ODGERS BERNDTSON

CFO Talent Report 2021

WHAT'S NEXT FOR FINANCE LEADERSHIP

ODGERS BERNDTSON CFO PRACTICE

CFO TALENT REPORT 2021 WHAT'S NEXT FOR FINANCE LEADERSHIP

The CFO role has never been more critical or more in demand — and yet the gap continues to grow between what companies want in their CFOs and their ability to recruit and develop these top finance leaders.

Chief Financial Officers have been thrust into the spotlight to help their companies adjust to market conditions, reinvent outdated business models or simply ensure enough liquidity to survive. To be successful, today's finance leaders must quickly move beyond the numbers and understand the key levers to creating value across the business and driving growth. Given the frenetic pace of change, having a proven and steady hand in the CFO chair who knows the business inside and out has become more important than ever.

Yet CFO tenure is at an all-time low and companies are having to replace their CFOs more quickly than ever before. This explains why more than half of CFOs were appointed internally in 2020 — the highest number in 16 years. Organizations without a succession plan in place to move finance talent up the ranks are putting the future of their leadership team — and organization — at risk.

A lack of progress on the gender diversity front is equally concerning. Despite the fact that over 50% of the accountants entering the workforce are women, there is poor female CFO representation at Canada's top 100 publicly-traded organizations based on the ranking by the Globe and Mail's Report on Business. At the time of publication, there were no female CFOs in the top 20 companies and only two in the top 50. If organizations don't start addressing these issues, the CFO talent pool will continue to shrink, as will the pool of future directors and audit chairs.

How are companies solving these challenges? Expanding the criteria for finance talent is the key to building a broader bench for the future. We are already seeing a softening in the number of CFOs with a CPA designation and an increase in CFOs with multi-industry experience.

Over the past 16 years, Odgers Berndtson tracked movements in CFO leadership and analyzed trends in demographics, tenure, education and other aspects of professional development to better understand how the composition of top CFOs is evolving. We also interviewed leaders from Canada's top organizations, including Shopify, Celestica and George Weston Limited, in order to gain insight into how public companies are recruiting, managing succession planning and developing their finance talent for the future.

What we continue to see is that the growing demand for strategic acumen, transformational capabilities and balanced oversight of an ever-expanding portfolio has made the CFO role one of the most demanding and critical roles in the C-suite, and also increasingly harder to fill. Canada is in the midst of a CFO talent crunch and our new report explores what organizations can do about it.

Succession planning is more important than ever as leadership tenures continue to shrink

Diversity and equity are still enormous challenges for most organizations

There is a growing demand for leaders with multi-industry experience

A CPA designation is highly valued, but breadth of experience and leadership skills are essential

SUCCESSION PLANNING BUILDING FROM WITHIN

SHRINKING TENURES INCREASE THE IMPORTANCE OF SUCCESSION PLANNING

Talent planning has been rising on the executive agenda for the last decade, and any competent board now requires its organization to develop a thorough approach to succession planning in order to mitigate risk. It's not overly surprising, then, to see that organizations are increasingly choosing internal appointments for CFO succession.

Our research shows that, in 2020, 64% of sitting CFOs from Canada's top 100 publicly-traded companies were promoted from within — the highest number of internal appointments in 16 years. Conversely, first-time CFOs appointed from outside the organization make up 10%. The data is clear — the most likely path for any aspiring CFO is from within.

Another number we've tracked is the shrinking tenure among CFOs. While this is a common trend among all C-level positions, it's nonetheless alarming to see that CFO tenure has now dropped well below the five-year mark, given the amount of expertise and institutional knowledge held by these leaders.

Given the current environment, patience for CFO underperformance is at an all-time low and competition for the best and brightest CFO talent in the market is at an all-time high. In response to these trends, coupled with the growing demand for wider organizational expertise, many businesses have become deeply committed to helping their top talent grow internally.

"This important framework helps us build robust development plans and ensures that we grow and develop our internal talent."

Pavi Binning, president at Wittington Investments and board director at George Weston Limited and Loblaw Companies Limited, shared that talent management has been a significant focus both at the executive and the board level of George Weston and their companies for many years. Loblaw, for example, has a strong track record of internal development with current president Sarah Davis.

Davis was groomed for the position from within the finance function and movement through operational roles, including stepping outside of finance to become chief administrative officer and leading functions such as supply chain, operations, information technology and human resources.

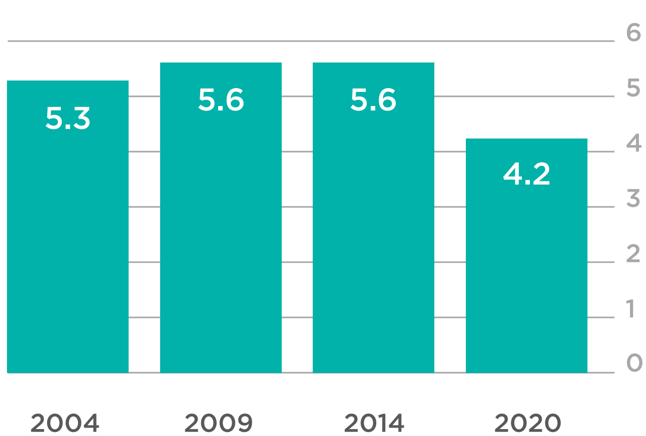
Succession planning at George Weston is a rigorous process, Binning shares. "Each year, the board receives presentations from each business that lay out succession into every executive position, all the potential successors and detailed reports outlining each individual's strengths, development timelines and areas that require growth and expansion. This is an important framework, and it helps us build robust development plans to ensure that we grow and develop our internal talent within the organization." He adds, "Building the skills and capabilities of individuals throughout their career is crucial to helping them grow and fulfil their potential."

Another organization that stands out in this regard is Celestica. The $5-billion multinational electronics manufacturing services provider has successfully promoted CFOs from within since 1994, when it was carved out of IBM and sold to private equity firm ONEX. Mandeep Chawla, the current CFO, spoke to us about their finance-focused leadership program.

"Because we operate in multiple industries and many different countries, we place a premium on institutional knowledge and we're constantly discussing succession planning," Chawla shares. "We are always looking at what support and experiences our top talent needs to continue developing over the next five years."

He adds: "By having successors in place for our key roles, we are typically able to manage turnover at the senior levels without needing to hire from the outside. Rather, we focus on bringing outside talent into manager and director roles, so we can then develop those leaders and prepare them for senior roles when they open up."

Average CFO Tenure Over 16 Years



"By having successors in place for our key roles, we are typically able to manage turnover at the senior levels without needing to hire from the outside. Rather, we focus on bringing outside talent into manager and director roles, so we can then develop those leaders to prepare them for senior roles when they open up."

Experienced board director, audit committee chair at Shopify and former TD Bank Group CFO Colleen Johnston has experience entering the CFO role from an external organization but also recognizes the importance of building from within.

"You want to go internal whenever you can because they are the people that understand the company, already thrive in the culture and are most likely to succeed in the role," she shares. "At the end of the day, though, it is key to identify the leaders with fire in the belly and coachability. The right strategic person can learn the role or a new industry if they have the right attitude to succeed."

64%

OF SITTING CFOs ARE PROMOTED INTERNALLY

SOURCE: ODGERS BERNDTSON CFO REPORT

THE DIVERSITY ADVANTAGE CANADA IS FALLING BEHIND

DIVERSITY IS STILL AN ENORMOUS CHALLENGE AT THE CFO LEVEL IN CANADA

Despite Canada's wealth of female talent in the finance and accounting profession, there has been a relative lack of progress on gender diversity at the CFO level.

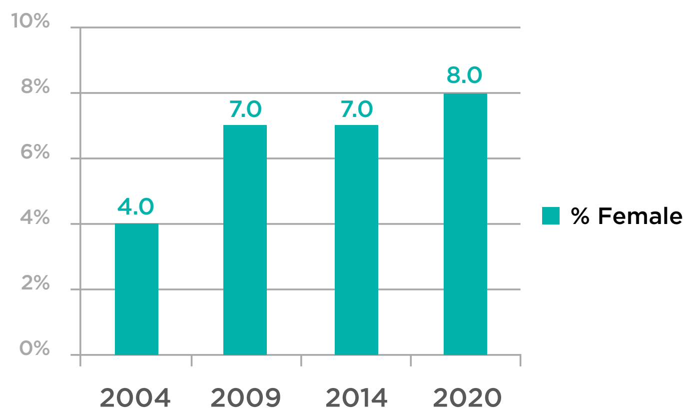
Today, women make up only 8% of CFOs in Canada's top 100 largest public companies compared with 7% in 2014 (a paltry 1% increase in 6 years). Even more concerning is the fact that, when you look more closely at the data, we are losing ground.

The last time we conducted this research in 2014, women held some of the most visible CFO roles out of the top 20 companies surveyed. For example, Janice Fukakusa held the CFO position at RBC, Colleen Johnston at TD, Sarah Davis at Loblaws and Sherry Brillon at Encana (now Ovintiv). In 2020, there were no female CFOs within the top 20 companies, and only two in the top 50.

Fewer diverse CFOs will lead to fewer diverse audit chairs and directors in the future, along with an overall weakening of both levels of the finance hierarchy. And for aspiring female CFOs and other diverse communities, having role models to emulate is critically important to changing the makeup of leadership teams.

When you consider that, according to Catalyst, women now represent 29% of the other senior management roles in Canada, it begs the question: Why are women failing to secure the top CFO roles in the country?

Women CFOs Leading in Top 100 Canadian Organizations



“The unfortunate reality is that, at the most senior level, the availability of the talent isn’t fifty-fifty. It’s hard to say that out loud, but it’s the truth. That said, 8% female CFOs is not a good number, and it’s not okay,” says Colleen Johnston.

“I could come up with a glib comment about the demanding pressure of finance and saying women don’t want that, but I think that’s unfair. The women I work with are incredibly hard workers, beyond talented, and are not afraid of success. But, I do still see young women entering the workplace brimming with talent and confidence and some of them wither a bit in the corporate world. If we really want change, we need to look at what’s happening there and look at the whole experience of organizational growth.”

“Having these experiences, I now understand how providing young talent with exposure and mentorship can truly enable their success in the long term.”

Celestica’s Mandeep Chawla has a different take but sees the organization as central to improving these numbers. “I see greater diversity in areas which typically require deep subject matter expertise — in finance that includes areas such as tax, controllership and treasury — but less diverse talent within more business and commercial-facing finance roles,” he shares. “Providing diverse talent with broad exposure early in their career will help address this issue over the long term.”

Chawla also reflects on his own background and how a generational element could play a role. “My parents moved to Canada in 1970 and both thrived in their careers, as they focused on technical, small and medium-sized enterprise roles. Their guidance to me was to focus on academic excellence and to join a large, stable company where I could grow. While this advice helped me get started, the part for me that was missing was how to grow in my career over the long term. Fortunately, I was able to join GE after graduating university and held roles across multiple businesses, geographies and functions. These diverse experiences provided me with exposure to leaders who were tremendously successful, allowing me to understand what success looks like and how they were able to grow in their careers. Having these experiences, I now understand how providing young talent with exposure and mentorship can truly enable their success in the long term.”

BREADTH OF EXPERIENCE MULTI-INDUSTRY

THERE'S A GROWING DEMAND FOR MULTI-INDUSTRY EXPERIENCE

Today's CFOs are increasingly being drawn from different backgrounds and sectors, and organizations are looking for leaders that can oversee multiple lines of business and bring in additional expertise to support and augment that of the CEO. According to our research, 36% of CFOs at Canada's top 100 companies have experience working in multiple industries, and we are seeing more requests from clients to find leaders with a breadth of experience.

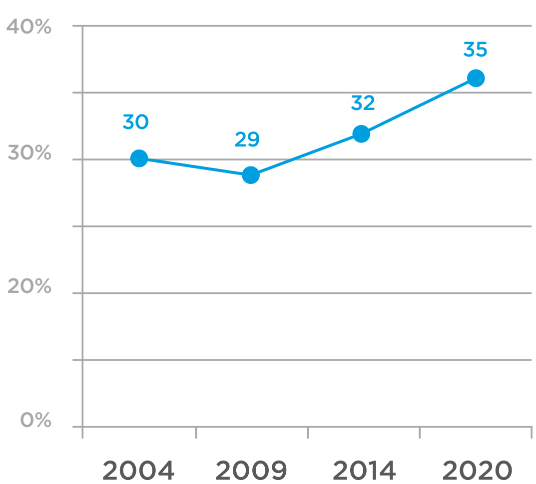
Even when we examine sectors that have traditionally been more homogenous, we are seeing a changing trend. For instance, 36% of CFOs in the industrial sector have held a senior executive role in a different industry; the same can be said for 25% of CFOs in the natural resources sector. Traditionally, these two industries would only hire from within. Conversely, financial services continues to recruit largely from within, which is not surprising given the complex regulatory environment coupled with the time it would take for a new recruit to learn the industry.

Often, in Canada, it's the size of the market that seems to dictate how broadly an organization is willing to go to find the right leader. Chawla shares his view that, when hiring for finance talent at Celestica, "business complexity, size and footprint trumps industry experience."

Kay Brekken, audit chair of RATESDOTCA and former CFO of First Capital REIT, Indigo and Medical Consultants Network, is of the view that CFOs with multi-industry experience can offer helpful perspective to growing organizations.

"The pace of business has never been faster," she says. "What was important three years ago may be completely irrelevant today, so finance leaders need to be able to pivot and be comfortable with transitions. I think that experience of switching industries during your career can help make leaders more comfortable managing transitions and transformations."

Percentage of CFOs with Multi-Industry Experience



EXPERIENCE, LEADERSHIP & THE CPA DESIGNATION

THE CPA DESIGNATION IS HIGHLY VALUED IN CANADA, BUT COMPANIES ARE BECOMING MORE FOCUSED ON EXPERIENCE AND LEADERSHIP SKILLS

While the Canadian CPA is globally recognized for its quality and standing, we are seeing the largest companies soften their formerly firm criteria that mandated CPA designations for CFOs.

In fact, today there are more sitting CFOs in Canada's 100 largest organizations without designations than we have seen in the past 16 years. Canadian organizations, however, still overwhelmingly prefer their CFO to be armed with a CPA, as 71% of Canada's top CFOs hold the designation. By contrast, this is more than double the CFOs in the US Top 1000 CFOs, where only 34% hold a CPA.

All the CFOs that we spoke with — who incidentally do have designations — agree that growing demands on cross-organizational CFO oversight have lessened the requirement for the CFO to bring a deep accounting background. Brekken shares, "It's important to have accounting designations on your team, but I don't think it's a must-have for CFOs. Other skills, like strategic thinking, leadership and the ability to drive business results, are greater factors in determining who makes it to the role."

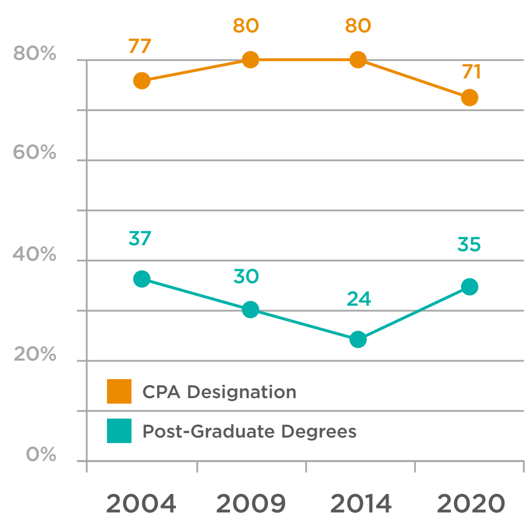
"I have seen swings throughout my career, often driven by companies having financial integrity issues," says Pavi Binning. "The CPA designation is one way to build a great foundation and strong functional knowledge to get to middle management. But there are many more important skills. I'm looking for strategic partners that have the leadership to influence the team across the business."

Mandeep Chawla believes it is valuable to have a CPA when dealing with critical stakeholders such as the audit committee and investors, as it confers a certain level of technical acumen. Chawla states, "that those aspiring to be a CFO would be well-served by having a designation; however, eventually it becomes table stakes, as experience, business acumen and the ability to lead are the most important attributes to getting the role."

There has also been a reversal of a trend we saw in 2014 relating to CFOs with postgraduate degrees. At the time, the demand for CFOs with strong strategic acumen was increasing. Yet, counterintuitively, CFOs with MBAs (and other graduate degrees) were in decline and CPA designations were on the rise. One could argue that, in times of crisis such as Enron in 2001 or the financial meltdown of 2008, organizations may be inclined to pursue CFOs who can bring a more compliance and controllership mindset. Yet, as we have seen, reporting the numbers is simply not enough to meet today's demands for a strong strategic partner. This may explain why significantly more (35%) top CFOs in 2020 have an MBA or other postgraduate degree, compared to 2014 (24%).

Some advice for finance leaders on the succession path: immerse yourself in operations, as this is one of the best ways of developing the skills needed to be an effective business partner. It is also critical that aspiring CFOs maximize access to senior leaders, including the CEO and the audit committee, to foster a reputation as a known and trusted entity. Externally, gaining experience interfacing with shareholders and analysts and learning how to tell the corporate story will be vital in shortening the learning curve and increasing the comfort level with the CEO and the board.

CPA Designation Versus Post-Graduate Degrees



HIGH-PERFORMING CFOS BUILDING BETTER LEADERS

TO BECOME A TRUSTED ADVISOR TO THE CEO, BOARD AND EXECUTIVE TEAM, ASPIRING CFOS AND FINANCE LEADERS NEED TO SHARPEN THEIR LEADERSHIP SKILLS

In a recent global survey of nearly 2,000 executives conducted by Odgers Berndtson in partnership with Harvard Business Review Analytics, we found that only 15% said they were confident in their leadership's ability to manage through disruption. And while all organizations reported being challenged by day-to-day operations, it was the leadership mindset, particularly their vision and preparedness for change, that seemed to separate the confident organizations from the lesser-so.

More specifically, the Odgers Berndtson Leadership Confidence Index revealed that the confident 15% identified such character traits as agility, emotional intelligence, courage, compassion and strategic thinking as being critical for leaders who must be consistently adapting to change and transforming their organizations.

"These findings are consistent with what we heard from finance executives who attended the Rotman CFO Leadership Program over the past five years," says Eric Beaudan, Global Head of Odgers Berndtson's Leadership Practice. "We've learned through these executives, and from our research with Hogan Assessments, that the most successful CFOs are highly adaptive and fluid decision makers. They are not your traditional gatekeeper but rather move quickly to address emerging challenges that can threaten or transform the business, such as the global pandemic."

The message is clear: to become a trusted advisor to the CEO, board and executive team, aspiring CFOs and finance leaders need to sharpen their leadership skills.

That's why Odgers Berndtson has partnered with the University of Toronto's Rotman School of Management to develop a leadership program that addresses the unique challenges of becoming a high-performing CFO. The program sessions focus on the big issues that organizations are facing and shed light on where the finance function can add the most value.

The CFO Leadership Program is designed to help participants assess and develop three critical skills:

1. **Leadership in the C-suite**
2. **Strategic agility and business acumen**
3. **Managing key stakeholder relations**

This highly personalized program focuses on positive behaviour change and each participant receives a customized leadership assessment, works one-on-one with an executive coach and develops a personal action learning plan. **Learn more about The CFO Leadership Program now.**

ABOUT THE AUTHOR

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Ross Woledge is partner and head of the firm's CFO practice. He leads CFO and senior financial officer searches for clients across all private and public industries, including CFO searches for private equity and venture capital-owned organizations.

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CANADA'S TOP 100 PUBLICLY TRADED COMPANIES

GLOBE & MAIL, 2020

Aecon Group Inc.
Agnico Eagle Mines Limited
Air Canada
Alimentation Couche-Tard Inc.
AltaGas Ltd.
Atco Ltd.
AutoCanada Inc.
Bank of Nova Scotia (Scotiabank)
Barrick Gold Corporation
Bausch Health Companies Inc.
BCE Inc.
BMO Financial Group
Bombardier Inc.
Brookfield Asset Management Inc.
BRP
CAE Inc.
Canadian National Railway Co.
Canadian Natural Resources Limited
Canadian Pacific Railway
Canadian Tire Corporation Limited
Canadian Utilities Limited
Canfor Corp.
Cascades Inc.
CCL Industries Inc.
Celestica Inc.
Cenovus Energy Inc.
CGI Inc.
Colliers International
Constellation Software Inc.
Crescent Point Energy Corp.
Dollarama Inc.
Dorel Industries Inc.
Emera Inc.
Empire Company Limited
Enbridge Inc.
Extendicare Inc.
Fairfax Financial Holdings Limited
Finning International Inc.
First Quantum Minerals Ltd.
Fortis Inc.
George Weston Limited
Gibson Energy Inc.
Gildan Activewear Inc.
Great-West Lifeco Inc.
Hudson's Bay Company
Husky Energy Inc.
Hydro One Limited
IGM Financial Inc.
Imperial Oil Limited
Industrial Alliance Insurance and Financial Services Inc.
Intact Financial Corporation
Just Energy Group Inc.
Keyera Corp.
Kinross Gold Corporation
Linamar Corporation
Lions Gate Entertainment Corporation
Loblaw Companies Limited
Magna International Inc.
Manulife Financial Corporation
Maple Leaf Foods Inc.
Martinrea International Inc.
MEG Energy Corp.
Methanex Corporation
Metro Inc.
National Bank of Canada
NFI Group Inc.
Nutrien Ltd.
Onex Corporation
OpenText Corporation
Ovintiv Inc. (formerly Encana Corp.)
Parkland Corporation
Pembina Pipeline Corporation
Power Corporation of Canada
Primo Water Corporation (formerly Cott Corporation)
Quebecor Inc.
Restaurant Brands International Inc.
Rogers Communications Inc.
Royal Bank of Canada (RBC)
Russel Metals Inc.
Saputo Inc.
Secure Energy Services Inc.
Seven Generations Energy Ltd.
Shaw Communications Inc.
SNC-Lavalin Group Inc.
Stantec Inc.
Sun Life Financial Inc.
Suncor Energy Inc.
TC Energy Corporation
Teck Resources Limited
TELUS Corporation
TFI International Inc.
The Canadian Imperial Bank of Commerce (CIBC)
The Co-operators Group Limited
Toromont Industries Ltd.
Toronto-Dominion Bank
Transat A.T. Inc.
Transcontinental Inc.
Waste Connections Inc.
West Fraser Timber Co. Ltd.
WSP Global Inc.

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Description of Selected Data Variables

Industry

The companies were grouped into five industry categories: Financial Services (banking, insurance, real estate), Natural Resources (oil & gas, mining, timber), Industrial (manufacturing, transportation, utilities), Retail/Consumer (food, hardware) and Technology (telecom, media, IT).

Length of Tenure

We allowed for a partial year of data, which was measured up to one decimal point. In cases where the specific month was not indicated, we rounded up for the full calendar year.

The Study: A Note on Methodologies

Methodology

We identified individuals in the role of CFO[i] in Canada's 100 largest publicly traded corporations[ii], according to The Globe and Mail's Report on Business 1000[iii] issue. Data was collected on the top 100 public firms of 2004, 2009, 2014 and 2020. The data was based on 12 variables for the CFO role. The data was analyzed to identify key trends in the CFO roles over the last decade and a half.

Limitations of Study

This study does not use a random sample of executives, and therefore does not attempt to make inferences about the entire CFO population. Instead, the study purely sheds light on the characteristics of the CFO roles in the 100 largest publicly traded companies in Canada.

CFO data was gathered from several public sources. In some instances, certain data could not be found on each of the CFOs[iv], thus small differences in the size of the denominator existed while calculating various statistics. For example, when the data was analyzed for trends, some statistics where n=100 in one year were compared with another statistic where n=95 in another year. In these cases it is believed that the differences did not have a material effect on the trends identified.

To obtain the data in this report, Odgers Berndtson referenced all publicly available data for Canada's 100 largest publicly-traded corporations. This limited our ability to effectively measure various aspects of diversity beyond gender.

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i. Although the title "CFO" was used throughout this study, some of the financial executives included had different titles. The main criterion for inclusion was that the individual must occupy the lead finance role within the organization.

ii. The top 100 companies are not a diverse group in terms of either geography or industry. While all regions are represented, over 80% of companies on the list are headquartered in Ontario, Quebec and Alberta. The industry mix has remained relatively consistent since 2004, with industry, natural resources and financial services taking the top three spots in each of the sample years and currently accounting for 81% of the top 100 companies.

iii. The ROB 1000, released annually in the summer, ranks companies based on the previous year's profits. However, this study chose the top 100 firms based on revenues because it was felt to be a more appropriate indicator of a company's size. Some firms from the ROB 1000 were excluded because they were owned by the Crown, their CFO was not based in Canada or they were subsidiary firms that operate with the same CFO as the parent company.

iv. In these cases, missing information was marked as N/A and deducted from the denominator when calculating statistical proportions. Any deductions did not have a material effect on the results.

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About Odgers Berndtson

We support clients in making the most important decisions. As a leading global executive search and leadership advisory firm with more than 250 partners in 30 countries, we strive to help our clients grow and compete in today's challenging and ever-changing environment.

By focusing on building industry and functional expertise, we specialize in recruiting, assessing and developing senior executives and board members in the private, public and not-for profit sectors. We also invest in the development of Canada's up-and-coming leaders with unique programs such as our CEOx1Day initiative and the CFO Leadership Program, developed in partnership with the Rotman School of Management.