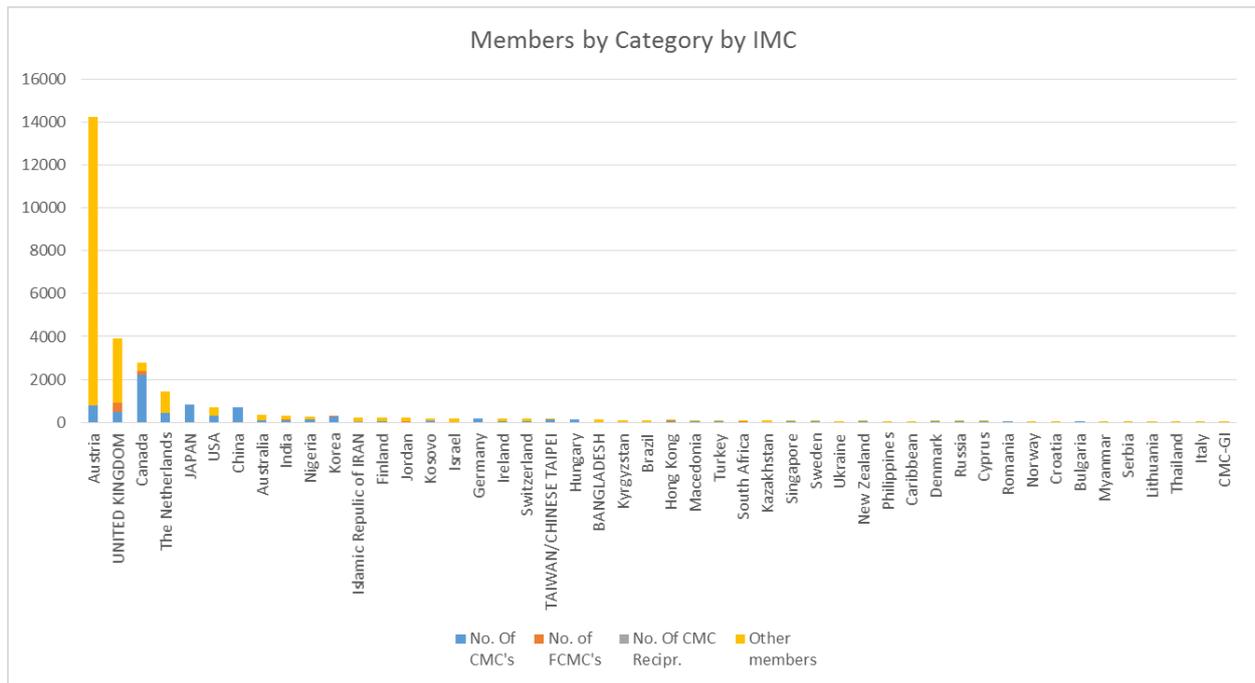
Individual management consultant 50% of CMC fee

Corporate and Individual member CMCs Same Fee

This fee should be pro-rated based on the economic status of the country of the applicant

4c. Allocation of Fees to Member IMCs

There is a final aspect to be addressed with respect to Member fees. By reviewing the figure below, which shows membership categories by IMC as reported in 2015, we can see that there are large differences in numbers of members and of CMCs. By simply allocating the formual in Recommendation 20, some IMCs could pay unreasonably disproportionate fees.



CMC-Global should therefore have in place a mechanism to ensure that Members with much higher membership levels, while they may pay a higher Member fee, would not do so to a disproportionate degree.

The Member fee has two components:

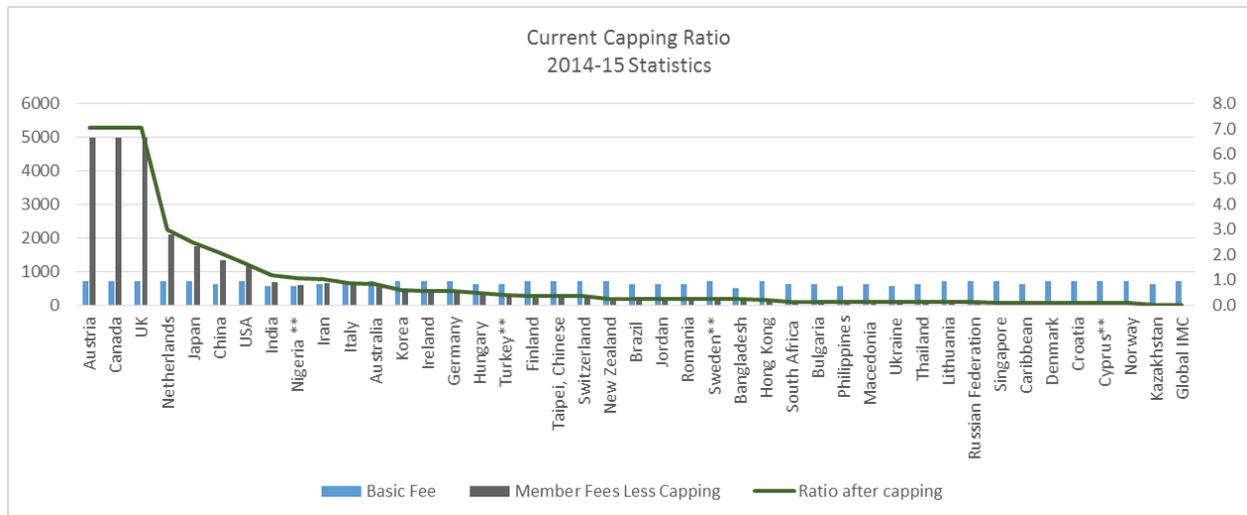
- the base Member Fee, which all IMCs pay, and
- a portion of the fee which is based on the numbers of members, thereby reflecting the size and ability of an IMC to contribute more to the global efforts.

One way of ensuring fairness would be to ensure that the variable portion of the fee based on membership levels should not exceed a certain level above the base membership fee. Currently an agreement along those lines exists, which caps the highest IMC Member fee amongst the UK, Austria and Canada at the lowest of the three. This limits the fee paid on the basis of membership as all pay the same basic Member fee.

In the current situation, with capping, the ratio between Member fee and membership-based fees varies from 7.1 (for UK, Austria and Canada) to zero for newly established IMCs that do not have a significant member base. (If there were no capping agreement in place, this would vary from 23.4 (Austria) to zero.)



These ratios can be shown graphically in the following figure.



This can be done by proportionally reducing the variable part of the fees of Members, so those with the largest memberships pay proportionately less per member. It can also be achieved by capping the variable portion of the fees to be paid at some ratio so that variable fees can exceed the base membership fee to only a certain limit.

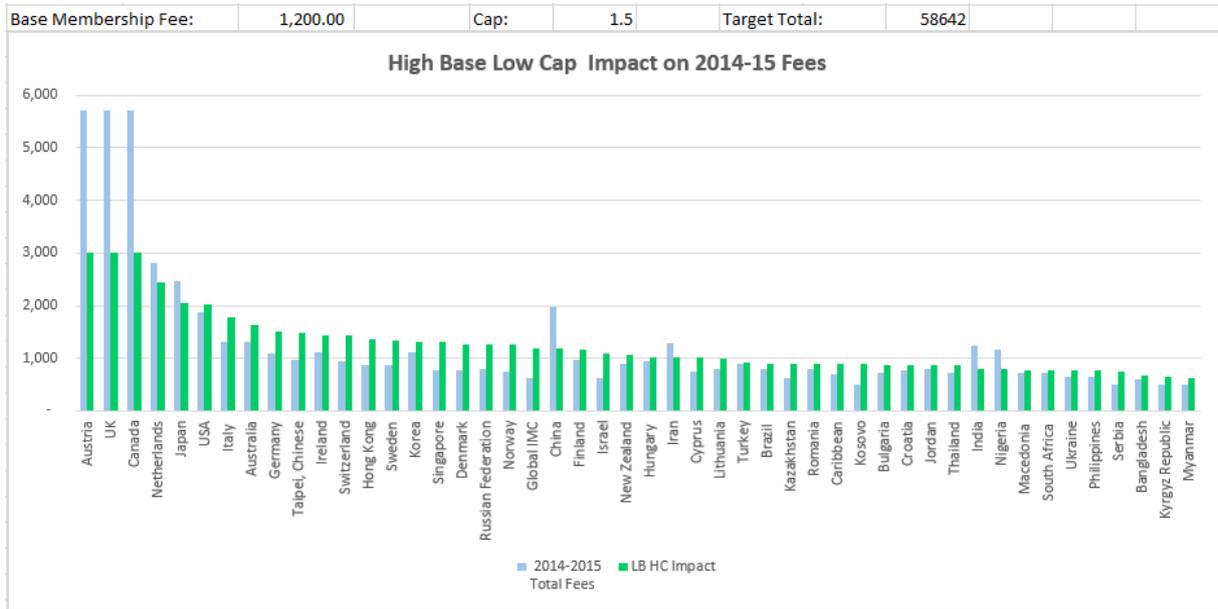
Following this logic, there are two approaches that can be used to determine the allocation of fees.

The first would be increase the base membership fee while keeping a relatively low capping ratio. We have called this the High Base, Low Capping model. This would have the effect of spreading the cost of the CMC-Global operations more evenly across all IMCs, although still taking into account economic differences.

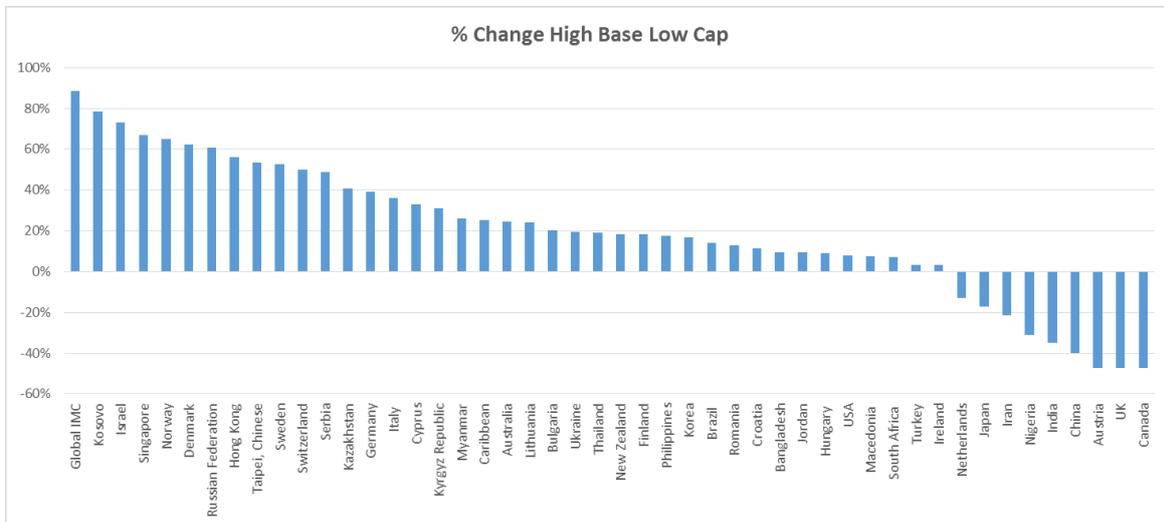
By taking this approach. A relatively low capping ratio can be put in place. The following figure shows the result of this approach. The larger, more established IMCs pay the largest fees, but the degree of the increase is less.

This figure is followed by a second figure showing the impact on the increases for Member IMCs.



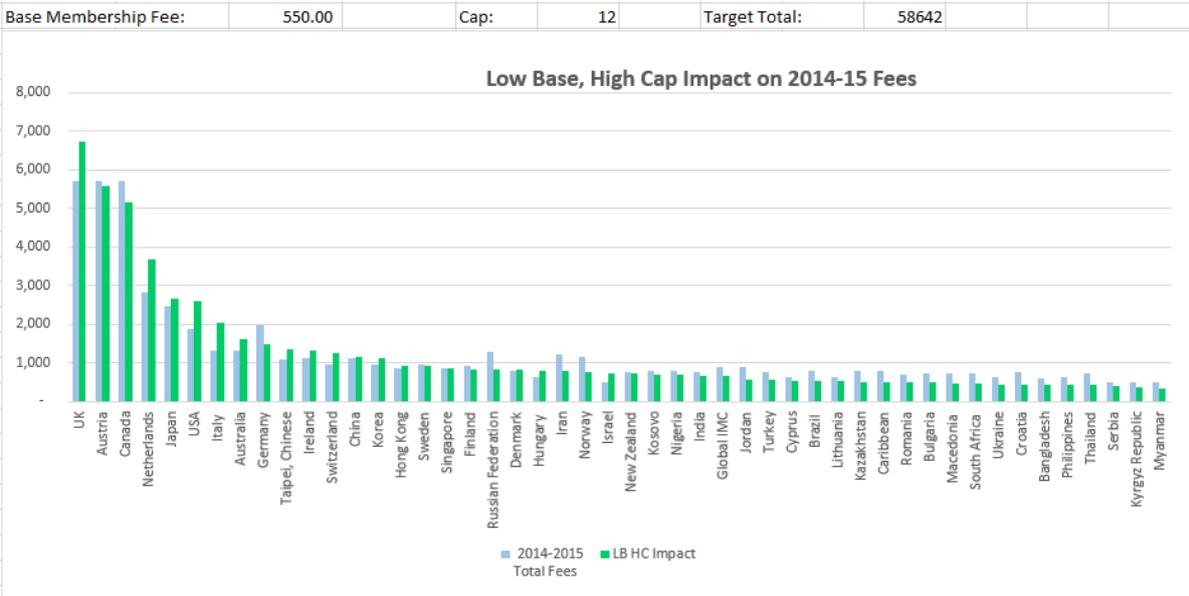


Following are the increase ratios for the High Base, Low Capping model. It can be seen that, in general the smaller IMCs have a higher increase in fees than the larger, more established IMCs. In fact, many of them experience a significant decrease in fees, even though the larger IMCs still pay much higher fees than many others.

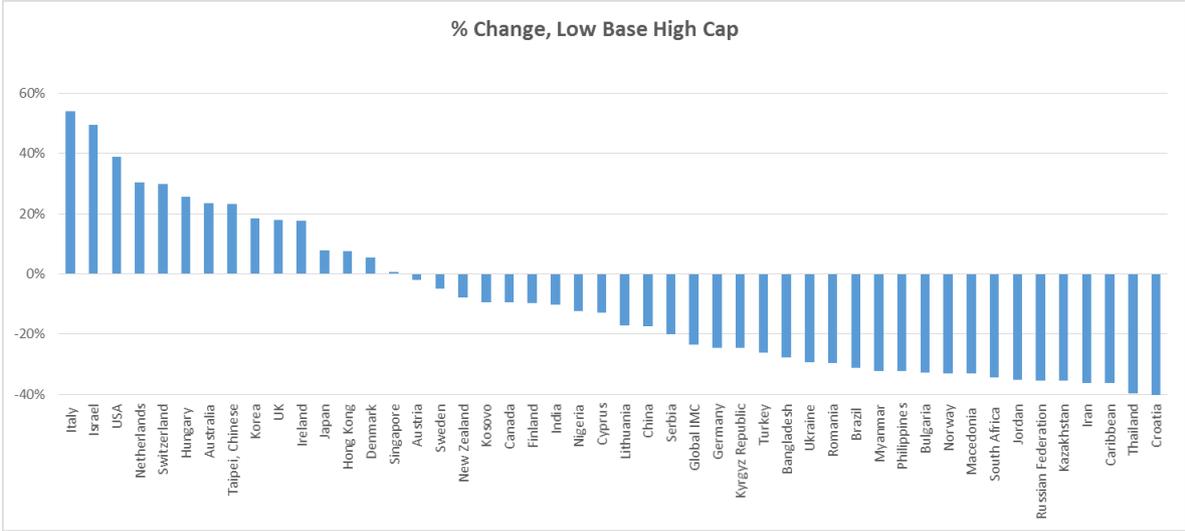


The opposite approach is to institute lower base fee increase, and have a higher cap on the impact of the membership levels on the overall fee. We call this the Low Base, High Capping option. This has the impact of keeping more of the fees with the larger IMCs, and minimizing the impact on the smaller, less-well established IMCs. This is shown in the following figure.





Following are the increase ratios for the Low Base, High Capping model:



In this model, in a general way, those IMCs with higher membership bases end up have a higher proportional increase. There are pluses and minuses, however as the calculating formula and the PPP economic adjustments introduce other variables.

In addition, there is a much larger difference between the lowest and highest fees paid, even taking into account economic adjustments.

The solution is undoubtedly somewhere between these two extremes, but before we move on to that discussion, we must answer the question: Isn't there a simpler way of doing this?

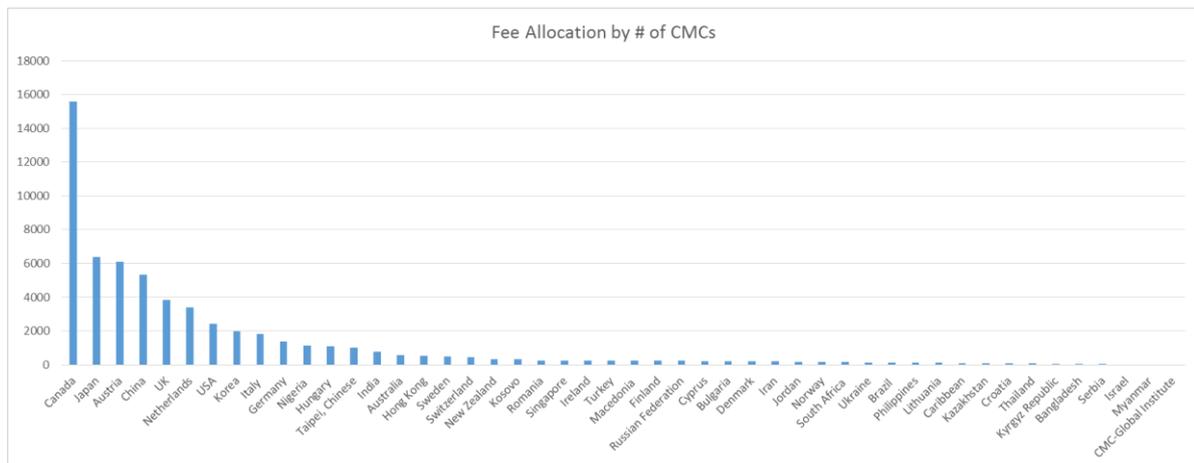




The Task Force carried out two analyses to answer this question. The first approach was to explore the impact of what would happen if everyone simply paid the same fee, with an adjustment for the economic situation of the country. Once could assign a base fee, in this example we use €5,100 and then allocate it out on the PPP formula. Following is the result:



The second was to ask what would happen if members were to pay an allocated fee simply based on the number of CMCs they have. Using this logic, one could say that those IMCs with the largest numbers of CMCs are the most successful and well-established and can therefore pay a larger portion of the costs of the global operations. Following is the result:



On review of both of these options. The Task Force did not feel that "simpler is better". Rather, in any global organization there is a degree of complexity that must be acknowledged and dealt with.

The Task Force therefore recommends that a middle ground be found which takes into account a number of factors:

- The size of the IMC in terms of its membership base



- The economic impact of the fee on the Member
- Proportionality of allocations across IMCs
- Proportionally decreasing fees per category of member as numbers of members in each category increase

The Task Force therefore recommends that a capping formula be used, whereby no IMC would ever pay more than a reasonable amount of the base membership fee for variable fees. This has the result of capping Member fees at a certain amount which is determined by the amount of the base Member fee.

Recommendation 21.

It is recommended that the variable portion of the IMC Member fee be capped so that it will not exceed a certain amount of the base Member fee. This portion of the fee should also be pro-rated based on the economic status of the country of the applicant

For the purposes of finding the reasonable tradeoff between the Low Base, High Capping and the High Base, Low Capping model, the Task Force developed a series of scales that introduce proportionality into the allocation process. While keeping true to the principle that larger IMCs would carry a larger part of the cost of running the global operations, it recognizes that smaller IMCs should also share a reasonable portion of the increased costs that would be allocated.

These formulae were then applied to the 2014-2015 budget and member figures to show the impact of the Task Force recommendations on the allocation of funds to Members.

The following adjustments were made for the proportional increases.

With respect to CMCs, it is felt that IMCs with larger number of CMCs are more established, more successful, and thereby have a greater ability to pay CMC-Global costs. On the other hand, there should be some consideration given for success. There should be some proportionality to the increases. The following scale is recommended and was used for all of the calculations for examples in this report:

CMC Proportional Calculations		
From	To	Percent
0	99	100%
100	249	75%
250	499	50%
500	+	25%

This would apply to CMCs whether they are certified by the IMC or through an ACP.

For individual management consultant members, there is greater variability. It is therefore recommended that there be a larger spread across the various levels of membership, as follows:

Individual Member Proportional Calculations		
From	To	Percent
0	249	100%
250	999	50%
1,000	2,999	25%

3,000	+	5%
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This would apply only to Individual management consultant members. Consideration was given to applying a fee to management consulting members in corporate member organizations but it was felt that there is currently too much variance across IMCs, so the fee base of the IMC does not take into account these individuals.

The current practice is to charge a fee for Corporate members, i.e. a fee at the firm level for firms that join as a corporation. The Task Force explored in depth this principle, and how it might be incorporated into the recommendations of the Task Force. After trying various scenarios, it was decided not to charge a fee. There are two reasons for this. First, if a fee is charged for individual members of Corporate firms, then this becomes a double charge. Statistics with regard to whether individuals are charged are not available. The second is that as the CMC-Firm initiative gains ground, many of the ACPs may be converted to CMC-Firms, for which a different revenue sharing structure will be in place. At the very least, Firms should be treated in similar way and the CMC-Firm process will help to inform how to better charge for membership of other types of firms in a Member IMC.

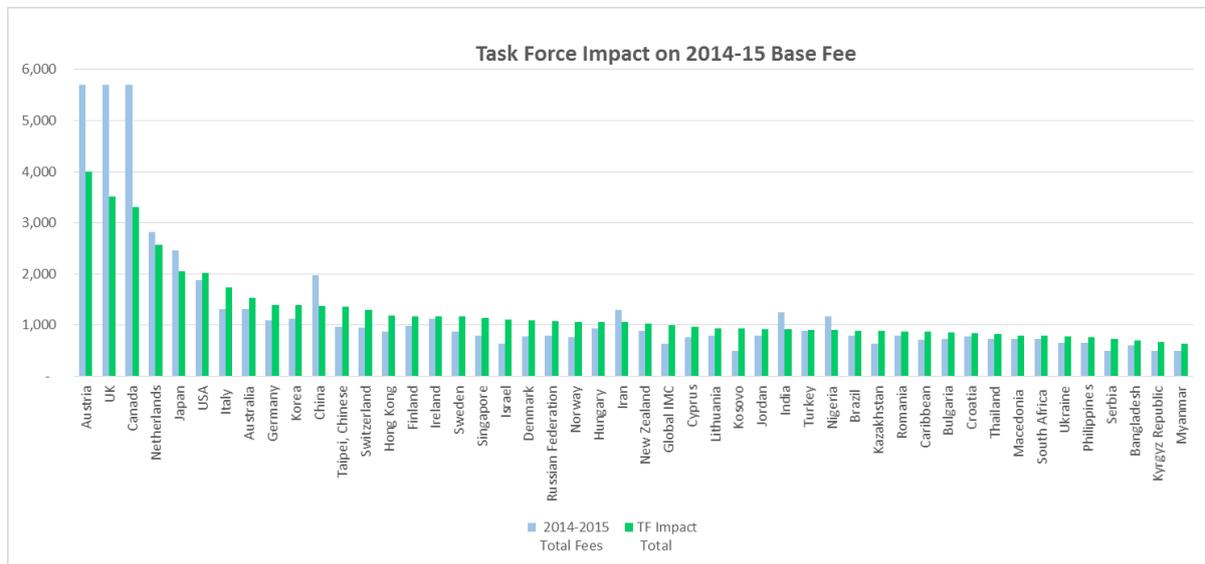
The Task Force therefore suggests that no fee be charged in the fiscal year 2016-17, while this conversion is under way. Beginning in the year 2017-18, a base fee for ACPs should be charged through a model to be determined.

Recommendation 22. Any fee allocations for corporate firm memberships should be addressed after the CMC-Firm conversion to determine whether there should be a charge through IMC Member fees or through some other method.

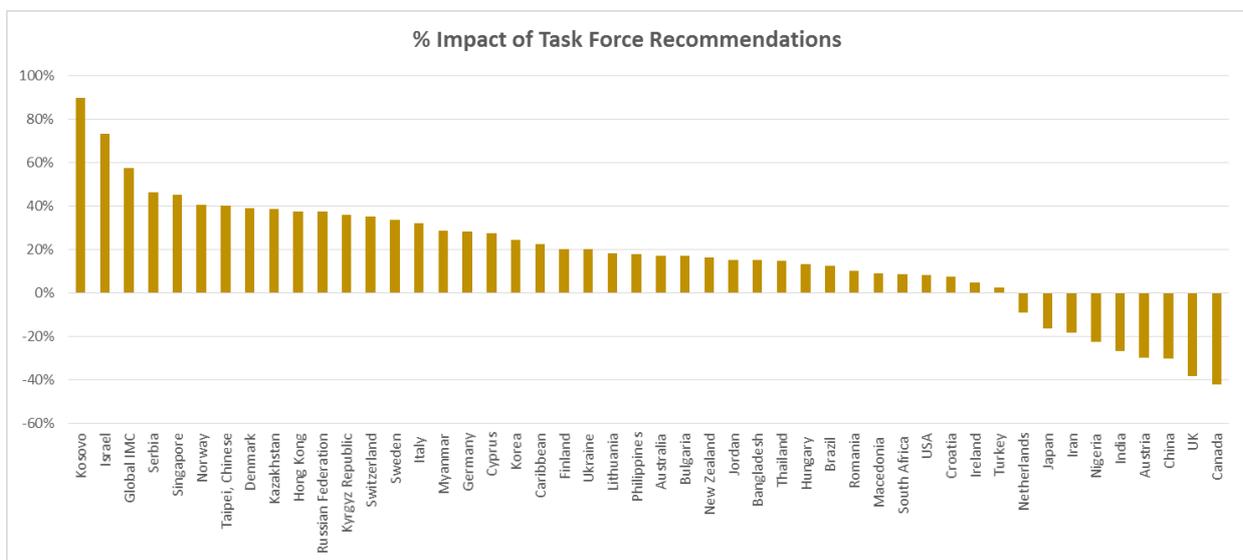
The next reasonable question is with respect to what happens when one applies the Task Force recommendations of the proportional model as outlined above. We present the results in two ways. The first is with comparability to the current means of charging Member fees. The second is to show the implications when the amortization of the reassessment fees recommendation is applied.



This figure shows the impact in Member Fees from the application of the Task Force recommendations to the 2014-15 Member Fees. Note that in this scenario, the Member Fees paid is revenue neutral... the overall Member Fee total to be paid remains the same. This figure reflects the redistribution of Member Fees and the percept impact.



The following figure shows the percentage change impacts:

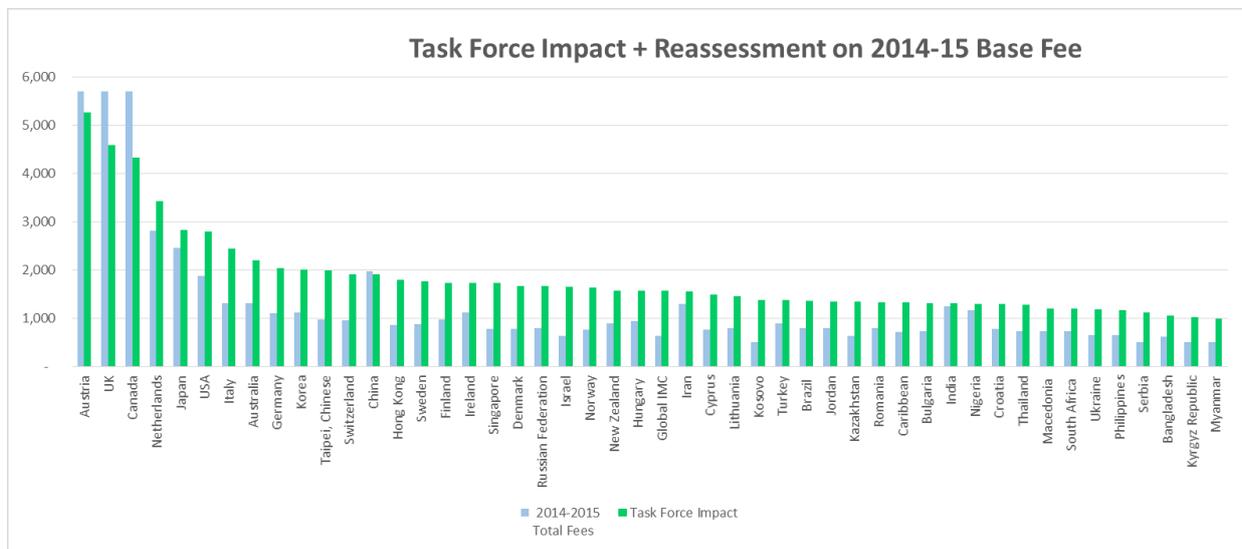


One of the recommendations of the Task Force is that the cost of the triennial assessment fee and the assessor expenses of every nine years be amortized over the nine year period and built into the base member fee. This has the impact of raising the base Member Fee by \$550 per year, but results in a smoothing of the annual budget process for IMCs. It also equalizes the cost of assessments across all IMCs, so that those who are more remote do not pay a higher fee for assessor costs than those who are closer to their neighbor IMCs.

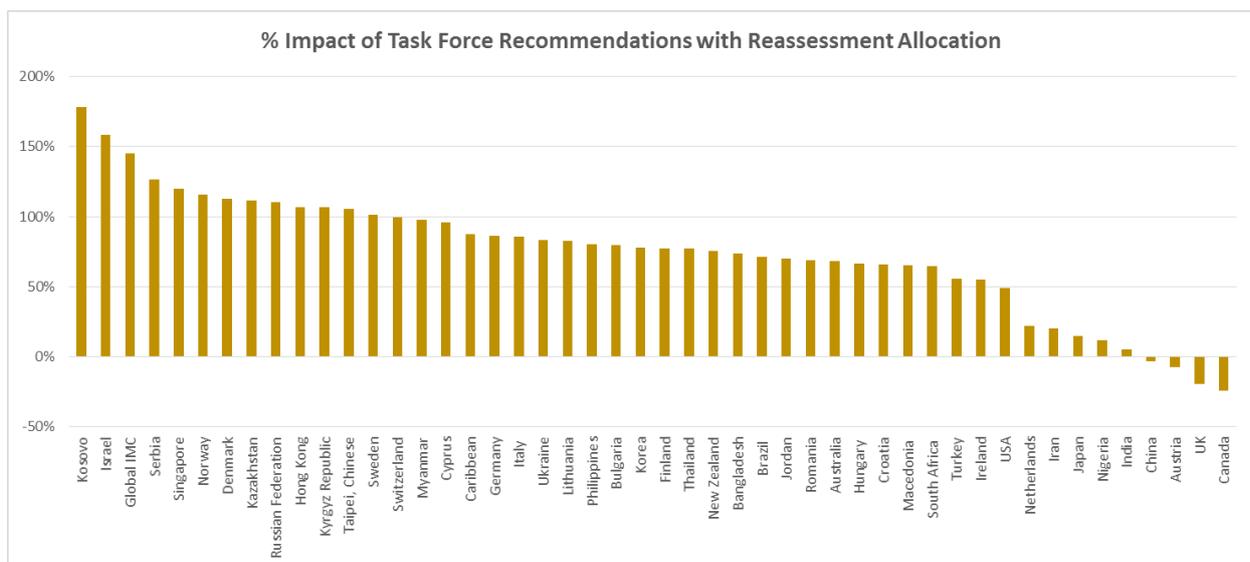




This Figure shows the results of the Member Fee allocation using the Task Force recommendations and including the triennial assessment costs as a part of the base fee.



The following Figure shows the percentage change impact.



As this increase applies to the base fee only, there is a larger impact on those IMCs with smaller membership bases. However, these are costs that would be incurred in any event by IMCs, so it is a question of how the costs are covered. It should also be noted that by allocating the fee in this way, the PPP economic adjustment applies. In the current system all IMCs pay the same regardless of their economic standing.

Recommendation 23. It is recommended that the proportional approach to Membership Fee allocations be adopted by CMC-Global.

The Task Force recommendations will be tested against the approved 2016-17 approved budget to assure consistency with the principles recommended.



4c. Flexible Revenue

In FY 2015/16 a Revenue Generation Committee has been established to act as the "sales" arm of CMC-Global to leverage the products and services derived from the work of Breakthrough Strategy.

The main programs follow.

International Conference. The international conference, typically to be held jointly with the annual Assembly of Delegates is an increasing source of revenue both for hosting IMCs and for CMC-Global. The RFP for the Congress / Conference is issued early in the year to ensure ample time for planning, promotion and sponsorships. Successful candidates will guarantee certain levels of funding to CMC-Global in exchange for the hosting of the event.

Corporate Sustaining Members. A corporate membership program for CMC-Global was finalized in 2014-15. These are corporations who become members of CMC-Global and not of the IMC. Success in this area depends on enthusiastic collaboration with IMCs, and to this end a revenue sharing program has also been put in place. If an IMC completes a membership agreement with a global corporate member, they retain 50% of the revenue. If a referral is made by an IMC and CMC-Global negotiates the agreement, the IMC will be awarded 50% of the fee. If CMC-Global creates the relationship and completes the agreement it retains 100% of the fees.

This would be attractive to for-profit and governmental organizations that would like to link formally with the management consulting industry. There are four categories of Corporate Sustaining Members:

- Sponsoring Member (event based)
- Corporate Member (annual €5,000)
- Corporate Supporting Member (€10,000 annual)
- Corporate Sustaining Member (€25,000 annual)

CMC-Global Institute. CMC-GI is now open for business, has members signed up, and has certified its first members. Getting to this stage has taken much longer than anticipated, as is typically the case when most of the work is done by busy management consultants on a volunteer basis. The strategic case for CMC-GI is stronger than ever:

- IMCs exist in over 50 countries of the world, making certification available to 80% of management consultants. This leaves 20% of the world's management consultants in countries without in-country access to the CMC designation.
- It can take 3 to 4 years for organizations to apply to CMC-Global to become Member IMCs to go through the process. During this time period they are Provisional IMCs, without the ability to certify their own members. By registering some of their members with CMC-GI, they can obtain the CMC accreditation, so that the Member IMC, will have a core of CMCs by the time they are approved.
- In cases where an IMC fails to maintain its membership, and is no longer of Member IMC of CMC-Global, CMC-GI provides a home for CMCs to become members, and to maintain their certification.
- Before CMC-GI, if management consultants anywhere in the world wanted to become certified, and there was no IMC in their country, it was incumbent upon them to



search out and find an IMC that would accredit them. This led to a great deal of confusion, and an inability to track non-IMC certified management consultants.

CMC-Firm. While the Large Firms Initiative failed to gain significant traction, a successful CMC Firm Pilot Project culminated with the award of a CMC Firm designation to Hejun Consulting Group of China in July 2013. The CMC Firm targets medium/large national/regional consulting firms that are quality firms, firms with solid ethics, firms willing to both share and learn, and committed to growing with us. This is implemented through the IMCs with a co-sharing scheme. Work has been actively under way to operationalize the CMC Firm approach and was announced in Noordwijk. Preparation of the marketing material is under way in order to generate revenue. The program has now been completed, and a dedicated CMC Firm Committee is functional with a Certification Committee arm in place.

A candidate CMC-Firm submits their application and has access to the program information from their IMC's head-office. The national IMC will vouch for the reputation and presence of duly certified CMCs within the firm's employment. The application is passed on to CMC-Global which will then manage the remainder of the application, fee collection, as well as appraisal and approval processes.

The areas for appraisal in this program include:

- Commitment of Firm to Professional Code of Conduct
- Code of ethics and professional conduct evident in Firm processes
- Consideration in selecting and hiring new consultants
- Use of consultant performance evaluations and reporting by clients
- Commitment of Firm to core competencies, skills and tools
- Supervision, mentoring and provision of feedback to consultants
- Minimum number of CMCs in the Firm

CMC-Global Brokered Projects. CMC-Global is often aware of projects that are based in one country, and require consulting expertise in another country where the original firm does not have contacts. CMC-Global will set up a clearing house where consultants can request to be referred for these projects in exchange for a fee.

Global Registry. At the Noordwijk Congress it was recommended that CMC-Global set up a registry of CMCs. CMCs anywhere in the world can sign up to be part of a global networking community where consultants can collaborate on larger projects, or find talent that may be required for specific skills gaps in project opportunities. It is anticipated that there would be a fee to participate in this registry. Such a registry would depend on the new CMC-Global website to be operational.

This registry is now being explored by a sub group of the CMC-Global Revenue Generation Committee. The fee would be shared with the home-base IMC of the CMC who applied, as a part of the process their valid CMC status would be verified.

5. ALLOCATION OF MEMBERSHIP FEES

There are strong opinions with respect to the equity and fairness of the Member fee allocation. The smaller institutes, in general, feel that they pay inordinately high fees, particularly in relative terms given currency disparities. The larger members feel that they carry the largest part of the expense burden, and do not receive a level of services that are appropriate for the fee level.

Allocations formulae are always a challenge for membership-based organizations. CMC-Global has come together as a federation of organizations to serve a common purpose. We do have the larger purpose of advancing the profession of management consulting globally. But we must also have top of mind the return that is seen more immediately by all of our members as a result of their membership. As in all things in life, we must find that appropriate balance.

This is not a simple matter, however, as most of our Members are in the High Income or High Middle Income World Bank categories. Broad disparities exist even within high income, where it is quite possible that daily consulting rates for equivalent seniority of consulting being four times the rate from one high income country to another. The current classification of IMCs economic status is determined based on World Bank data. The World Bank classifies countries into economic categories:

- High Income (HIC)
- Upper Middle Income (UMC)
- Lower Middle Income (LMC)
- Low Income (LIC)

Based on these classifications, CMC-Global charges the base membership fee adjusted by category

- HIC: 100% of the fee
- UMC: 90% of the fee
- LMC: 80% of the fee
- LIC: 70% of the fee

UK	HIC	Brazil	UMC	
Australia	HIC	Bulgaria	UMC	
Austria	HIC	Caribbean	UMC	
Canada	HIC	China	UMC	
CMC-Global Institute	HIC	Iran	UMC	
Croatia	HIC	Jordan	UMC	
Cyprus	HIC	Kazakhstan	UMC	
Denmark	HIC	Lithuania	UMC	
Finland	HIC	Macedonia	UMC	
Germany	HIC	Romania	UMC	
Hong Kong	HIC	Russian Federation	UMC	
Hungary	HIC	Serbia	UMC	
Ireland	HIC	South Africa	UMC	
Israel	HIC	Thailand	UMC	
Italy	HIC	Turkey	UMC	15

Japan	HIC		India	LMC	
Korea	HIC		Kosovo	LMC	
Netherlands	HIC		Kyrgyz Republic	LMC	
New Zealand	HIC		Nigeria	LMC	
Norway	HIC		Philippines	LMC	
Singapore	HIC		Ukraine	LMC	6
Sweden	HIC		Bangladesh	LIC	
Switzerland	HIC		Myanmar	LIC	2
Taipei, Chinese	HIC				
USA	HIC	25			

The current distribution of countries by income category is:

- High Income 25
- Upper Middle Income 15
- Lower Middle Income 6
- Low Income 2

The World Bank also uses economic classifications based on Purchasing power Parity. This classification takes into account the income of the country in a standardized international "dollar", and uses this artificial currency to assess the cost of a standard basket of goods in the country. In this way, the World Bank establishes a parity index for the relative cost of doing business and living in that country as compared to other countries.

By moving to the Purchasing Power Party Index, it is possible to have a more fair allocation of funds across IMC Members. In addition, it would be possible to create an additional category, which would create a more even distribution of members across categories.

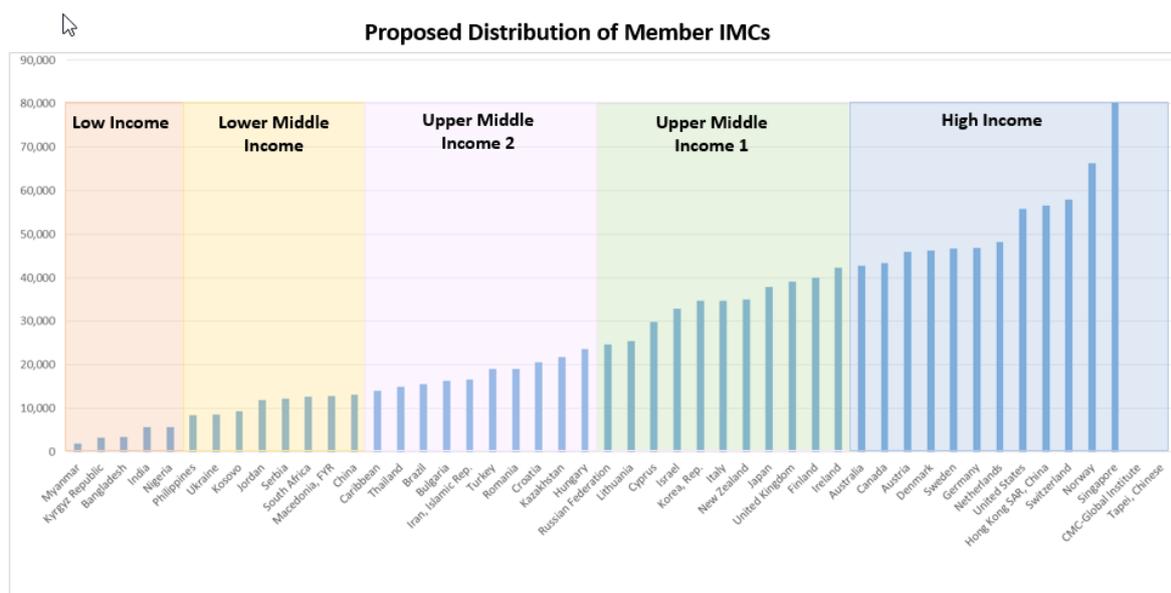
By applying the PPP data of the World Bank, we can arrive at the following distribution:

- High Income 14
- Upper Middle Income 1 11
- Upper Middle Income 2 10
- Lower Middle Income 8
- Low Income 5

The following table shows the re-categorization of IMCs using this approach. It shows the country, the PPP for that country and the resulting category. PPP data is not available for Tapei, so the current category has been used. The Caribbean PPP number is calculated using the average of the countries included in the Caribbean Region. CMC-Global Institute is treated as a High Income territory, although it in fact covers all categories. As a matter of interest, CMC-GI uses the PPP index to calculate individual member dues.

IMC	PPP	Classification	IMC	PPP	Classification
Australia	42,760	High Income	Brazil	15,590	Upper Middle Income 2
Austria	45,930	High Income	Bulgaria	16,260	Upper Middle Income 2
Canada	43,360	High Income	Croatia	20,510	Upper Middle Income 2
CMC-Global Institute		High Income	Hungary	23,630	Upper Middle Income 2
Denmark	46,210	High Income	Iran, Islamic Rep.	16,590	Upper Middle Income 2
Germany	46,850	High Income	Kazakhstan	21,710	Upper Middle Income 2
Hong Kong SAR, China	56,570	High Income	Romania	19,020	Upper Middle Income 2
Netherlands	48,260	High Income	Thailand	14,870	Upper Middle Income 2
Norway	66,330	High Income	Turkey	18,980	Upper Middle Income 2
Singapore	80,270	High Income	Caribbean	14,095	Upper Middle Income 2
Sweden	46,750	High Income	China	13,170	Lower Middle Income
Switzerland	57,960	High Income	Jordan	11,910	Lower Middle Income
Tapei, Chinese		High Income	Kosovo	9,300	Lower Middle Income
United States	55,860	High Income	Macedonia, FYR	12,800	Lower Middle Income
Ireland	42,270	Upper Middle Income 1	Philippines	8,450	Lower Middle Income
Cyprus	29,800	Upper Middle Income 1	Serbia	12,150	Lower Middle Income
Finland	39,940	Upper Middle Income 1	South Africa	12,700	Lower Middle Income
Israel	32,830	Upper Middle Income 1	Ukraine	8,560	Lower Middle Income
Italy	34,700	Upper Middle Income 1	Bangladesh	3,330	Low Income
Japan	37,920	Upper Middle Income 1	India	5,630	Low Income
Korea, Rep.	34,620	Upper Middle Income 1	Kyrgyz Republic	3,220	Low Income
Lithuania	25,490	Upper Middle Income 1	Myanmar	1,950	Low Income
New Zealand	34,970	Upper Middle Income 1	Nigeria	5,710	Low Income
Russian Federation	24,710	Upper Middle Income 1			
United Kingdom	39,040	Upper Middle Income 1			

As can be seen in the following graph, this results in a relatively equitable distribution of groupings. It is weighted towards higher income countries, but this would reflect the higher concentration of management consultants as a profession in higher income countries:



Recommendation 24. The World Bank PPP index be used to calculate the relative economic standing of Member IMCs with respect to the calculation of Member Fees.

As an additional factor, members of the Task Force felt that our most industrialized Member IMCs would be exempt from this calculation, and that IMCs who are in countries that are members of the G8 would be treated as High Income countries regardless of the PPP calculation.

Recommendation 25. The following categories of membership should be used:

- High Income (including G8)**
- Upper Middle Income 1**
- Upper Middle Income 2**
- Lower Middle Income**
- Low Income**

The next question to be addressed is the percentages that should be used to allocate fees by category.

The following table shows some calculations for determining the percent of fee that should be applicable for each category, compared to current fees and categories.

Current Fee	849.65										
	Current Number	Current Percent	Current Fee	Current Total	PPP Number	PPP Percent	PPP Fee	PPP Total	Recc'n Percent	Recc'n Fee	Recc'n Total
High Income	25	100%	849.65	21,241	14	100%	850	11,895	100%	850	11,895
Upper Middle Income 1	15	90%	764.685	11,470	11	64%	543	5,974	90%	765	8,412
Upper Middle Income 2					10	35%	295	2,947	80%	680	6,797
Lower Middle Income	6	80%	679.72	4,078	8	21%	181	1,448	70%	595	4,758
Low Income	2	70%	594.755	1,190	5	8%	65	323	60%	510	2,549
	48			37,979	48			22,586			34,411

Following is a discussion of the contents of each column, which details the logic involved in the recommended fee structure.

- In the first row we show that the calculations are carried out using the base Member Fee.
- The first column provides the names of the proposed classes.
- **Current Number.** These are the numbers of the Members by current classes. Note there is only one Upper Middle Income class in the current approach.
- **Current Percent.** This is the percentage that is applied to the current Member categories.
- **Current Fee.** This is the current fee as calculated using the current percentages.
- **Current Total.** This is the revenue of Membership Fees paid to CMC-Global calculated by multiplying the number of Members in the category by the fee. At the bottom of the column we see the total Membership Fees payable. (Note that the portion of fees serviced from numbers of individual members and CMCs is not included in this amount.)
- **PPP Number.** These are the numbers of the Members that would be in each of the proposed categories.

- **PPP Percent.** To calculate a percentage of income that might apply, we calculate the percentage of the average PPP Index for each country in the category. This results in the percentage shown.
- **PPP Fee.** Should the PPP percentage be used as calculated, this column shows the Membership fee that would be charged per Member.
- **PPP Total.** This is the revenue of Membership Fees that would be paid to CMC-Global calculated by multiplying the number of Members in the category by the PPP fee. At the bottom of the column we see the total Membership Fees that would be payable. This would end of reducing the fees payable by some 40%.
- **Recc'n Percent.** The column shows the Task Force recommended percentages that would be more suitable for institutional members. This is an attempt to find more equity amongst Members, without de-valuing Membership in CMC-Global.
- **Recc'n Fee.** This column shows the resulting fee for each category.
- **Recc'n Total.** This is the revenue of Membership Fees that would be paid to CMC-Global calculated by multiplying the number of Members in the category by the recommended fee. At the bottom of the column we see the total Membership Fees that would be payable. This would end of reducing the fees payable by some 10%. The increased equity across Member categories comes at the price of increased base fees but would be manageable.

Recommendation 26. The following percentages to the base fee should be applied to the categories of membership as follows:

<i>High Income and G8</i>	<i>100%</i>
<i>Upper Middle Income 1</i>	<i>90%</i>
<i>Upper Middle Income 2</i>	<i>80%</i>
<i>Lower Middle Income</i>	<i>70%</i>
<i>Low Income</i>	<i>60%</i>

6. INVOICING MEMBERSHIP FEES

Following the practice initiated in Orlando, the approval of a two-year budget allows for earlier invoicing so that the Member fees paid to CMC-Global can be used for the budget year in which they are paid.

With the approval of 2014-15 budget through this process, the invoices for the 2014-15 Member fees were issued in September 2014, nearer the beginning of the fiscal year.

The practice of preparing and seeking approval of a two-year budget will be continued as we proceed forward.

In 2015-16 the Member invoices were delayed pending the approval of the current budget in Noordwijk.

The 2016-17 and 2017-18 budgets will be approved in Toronto in October 2016. As a result the 2016-17 invoices will also be delayed.

The invoicing cycle can be resumed in the 2017-18 fiscal year. The fees will be based on membership numbers recorded with the Secretariat from the annual membership



reports. All IMC Members will be reminded in advance of this date to ensure that their membership numbers are up-to-date and accurate to enable the issuance of invoices that reflect membership numbers.

Recommendation 27. The practice of approving a two-year CMC-Global budget each year at the Annual Assembly of Delegates should be continued.

Recommendation 28. Member Fee invoices for each year shall be issued at the beginning of that fiscal year.

7. CMC-Global AUDIT

The current financial reports are not reviewed or audited by an external party. This may become problematic as we come to increasingly rely on outside sources of funding.

A Corporate Sustaining Member, for instance, may be comforted by reviewing audited statements of the organization in which it is investing.

CMC-Global has reached the size and maturity that a professional audit of its books becomes important to all stakeholders, and some of the CMC-Global budget should be used for this purpose.

Recommendation 29. An independent, professional review of CMC-Global financial statements shall begin with the 2016/17 fiscal year.



8. BUDGETARY IMPLICATIONS OF INCREASE BY IMC

In this section we attempt to answer the question: “What are the implications for my IMC?”

The recommendations throughout this report have been applied using the Member statistics for 2014-15. The comparison of fee increases is made to the 2014-15 fiscal years, and the scenarios have been developed to show the implications to the 2014-15 Member Fees. The 2015-2016 figures were not used at the express request of Delegates at the Noordwijk Conference, which approved the 2015-2016 Membership fees as a one-time increase.

The proportional approach that has been recommended by the Task Force is scalable, and scenarios were run to take into account various levels of CMC-Global budgets. However, without knowing the approved budget for 2016-2017, it is not possible to determine exactly the base Member Fee and the fee per management consultant member and CMC member.

Once the principles are approved, it would be an important next step to work with each IMC to determine whether the change in approach would cause unsustainable hardships. In some cases there may be some problems with definitions, i.e. variable expenses are being assigned in inappropriate ways based on the data on file. In other cases, the increase of the base fee may be high compared to the relatively small membership base of an IMC. The Treasurer of CMC-Global, together with the Finance Committee and Membership Committee would need to work through these implications.

Recommendation 30. The Treasurer be accountable for working with the Finance Committee and the Membership Committee to work through solutions to the fee increases in cases of undue hardship to an IMC.



9. SUMMARY OF RECOMMENDATIONS

- Recommendation 1.** The Secretariat Funding Principles be adopted and used as guidance for budgeting and funding purposes.
- Recommendation 2.** The core operating costs of The Secretariat will be covered by Membership fees.
- Recommendation 3.** Non-core Secretariat costs should not exceed core operating costs on an annual basis unless specifically decided by the Annual Meeting of Delegates.
- Recommendation 4.** The Annual Assembly of Delegates shall approve a two-year budget for Secretariat activities at each Annual meeting.
- Recommendation 5.** The core activities of the CMC-Global Secretariat should be determined through a budget approval process and funded through Membership fees.
- Recommendation 6.** The developmental and special activities of the CMC-Global Secretariat may be funded by special levy of Members or through alternative sources of revenue generation.
- Recommendation 7.** It is recommended that the fee for all assessments (full Member application, ongoing re-assessments) be €1,000 plus an average of the cost of assessor expenses. This fee should be pro-rated based on the economic status of the country of the applicant.
- Recommendation 8.** It is recommended that the assessment fee for provisional membership into CMC-Global should be €3,000, which would be inclusive of assessment expenses. This fee should be pro-rated based on the economic status of the country of the applicant.
- Recommendation 9.** It is recommended that provisional Members pay the same membership fees as full Member IMCs beginning with the first fiscal year after formal recognition as a provisional Member. This fee should be pro-rated based on the economic status of the country of the applicant.
- Recommendation 10.** It is recommended that provisional members pay a fee of €1,000 for the full membership assessment. This fee should be pro-rated based on the economic status of the country of the applicant.
- Recommendation 11.** It is recommended that the annual Membership fee for an IMC to be part of CMC-Global should be calculated annually to cover the core Secretariat budget as approved by CMC-Global governance. This fee would include the triennial re-assessment fee, and related assessor expenses. This fee should be pro-rated based on the economic status of the country of the applicant.
- Recommendation 12.** It is recommended that the base annual Membership fee for an IMC include re-assessment fees, to be calculated on an average cost to all IMCs over a nine year period. This reassessment portion of the fee shall be €550 per IMC. This fee should be pro-rated based on the economic status of the country of the applicant.
- Recommendation 13.** Student Members and Honorary or Retired Members will be excluded from the assessment of fees paid by the IMC to CMC-Global.
- Recommendation 14.** Management consultant and CMC members of IMCs should be counted for statistical purposes.

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- Recommendation 15.** Management consultant and CMC members of IMCs should be reflected in the IMC Member fee calculation.
- Recommendation 16.** Individuals who are associated with IMCs through corporate memberships (CPs and ACPs) as management consultant members and as CMCs should be counted for statistical purposes.
- Recommendation 17.** Individuals who are management consultant members associated with IMCs through corporate memberships (CPs and ACPs) should not be reflected in the IMC Member fee calculation at this time. This should be revisited in the future after statistical methods for this class of membership are improved.
- Recommendation 18.** CMCs certified through corporate memberships (ACPs) should be counted separately, and should be reflected in the IMC Member fee calculation at the same rate as CMCs certified directly by the IMC.
- Recommendation 19.** Fee-paying members of IMCs should be informed of the portion of the fees that are used to support the global work of CMC-Global.
- Recommendation 20.** The recommended fee structure for membership based fees is: Corporate member management consultant No Fee at this time Individual management consultant 50% of CMC fee Corporate and Individual member CMCs Same Fee This fee should be pro-rated based on the economic status of the country of the applicant
- Recommendation 21.** It is recommended that the variable portion of the IMC Member fee be capped so that it will not exceed a certain amount of the base Member fee. This portion of the fee should also be pro-rated based on the economic status of the country of the applicant
- Recommendation 22.** Any fee allocations for corporate firm memberships should be addressed after the CMC-Firm conversion to determine whether there should be a charge through IMC Member fees or through some other method.
- Recommendation 23.** It is recommended that the proportional approach to Membership Fee allocations be adopted by CMC-Global.
- Recommendation 24.** The World Bank PPP index be used to calculate the relative economic standing of Member IMCs with respect to the calculation of Member Fees.
- Recommendation 25.** The following categories of membership should be used: High Income (including G8) Upper Middle Income 1 Upper Middle Income 2 Lower Middle Income Low Income
- Recommendation 26.** The following percentages to the base fee should be applied to the categories of membership as follows: High Income and G8 100% Upper Middle Income 1 90% Upper Middle Income 2 80% Lower Middle Income 70% Low Income 60%
- Recommendation 27.** The practice of approving a two-year CMC-Global budget each year at the Annual Assembly of Delegates should be continued.
- Recommendation 28.** Member Fee invoices for each year shall be issued at the beginning of that fiscal year.



Recommendation 29. An independent, professional review of CMC-Global financial statements shall begin with the 2016/17 fiscal year.

Recommendation 30. The Treasurer be accountable for working with the Finance Committee and the Membership Committee to work through solutions to the fee increases in cases of undue hardship to an IMC.