

EC 20/20

A white paper on THE RESTRUCTURING AND refocusing OF Equine Canada's governance and administration.

Executive Summary

Equine Canada's Audit Committee, in response to a request from the membership has prepared a White Paper titled "EC20/20". The White Paper recommendations are designed to enhance governance and ensure financial viability. EC20/20 identifies:

- Structural changes to clarify responsibilities
- Management changes that will enhance execution of the Mission statement
- Enhance revenue opportunities that will strengthen the bottom line.

The Recommendations

The EC20/20 reviews and highlights the Vision and mandate of Equine Canada; it then sets out simple clear objectives that will serve as stepping stones to achieve that vision. The revenue streams were reviewed and recommendations made that strengthen the ability of the Divisions to carry out the EC mandate.

The Committee adopted a member's perspective and asked: "What is needed from EC?" The seminal answer was leadership!

Considering this, the principal recommendations were developed as a four step process:

1. Strengthen leadership
 - a. Fewer Directors, greater independence, selected competencies
 - b. Membership is the purview of the Board; whereas, licenses, levies, subscription/affinity fees, and so on are part of a Division's revenues.
 - c. Fewer committees, more delegation
 - d. Financial allocations linked to Division objectives and supported by measurable outcomes.
 - e. Eliminate internal taxation, restore governance allocation to Divisions.
2. Strengthen Divisions and enhance communications
 - a. Fewer Divisions. Sport, Breeds, Recreation: this is the business of the organization.
 - b. Budget justification must include measurable outcomes.
 - c. Clarify reporting structure through the creation of directorates.
3. Create a robust funding model.

- a. Administration Revenue is membership based: Membership fees, donations, and special programs.
 - b. Division Revenue is program based. Sources of revenue will be subscription fees, license fees, show contracts, donations, program revenues, fundraising, etc.
4. Increase democratic participation
- a. One member, one vote.
 - b. Members declare Division affiliation on joining EC and vote within that Division
 - c. Aggregate decision (2/3) of the Divisions determines the outcome at meetings of members.

General Meetings of Member – Division Vote Cast

Division Assemblies – Member Vote Cast
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The committee has created a template for the Board, a governance budget sheet and a suite of Bylaw changes to support these recommendations. The principal component of these recommendations is that Equine Canada must concentrate on its mandate and must realize the level of funding necessary to achieve its vision.

The Background

The membership charged the Audit committee to review the top level direction of the organization and to comment on the appropriateness of EC operations. In response to this request, the Audit Committee met in Calgary to consider the mandate, vision and mission of EC, to juxtapose against these imperatives the existing governance and administrative structures. The objective of this review was to determine if the mandate and mission of the organization should be restated, and/or if specific governance and administrative recommendations could be made to better align EC activities with its Vision.

Following a lengthy discussion of the available documentation, the following précis was made to capture, what in the committee's opinion, was the global mandate of the organization.

The mandate of Equine Canada is:

- To create and nurture a unified Canadian equine community.
- To represent, promote and develop all equine and equestrian interests
- To achieve international preeminence in industry and performance
- To serve as the single governing body for national interests
- To integrate regional, provincial/ territorial, national efforts to develop and advance the environment of the equine community
- To deliver national programs that support Canadian objectives

Given that this mandate is comprehensive and a real representation of the role of Equine Canada, the committee discussed the basic elements needed to carry out the mandate.

Steps to achieve the mandate:

1. A financial model that supports programs and permits growth.(Addendum 1)
2. Governance structure that reflects mandate. (Addendum 2)
3. A mechanism to identify, inform and educate members; enthuse Canadians; analyze progress and promote our mandate. (Addendum 3)

The Equine Canada Vision identifies the long term objectives of the organization. These go far beyond the vital benchmarks of podium results, and speak to the cultural values of Canadians. As a country with limited resources, this lofty vision may be attainable if the total equine industry can be recruited to the effort.

The Vision Statement:

Canada is a great nation where...

- Every child has the opportunity for an equestrian experience
- Every Canadian has access to the use of horses for leisure, sport and commerce
- Equine activities are an integral part of the Canadian culture
- International success stems from strong, integrated national sport and industry programs
- The welfare of the horse is paramount
- There is an economically viable horse industry.

Steps to achieve the Vision were laid out in part in the organizations mission statement available in the Governance Policy Manual (GPM). The mission statement has been modified to emphasize a cooperative approach to achieving the Vision while operating within EC's mandate. The modifications were based on the following six points:

1. As a member based organization, Equine Canada will place a high priority on timely communication with all its members.
2. Equine Canada will strengthen its network of service affiliates to achieve its mission.
3. As the national leader in the business of horses, EC will hold multi-lateral policy discussions and implement agreements that lead to innovation in service programming and delivery.
4. Recognizing the geographic and business diversity of its member organizations, EC will craft agreements that each affiliate may pursue according to their interest or capacity.
5. Equine Canada's affiliates must support the aims and objectives of EC.
6. Equine Canada will ensure that multi-party projects are supported by information sharing through transparent communication. Equine Canada must commit significant resources to develop effective communication among affiliates.

These principles are essential to the implementation of the mandate and mission of Equine Canada

MISSION STATEMENT

The existing mission statement was not grouped according to function and this contributed to the perceived lack of direction of the organization. The Audit Committee reexamined these objectives, refined the wording and grouped them under the four lines of activity. An important reference document was the summary statements of membership priorities obtained from the national surveys performed in 1998 and 2002.

Our members look to this organization:

1. For Sport leadership to:

- A. Represent, promote and advance equestrian sport in Canada;
- B. Be the National Governing Body
- C. Develop a Canadian Equestrian Team
- D. Represent Canada at international and national competitions;
- E. Initiate and coordinate horse-related programs for youth
- F. Develop horses, athletes, coaches and officials to improve equestrian competition; (See addendum 4)

2. For Industry leadership to:

- A. Represent, promote and advance all equine and equestrian interest in Canada at the national and international level as the cognate National Body
- B. Coordinate and simplify the administration of programs for horses
- C. Liaise with and advise the Federal Government on issues relating to the horse industry
- D. Provide leadership and support in the breeding, training, welfare and protection of horses

3. For Recreation and education:

- A. Promote education and safety in the care, handling and enjoyment of horses
- B. Advocate on behalf of the Equine community
- C. Develop programs that encourage and attract increased participation by new enthusiasts.

4. To administer the Strategic Plan that begins with a series of objectives and responds to the key elements of the mission statement ;

- A. Provide single-window access to services and goods
- B. Affiliate with and represent Canada to international bodies governing the various disciplines of equestrian sport and of the industry

- C. Seek support from and work cooperatively with organizations, agencies, groups and individuals having aims and objectives that are consistent with those of the Corporation
- D. Collaborate with Provincial/Territorial affiliates, National Associations and other organizations in the delivery of services to members
- E. Provide a forum to improve transparent communication and cooperation among all sectors of the horse industry to address issues, concerns and problems that are pertinent to the entire industry
- F. Raise, use, invest and reinvest funds to support these aims and objectives.(Addendum 5)

The Audit Committee has reported that deficiencies exist in the prosecution of the mission statement. These are sufficiently profound as to require organizational reform. The series of recommendations contained in this report and supporting addenda are intended to facilitate reform. These documents must receive the constant attention of the Board to ensure that EC continues to pursue at the highest level possible the Organization's Vision.

REPORT AND RECOMMENDATIONS

Here we report our findings in a White Paper titled "EC20/20".

The audit committee recognizes that EC20/20 is recommending substantial reform. The Audit Committee takes the welfare of Equine Canada very seriously and we recognize that there are past relationships that will be significantly altered; however, as discussed in the report, the affected parties in most cases will have greater opportunities for financial success than they have experienced in the past.

Challenges The organization is complex. This creates difficulty in generating consensus and in providing strong leadership. Why is this?

- Competition for scarce resources leads to internal conflict. This results in continuing disagreement amongst the various parts of the organization as everyone seeks to survive.
- Equine Canada has a broad mandate that places large demands on its volunteers and staff. This results in diminished ability to develop consistent expertise.
- The existing funding model does not generate sufficient funds to properly deliver on its mandate.

This report considers the organization as a whole. Elements have been added and removed with the notion of clarifying roles and responsibilities and thus enhancing the decision making process. The priority in setting forth these recommendations was the alignment of the organization with good business practices, and that in large measure means enhancing the bottom line considerations of the organization.

Membership This strategy required that EC take firmer hold of its membership. Individuals who support the aims and objectives of Equine Canada, and who pay an annual membership as determined by the Board are eligible to be Equine Canada members. It is these members who will determine the direction of the organization. These members join the organization because of an interest in some aspect of the industry. As a corollary, the natural configuration of the divisions becomes its lines of business.

Three Divisions As such, the natural configuration produced three division – **Sport, Recreation, and Breeds & Industry**, each with distinct program responsibilities. In this paradigm, members declare an affiliation upon joining Equine Canada. Lateral movement is possible. For example, a new rider may join declaring a Recreation affiliation, and then subsequently migrate to Sport. In addition, this strategy provides core funding for the organization.

The new role for the Provincial/ Territorial Affiliates is in their participation in divisional activities and in their contractual relationships with Equine Canada for the delivery of programs. In addition, a stronger Equine Canada may be able to offer cost effective national programs that financially benefit their service providers. For example, in the delivery of Coaching programs Equine Canada has developed an integrated national coaching program in line with Sport Canada requirements. These could be delivered through agreements with provincial organizations.

National Service Organization Equine Canada is conceived as a service-based organization. This requires developing service relationships with many entities. As a result, we are recommending a change in the relationship between EC and the existing service providers. It is recognized that the Provincial/Territorial Organizations (P/TOs) play an important role in delivering EC services.

- The Board must develop and oversee the implementation of the business plan, strategic plan, financial model, budget, and monitor the performance matrix. This focus will require enrichment with certain expertise.
- The Board's Governance Manual will reflect all delegated responsibilities. For example: the roles and responsibilities of senior management, of the Divisions, and contracted associates will be detailed in this document.
- Divisions must operate independently and efficiently within their areas of delegated responsibility according to an approved strategic plan and budget.

The restructuring is conceived as four major steps:

Step 1. Alignment of Board priorities:

The membership must accept the concept that the function of the Board is governance, finance and oversight with a limited executive responsibility.

The functions are:

- a) Governance & policy. The continued development of the GPM and oversight to ensure its policies are enacted.
- b) Financial oversight. Vigorously challenge the administrative financial requirements and the divisional allocations. Financial allocations must be linked to division objectives and must be supported by measurable outcomes.
- c) Limited executive function. The Board must continue to distance itself from the operations of the organization. In support of this the number of Board committees should be reduced:
 01. Essential executive Committees:
 1. Executive Recruitment, Review & Retention (CEO, CFO)
 2. Staff Grievance
 3. Officers ad hoc committees
 02. Essential governance committees
 1. Governmental affairs
 2. Governance and bylaws
 3. Nominations
 03. Recognition committee
 1. Membership
 2. Awards (lifetime)
- d) **Expertise requirements:** the Board should be populated by individuals having the following competencies and wherever possible, individuals should also have significant knowledge of the some aspect of the industry.
 01. Business management
 02. Financial management
 03. Program managementThe members have indicated and the committee strongly endorses that these individuals must be free of real or perceived conflict of interest.
- e) **Officer requirements:** The officers of the corporation will be appointed. It will be the task of the Nominations Committee to identify suitable candidates for the positions and to solicit their involvement. The organization requires at least three officers: a Chair, Secretary and Treasurer. The duties of these positions are listed in the bylaws and elaborated in the GPM. In addition, this committee has the following additional recommendations.

01. **Chair of the Board**– The independence of this position cannot be overemphasized. The Chair must have had significant prior general board expertise and must have a comprehensive knowledge of the organization. It is preferred that the Chair be able to communicate in both official languages.
 02. **Treasurer** – The bylaws require that this position is occupied by an individual with a financial designation. The committee strongly endorses this. In addition the individual must be organizationally independent and not be party to any significant business with the organization. This individual should also have significant prior board expertise.
 03. **Secretary** –There is a strong recommendation this position be filled with an individual competent in both official languages.
- f) **Directors.** Directors must always act in the best interests of Equine Canada. The number of directors may change from time to time, but the aim should be to operate with a smaller Board. Refocusing the Board to minimize operational or administrative activities will allow it to operate efficiently with fewer numbers. The recommendation is that the current eleven directors be reduced to nine. There will be three directors with clear Division origins. The Divisions will nominate candidates to the Board, these individuals must be knowledgeable of their Division and its activities. Three “Member” Directors will be elected by the members. The competencies of these candidates will be established and advertised by the Nominations Committee.

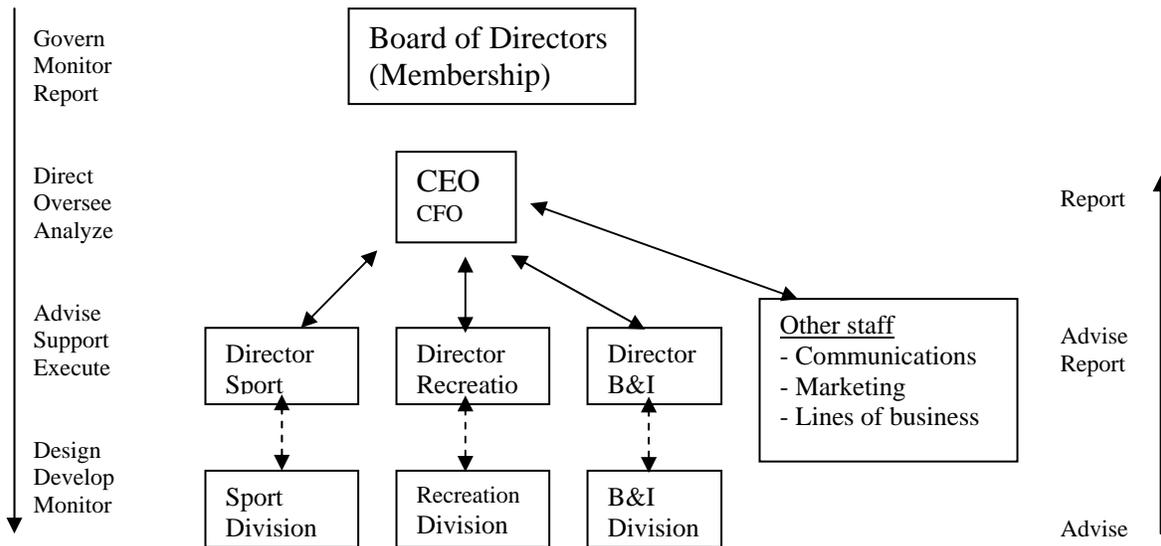
<u>EC Board Composition</u>	
Sport Division	(1)
Recreation Division	(1)
Breeds & Industry Division	(1)
Member's Directors	(3)
Officers [appointed]	(3)

Step 2 Clarification of reporting functions

The lines of communication within the organization must be clarified. The Audit Committee recognizes that it has been difficult in practice to maintain distinct reporting paths. However, if all participants acknowledge the importance of timely communication, reporting lines can be simplified and thus made more effective. A stylized communication chart is provided that may form a starting point for an overall communications chart.

The Board has a major responsibility to communicate with its members and to ensure that the divisions are fully apprised of its position and decisions. This is not a “nice to have” but a necessity. Similarly, salient information from the divisions must reach the Board in a timely manner. The diagram below shows the down stream levels of communication. That is, the Board’s responsibility is to report to the members on the direction and integrity of the organization. The Division’s responsibility is to report to subscribers on programs and achievements. Crossing these lines or failing to act on these imperatives causes errors and voids in communication.

Communication Chart

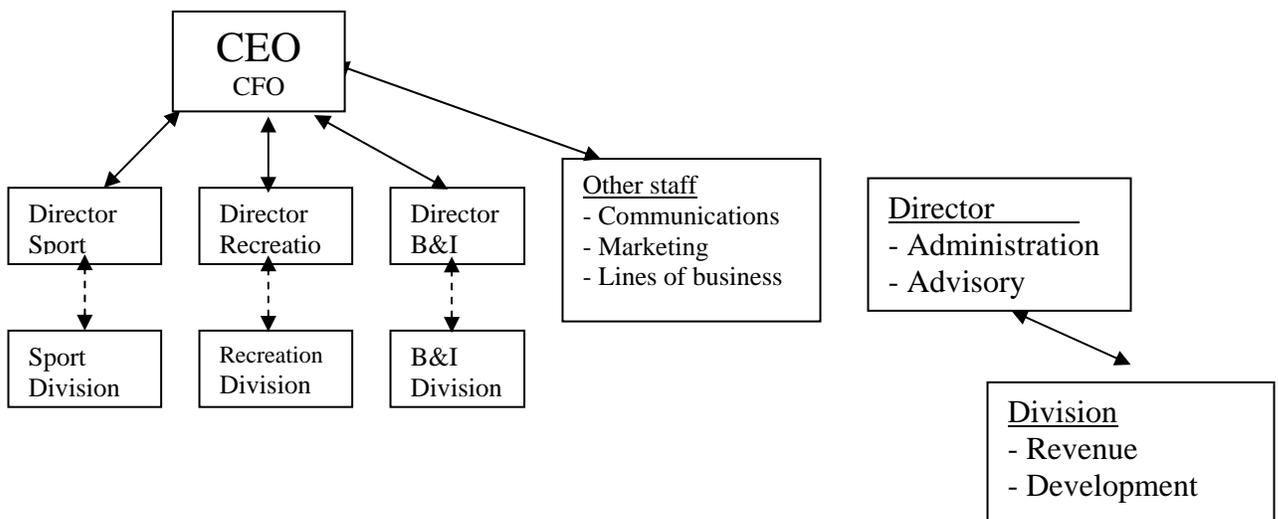


Operations: Under this design the Board has limited executive function, in fact executive function is limited to extra-ordinary situations such as the loss of senior management. It is important that the staff and volunteers mutually understand their roles. The staff, all of them, report directly or indirectly, to the CEO, who with the CFO reports to the Board. The Board as a whole directs the staff through the CEO.

Division administration is overseen by the staff Director who receives her/his policy and direction from the volunteer council, not from individuals. The director also plays the dual role of advising the council on administrative matters.

Within a directorate there may exist specialty managers. These individuals report to their director but also receive general direction from the Discipline Boards (DB). They too have the dual role of advising the DB's on discipline specific administration. It is critical that these roles are respected.

Reporting Structure



Step 3. Development of a robust funding model

The organization must be funded at various levels using multiple revenue sources. It is pointless to set out priorities and not provide access to the funds or fundraising tools required to achieve these objectives.

The following general areas for revenue generation are recognized and recommended:

- a) Administration Revenue is membership based: Membership fees, donations, and special member programs.
- b) Division Revenue is program based. Subscription fees, license fees, show contracts, donations, program revenues, fundraising

Note: Allocations of member based revenues may be made to ensure that each division has sufficient funds for basic operations.

1. We want to underline that membership is the purview of the Board and forms the basis of governance revenues; whereas, licenses, levies, subscription/ affinity fees, and so on may form part of the funding mechanisms exercised within a Division's budget process.

Membership:

Membership in EC must be available to all those interested in joining. Those with an interest in sport, recreation or industry and who support the aims and objectives of Equine Canada are eligible to become members. This simplifies the application process. EC must pursue members through multiple marketing points including:

- Breed offices
- Industry offices
- Provincial offices
- Web sales

A key member benefit is the opportunity to purchase national programs. These programs will be developed by Equine Canada and may be resold by affiliated organizations as part of their member package.

Step 4. Increase democratic participation in EC elections

The goal here is to offer members more opportunity to participate in decisions made at the AGM. The basic tenet is that one member carries one vote. However, in recognizing the equivalency of the Divisions, the outcome is determined by the Division block vote (one vote per division, 2 out of 3 carries the vote).

1. Individual members entitled to one vote – by division as declared annually with membership renewal.
2. Members must be in good standing 90 days prior to the AGM.
3. Each division votes. Pass/fail within the Division then 2/3 divisions carry the vote.
4. No proxy – electronic voting permitted.

To achieve these reforms a suite of bylaw changes are required. These include:

1. Number of directors / Board structure
2. Reference to provincial council
3. Membership
4. Voting and Notification

In summary, the minimum and immediate priorities must be:

- a) Set a membership fee
- b) Pursue governance reform
 - Increase democracy
 - Profitable lines of business
- c) Develop Uniform national programs
 - e.g. equine medicare

EC 20/20 is recommending comprehensive changes... but we want to **achieve** new objectives and this means using new methodologies. The suite of changes will begin the process of establishing a firm financial footing for the organization and with that will come the ability to act on areas of the mandate where EC has been silent.

Addendum 1

A financial program that supports programs and permits growth.

Each Division is charged with developing a budget that supports its existing programs and provides for growth. In addition, expenditures within divisions must be accountable, that is the divisions must provide some objective outcomes analysis for the expenditure. Similarly, the Board must prepare and publish its program objectives with a subsequent performance report. The retained earnings portion of the governance budget is designed to be used to address key areas of the mandate... those that EC has been unable to undertake for lack of funding. These funds will also be used for bridge funding where expenses must be incurred before the supporting revenue is realized.

This proposal's strengths include:

- restoration of governance allocations to the Divisions.
- availability of non-restricted funds for project initiatives
- clarification of budget structure and the removal of internal taxation.

The weaknesses lay in obtaining the cooperation of the national affiliates and provincial offices to participate in a national membership program. However, there are two important benefits: first, the organizations will enjoy a better margin on the insurance product, second the contractual relationship to provide EC programs will clarify the roles and responsibilities of each organization.

Proposed Governance Budget

REVENUES	
¹ Membership	\$750,000
² Horse License	\$93,000
Interest/ Investment Income	\$22,000
Membership First Program	\$55,000
Marketing (Sponsorship)	\$45,000
Miscellaneous Income	\$30,000
Database fees	\$10,000
Saleable Goods	\$84,000
MasterCard	\$55,000
Service Charges	\$18,000
Grants - Misc	\$30,000
Convention Sponsors and Registration	\$25,000
National Program	\$1
TOTAL GOVERNANCE REVENUE	\$1,217,001

EXPENSES

Office Expenses	\$37,000
HorseLife Mailings	\$20,000
Translation	\$20,000
Information Technology Maintenance	\$15,000
Internet Connection	\$14,000
Database & Results Development	\$65,000
Legal Fees	\$6,000
Audit Fees	\$19,000
Depreciation	\$25,000
Insurance	\$31,000
Convention	\$25,000
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	\$277,000
Rent	\$100,000
Salaries & Benefits	\$600,000
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Board/committee meetings	\$46,000
Programs	\$27,000
marketing promotion	\$45,000
TOTAL GOVERNANCE EXPENSES	\$1,095,000
³Retained earnings	\$122,001

1. Membership fees were set at \$10.00)

The reduction in allocation of administration overhead will occur in synch with the increase in membership revenue.

2. The various license fees have been grouped

3. Retained earnings will be allocated to strengthen key areas of the organization to better fulfill its mandate.

For example, it is anticipated that the Recreation Division will receive an interim allocation to cover part time clerical support and to initiate programs. However, in keeping with the independence of the Divisions, it is anticipated that each Division will be self-sufficient, developing revenue streams within its mandate.

Addendum 2

Governance structure that reflects mandate.

Board structure.

The current composition of the EC Board does not encourage strong support of global EC interests: there is too much emphasis on what should be matters left to the divisions to govern. There are eight division representatives and three at-large representatives. The only prerequisites of becoming a board member are that one represents a division or is a member of a PSO/TA or national association. Professional skills obtained either through education or experience are not required or considered.

To effectively carry out the EC mandate, the following board competencies and composition are advocated:

- a) Governance & policy
- b) Financial oversight
- c) Limited executive function
- d) Committees:
 - Executive Recruitment, Retention and Review. (CEO, CFO)
 - Staff Grievance
 - Other
- e) Competencies:
 - Business management
 - Financial management
 - Program management
- f) Officer requirements (Chair and Treasurer)
 - Chair – Independence; Board expertise; bilingual preferred
 - Secretary/Treasurer – Financial designation; independence; Board expertise – Bilingual.

Membership: one representative of Sport, one of Recreation, one of B&I, three directors- at-large and two appointed officers (Chair and Secretary/Treasurer). Total = 8.

Addendum 3 Membership Committee

A mechanism to identify, inform and educate members; enthuse Canadians; analyze progress and promote the mandate.

Desired outcome:

The means to

- Identify potential members
- Inform potential members of the benefits of belonging to EC
- Be an educational resource to all members and potential members
- Create enthusiasm about equine and equestrian activities among the Canadian public
- Effectively analyze progress and build on strengths
- Effectively promote actions in support of our mandate.

To that end:

- An ad-hoc committee should be formed with the sole aim of drafting guidelines regarding the intended scope of the foregoing goals, to be followed up by an operational plan based on those guidelines. The later under the chairmanship of the CEO.
- The ad-hoc committee should consist of five people with the necessary professional background to undertake such a task. That background includes but is not limited to organizational planning, communications, marketing and administration. A good understanding of not-for-profit (volunteer) organizations is an asset.

Addendum 4 Sector Leadership

Desired outcome:

- A pro-active process coordinated by the Councils, with input from all disciplines/ affiliates (DA), resulting in constant vigilance for opportunities to improve the provision of support services to the Canadian equine and equestrian community.
- A pro-active process coordinated by the CEO, with input from the EC Board, EC Council and DAs, resulting in improving Equine Canada's standing with relevant government agencies and national and international organizations.

To that end:

- An evaluation system, with measurable outcomes, has to be established by the Councils providing cyclical information from all DAs on the effectiveness of the services being provided and the identification of required additional or improved services. Implementation should be gradually introduced and fully in effect by February 2008.
- A method needs to be established by Sport Council to establish a flow of information to potential member groups, establish contacts with such groups and suggest advantages to joining EC. To be put in effect during the 2008/9 fiscal year.
- An evaluation system must be developed by the EC Board and the CEO to ensure that exemplary business practices, with measurable outcomes conforming to government standards, are established and maintained.
- The CEO and her Directors should belong to and be active in government organizations and general sport organizations to keep up to date with developments and to establish personal relationships.

Addendum 5 National Administrator

Desired outcome:

- An established forum to improve transparent communication and cooperation among all sectors of the horse industry.
- A well established position of national coordinator/provider of goods and services required for national equine and equestrian activities.
- A functioning network of collaboration with all EC affiliates and other organizations in the delivery of services to members.
- An effective process to act as the liaison, through affiliation when appropriate, with Canadian and international bodies governing the various disciplines of equestrian sport and the industry.
- A successful method of obtaining support, on behalf of equine and equestrian interests, from organizations, agencies, groups and individuals having aims that are consistent with those of EC.
- An effective and efficient system to addressing issues, concerns and problems that are pertinent to the entire industry.
- An infrastructure and financial stability capable of fully supporting the foregoing activities.

To that end:

- An ad-hoc committee to be established by the EC Board to analyze the foregoing desired outcomes from the point of view of:
 1. what steps have to be taken for each of these outcomes to materialize,
 2. what actions are needed to accomplish each step,
 3. what, if any, additional resources are required (H.R., financial, infrastructure),
 4. assignment of tasks related to the required actions to specific persons or groups, and
 5. establishing an achievable implementation schedule.