



Interview by: REGAN REID

David Anderson

Executive vice-president and CFO of professional services company CGI Group Inc. discusses M&A and compliance risks and what it takes to succeed



1 Describe CGI's philosophy of risk management. It is not an activity that is done once a year and then put on a shelf. It's something that needs to be done operationally. Most people do risk assessments looking at various risks, they'd rank them via likelihood and significance determining how much of an impact they are going to have. You'd come up with some mitigations and then that would sit on a shelf and you'd revisit it a year later and hopefully nothing would really blow up. However, we add velocity as a dimension to the risk assessment so when we identify the mitigations... we really focus on making them operational, something that actually lives and breathes. What we then do is take those mitigation plans, have the business units provide quarterly updates as to where they are against each of their action plans, providing us updates as to how it is coming along. Part of it is to break that feeling of risk management being just an annual corporate exercise into something that actually helps them run their business.

2 CGI recently completed a major acquisition of Logica. How does the company deal with M&A risk? We have a rule here: it's

the "3 Rs." It's got to be the Right acquisition, at the Right price, at the Right time. What are the characteristics of a successful target? We're looking at culture. We're a professional services organization; we need a culture that is going to be compatible with the way we approach the marketplace. When we're looking at the price, we look to see if we can actually make it accretive—which means taking the two companies, putting them together and have more earnings per share through the combined entity than we would have had without the acquisition—if we can't do that by the end of year one then we don't go further. The last one that we focus on is time. We need to have the time ourselves to be able to focus on it and to be able to commit the resources that are going to be required to pull it across the line—not only to make the acquisition, but to be able to successfully integrate it.

3 What are the big risks you are focusing on? A lot of them are on the operational side, looking at how well it is that we're delivering the projects to our clients because we have reputational risk on top of getting the project delivered. In addition, there are the customary risks with our financial

and reporting systems and processes; and we keep an eye on those. So we have internal audit with their own internal testing, we also have SOX (Sarbanes-Oxley) testing that we do on a continuous program to make sure that we've got the right checks and balances in place. We have biweekly steering committees such as for the SOX testing where we sit down and get a confirmation that these things are getting done the way they should be getting done across all of our business units.

4 What are the skills that are most important to succeed in your role? I think the most important skill is communication. You have to be able to communicate to the business, to be able to get their attention, to be able to have them focus on risks. If you can't communicate the right things and do it effectively and do it simply enough that they can understand really what the issue is and what it is that they need to do, you'll never be successful. You've really got to know your stuff, you've got to be able to engage with the people, you don't have a long time to get your message across so it's like an elevator pitch that you have to practise. ■