

What does the future hold for the ID Pro – Kantara relationship?

Introduction:

At its February 2017 meeting, the Board of Directors of the Kantara initiative, the minutes show the following; 'draft a proposal related to the ongoing relationship and how the two organizations will separate. The Board will review and approve the agreement before it is issued'.

This proposal has been drafted by Colin Wallis assisted by Andrew Hughes for the Board's consideration at its March meeting to allow the Board to articulate its pre-formative views on the relationship back to the ID Pro SC for consideration and comment.

This document's objective is to serve that purpose.

At the outset, the authors point out that it may be presumptuous to assume a 'hard separation'. 'Separation' offers a range of descriptors - hard, complete, partial, formal etc. No recommendation from the SC has yet been made on the exact nature of separation, but the Board's expectations have been set that there will be separation in some form.

Background:

Ian Glazer (and separately Andrew Hughes inside Kantara) began socialising the notion of an ID Pros Association early in 2016. It culminated in a formal approach to the Board by Ian in late April 2016 to 'incubate' ID Pro within Kantara. The Board agreed in early May, and during EIC '16 in Munich, an announcement was made that a pre-formative project was operational in Kantara, starting with a call for interest (the Pledge).

No formal Agreement: It should be noted that there was no formal agreement with Ian beyond the Board Minute.

Different interpretations: A formal agreement was not established at the outset because all parties believed they had a shared understanding of the agreement. Through the passage of time, this is turned out to not be the case. On one hand, Ian's understanding of the ID Pro incubation is in the sense of a business incubator, with explicit 'graduation'. On the other hand, Kantara considers it more as a 'white label' arrangement, whereby the entity is branded in its own livery but consumes Kantara's resources in an enduring relationship.

Current Status

Services: Kantara has provided the ID Pro Program with:

- A dedicated customised pledge and contact web-form
- A customised Group Participation Agreement (GPA) sign up web-form
- Email distribution lists to support the ID Pro work streams
- A Discussion Group wiki space on its confluence platform
- GoTo Meeting web/audio conferencing service
- A dedicated budget line item for revenue and expenses in Kantara's Financial accounts

- A Project Manager @ \$100/hr capped at \$3,500 per month (from Dec 2016)
- Total spend \$55,926 to November 2016 (approx. Virtual 70%, Kantara staff (CW/OM) 30%. Virtual monthly average spend May – Nov '16 \$5,211, Kantara staff average spend May – Nov '16: \$2,778

KPIs: As of January 31 2017

- 355 people signed the pledge
- 104 people have signed the GPA for the ID Pro DG
- 24 people have asked to be kept informed when they can engage with the ID Pro DG (it was closed from Sept '16 to Feb '17)

ID Pro Discussion Group: 4 Project streams within the DG with low-ish activity levels:

- Membership Models and Services – 70% complete
- Governance and Organization Structure – 30% complete
- Codes of Conduct/Practice - Complete
- Taxonomy of the Body of Knowledge – ongoing but 30% complete for launch.

Marketing

- idpros.org Wordpress website and domain name
 - Below the landing page, the site points back to Kantara's confluence wiki (much in line with the way 'Kantara White Label' was intended to run).
- Twitter account @id_pros
- Birds of a feather meeting convened at RSA
- Membership and Services project stream meeting at the end of Kantara's breakfast at RSA
- Expressions of Interest from Founding Member sponsors @\$50K from Microsoft, Ping, Deloitte, CA (unconfirmed) totalling \$200K.
- Promotional flyer – 50% complete.
- An announcement of planned incorporation date and future relationship with Kantara is expected at EIC 2017 Munich in May.

Autonomous organisation activities

- Presentation of ball park costings by Virtual in December 2016 suggests a start-up of \$25,000 and monthly fee of \$11,800, assuming high volunteer support for PR/Marketing/Social and Working Group Project Management
- Once confirmation of membership structure is complete, Kantara will begin collecting individual and organization memberships directed to ID Pro and Founding Sponsor directed funds (not part of membership). It will use the ID Pros website to promote the ID Pro membership structure so it does not taint the Kantara membership structure and ByLaws that govern them (e.g. 3 months notice requirement for any change) Good governance should require ID Pro to prove to the Board that is self-sustaining before it shoulders the costs of substantial or complete separation. That 'stress test' necessarily has to be carried out while in Kantara. Virtual's Finance team can advise on how many month's operations costs held as capital reserves would be considered as sufficient for an organization to be self-sustaining. But 5 month's reserves and assuming a minimal cash spend with only volunteer efforts might be considered the barest of minimums. Below, are the cost components for calculation of self-sustainment of ID Pro as an incorporated operating entity:

Kantara total cash investment May – Nov 2016	\$60K
Kantara cash investment ongoing monthly burn @ \$6K/month December to date	\$24K (estimate)
Virtual on-boarding, Self-Incorporation, and start-up Costs (one off)	\$25K
5 months reserves: Virtual monthly fee (\$12K) plus some Mkting & PM (\$8K) \$20K/month x 5 months	\$100K

The appetite to separate has to be matched with funds flowing into Kantara for ID Pro to make that possible, while monthly investment burn continues. But the natural question will be asked 'when could ID Pro financially separate?'

The answer depends on the level sets of the 'stress test', the founding members and member fees cash inflow, and when ID Pro could realistically undertake separation. If ID Pro was to try a partial separation say in October 2017, then the costs shown above plus the months of cash burn March – October of \$36K would see ID Pro having to secure \$250,000 as a bare minimum, plus a high volunteer effort, in order to pay Kantara back and then separate.

Thought Piece: The scope and options for the future relationship between ID Pro and Kantara

It seems increasingly clear that there is an appetite within the ID Pro program to separate to a substantial extent - from either the Kantara/white label or the Kantara brand, and self-incorporate towards a progressive state of autonomy.

The fundamental questions to be answered are:

- How financially and resourcefully feasible is that motivation? (the answer depends on the timeframe).
- Is 'everything' in scope for the break? All components? – legal entity, finance, all work streams? Or some components?
- Should legal and financial separation be amongst the first or the last component?
- What is the value proposition for Kantara to continue 'incubating' ID Pro under the circumstances of when its strategic objectives for investing in the project will be only be partially or substantially met, due to it not getting an enduring return on its investment?
- While it is reasonable to assume that the parties will continue to communicate and collaborate after any partial or complete separation process commences since, as individuals and organizations, we form an essential and thought-leading component of the identity community, is it reasonable to make assumptions on future engagement?
- Should we memorialize the separation process in some Agreement?

To help answer these questions, we started with the last, first.

- Should we memorialize the separation process in some Agreement?

The authors suggest yes, but without ID Pro formed as an entity it remains informal. We think that the ID Pro SC should prepare an informal Agreement that the ID Pro Board SC

uses to show the intending members and to-be elected Officers of ID Pro to evidence its intent.

- While it is reasonable to assume that the parties will continue to communicate and collaborate after the full or partial separation process commences since, as individuals and organizations, we form an essential and thought-leading component of the identity community, is it reasonable to make assumptions on future engagement?

The authors think it is reasonable to make some assumptions that can be memorialized for a period of time. For example, on every written, verbal and visual material and at every event/conference, ID Pro acknowledges the Kantara brand as the incubator that brought ID Pro into the world for the first 12 months after legal separation, and verbally and at every conference (but not on ID Pro branded written and visual materials since it reasonable to allow ID Pro to develop such materials under its own brand) for the subsequent 12 months (months 13-24). Any work items or support being undertaken at Kantara still remaining during that period after separation, they are also specifically verbally, visually and in writing, acknowledged too. Beyond 2 years we can review our situation and enter an agreement appropriate to our relationship as it is then.

- What is the value proposition for Kantara to continue 'incubating' ID Pro when its strategic objectives for investing in the project are met only partially or substantially?

While the sustaining revenue, thought leadership, market positioning and community converging strategies may be partially met, investment in ID Pro becomes no longer strategic but tactical (i.e. do enough to a) get Kantara's investment securely returned, and b) fulfil Kantara's obligations in the post separation phases, and c) leverage knock-on membership opportunities, directed funds projects and PR benefits through continued association with ID Pro.

- Is 'everything' in scope for the break? All components? Some components?

From the outset of the emerging intent to separate in some form that became apparent in the SC, Andrew in particular, foresaw that the Body of Knowledge might remain with Kantara. This arose from his knowledge of the operational dynamics of ISACA in that the sheer effort of maintaining the Body of Knowledge alongside the range of diversionary activities that beset non-profit professional associations, would be a significant challenge. Time will tell if ID Pro can keep up with the changes in the digital identity space while at the same time building a global organization. After self-incorporation, it makes sense for ID Pro to take control of its finances and thus collect membership dues and operate its own Governance structure. Since the SC asked Virtual to present and cost its services it can be safely assumed that core service management and operations will also be under ID Pro's direct control. With exception of some sub components, that leaves the Body of Knowledge being the most likely to remain with Kantara for year 1, perhaps year 2, and with less confidence, years 3 and beyond.

- How financially and resourcefully feasible is the appetite to separate? (the answer depends on the timeframe).

Working from the indicated interest garnered so far, the motivation to separate could be feasible if the level of pledged funds can be honoured at \$250,000. The question remains then, how many months of operations will \$150K buy? (An estimated nett of \$250K less owings to Kantara of around \$100K leaves \$150K). \$150K less start up costs of \$25K leaves

\$125K suggests that around 6 months' reserves (@\$20K/month spend) after incorporation costs. This assumes a high level of volunteer and in-kind contribution.

Conclusion and Recommendation

This paper's objective is to provide the main Kantara Board with the current status of ID Pro and some suggestions on how to scope the relationship going forward.

The authors recommend the main Board to confirm in the Minutes a position that it:

- Accepts, supports and agrees to organizational separation in principle in some form
- In the strategic interests of both entities, separation is no earlier than October 2017 and no later than October 2018. Oct 2017 is chosen because for ID Pro, it must be financially sustainable with enough structure in place to operate, and for Kantara it must have its money paid back and allow sufficient time for its thought-leadership strategy to be known globally in the community as the organization that spawned ID Pro. October 2018 is chosen because for ID Pro, moving past this date implies weakness in the concept, and because for Kantara, since it is not going to attain the long term benefits of running ID Pro as a Program, it wants to get on with other strategies.
- Agrees to preparing and negotiating a 'pre-nup' statement of intentions agreement to lay out the responsibilities of the parties up to, and the following 2 years after, separation, as indicated in this paper.
- Confirms the appropriate timely repayment of Kantara's investment as a pre-condition before separation.
- Provides the ID Pro sub-committee with regular timely feedback on the progress of the Program, including a running total of the costs that the ID Pro Program is incurring.