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## PRE-READ MATERIAL – SPECIAL MEETING OF MEMBERS MAY 31, 2022, 5PM - 8PM EDT

As agreed by our members at the January 13, 2022, Special Meeting of Members, the intention of this May 31, 2022 meeting is to provide members with a further update related to the Federation Structure and our SCMAO Board recommendation on the matter of whether to trigger a notice of voluntary disassociation or stay within the current [Federation Agreement](#) (also attached in the pre-read package). **The SCMAO Board has concluded to proceed with Triggering Notice of Voluntary Disassociation and to exit the current Federation Agreement.**

The package below will help you understand the context, background, and impact of the May 31 member vote on your personal journey, and help you make an informed, fact-based decision.

Consideration for triggering notice of voluntary disassociation is the result of an unsuccessful three-year effort to remediate the issues and challenges inherent in the current Federation Agreement. The SCMAO Board has made every effort to support solutions, be transparent with members and navigate the existing structure and agreement to no avail. (Details are below).

In good faith and with fiduciary responsibilities in mind, the Board has reviewed and approved an Operational Plan that will address the transition and the notice period of 12 months, in the event members choose to trigger notice of voluntary disassociation:

- Protection and ongoing recognition of the CSCMP designation
- Education continuity for those in-stream to earn the CSCMP Designation and all other offerings
- Decreased Membership Dues in 2023, and increased value

### WHY CONSIDER TRIGGERING NOTICE TO VOLUNTARILY DISASSOCIATE AND WHY NOW?

As detailed below, the current Federation Agreement does not fulfill the intended outcomes and the current KPIs show the Federation Structure is unsustainable as is. Specific to you as a member of Ontario Institute, SCMAO is confronted with looming financial impacts (approximately \$200,000) resulting from interdependencies and shortfalls related to the SCMP and SMT online modules with Institutes outside Ontario, that are not yielding as planned. As a result, should members vote to stay within the current agreement, member dues will need to go up by \$100 to compensate for the declining revenues in SCMP and SMT revenue from outside of Ontario.

Over the last four years, SCMAO has undergone a significant transformation and growth in membership, education enrollments and participation. Key highlights include:

- 1) As of April 30, 2022 our total membership is at 4,100+. A growth of 30% over the last 4 years.
- 2) Over 1,100 new members joined the association this year and this is consistent with our previous year's new member growth.
- 3) 60% of our members have participated in at least one or more events, again a consistent pattern validating the quality and relevance of our offerings.
- 4) Our larger supply chain community (consisting of members and non-members) has grown from 7,000+ last year to 10,000+ this year, thereby extending greater opportunity to grow your network across the country.

Now is the time to continue building on that momentum and unlock the opportunities for greater success.



## **WHAT HAPPENS IF I VOTE “YES” TO TRIGGERING NOTICE TO VOLUNTARILY DISASSOCIATE?**

For the 12-month period following the Official Notice to Disassociate, your membership remains the same, as we are still bound by the Federation Agreement for a period of 12 months after the Notice is served. The 12-month notice period is intended to allow all stakeholders to prepare a transition plan that would take effect on the actual disassociation date. The Ontario Institute (SCMAO) has already prepared its Operational Plan and the SCMAO Board has confidence that Ontario Members will receive the best service, value, and experience through the transition year and in the first year of independence. The key factors included:

- Member Dues will go down substantially to \$295 per individual and \$250 per person for groups of 4+ within an organization.
- The CSCMP Designation will continue to be recognized by the Ontario Government via a special act, making SCMAO the only entity as being authorized to grant a protected designation to its members
- The CSCMP Designation program curriculum will be updated to provide a seamless transition for those already in stream, and improved content will be delivered for a frictionless experience of future participants – improving upon current content and experience
- Your membership will include access to all the same great events, education as you currently enjoy with Ontario Institute: Leadership Series, Live Chats, Holiday Events, Professional Development workshops, Zoom Cafes, VRA Events, etc.
- An independent SCMAO Institute will have autonomy and flexibility regarding decisions for Continuing Professional Development (CPD) requirements and reporting for CSCMPs

For your consideration, the SCMAO Board has assessed the following key elements of the Operational Plan supporting the decision to Trigger Notice of Voluntary Disassociation.



# WHY IS IT IMPORTANT FOR OUR MEMBERS

## BOARD'S EVALUATION OF SCMAO'S OPERATION PLAN AS IT RELATES TO DISSOCIATION – THE YEAR OF STRATEGIC DISRUPTION

PRIORITIES AND NEEDS	STATUS-QUO AND VALUE DELIVERED	DISSOCIATION AND VALUE DELIVERED
 <p><b>Membership Fee</b></p>	<p>\$510 pp as of May 1, 2023. ★</p>	<p>\$295 pp as of May 1, 2023. ★★★ Introduction of group membership pricing for \$250 pp for a group of 4 or more.</p>
 <p><b>Cost-saving</b></p>	<p>None. ★</p>	<p>Approximately \$680,000 in assessment expenses eliminated, 12 months post disassociation notice date. Savings directly attributed to our lower member dues. ★★★</p>
 <p><b>SCMP Education</b></p>	<p>Slow and in-frequent updates to the curriculum. ★</p>	<p>We are in advanced discussions with a reputable post-secondary educational institution to replace the current content for the SCMP curriculum. Initially, we will retain the current structure of 8 online modules, 6 workshops and a final exam to accommodate those currently instream to seamlessly transition. ★★★</p> <p>All content will be developed as asynchronous learning and will be delivered online. The IP and delivery will be owned by SCMAO.</p>
 <p><b>SCMP Recognition</b></p>	<p>Awareness of the designation is low among Employers. This is primarily due to lack of investment made by the Federation in actual marketing and promotion of the SCMP Designation. ★</p> <p>Also, the growth of new enrollments is primarily being noticed in Ontario only, where significant marketing spend is dedicated to the promotion of the CSCMP Designation.</p> <p>The CSCMP used exclusively in Ontario is arguably the leading supply chain professional designation in Canada, and SCMAO has the exclusive right to bestow the designation in Ontario as it is recognized by Ontario Legislation.</p>	<p>If we are no longer limited and bound by the Federation Agreement, we will be able to make further, necessary investments in promoting our Designation and allocate a portion of the savings from the assessments towards our marketing and promotion budget. ★★★</p> <p>We can focus on leveraging the special Act that we have in Ontario and the advantage of having the exclusive rights to bestow the CSCMP designation in Ontario, as an added Member Value for Ontario Members.</p> <p>We will seek to work with all parties of the Federation on reciprocal agreements. See below for further supporting points as to why this is an opportunity for growth (versus a loss) for our existing CSCMP designation holders.</p>

- ★★★ Member value maximized
- ★★ Member value delivered with plan underway for maximization
- ★ Least value delivered

PRIORITIES AND NEEDS	STATUS-QUO AND VALUE DELIVERED	DISSOCIATION AND VALUE DELIVERED
 <p><b>Non-SCMP Education</b></p>	<p>Ontario continues to deliver current and accessible education, attracting participants across Canada. However, facing revenue pressures driven by the interdependencies of the shared revenue model of SCMP online (declining by 20% year over year), program fees will be raised. ★★</p>	<p>Continued diversification of product offerings underpinned by our operational pillars of currency, accessibility, and speed to market will drive broader selection for members and non-members while maintaining quality and frequency. ★★★</p> <p>In FY22, SCMAO expanded its offerings to 19 professional development sessions and 30+ member events (complimentary or under \$10).</p>
 <p><b>Advocacy/ Government Relations</b></p>	<p>The National Association has accomplished much in the area of Government relations. However, the current federation structure has not made it possible to leverage this effort in growing memberships or demand for the SCMP. ★★</p>	<p>We will engage a government relations firm to provide the best guidance on building and sustaining effective government relations. ★★</p> <p>Our focus will shift towards Media Relations, as a stronger media presence will better support our goals of growth, as well as awareness with employers and governments, as it relates to the CSCMP Designation. This investment will better serve our Member value commitments.</p>
 <p><b>ERP</b></p>	<p>ERP with dated CRM and digital tools that lead to limitations on members' (and potential members') experiences. ★</p>	<p>ERP upgrade is intrinsic to the Member Value strategy at SCMAO. ★★</p> <p>The foundational work on Data will be done in the Transition Year, and an ERP upgrade will be at the forefront of everything we do in the following year.</p>
 <p><b>Governance</b></p>	<p>Independent National &amp; Provincial Boards – cumbersome decision-making to act on strategic needs. ★</p>	<p>Provincial SCMAO Board with the ability to be nimble and current. ★★★</p>
 <p><b>Inter-dependency Risk</b></p>	<p>100% Risk to SCMP and SMT Online modules as all costs and operational risk is with SCMAO, with little commitment or accountability from all other Institutes. ★</p>	<p>Risk is eliminated as the cost savings from eliminating assessments are greater than the loss of contribution received from out-of-province institutes related to SCMP online. ★★★</p>

★★★ Member value maximized  
 ★★ Member value delivered with plan underway for maximization  
 ★ Least value delivered

PRIORITIES AND NEEDS	STATUS-QUO AND VALUE DELIVERED	DISSOCIATION AND VALUE DELIVERED
 <b>Provincial Institutions</b>	<p>Membership growth – Currently membership growth outside Ontario is 2% - a result of provincial silos and provinces struggling to sustain financial stability independently. ★</p> <p>Funding – at present the Federation model is funded via assessments (Ontario contributes 43% of total funding – over \$650,000 per annum).</p> <p>Decision-making on critical projects is ineffective. Today, Ontario, representing 4,000+ members, has the same number of votes at the Federation as Northern Territories with 36 members.</p> <p>There is an imbalance between our funding (43%) and our representation – 1/11th or less than 1%.</p>	<p>Ontario must exit the Federation Agreement as it currently has no other recourse or remedy. Unshackled, SCMAO will unlock the full potential for growth, in service of elevating the supply chain profession: ★★★</p> <ol style="list-style-type: none"> <li>1. With an updated and improved curriculum and content for professional development,</li> <li>2. Improved digital tools,</li> <li>3. Stronger public and corporate awareness through greater Media presence.</li> </ol>
 <b>Member Empowerment</b>	<p>Notwithstanding Ontario Institute, other Institutes do not provide annual reports, nor publish financial data or KPI reporting independently, resulting in a lack of transparency or public accountability for results. ★</p>	<p>SCMAO is transparent and accountable to members. We are the only institute that has produced an annual report since 2018. ★★★</p> <p>We will always provide you with recommendations on key issues affecting the business and you will be empowered to make the final decision.</p>
 <b>Staff Retention</b>	<p>No growth opportunity for staff and therefore higher risk of attrition. ★</p>	<p>Opportunity to retain a dynamic group of staff who care about member experience and growth with a proven track record for success. ★★★</p>
 <b>Branding and Legal Name</b>	<p>Legal Business Name – Supply Chain Management Association Ontario (SCMAO). ★★</p> <p>Branding – Operating as Supply Chain Canada, Ontario Institute under a country-wide Branding structure.</p>	<p>Legal Business Name – Supply Chain Management Association Ontario (SCMAO). ★★</p> <p>Branding will revert back to operating under our legal name SCMAO and an opportunity to re-brand if warranted in the future.</p>
 <b>Vision</b>	<p>Aspirational. ★</p>	<p>People-centric and member-first approach, has fuelled the growth of the past 4 years and will provide the fuel for future dynamic growth. ★★★</p>

★★★ Member value maximized  
 ★★ Member value delivered with plan underway for maximization  
 ★ Least value delivered

## HOW WILL SCMAO ADDRESS NATIONAL RECOGNITION OF THE CSCMP DESIGNATION?

The CSCMP Designation is already recognized by the Ontario legislature. In terms of the nationwide recognition, it is important to note:

- 1) Ontario is home to the largest number of head offices in Canada. As per [this report](#), 1090 head offices of the 2,750 head offices in Canada are located in Ontario. Also, over 33% of Canada's SMBs are in Ontario ([see here](#)). With additional resources that can be attained post-disassociation (by foregoing the assessments), driving further awareness of the CSCMP Designation among Canada's top employers - is one of SCMAO's highest priorities. The SCMAO team is excited to take this initiative to new heights of success and start with measurable results that have been lacking to date.
- 2) With Ontario being the home to the highest number of employers ([read here](#)), it is highly likely that other provincial institutes will seek to sign a reciprocal agreement, by which they would recognize the CSCMP in their provinces, and SCMAO would reciprocate by recognizing the SCMP in Ontario. Currently, seven provinces/territories have professional society laws: Alberta; British Columbia; Manitoba; New Brunswick; Nova Scotia; Ontario; and Northwest Territories. These laws **recognize a specific provincial/territorial entity as being authorized** to grant a protected designation to its members. There is no obstacle to the pursuit of reciprocal agreements with the provincial institutes.

Further to the summary, and recognizing that as supply chain professionals, our members expect transparency and will want information to prepare for their vote, we have provided the detailed package below.



## INTRODUCTION:

SCMAO has made tremendous strides since 2018, growing in every measure. Our operational pillars are underpinned by our desire to deliver currency (current issues that are timely), accessibility (location, platform, and cost) and speed to market (wherever possible be first in market) and every initiative in service to our members and elevating the profession.

Despite being separate legal entities, the Federation Agreement, and the current structure under which we operate, have inherent, built-in co-dependencies among Institutes, that pose significant obstacles to enabling our ability to operate efficiently and achieve our goals for Ontario Members.

Our federated system was formed in an era before digitally enabled collaboration and rapid delivery of products and services across geographic boundaries were possible. The structure is not currently utilizing best practices or innovation and technology to advance the industry, and therefore the structure has become outdated and unsustainable as a business model. Recognizing this, we have been working relentlessly for years, lobbying for changes to the current Federation Agreement which was signed in 2015. All remediation efforts since November 2019 have been unsuccessful in bringing the Federation together in a new path forward.

**The status quo with the current agreement is no longer viable. The time has come to commit to a future of growth and innovation - a decision that only members can make. We are committed to providing information for each member to make an informed decision based on facts, and to facilitate the necessary next steps to strengthen the organization of Ontario's supply chain.**

Below is a synopsis of the work of the SCMAO Board leading to the SCMAO Board recommendation:

- Current challenges faced
- Efforts of the SCMAO Board and Management to negotiate changes
- Final Recommendation from the SCMAO Board

**Please take the time needed to read the package and make an informed vote as it relates to the future of your Association. The choice is yours.**

## BACKGROUND AND CONTEXT:

### THE FEDERATION AGREEMENT AND STRUCTURE

In 2015, The Supply Chain Management Association Ontario - SCMAO (the "Ontario Institute") joined a national Federation made up of ten independent and separate legal entities, known as Institutes (including the Ontario Institute) and the National Association. The Institutes and the National Association are referred to as the "Federation Parties" and each as a "Federation Party". Each Federation Party remains a separate legal entity. The Federation was established and is governed by an agreement among the Federation Parties (the "Federation Agreement"), which sets out certain details about how the Federation Parties work together in the pursuit of delivering demonstrable value to all members.



## SHARED GOALS OF THE FEDERATION AND SCMAO

As a Not-For-Profit (NFP) we are driven by our mission, which is to provide leadership to the Canadian Supply Chain Community, provide value to all members, and advance the profession. At the heart of these words is the notion that we exist to elevate the supply chain profession in Ontario and across Canada.

To deliver against this mission, The Federation agreed that we must:

- 1) Grow to reach a critical mass to be the voice of the supply chain in Ontario and across Canada.
- 2) We must enhance our offerings to members if we are to remain relevant as an Association.
- 3) The SCMP (CSCMP in Ontario) must become the leading and most respected supply chain designation in Canada, which employers **MUST** seek more often than they do today.

**Key Take-away: On April 18, 2018, all parties to the Federation Agreement adopted a new, unified Strategic Framework in 2018 to deliver against these overarching objectives.**

## HOW HAS THE FEDERATION PERFORMED AGAINST THESE SHARED OBJECTIVES?

A summary of the top three KPIs from the shared strategy, based on the reports provided at the Federation Council Meeting on March 31, 2022, demonstrates the severe contrast in performance between Ontario and all other Institutes.

KPI	ALL INSTITUTES COMBINED WITHOUT ONTARIO	ONTARIO
Membership Growth	<b>2%</b> for a total of <b>88 Net new</b> members across 10 Institutes	<b>13%</b> for a total of <b>431 Net New</b> members in Ontario Institute alone
SCMP Enrollment (demand for the Designation)	<b>(-) 16.7%</b> or a drop ↓ of 42 fewer enrollments across 10 institutes, compared to the year prior	<b>Plus 25.6%</b> or an increase of 32 additional enrollments compared to last year in Ontario Institute alone
Relevancy - Membership Value as measured by % of members participating in at least one activity other than membership renewal or activation	Approx. <b>25%</b> across 10 institutes	Approximately <b>58%</b> for Ontario Institute's members

**Key Take-away: With the exception of the Ontario Institute, the results have been inconsistent since 2018 and continue to be significantly below performance expectations**

**Note: KPIs are based on the March 2022 report shared at the Federation Council Meeting on March 31, 2022.**

## WHY SUCH POOR FEDERATION PERFORMANCE?

A degree of conflict and debate is inevitable - even healthy - in federations. However, in our case, the challenges are systemic and debilitating:

- Considerable resources have been spent over three years, attempting to define and redefine the relationship, and we have not been able to arrive at decisions.
- The trust and collaboration required to operate together are fractured.
- Lack of clarity **in the agreement itself** has made it difficult to hold partners accountable for delivering on commitments and results.

To further complicate matters, the Federation Agreement is structured such that each of the ten institutes and the National Association holds a single vote. This means Ontario members have a disproportionately minimized influence per capita than members of any other institute. Despite representing almost 50% of the total membership and contributing the largest assessment payments\*, **we hold only one vote out of 11** and therefore, within the current agreement have very limited ability to drive systemic change.

\*Note – Our cumulative assessments paid, total approximately **\$1.85 Million in the last three years. Of your Member Dues, \$300 or 73% of your membership dues is paid to National each year.** To put this in perspective, despite our representation of 4000+ members, we have the same influence as an institute with 1% of the total membership and less than 1% of the total contribution in assessments.

**Key Take-away: The intended outcomes of the Federation Agreement are not being met.**

## WHAT ARE THE SPECIFIC RISKS TO SCMAO MEMBERS?

The shortcomings of the current Federation Agreement have a cascading effect on SCMAO and its members. While there are many issues, the top three most significant concerns are:

- 1) **Sustainability of the Federation Partners and long-term viability of the Supply Chain Canada brand is at risk –** Driven by documented lack of growth, lack of decision making and a lack of alignment to strategy, the existing Federation presents a long-term risk to the viability of the Supply Chain Canada Brand that can no longer be ignored. We must acknowledge that the inability of Institutes to remain sustainable will ultimately increase the financial contribution needed from Ontario, to sustain the other Institutes in the Federation Agreement.
- 2) **Increased financial risk and pressure on Ontario given the interdependency and shared SCMP online modules –** SCMAO is the lead institute, per the Federation Agreement, to deliver the SCMP and SMT online modules, on behalf of the country. We have been bearing the financial burden of declining enrollment trends and competing offerings from other provinces. This is creating significant financial pressure on our Ontario Institute as we are seeing a continuous trend of approximately 30% reduction in net revenues year over year. If this trend continues, Ontario faces a net loss of approximately \$200,000 in the coming year.
- 3) **Diminishing value to Members and high cost of membership:** The Federation continues to show the inability to align and make critical decisions related to Strategy, Core Education, and Back-office infrastructure. The cost of membership today is double that of our competitors and driven mostly by high assessment fees established within the Federation Agreement (73% of your dues).

**Key Take-away: If we connect these results back to our mission, it's clear there are significant challenges, and the biggest risk to the Ontario Institute is the sustainability of the Federation overall.**



## **ADDRESSING THE CHALLENGE – ROLE OF THE BOARD**

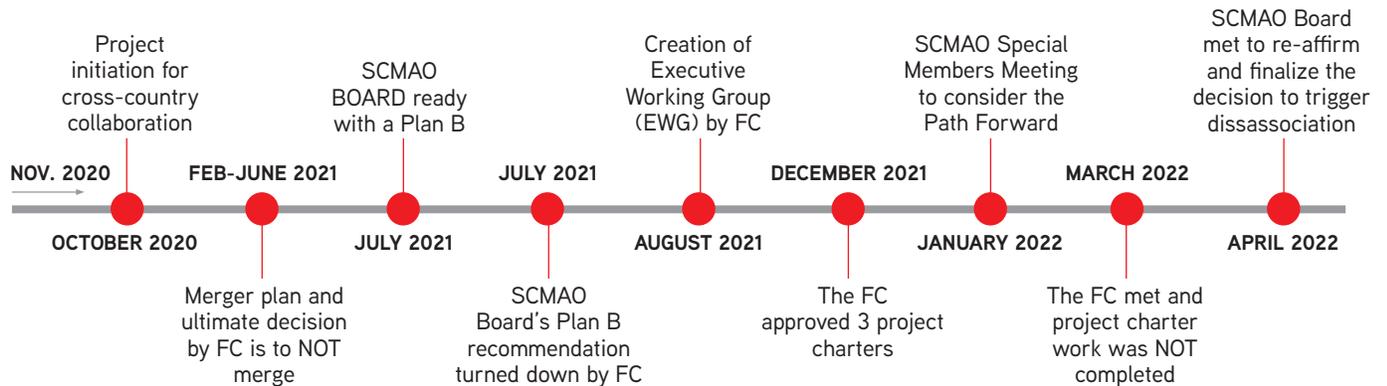
The SCMAO Board of Directors is the legally constituted governing body that acts on behalf of all Ontario members, as collective trustees of the organization. The Board speaks with one voice only and makes decisions in the best interests of the organization as a whole.

Every Board member has a fiduciary duty to the organization. This means that the Board is acting on behalf of the membership in directing the affairs of the organization. Just as corporate boards are accountable to shareholders, the governing body of a Not-for-Profit organization has a fiduciary responsibility to see that the organization is acting in the best interests of the public, and more specifically the “stakeholders” (members).

The SCMAO Board has a duty to our Ontario members to act within the scope of the governing documents of the organization and to ensure that committees and staff do so as well. Governing documents include the organization’s constitution, bylaws, policies, rules, and regulations, and this also includes the Federation Agreement.

**With this duty in mind along with the materiality of the investments we make on your behalf to the Federation, the SCMAO Board initiated and supported efforts to address the challenges with our Federation Partners, with a commitment to transparency to our members and Federation Partners. Below is a summary of our efforts:**

## TIMELINE OF ACTIVITY AND EFFORTS TO RESOLVE FEDERATION CHALLENGES:



### November 2019 – April 2020

#### Steps taken by the Federation Council:

In late 2019, as the Federation began to look at the results against strategy, it became evident to the Chairs of all Institutes that our goals (growth, prominence of designation, consistent value to members) had NOT been achieved.

These discussions evolved into the “Delivering Member Value” project, and in April 2020 the Steering Committee of Chairs initiated an exhaustive and structured 9-month analysis of Supply Chain Canada’s future-state options.

#### Steps taken by the SCMAO Board:

The SCMAO Board supported and agreed that this was the first step towards changing an outdated system.

### October 2020

Our stated commitment

#### At the SCMAO AGM:

The SCMAO Board Chair advised our members that we had committed to participate in a cross-country collaborative effort to ensure we are unified in serving our mission and vision.

“With clear commitment from all stakeholders, we can leverage the scale of our association, and the expertise that we have across the country, to move at speed in ensuring the growth of Supply Chain Canada and ultimately increased value and better service to our members.”

In addition, the SCMAO Board was active in working with the other institutes within the Federation structure to champion systemic changes.

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**February – June 2021:**

Merger Process

**Steps taken by Federation Council:**

In February 2021, the Federation Council collectively approved, in principle, that the separately incorporated Institutes and National Association should merge their operations, personnel, funds and other assets into a single legal entity.

The Federation Council also requested the development of a detailed Master Merger Plan outlining financial implications and member service and engagement enhancements, for review and analysis.

**Steps taken by the SCMAO Board:**

The SCMAO Board approved the secondment of our CEO to help build and develop the Master Merger Plan. In addition, the SCMAO Board constructed a dedicated sub-committee to oversee and support the merger plan development. Further, as part of their mandate, they also were charged with developing a process to determine viable Plan B options in the event the merger plan did not pass.

**Final Outcome: FC failed to accept the Master Merger Plan**

On June 30, 2021, the Federation Council voted against proceeding further, based on the voting structure outlined in the Federation Agreement, with a vote of 7 Institutes in favour (64%) of the Master Merger Plan and 4 Institutes against the plan.

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**July 2021:**

Plan B Development

**Steps taken by the SCMAO Board:**

The Ontario sub-committee was prepared with recommended Plan B options that would best serve members. Below are some options the Board considered but ultimately rejected as they did not serve our commitment to member values:

- 1) Merger of the willing (merger with the institutes who supported the merger)
  - a. The Federation Agreement itself would be a barrier
  - b. Would not unify the country and would create competition.
  - c. Evaluation of assets of those willing to merge VS not did not provide a compelling business case as being in the best interests of Ontario members.
- 2) Federation changes in voting structure based on proportional representation.
  - a. This would require all parties to agree to give Ontario 49% of the decision-making authority and it was unlikely that it would be accepted. The committee proposed that this should be the last option we present if all other options failed.
- 3) Status Quo
  - a. Given the data presented to us via the Master Merger plan, the risks presented in keeping the status quo were not acceptable, and no longer serve the best interests of Ontario members.
- 4) Centralization of Accountabilities by assignment and agreement
  - a. Due to fractured trust and the inability to collaborate, a centralized structure would not achieve success.

**Final Outcome: SCMAO Board Presents Viable “Plan B” Options**

Ultimately, four options were deemed possible by the Ontario Board, with one strong recommendation that would balance the independence of institutes, while also keeping a pathway towards full merger possible. This option was presented to the Federation Council on July 28, 2021. Please refer to Appendix A to view the viable options presented in Plan B

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**July 28, 2021**

Plan B Options NOT supported by the Federation Partners

**Steps taken by the Federation Council (FC):**

The Federation Council Met on July 28, to discuss the options towards a new path and the Ontario Board presented these options for the Federation to consider:

SCMAO made the following recommended change to the Federation Structure: Move to a regional approach, consisting of 3 Regions.

- This would mean that the present Federation model would be restructured and offer the FC a nimbler way to focus on priority projects as well as changing the voting structure into three groups (Eastern, Ontario, and Western), each with a single vote.
- A recommended first step toward a potential full merger would be to have the Eastern Institutes merge into the National Office – allowing the Eastern provinces a path forward to future sustainability.
- Ontario Institute offered \$1,300,000 in seed money to support the necessary investments that would be required to grow Eastern Canada.
- The regional approach offered a way for the remaining provinces to continue operating independently, while retaining an open path towards a full merger in the long term.

The Regional approach would have required consensus on key projects such as SCMP, branding, and advocacy but potentially may have led to a more equal work sharing model – with alignment and consensus being sought on a project-to-project basis.

**Steps taken by SCMAO Board:**

Anticipating the difficulty of discussion and agreement in a single meeting, and with a view to assisting the process, the SCMAO Board proposed the following: (Please refer to [Appendix B](#) to view Board Proposal)

- The Federation Council should give itself a year beginning on August 1, 2021, to determine a path forward acceptable to all Federation parties. If the Federation parties cannot reach a new agreement by August 1, 2022, then all Federation parties will be free to leave the Federation, and dissolve the Federation Agreement, without the need to formally Disassociate as individual entities.

**Final Outcome: FC rejected Ontario's proposal and declared a different path forward**

None of The Federation Partners supported the recommendations from the Ontario Institute. Instead, all parties agreed to the following:

- A review of the Roles and Responsibilities, and Funding Model as outlined in the current Federation Agreement. All parties agreed to reconvene for another meeting at the end of August 2021.

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**August 2021**

Establishing the Executive Working Group (EWG)

**Steps taken by Federation Council:**

The Federation Council met again on August 31, 2021, and reached a consensus on a path forward to address the Roles and Responsibilities and the Funding Model within the existing Federation Agreement.

**Steps taken by SCMAO Board:**

The SCMAO Board decided to support the work of the EWG and directed our CEO to actively participate. We hosted a 2-day workshop in our offices to facilitate the work of the EWG and executives from across the country.

**Final Outcome: Another attempt by the FC to work in collaboration**

An Executive Working Group was established, comprised of one representative from each Institute (most senior staff or board member) with a view to providing a set of recommendations for the Federation Council's consideration by December 15, 2021.

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## December 2021

EWG Recommendations rejected by the Federation Council.

### Steps taken by Federation Council:

The Federation Council met on December 15 and voted against the full set of recommendations provided by the Executive Working Group with a vote of 6 Institutes in favour (55%) of the recommendations and 5 Institutes against the recommendations (45%).

At a high level the recommendations proposed were the following:

- A transitional funding model - is to be finalized by December 31, 2022, and be applicable to the fiscal year 2023 (the transition year). The transitional funding model was presented for the fiscal year 2023 to incentivize growth and ensure that funding would be made available to support the execution of the stated shared priority projects (below).
- Roles and responsibilities - A framework that defined the respective roles and responsibilities to set direction and align to country-wide implementation/execution.
- Three shared priority projects were identified as requiring immediate alignment as they are critical for our collective success, with a commitment for project charters to be reviewed and approved by Federation Council by March 31, 2022:
  - Development of a new Canada-wide strategic plan
  - Education reboot for SCMP and SMT programs
  - Replacement of current CRM system

### Steps taken by SCMAO Board:

SCMAO voted in support of the full set of recommendations presented as we deemed them to effectively outline a proposed framework and transitional funding model that achieved the goals set out by the Federation Council on August 31, 2021.

### Final Outcome: FC failed to support the full recommendations of the EWG

The Federation Council approved moving forward with the three project charters related to the three shared priority projects. The Federation Council did NOT approve the approach to the Roles and Responsibilities nor the Funding Model. As a result, the original issues related to funding and roles and responsibilities remain outstanding.

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## January 2022

SCMAO Special Members Meeting to update and consider the Path Forward

### Steps taken by the SCMAO Board:

The SCMAO Board held a Special Meeting of Members on January 13 and provided an update to the members in attendance and committed to the following:

- To pre-schedule a Special Meeting of Members in May 2022 to provide another update related to the Federation Structure and our recommendation on the matter of whether to trigger notice of voluntary disassociation or stay within the current Federation Agreement.
- The Board would make a recommendation based upon:
  - The outcomes of the March 31, Federation Council Meeting.
  - After consideration for every possibility to keep the Federation together while maintaining the best interests of the Ontario Members at the forefront.
  - Management's proven ability to construct a plan to stand independently and maintain the exceptional service you are accustomed to receiving today.

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## March 2022

Federation Council at an impasse once again and Project Charter work not completed.

### **Steps taken by the SCMAO Board:**

The SCMAO Board met on March 9 and reviewed an update by management on the status of the project charters. As a result, the SCMAO Board directed the SCMAO Board Chair and SCMAO CEO to present our final option that was recommended: “Proportional representation voting structure” at the next Federation Council meeting.

### **Steps taken by the Federation Council:**

On March 31 the Federation Council met to receive an update on the status of the project charters, among other agenda items.

As directed by the SCMAO Board, the SCMAO CEO and SCMAO Board Chair presented and proposed the idea of adjusting the voting structure as a means of overcoming the impasse. Specifically, proportional representation calculated by the number of Institute members or by Assessment Fees was proposed. Institute representation was proposed to be capped at 49% to ensure no single entity holds a majority.

### **Final Outcome: FC rejected the suggested change to Voting Structure and Project charters were NOT completed.**

- Re: Adjustment of voting structure: On March 31, 2022, the Federation Council met and did not support the proposition of proportional representation.
- On March 31, 2022, The Federation Council met and the update related to the project charter work was NOT completed. It was evident that the attempts to develop project charters did not prove valuable nor did they yield any deliverables for our members in Ontario nor across Canada.

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## April 2022

### **Steps taken by SCMAO Board**

The SCMAO Board reconvened on April 7 and 9 to review the outcomes from the Federation Council Meeting of March 31 and the Operational Plans recommended for SCMAO to move forward. The SCMAO Board weighed the evidence and results from the FC, as well as the merits of the Operational Plan as it relates to delivering value to Members in a sustainable way, in order to make their recommendation to Members.

**Conclusion: The SCMAO Board has reached a recommendation and as a next step, the Board would engage and discuss its recommendation with all Committee members and our Volunteer Regional Ambassadors (VRAs) before it finalizes their recommendation to the Ontario membership.**

## **SUMMARY OF EVALUATION AND FINAL RECOMMENDATION:**

As Supply Chain professionals we have all encountered challenges with agreements and handling grievances. As with any agreement we similarly engaged in finding ways to mediate and resolve the challenges. We disclosed intentions and aligned on the issues, we actively participated, negotiated, and showed compromise to establish an agreement that would allow us to move forward. However, all attempts to remediate were unsuccessful.

After many attempts in the last three years, to negotiate a new agreement that serves all Institutes better, it is evident that a solution that appeals to all parties is not possible.

The SCMAO Board has concluded that the only plausible option remaining is to exit the agreement. As Supply Chain professionals themselves, the Ontario Board members, felt that any member given this evidence would conclude the same.

## **WHAT DOES THIS MEAN FOR MEMBERS? WHAT IS REQUIRED TO EXIT THE FEDERATION AGREEMENT?**

As stated in the Federation Agreement (in accordance with s. 13.1 of the Federation Agreement), voluntary disassociation requires authorization by vote of at least two-thirds of the Association's members present or represented by proxy at the special meeting of the members of the Association called for this purpose. A disassociation is effective one year after written notice of such member approval is given to the National Secretariat unless further notice is given withdrawing the initial notice.

## **HOW ARE MEMBERS GOING TO BE IMPACTED?**

At the Special Meeting of members in January of this year, we advised members that the areas impacted, should we choose to disassociate from Supply Chain Canada and its federation partners, would include:

- 1) Branding/Advocacy
- 2) Website and Database
- 3) Education IP - access to the current dated SCMP and SMT curriculum
- 4) Membership impact would vary based on your membership type but remain consistent for 12 months until after the effective date of disassociation.
  - a. Per the Federation Agreement, during the notice period of 12 months, your membership and status remain unaffected. Following disassociation, your options will be:
    - i. To continue to renew with SCMAO – \$295 - no longer will automatically include membership with Supply Chain Canada (National Institute)
    - ii. To Renew with Supply Chain Canada as a separate entity
    - iii. Renew membership with both organizations separately.
  - b. For CSCMP Designation Holders, it is important to note that SCMAO retains a Special Act within Ontario – [Bill PR19](#) and Designation holders must renew their membership with SCMAO to preserve and retain the ability to continue to carry the CSCMP designation.

The SCMAO Audit Committee and the SCMAO Board unanimously approved and supported Management's proposed Operational Plan for disassociation that addresses the areas impacted. The plan was approved following careful consideration, and with legal input on key risks. The Board is confident that our service to members and the community in Ontario will be enhanced post disassociation. **See page 3 for the Operational Plan.**



## CONCLUSION:

On behalf of all our SCMAO committee members, Volunteer Regional Ambassadors, management, and staff, the SCMAO Board, acting with fiduciary responsibility, and based on evaluation of the facts, has concluded that we must proceed with triggering the notice to voluntarily disassociate. It is the clear path forward.

The current results are not in line with the intended objective of the Federation Agreement. The Federation has not been able to deliver against our mission and stated objectives, which were:

- 1) Grow to reach a critical mass to be voice of supply chain in Ontario and across Canada.
- 2) We must enhance our offerings to members if we are to remain relevant as an Association.
- 3) The SCMP (CSCMP in Ontario) must become the leading and most respected supply chain designation in Canada, which employers MUST seek more often than they do today.

All efforts to reach alignment have failed, and the federation has not, and will not be able to provide demonstrable value and relevance to our members.

In addition, given the sustainability risk of the Federation as a whole, along with the continued diminishing revenue stream from the delivery of SCMP online modules, on behalf of the country, Ontario Institute faces immense financial pressure to continue with Status Quo arrangements. SCMAO will be unable to fund the assessment model of the current Federation, without increasing membership dues from \$410pp to \$510pp. It is you, the Ontario members, that will bear the cost of subsidizing other independent entities.

The opportunity of disassociation will immediately reduce membership dues from \$410pp to \$295 and introduce group membership rates of \$250pp, enhance education offerings, and unlock the opportunity for SCMAO to invest in ensuring that the CSCMP designation remains the leading and most respected supply chain designation in Ontario and by extension, across Canada.

Ultimately, we are here to serve you, and you have the opportunity to choose the path forward for the association you want to participate in. Should you have any questions or comments to share prior to the special members' meeting, please reach out to me at [A.khalfan@supplychaincanada.com](mailto:A.khalfan@supplychaincanada.com). Our only mandate is that you have all the information you need to make an informed decision on May 31!



## APPENDICES:

### Appendix A: Ontario's Proposed Plan B

#### ONTARIO PLAN B OPTIONS BEING CONSIDERED

JULY 9, 2021

OPTIONS	INSIGHT INTO OPTIONS (WHAT DOES THIS MEAN?)
<p><b>Federation change - 3 Regions</b></p> <ul style="list-style-type: none"> <li>• Eastern Canada merges with National,</li> <li>• Ontario stands alone,</li> <li>• Western institutes stand alone</li> <li>• and agreements on project to project basis plus MOU to respect territories.</li> </ul>	<ul style="list-style-type: none"> <li>• Federation model as presently implemented, goes away.</li> <li>• Would likely require paying off the assessment liability from each province (Ontario is approx. \$1.3 million), but would offer Ontario a path to growth, offer the FC a more nimble way to focus on priority projects and change the vote to three groups (eastern, central, and western).</li> <li>• Given eastern provinces a way to sustainability, gives National away to contribute to growth (and financially seed money to invest into Eastern Canada), removes ongoing assessments so collaboration is more likely.</li> <li>• Will still require consensus on key projects SCMP, branding, advocacy but could lead to a more equal work sharing model (not everything is dumped on National).</li> <li>• FC structure is out and alignment and consensus is sought on a project to project basis and authority resides with management VS volunteer leaders.</li> </ul>
<p><b>Federation change - National only does advocacy</b></p> <ul style="list-style-type: none"> <li>• and provinces take on all other elements at the provincial level</li> </ul>	<ul style="list-style-type: none"> <li>• Federation model as presently implemented, goes away.</li> <li>• Resolve assessment liability.</li> <li>• Gives Ontario full autonomy on serving its members and removes interdependencies.</li> <li>• Ontario would need to build on our SCMP curriculum, website, database, but would only pay a smaller fee to retain access to name and advocacy.</li> <li>• Gives provincial institutes full autonomy on serving their businesses and as such full accountability for results, allows for sharing of ideas without expectations, leverages National for its strengths and maintains national brand perception.</li> </ul>
<p><b>Ontario Institute stands on its own</b></p> <ul style="list-style-type: none"> <li>• Ontario Disassociates (We pay liability, Build own Curriculum).</li> </ul>	<ul style="list-style-type: none"> <li>• Federation model as presently implemented, goes away.</li> <li>• We settle assessment liability.</li> <li>• Will require member buy-in.</li> <li>• Creates risk in that Ontario no longer has the backing of a national brand and opens us to increased competition.</li> <li>• Gives us full autonomy in Ontario.</li> </ul>
<p><b>Federation change - all disassociate and stand on their own</b></p> <ul style="list-style-type: none"> <li>• Federation model goes away</li> </ul>	<ul style="list-style-type: none"> <li>• Federation model as presently implemented, goes away.</li> <li>• Displaces National and eastern Canada, we lose the perception of being national and the strength to fight competitors.</li> <li>• Unlikely that institutes who can not afford to stand on their own will choose this path.</li> </ul>



## Appendix B – Proposal to take a year to re-negotiate the Federation Agreement



**Supply Chain Canada, Ontario Institute**  
1 Dundas St W, Suite 2704, P.O. Box 64  
Toronto, Ontario, M5G 1Z3  
T 416-977-7566 | 1-877-726-6968  
F 416-977-4135 | info.on@supplychaincanada.com | supplychaincanada.com

### **DELIVERED BY EMAIL**

**July 22<sup>nd</sup>, 2021**

Attn: ██████████ Chair, Federation Council, Supply Chain Canada  
CC: Federation Council Members, Supply Chain Canada

Dear colleagues,

### **Re: Proposal to Federation Council**

We are writing regarding the future of the Federation. While the Federation Council will be meeting soon, it is extremely unlikely that decisions regarding the best path forward for the Federation and the Institutes will be made in a single meeting. As a result, and with the intent of assisting the process, the Ontario Institute would like to propose to the Federation Council the following process, which we have discussed with legal counsel.

### **Context**

The recent inability to obtain adequate support for the proposed Master Merger Plan indicates that the status quo set out in the Federation Agreement is not sustainable.

To enable the parties to have a useful dialogue regarding the future of the Federation and to prevent each party having to undertake the steps required by section 13.1 of the Federation Agreement to move toward Disassociation, including the holding of members' meetings by Institutes who wish to Disassociate, we propose that all parties agree to the following:

- 1) The Federation Council will give itself a year beginning on August 1, 2021 to determine a path forward acceptable to all Federation parties.
- 2) If the Federation parties cannot reach a new agreement by August 1, 2022, then all Federation parties will be free to leave the Federation without the need to formally Disassociate.

We thus are proposing the following draft resolutions to be tabled at the upcoming Federation Council meeting.

### **Proposed Resolution**

WHEREAS section 15.5 of the Federation Agreement contemplates a review by the parties within two years following its execution, and every five years thereafter;

AND WHEREAS the review contemplated by section 15.5 has not occurred and the parties have agreed to engage in such a review commencing August 1, 2021;



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1 Dundas St W, Suite 2704, P.O. Box 64  
Toronto, Ontario, M5G 1Z3  
T 416-977-7566 | 1-877-726-6968  
F 416-977-4135 | info.on@supplychaincanada.com | supplychaincanada.com

AND WHEREAS section 1.1 of the Federation Agreement enables the Federation Council to amend the Federation Agreement;

BE IT RESOLVED THAT:

- 1) Until such time as the revised Federation Agreement or replacement agreement has been accepted by the Federation parties or August 1, 2022 (whichever is earlier): the Federation Council shall collaborate with the Federation parties in reviewing the Federation Agreement to consider and implement revisions or a replacement agreement with a view to the best interests of the members of the Institutes and no party to the Federation Agreement shall make any changes to its by-laws with respect to member eligibility or fee structure.
- 2) In the event that the revised Federation Agreement or a replacement agreement is not accepted by the Federation parties before August 1, 2022:
  - a. the Federation Council waives its rights under section 13.1 of the Federation Agreement and shall cause the National Secretariat to waive its rights, as applicable, to require that any Institute wishing to Disassociate from the Federation must seek approval from members and provide notice of the approval to the National Secretariat or another party;
  - b. any Institute may Disassociate without following the process in section 13.1 of the Federation Agreement; and
  - c. the Federation Agreement shall be of no further force or effect and appropriate steps, if any, will be taken to formalize the termination of the Federation Agreement.
- 3) To the extent an amendment to the Federation Agreement is required to give full force and effect to the above resolutions, such amendment shall be deemed to have been made.

In the event an acceptable approach cannot be adopted, the Ontario Institute will have to consider moving forward with a members' meeting to seek approval from its members to Disassociate. We look forward to having the opportunity to meet and discuss the more effective path for all parties.

Sincerely,

Bernie Uhlich  
**Ontario Institute, Federation Council Representative and Vice Chair, Ontario Institute, Board of Directors**