

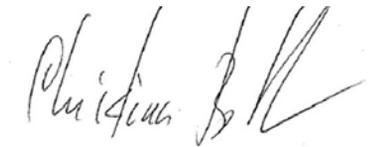
# CFO SUCCESSION PLANNING



## CFO SUCCESSION PLANNING

### ACKNOWLEDGEMENTS

We gratefully acknowledge the efforts of our survey respondents and our forum participants who took valuable time away from their day jobs to participate in this work. We are particularly grateful to our research partner, Robert Half, without whom this study would not have been possible.

A handwritten signature in black ink, appearing to read "Christian Bellavance". The signature is fluid and cursive, with the first name being more prominent than the last.

Christian Bellavance  
Vice President, Research and Communications  
Financial Executives International Canada

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First published in 2013 by CFERF.  
1201-170 University Ave.  
Toronto, ON  
M5H 3B3

ISBN# 978-1-927568-08-8

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### EXECUTIVE SUMMARY

The overwhelming majority of financial executives say succession readiness is key to the success of the finance function. In fact, almost all respondents to a survey, carried out from March 8 to April 9 by the Canadian Financial Executives Research Foundation and sponsored by Robert Half, said succession readiness is either important or extremely important to the finance function of their organization.

But despite this near unanimous recognition of the need to be prepared for a sudden departure of senior leadership, less than half (43%) of survey respondents say there is a clearly defined succession plan for the CFO at their organization. In addition, only 45% say there is a qualified successor in place at the organization who could readily step up to the position of chief financial officer.

Perhaps not surprisingly, large and medium-sized companies were more likely to have clearly defined succession plans than smaller entities (roughly half of large and medium-sized companies, compared to less than one-third of small companies). Similarly, public companies were more likely to have plans in place (50%) than private ones (only 34%).

Potential talent within finance is regularly identified and assessed for leadership, according to a majority of survey respondents (55%). This happens far more often at companies with clear succession plans (81%) than at organizations without them (31%). Public entities are more likely to identify and assess potential talent within finance (72%) than private ones (40%), as are large (73%) compared to medium-sized (61%) and smaller-sized companies (32%).

While many organizations were likely to have experienced an increased need to search for external candidates, it was far more likely that those without succession plans had seen a greater increase in this need than those with succession plans (82% vs. 71%). This finding would indicate that having a

“Our succession plan is much broader than just related to a potential CFO. It goes all the way down to the front line of our organization. At our company, it’s been a bottom-up approach, where all our leaders are required to have succession plans from the front lines staff all the way through, because if the CFO or someone else leaves tomorrow, how will you replace the in-house person that will step in? And how will you replace the latter, and so on and so forth until the end of the line? You have to plan for this.”

**Rob Geremia – President, Boardwalk REIT**

## EXECUTIVE SUMMARY

succession plan in place may reduce the need to look externally for candidates, and certainly merits further investigation. It could also indicate that since smaller and medium-sized companies are less likely to have succession plans, they may be more likely to need to seek candidates externally than large organizations. This may be due to the latter having a deeper pool of internal candidates from which to draw upon.

These findings also reveal a distinct gap between perceived priorities and actual practice, particularly among smaller organizations and private companies, who are less likely to have succession plans in place and internal candidates at the ready.

Lessons can be drawn from those organizations with succession plans. For instance, if the organization has one, the development of future leaders is more likely to be aligned with business priorities. Those with succession plans were more likely to have a leader in place, and were less likely to have seen an increase in the need to hire externally.

Organizations without a succession plan also have to keep in mind the demonstrated shortage of executive talent in Canada, particularly the dearth of strategic leaders in the finance function. In other words, having a succession plan in place becomes even more critical in the event of the sudden departure of the CFO or other senior financial leaders in key areas such as tax, treasury and financial reporting. Organizations should at least have a plan that identifies internal candidates that can step up on at least an interim basis until a permanent successor is found.

### METHODOLOGY AND DEMOGRAPHICS

The study comprises the results of an online survey of Canadian financial executives, which took place between March 8 and April 9, 2013. 171 respondents completed the survey. Further insights were gathered from 16 financial executives who participated at executive roundtables in Toronto, Montreal and Calgary, which took place simultaneously, connected by video conference, on March 27, 2013. More than half of respondents (54%) were CFOs, and 36% held another senior financial executive role (VP Finance, Treasurer, Controller). Respondents were drawn from a wide range of industry groups and sectors. Of the respondents, 49% were from private companies, 25% were from public companies and 12% were from not for profit organizations. For more demographic information, please see Appendix A.

## IMPORTANCE OF SUCCESSION PLANNING TO YOUR ORGANIZATION

### IMPORTANCE OF SUCCESSION PLANNING TO YOUR ORGANIZATION

The overwhelming majority of financial executives say succession readiness is crucial to the success of the finance function.

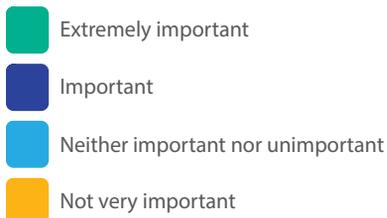
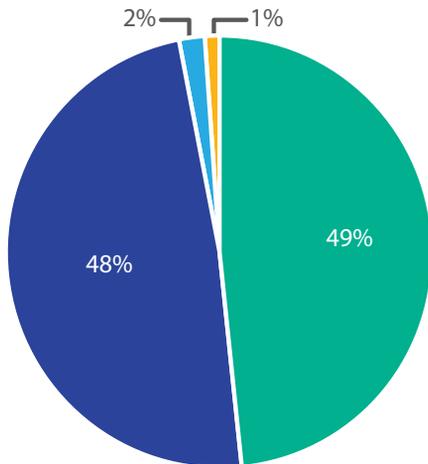
In fact, 97% of respondents in a survey from March 8 to April 9 by the Canadian Financial Executives Research Foundation

felt that succession planning is either extremely important or important to the finance group (see Chart 1). Despite this nearly unanimous recognition of the need to be prepared for a sudden departure of a senior financial leader, less than half (43%) of survey respondents say there is a clearly defined succession plan for the CFO at their organization (Chart 2).

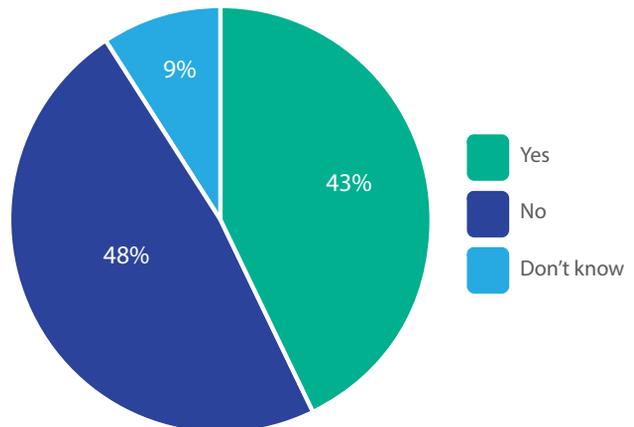
“I want to know whether the company has a plan from a business continuity perspective, while it finds the right person.”

**Laurie Tugman – Corporate director and former CEO, Marsulex**

**CHART 1 – THE IMPORTANCE OF SUCCESSION READINESS TO THE FINANCE FUNCTION**



**CHART 2 – IS THERE A CLEARLY DEFINED SUCCESSION PLAN FOR THE CFO?**



## CFO SUCCESSION PLANNING

In addition, only 45% say there is a qualified successor at the organization who could readily step up to the job, in the event of a sudden departure by the CFO (see chart 3). These findings reveal a distinct gap between the stated importance of succession planning (as outlined by respondents) and actual practice.

Although most organizations do not have a clearly defined succession plan nor a qualified successor within the company, according to survey participants, of those who do have succession plans, most (63%) say they have an effective talent management, skills training or leadership program.

Unfortunately, two-thirds of survey respondents reveal that CFOs are not actively grooming their successors to deal with their board of directors. Since dealing with the board is a key skill for a CFO, any potential successor should have some experience in this area.

Companies with a succession plan are far more likely to have someone ready to step up to the job should the CFO suddenly depart (60% compared to only 25%).

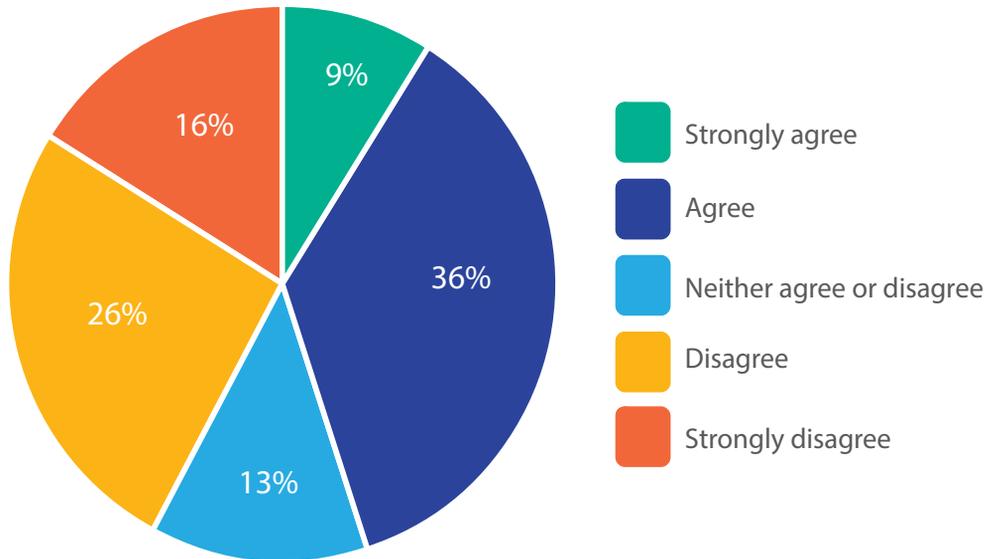
According to Laurie Tugman, a corporate director and former CEO and CFO, it may not be practical for most companies to have a CFO replacement waiting in the wings. Rather, it's critical that the company have a realistic and practical business continuity plan to operate on an interim basis until the CFO can be replaced.

“I work in a small company where I am the finance department. If I leave, I feel responsible to find someone to replace me.”  
– Survey respondent

“Even with a new CFO in place, succession planning is ongoing.”  
– Survey respondent

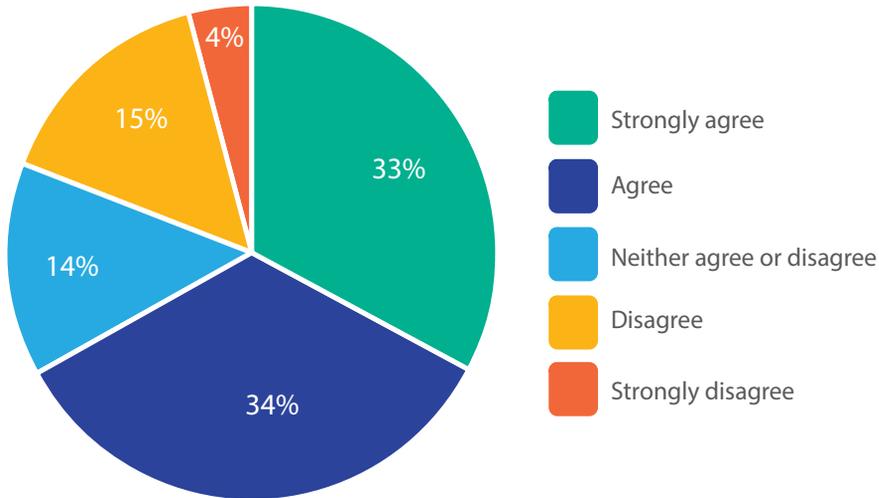
## IMPORTANCE OF SUCCESSION PLANNING TO YOUR ORGANIZATION

**CHART 3 – IF THE CFO WERE TO LEAVE TOMORROW, IS THERE A QUALIFIED SUCCESSOR AT THE ORGANIZATION WHO COULD READILY STEP UP TO THE JOB?**

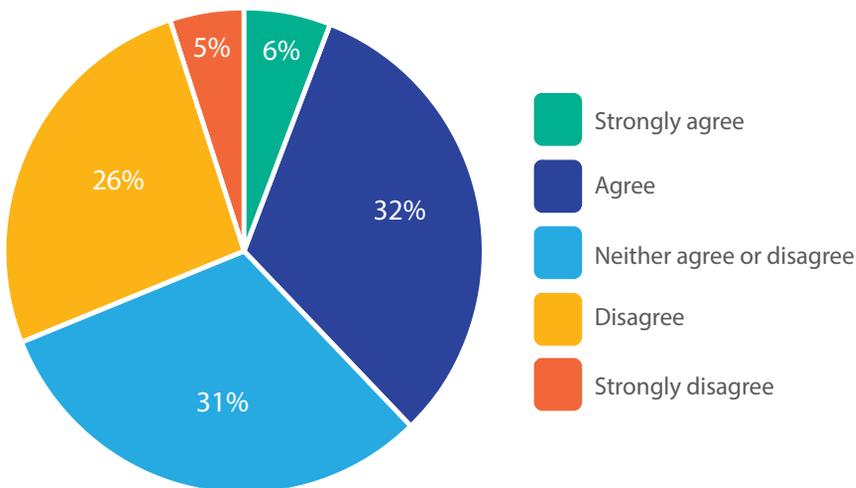


## CFO SUCCESSION PLANNING

**CHART 4 – THE CFO USUALLY ATTENDS BOARD MEETINGS OR MEETING WITH THE CEO ALONE (WITHOUT BRINGING VP FINANCE OR OTHER STAFF)**



**CHART 5 – THE ORGANIZATION HAS AN EFFECTIVE TALENT MANAGEMENT AND/OR SKILLS TRAINING AND/OR LEADERSHIP PROGRAM**



## IMPORTANCE OF SUCCESSION PLANNING TO YOUR ORGANIZATION

The challenge for organizations without a succession plan, according to Judy Munro, President, RHI Executive Search Canada, is there is a looming shortage of financial leadership in Canada, particularly those with the requisite critical thinking skills. "With global competition on the rise, the need for grooming leadership to secure a company's future success is becoming a key issue. If it's not an item on the board's agenda, it should be," she said.

With economic conditions improving, many companies are going on a talent recruitment offensive, according to Munro. They're ramping up selection, recruitment, development and retention initiatives to keep their key leaders and high performance employees on board. Succession planning is a critical part of that talent focus. "We like to prepare our clients on the need for succession planning by asking them a simple question: 'What would you do if your CFO or your CEO resigned tomorrow? What's your Plan A, what's your Plan B?' And often the answer is: 'We don't have one,' or the succession plan is very thin," Munro said. "Succession planning for the C-suite is critical to a company's stability, and even more so with companies that run a lean management structure, where they rely on one or two key employees that are critical to their success. And often they don't address these issues until it's too late."

CFOs are critical players around the strategy and decision-making table. According to a McKinsey report published in January, 2013, the CFO role continues to expand in breadth. Authors Ankur Agrawal, John Goldie and Bill Huyett write: "Beyond the core responsibilities of financial reporting, audit and compliance, planning, treasury, and capital structure, many CFOs are playing a stronger role in corporate portfolio management and capital allocation. Others have become prominent as the voice of the company in investor relations and in communications to the board, as leaders in performance management, and as exporters of finance-experienced personnel to the rest of the organization."

The evolving role of the CFO is an important question, both for companies that are hiring a CFO and for existing CFOs who see their roles expanding. The big question is: What does it mean for the careers of senior accounting finance professional in the organizations as they eye the seat at the top?

### THE PLAN: ARE YOU READY?

As noted previously, although 97% of survey respondents think succession readiness is important or extremely important, only 43% said there was a clearly defined succession plan for the CFO. Perhaps not surprisingly, large and medium-sized companies were more likely to have clearly defined succession plans than small ones (roughly half of large and medium-sized organizations, compared to less than one-third of small ones). Similarly, public companies were more likely to have these in place (50%) than private ones (only 34%). The fact that half of public companies do not have a succession plan is of great concern given the legal duties of the board to reduce risk as much as possible, in the interest of shareholders.

As highlighted in Chart 6, talent within the finance department is regularly identified and assessed for leadership far more often at companies with clear succession plans (81%) than at organizations without them (31%). Public companies are more likely to identify and assess potential talent within finance (72%) than private ones (40%), as are large companies (73%) compared to medium-sized (61%) and smaller-sized ones (32%).

“ There should be a plan that defines the attributes the organization values in its leaders. ”  
– Survey respondent

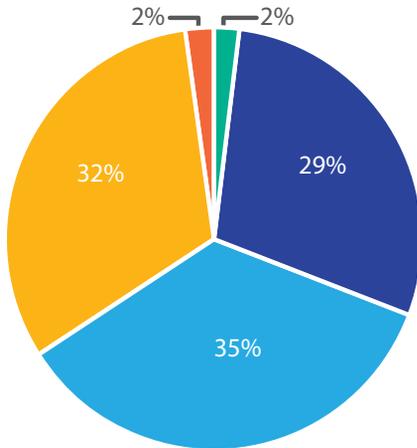
“ If I happen to get hit by a bus, the board knows who their go-to person is going to be, but that person doesn't know it is them. I don't even know who that person is, but the HR Committee has just concluded its annual exercise and reported back to the Board. ”

**David Anderson – Executive Vice President & Chief Financial Officer, CGI Group Inc.**

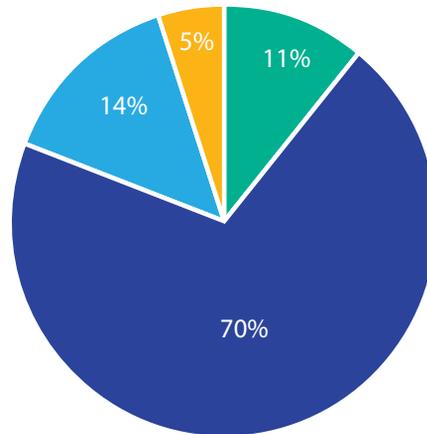
## THE PLAN: ARE YOU READY?

### CHART 6 – POTENTIAL TALENT WITHIN FINANCE IS REGULARLY IDENTIFIED AND ASSESSED FOR LEADERSHIP TRAINING

Respondents at organizations without clearly defined succession plans:



Respondents at organizations with clearly defined succession plans:



“We don’t have as solid a framework as some others might have in their organization. I think we’ve benefited or suffered, depending on how you look at it, from being an extremely fast moving organization. The diligence it takes to build that sort of structure takes time and we’ve not had a lot of that in the last 19 years. But it is certainly top of mind at the board and executive committee levels.”

**Debbie Stein – Senior Vice President Finance & Chief Financial Officer, AltaGas Ltd.**

### IDENTIFYING AND SOURCING FUTURE LEADERS

For most small companies, the CEO is the primary person accountable for identifying and developing future leaders (57%), while 15% said it was the duty of the board of directors, HR (11%) or others (16%). As the organization grows, the CEO is less likely to be directly responsible. At medium-sized companies, only 48% identified the CEO, while 23% of respondents said HR is responsible, 13% said others and 14% said it's the board of directors. Large companies identified the CEO (41%), HR% (20%), and others (39%), while no large companies said the board of directors is primarily accountable for this task. CEOs are more likely to be responsible for leadership development at private companies (52%) than at public companies (43%).

Those with a succession plan for their CFO are only somewhat more likely to have their CEO directly involved in working with up and coming leaders (68%) than those without a clearly defined succession plan (63%). The CEO is directly involved in working with up and coming leaders somewhat more often at public companies (74%) than private companies (67%).

A company may not have a formal succession plan, but it makes sense for the CFO to choose to prepare a successor anyway, said Tim Zahavich, CFO of St. Joseph Communications. "To me, it's incumbent on a good CFO to plan ahead, and part of planning ahead is to make sure that you have good bench strength behind you. Obviously part of that is the replacement of the CFO. I've always had a back-up plan that the company can implement, if they so choose."

A strategic succession plan is not the same as a replacement plan for the CFO role, although sometimes the difference isn't all that apparent. True succession planning delves deep into the organization's vision, culture, values and growth strategy, while replacement plans tend to have a short term focus and results.

“CFO succession planning is truly dependent on the CEO and the relationship that he or she has not only with the incumbent, but also with the senior managers within the finance department.”

– Survey respondent

## IDENTIFYING AND SOURCING FUTURE LEADERS

“One of the other pieces, especially with the CFO role, is the importance of chemistry with your business partners. You have to look at who the CEO is, and if you have a way you approach business that is going to be compatible with that person. And if it’s not, it doesn’t matter how good you are, you’re not going to be successful in that job. You’re just not going to have the right skill sets or the communication. The partnership just isn’t going to work the way it should.”

**David Anderson – Executive Vice President & Chief Financial Officer, CGI Group Inc.**

“I’m part of a smaller group that doesn’t have a lot of succession planning. But about half the people who come into the organization go through some business programs to identify their strengths and build upon them. We do it every two to three years for every individual. This builds a bit of a matrix that we can go to in the instance that we do have transition in a critical position that we haven’t planned ahead for. This also helps in setting longer term goals for everyone.”

**Tim Onciul – Chief Financial Officer, Silvacom Group**

“We have an obligation to the people we lead, to help them understand where the organization is going and how they fit into that big picture, and let them say whether they want to be the next CFO, because some of them don’t. So it’s important we have that dialogue with the people that report to us. As well, we should be sure our direct reports are having that dialogue with their people. So we shouldn’t be waiting for a formal process, we should just be doing it just because it’s the right thing to do as leaders.”

**Debbie Stein – Senior Vice President Finance & Chief Financial Officer, AltaGas Ltd.**

“The key part of developing staff is trying to be very disciplined about moving people when they’ve had enough time in their current position and it’s time for them to move on for their own development and also to open up that position as a development opportunity for those coming along behind them.”

**Brian Lawson – Chief Financial Officer, Brookfield Asset Management Inc.**

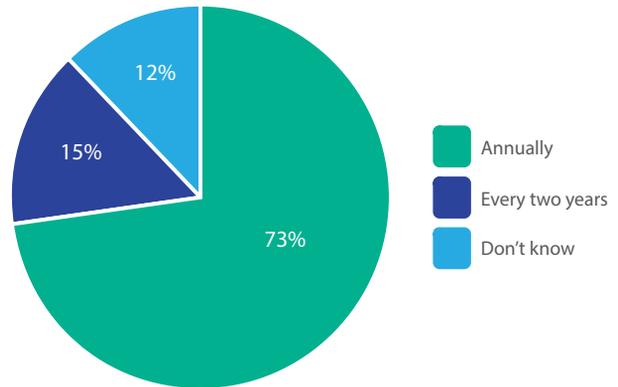
### REVIEWING THE PLAN: WHEN AND HOW

Most companies with succession plans review them annually (73%) or every two years (15%), while 12% of respondents did not know how often plans are reviewed. Public (76%) and larger companies (79%) are more likely to review their plans annually compared to private (61%), medium-sized (72%) and smaller companies (67%) (see Chart 7).

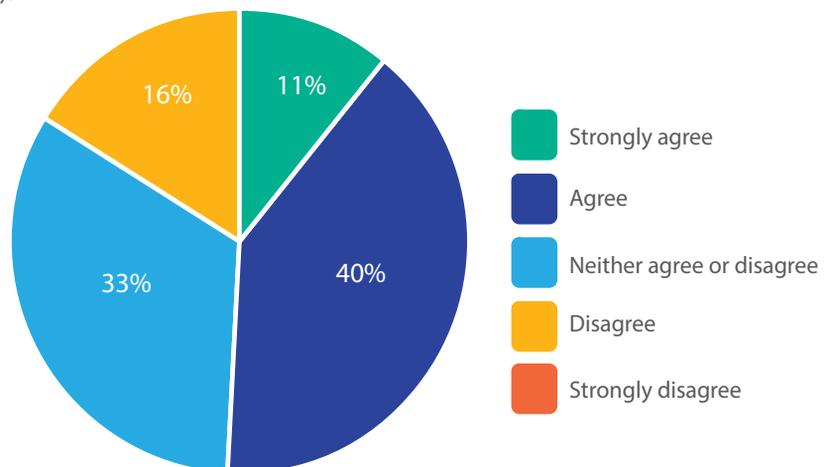
Companies feel leadership abilities or the potential for development are more compelling factors to use than technical skills when deciding which finance staff to hire. This preference is even more pronounced for companies with clearly defined succession plans (67%) than those companies lacking clear succession plans (37%). Medium-sized ones were most likely to look for leadership skills (60%) compared to large companies (51%) and small ones (41%) (see Chart 8).

Companies with succession plans generally hire finance staff based on leadership abilities or the potential for their development, and say these qualities are a stronger factor than technical skills (67%).

**CHART 7 – FREQUENCY OF SUCCESSION PLAN REVIEW**



**CHART 8 – WHEN HIRING FINANCE STAFF, LEADERSHIP ABILITIES OR THE POTENTIAL FOR THEIR DEVELOPMENT IS A STRONGER FACTOR THAN TECHNICAL SKILLS**



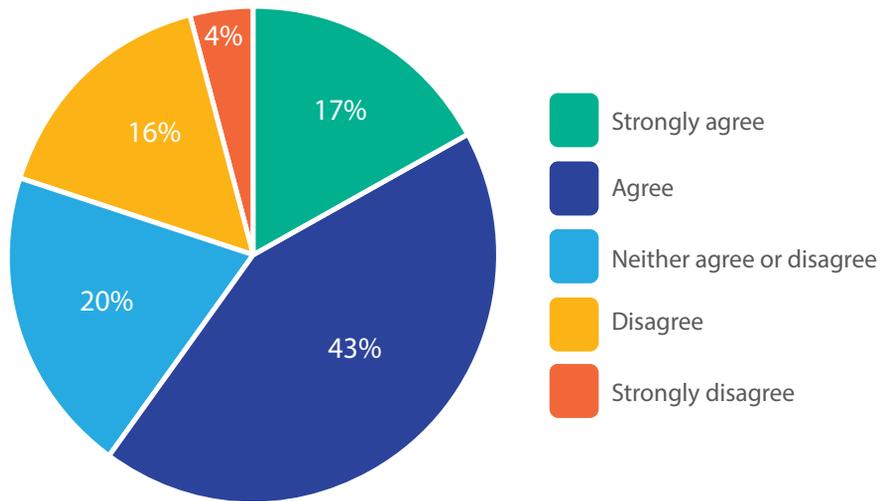
## REVIEWING THE PLAN: WHEN AND HOW

### BOARD INVOLVEMENT

Most respondents agreed board members should be meeting with possible successors to the CFO (60%), although this was more likely at companies with succession plans (67%) than at those without (54%).

In general, the CFO is likely to attend a board meeting or meeting with the CEO alone, without bringing the VP Finance or other staff (60% of all respondents). This was true whether the organizations had succession plans or not.

**CHART 9 – BOARD MEMBERS HAVE THE CHANCE TO MEET WITH POSSIBLE SUCCESSORS TO THE CFO**



“Boards should put more emphasis on strategic thinkers and risk managers as opposed to “bean counters”. CFOs should be thinking about where the company will be five years from now as opposed to where the company was last year.”  
– Survey respondent

## CFO SUCCESSION PLANNING

“You may think your controller, or whoever reports to you, is a good successor for you, but your CEO may not agree and may not tell you. After you leave, the CEO pulls the succession plan but might not want to execute on it. There’s that judgment factor that comes into play when succession is actually required.”

**Louis Marcotte – SVP, Strategic Distribution, Intact Financial Corporation**

“TD has a very robust talent planning process. It’s a priority for the bank – managed at all levels, including the board. In fact, the board’s HR Committee spends a significant amount of time focused on overseeing the development of TD’s senior management team and succession planning, discussing these topics during at least two formal meetings per year.”

**Lynn Belo – Senior Vice President, Corporate Segment Finance, TD Bank Financial Group**

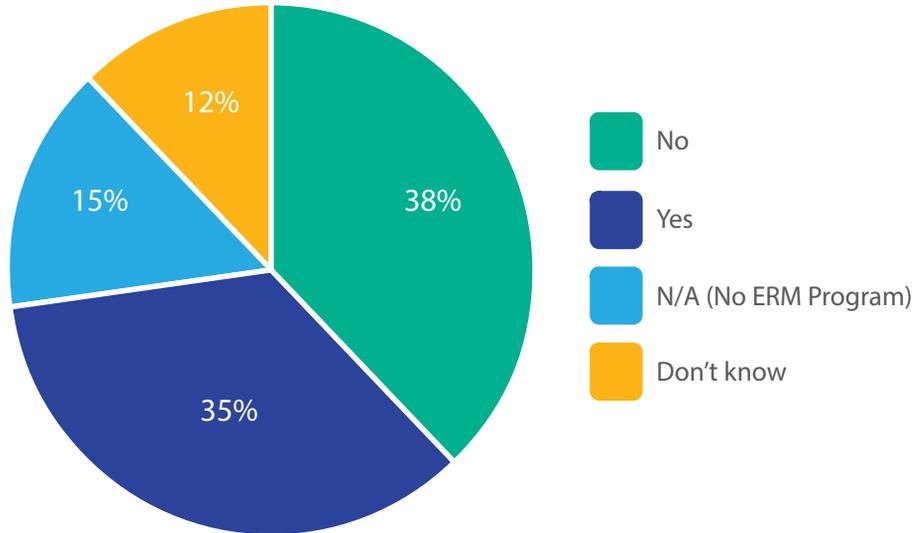
“We review our plan with the board and all leadership and there are changes made every year. That high level of trust with the board, and obvious audit or view of that process in general, really did help us put together a plan.”

**Rob Geremia – President, Boardwalk REIT**

## ENTERPRISE RISK MANAGEMENT

### ENTERPRISE RISK MANAGEMENT

CHART 10 – DOES THE COMPANY INCLUDE C-SUITE SUCCESSION PLANNING AS PART OF ITS ENTERPRISE RISK MANAGEMENT PROGRAM?



**Case study: David Anderson – Executive Vice President & Chief Financial Officer, CGI Group Inc.**

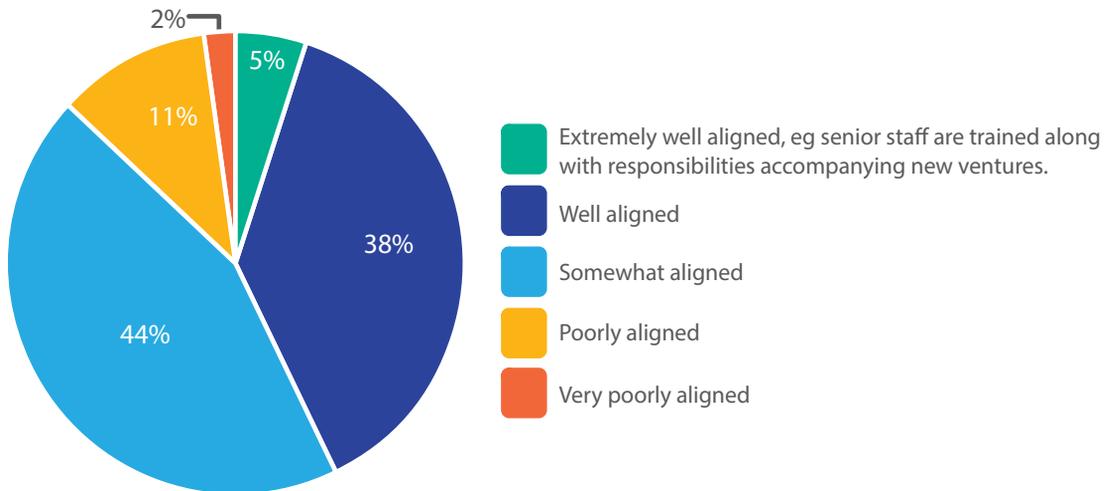
“Three years ago, our audit committee had asked for some details on leadership succession planning within finance. The question came up as we had rotated some members of the audit committee, so there were some new eyes coming in and they wanted to understand more about what was happening behind the scenes within the function. This gave us the opportunity to share with them something that we had started years ago called the Organization Leadership Review.

As part of this yearly review, we have senior finance people going out to the various business units around the globe, sitting down looking at the operations, doing balance sheet reviews, and going through account reconciliations, but there’s always a section where we go through the finance organization charts for that group. We looked at the individuals’ evaluations; we established a matrix so we were able to identify the effectiveness of the individual in being a leader as well as their competencies.”

### LEADERSHIP DEVELOPMENT AND BUSINESS PRIORITIES

It was interesting to note that only a tiny minority of respondents said that leadership development was extremely well aligned with business priorities, which was defined to be those situations where staff were trained along with responsibilities accompanying new ventures. An additional 38% said development was well aligned with business priorities and 44% said it was somewhat aligned. 64% of survey respondents at companies with succession plans said that leadership development was extremely well aligned with business priorities. In comparison, only 26% of those without company succession plans said development was aligned with priorities. Thus, if the organization has a succession plan, its leadership development is more likely to be aligned with business priorities. In other words, organizations with succession plans are more likely to offer their leaders training and development opportunities that sync with organizational priorities.

**CHART 11 – IN YOUR ORGANIZATION, HOW WELL ALIGNED IS LEADERSHIP DEVELOPMENT WITH BUSINESS PRIORITIES?**



## LEADERSHIP DEVELOPMENT AND BUSINESS PRIORITIES

When asked how organizations measure and assess the impact their leadership development has on their company, respondents outlined a number of initiatives. These could range from simple staff surveys, to feedback from department heads, to providing a high responsibility level to a number of individuals who can then step into the role at a later date offering increasing levels of responsibilities to younger staff as they develop. “Leadership goals and objectives are set out at the beginning of each year. Performance against these benchmarks is assessed throughout the year and variable compensation at the end of the year takes into account their performance against the benchmarks,” wrote one respondent.

Another survey respondent said a formalized succession plan is in place with semi-annual reviews and evaluation as well as an annual review with the governance committee of the board.

With regards to training, one respondent noted that new and emerging leaders are required to complete a series of leadership modules. While there is recognition given for completing all requirements, the respondent said, there is no assessment of how well they did and no follow up.

“I support job rotations. Some people are not always looking for the next promotion to get ahead, and are okay making a lateral move. As an example, if you were in controllership, you’d move over to treasury, and if you’re in treasury you’d move to the business unit to provide controllership responsibility for a direct line of business. By moving folks around, they have a better perspective as to what is happening in the other parts of the company. As they broaden out their experience and expand their capabilities, they become more natural replacements for people above them.”

**David Anderson – Executive Vice President & Chief Financial Officer, CGI Group Inc.**

“We line people up with mentors, and it’s part of their job to be good mentors. The mentors coach on various field, including communications and project management. We also send our young people to specialized week-end training programs and others go on sessions created by various organizations, and we take advantage of those.”

**Brian Lawson – Chief Financial Officer, Brookfield Asset Management Inc.**

## CFO SUCCESSION PLANNING

### SOURCING LEADERS INTERNALLY

Survey respondents outlined a number of specific programs and mentoring strategies for developing in-house talent within the finance function, including the following:

#### Identifying talent

- Identification of high potential individuals
- Individual career development action plans that include regular discussion of career paths and support to ensure the individual is ready for the challenge when presented
- CFO taking responsibility to ensure talent is developed as part of a succession plan

#### Training

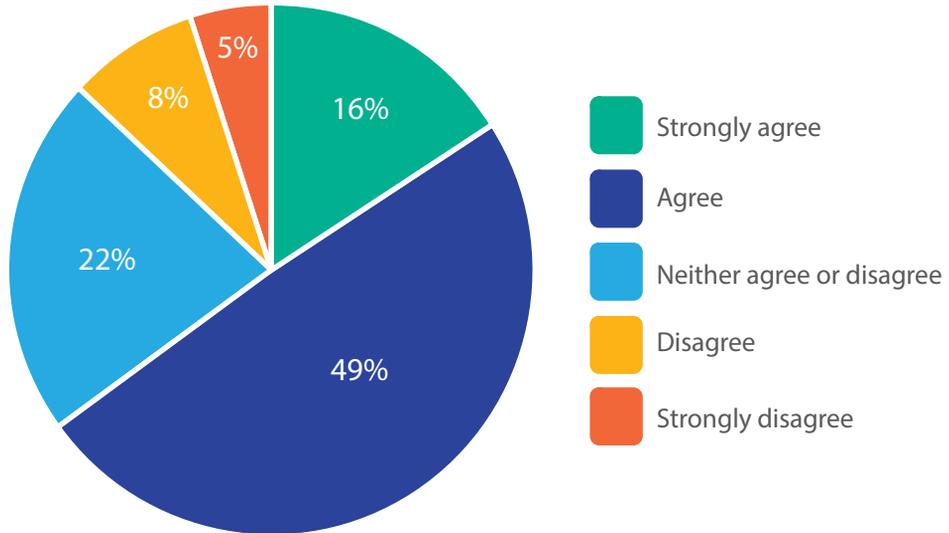
- Sufficient budget to pursue employee individual development plans
- Next generation talent training program stream, three-year rotational development program, mentoring program and in house program for accounting designation.
- Enterprise level leadership development budget is promoted to leaders and learning is a key component of performance evaluations.
- Cross training activities in most areas of the financial role. In-house finance training and leadership training.
- Leadership training (including development, training, recognition)
- Executive coaching programs for very high potentials or executives with known and fixable issues
- Company-specific leadership skills training, external training including company sponsored MBAs, executive coaching, leadership summits

#### On the job

- Job sharing the CFO role to ensure that the organization would survive an extended illness or sudden resignation of either person.
- Cross functional “job shadowing”
- Leaders three levels down from CEO attend C-suite and board committee meetings as presenters and guests to gain first-hand experience. C-suite level projects are assigned to management ranks to develop experience and profile within the organization.

## SOURCING LEADERS INTERNALLY

**CHART 12 – OUR COMPANY HAS STRONG RETENTION RATES OF HIGH POTENTIAL INTERNAL FINANCIAL CANDIDATES**



### Keeping high potentials motivated

One of the key discussion points that emerged from the forum participants was whether companies should actively disclose their succession plan to those who are named in it. The unknown factor is the consequences such disclosure could have on high potential employees, and whether it motivates them to stay within the talent pool.

Aviva Canada is presently evaluating a new potential program that would require managers to complete certain internal management courses prior to a promotion. This allows individuals to demonstrate through their own initiative that they are committed to their own career development and advancement. Some individuals may choose not to participate in these courses as they feel they may not be ready to advance within the organization at the present time.

## CFO SUCCESSION PLANNING

“Having a certain amount of competition is healthy in the office environment as it promotes high performance. Though an individual may not be promoted to a particular role at particular time, other opportunities in the organization will arise in the future. This message always needs to be delivered honestly and carefully. That is, when a top performer is not the best candidate for a particular role that candidate should understand that they are considered a top performer and that there will be other opportunities in the future that they will be considered for.”

**Mark Moore – Vice President, Former Corporate Controller, Aviva Canada**

“In a previous job I was part of a program called the 100 Most Promising Rising Stars. When people are identified and groomed as high potential performers, it has a double-edged sword impact because things that were promised to some people, like an executive MBA, might not materialize due to budget constraints. In other words, if you talk the talk, you better walk the walk. That company actually lost those key contributors within five to seven months after the budget cuts were announced.”

**Daniel Dubé – Vice President & Chief Financial Officer, El Ran Furniture Ltd.**

“One of the benefits of disclosing your succession plan and having everybody know, including the people that have been identified, is that a skill or professional development gap can be addressed through either cross-training to other departments or geographies. You can help each person become a stronger candidate. If they don't know they're on the roster for consideration, it is a hard conversation to have in the shroud of secrecy.”

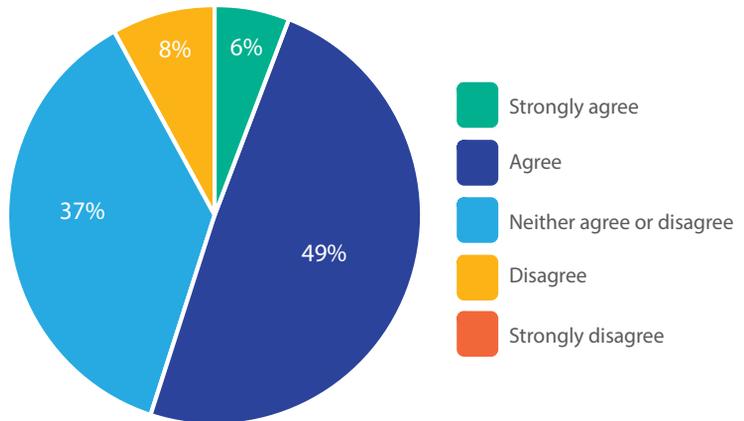
**David King – District Director, Robert Half Management Resources**

## SOURCING LEADERS EXTERNALLY

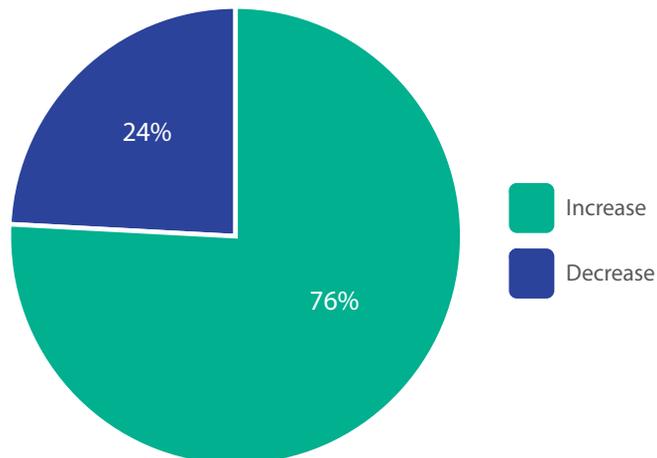
### SOURCING LEADERS EXTERNALLY

When asked about sourcing external talent, 55% of respondents said they place high value on outside perspectives and experience when hiring to fill senior financial roles. This was about the same whether the respondents' organization had a succession plan or not. Most of those organizations with a succession plan had experienced an increase in the search for external candidates (71%), but it was far more likely that those organizations without succession plans had seen an increase in the need to look externally (82%). This result indicates that succession planning may reduce the need to look externally for candidates, and certainly merits further investigation.

**CHART 13 – OUR COMPANY PLACES HIGH VALUE ON OUTSIDE PERSPECTIVES AND EXPERIENCES WHEN HIRING SENIOR FINANCIAL TALENT**



**CHART 14 – WHEN HIRING FINANCIAL PROFESSIONALS, IS YOUR COMPANY EXPERIENCING AN INCREASE OR A DECREASE IN LOOKING EXTERNALLY FOR CANDIDATES?**



## CFO SUCCESSION PLANNING

“To grow your business with the same people all the time might be tougher in a market that’s not growing, than bringing in people with new ideas. And you need a mix of the two. It’s nice to promote everybody internally, but there’s probably a benefit to getting different thought processes.”

**Louis Marcotte – SVP, Strategic Distribution, Intact Financial Corporation**

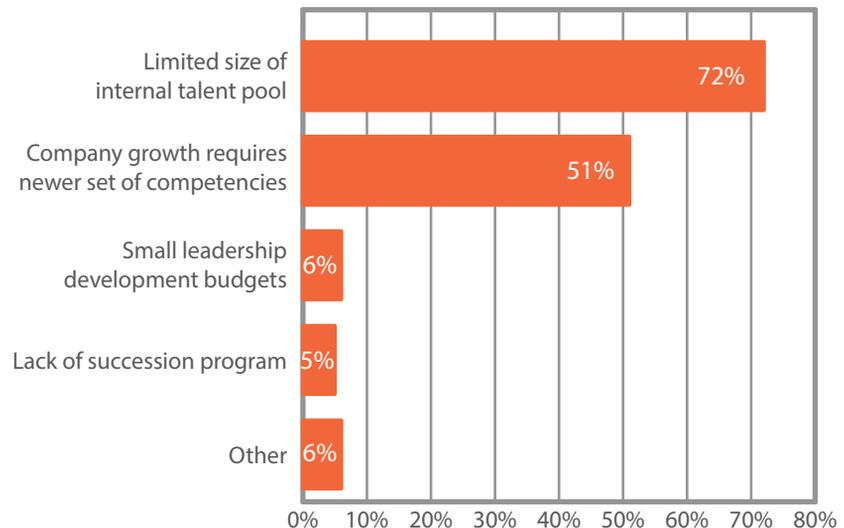
In the forum, there was discussion about the importance of two factors that would drive a company to source externally, despite having a succession plan or leaders ready to step in. Those two factors come down to culture and growth. There is an increasingly recognized value being placed on creating a desired company culture and hiring, often externally, individuals with specific characteristic traits to support that culture change. The other factor – growth – may require you to go outside your company in spite of all the internal leadership development and mentoring programs in order to acquire a new set of competencies.

“At TD, we build for the future by providing learning programs, work experiences, and relationship-building opportunities for leaders at all levels of the organization. We have grown significantly in recent years and have recruited externally to help support that growth. About a third of the bank’s senior finance team has been with TD for less than three years. My team is a great example of our focus on development. I have 13 direct reports and only one of them is in the same job as when I started because of development opportunities we created for them.”

**Lynn Belo – Senior Vice President, Corporate Segment Finance, TD Bank Financial Group**

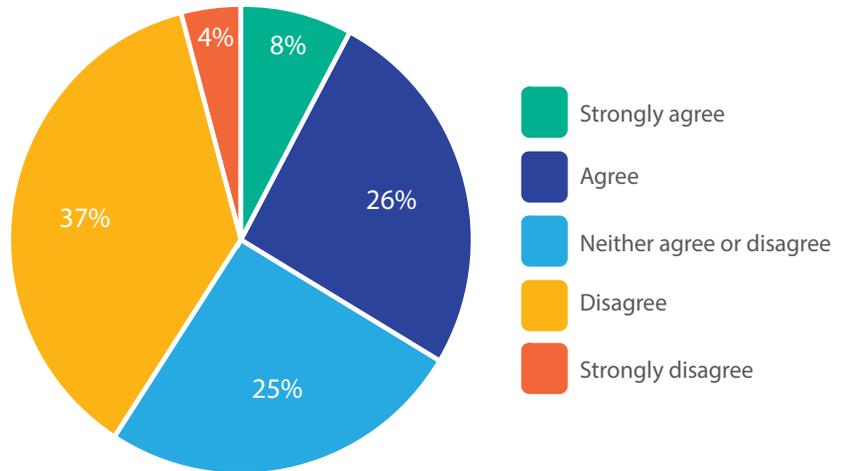
## FACTORS OF INCREASED OUTSOURCING

**CHART 15 – WHAT ARE THE FACTORS RESPONSIBLE FOR THE INCREASED USE OF OUTSOURCING?**



## SOURCING LEADERS EXTERNALLY

**CHART 16 – OUR COMPANY  
FACES A SHORTAGE OF  
FINANCIAL TALENT**



“It’s sometimes difficult for someone that’s born inside the company, that’s bred internally, to suddenly move up to the CFO role, and be expected to let go of the day-to-day stuff and become strategic. Hence, there is this risk they will hire someone from the outside, in much the same way that you can be called to go in another company because you’re the fresh air. Not in a bad way, just in a way that you’re distanced a bit.”

**Louis Marcotte – SVP, Strategic Distribution, Intact Financial Corporation**

“At TD, fit is very important. We attract, hire and develop a diverse group of individuals who share TD’s core values and leadership traits – whether or not they grew up in the bank. We have rigorous interview process, much of which focuses on cultural fit with the organization, not just technical skills. We look for people whose values align with TD’s culture, but that can also help our culture evolve.”

**Lynn Belo – Senior Vice President, TD Bank Financial Group**

“It would be nice to have internal candidates all the time to move around, but when you’re in growth mode, it really does create a necessity for going outside. It also helps with broadening the skill sets within the organization. So we’ve had to fill some fairly senior roles with outside folks in the last couple of years.”

**Debbie Stein – Senior Vice President Finance & Chief Financial Officer, AltaGas Ltd.**

### PROFILE OF TOMORROW'S CFO

There is a shift away from technical financial accounting skills to more of an emphasis of what the CFO can bring to the business overall, including clear and strong communication skills, with the financials only one component. In fact, survey results indicate the top four qualities desired in a CFO are not related to financial management. They include strategic planning (96%), risk management (95%), supporting executive team decision making (92%) and corporate governance (81%).

#### Champion of change

“You need to have a CFO that’s really a change agent, and also well versed in communication. It could be in marketing, sales or production, and you need to understand how you can hit the right buttons to be able to get back on plan. The CFO is a fairly critical role. You can’t expect the CEO to always be the one going in and chasing after this type of stuff. You sometimes have to wear the black hat, go in first, stir it up a little bit and then the CEO can be the peacemaker and settle things back down again and just fine tune it once it gets moving.”

**David Anderson – Executive Vice President & Chief Financial Officer, CGI Group Inc.**

**CHART 17 – PROFILE OF TOMORROW'S CFO: WHAT SKILLS/EXPERIENCE DOES YOUR COMPANY NEED IN A FUTURE CFO? (CHOOSE ALL THAT APPLY)**



## PROFILE OF TOMORROW'S CFO

According to one survey respondent, CFOs are moving more into operational roles – specifically in private companies and not for profit organizations. Demands are increasing for the CFO with a broad skill set, and it can be challenging to find one person who has it all or even most of the skills required, one respondent noted.

It's at small and medium-sized companies where the CFO is much more of a generalist, according to Judy Munro, President, RHI Executive Search Canada. According to Munro, the CFO is a partner to the CEO, a trusted advisor, and a strategist, but basically a generalist in every way. "You're usually wearing the HR hat, along with many others: legal, taxation, corporate secretarial, and IT," Munro said. "Anything that isn't operations and sales pretty much ends up in that CFO suite in small to medium-sized companies."

Even at large corporations, the CFO must remain a generalist and partner to the CEO, adds Roger Rees, chief financial officer at SCI Group. "I view the CFO as being a key integrator, of pulling all those pieces together, whether it's the tax, financial reporting or the business strategy," Rees said. "I get involved in all strategic discussions which is an extremely enjoyable and rewarding part of the role. It enables me to be close to the decision making process and to help chart the course forward for the company".

### Curiosity and communication

“CFOs are usually working their way through the accounting profession and they're young and they're focusing on accounting and treasury. Often they're not getting a full view of operational difficulties. Some of the best education I've gotten was actually from a CEO who once brought me out to a construction site in Saskatchewan where we were building a power plant. I was climbing a construction tower many hundreds of feet above the ground, he told me that he was an old construction guy, and this is what we do out here. He said, 'I bet you've never been here before.' I said: 'That's right.' If you can get a CEO who's a partial mentor on the operational side, it makes a big difference for the CFO.”

**Tim Zahavich – Chief Financial Officer, St. Joseph Communications**

“The key role a CFO plays is curiosity and knowing how and when to ask the right questions. It’s important in order to become a trusted partner of the executive team. And it’s not just partnering with the CEO. An effective CFO is one where the rest of the executive team looks to the CFO as an advisor.”

**Debbie Stein – Senior Vice President Finance & Chief Financial Officer, AltaGas Ltd.**

“CFOs need to focus on communication. It’s key. And it’s not just having speaking skills, but also being able to know how to communicate what is potentially sensitive information, particularly on behalf of a public company.”

**Brian Howlett – Chief Financial Officer, Superior Copper Corporation**

“Boards should put more emphasis on strategic thinkers and risk managers as opposed to "bean counters". CFOs should be thinking about where the company will be five years from now as opposed to where the company was last year.”

**– Survey respondent**

## CONCLUSION

### CONCLUSION

Financial executives surveyed were nearly unanimous that succession readiness is key to the success of the finance function, but less than half of survey respondents say there is a clearly defined succession plan for the CFO at their organization. In addition, less than half say there is a qualified successor at the organization who could readily step up to the job.

Although large and medium-sized companies were more likely to have clearly defined succession plans than small companies and public more likely to be prepared than private, the survey results show that all organizations could benefit from reviewing and strengthening their contingency plans.

Given there is an impending shortage of financial leadership talent in Canada due to demographic shifts, and given the demonstrated need for critical thinking and non-traditional finance skills among the C-suite, succession readiness couldn't be a more important agenda item for boards.

In fact, potential talent within finance should be regularly identified and assessed for leadership, and CFOs may want to consider bringing potential successors with them to meetings with the CEO, audit committee or board as a whole.

While all organizations were likely to have experienced an increased need to search for external candidates, it was far more likely that those organizations without succession plans had seen a far greater increase in this need than those with succession plans. Thus succession planning may reduce the need to look externally for candidates, although organizations looking to make a significant change in culture or growth strategy may still desire outside perspectives.

Although the survey reveals organizations to be less prepared than they think they should be, this problem can be remediated through a range of strategies outlined in the report, including leadership development, technical training, mentoring and coaching, cross-functional teams (including executives from different departments on a team), moving financial managers into operational roles, offering in-house professional

## CFO SUCCESSION PLANNING

development, identifying high-potential candidates and addressing any perceived shortcomings before they are promoted, and coming up with a plan to ensure the continued operations of the company for a temporary period in the event of the sudden departure of the CFO.

While it can be difficult to know whether a CFO departure will be planned or unexpected, the purpose of the succession plan is for organizations to be prepared when this occurs, even if it is sudden. Some suggestions include:

- Have a standing committee established, composed of board members from committees such as nominating, corporate governance and policy, to oversee the succession planning process for the organization overall. Review the composition of the standing committee annually. For the CFO, the committee should include the chair of the audit committee.
- Have an acting CFO named and ready, and ensure staff already in place can carry on until a permanent replacement is named. Organizations can prepare more than one, if possible, and test their abilities by naming them as acting CFO when the CFO is on vacation or away.
- Maintain an up to date list of the criteria required for the CFO position: the fundamentals and the nice to haves; is the list in sync with the overall vision of the organization? If not, revisit both.
- Have a detailed plan with emergency succession procedures, developed to deal with a possible health crisis or CFO departure to another company. This plan would identify an acting CFO who would step in immediately until a replacement is found.
- Develop a “logical succession” plan, based on the age of the CFO, expected retirement and known future plans. Regularly evaluate the suitability of internal candidates, develop training and programs to address gaps among potential successors and maintain a dialogue with potential successors to determine their interest in the position. This kind of process should be ongoing, and ideally should be renewed on an ongoing basis.
- Consider the benefit of seeking external assistance with such a search, and if necessary, consult with an expert on how to develop your plan

## CONCLUSION

The steps outlined above are critical, even when boards are facing more time-sensitive issues, because, if a company CEO, board or other senior leaders wait until a CFO has departed to begin its succession plan, it will discover that it is already too late. Although the CEO has a major role to play in determining the CFO, particularly in a public company, boards cannot solely abdicate responsibility to the CEO. Audit committees in particular, with financial literate members, can offer a wealth of insight on who would be a suitable candidate for CFO. That said, any potential CFO must be compatible with the CEO in order for the C-Suite to function smoothly.

“Succession planning is not necessarily making sure you have someone ready to take over the CFO’s job. Succession planning is also about addressing the risk around business continuity. If someone leaves, are you able to continue on with the business? Do you have the team underneath capable of carrying on, on a temporary basis.”

**Laurie Tugman – Corporate director and former CEO, Marsulex**

“The CFO is a critical role in the C-suite and a succession plan should also be critical.”

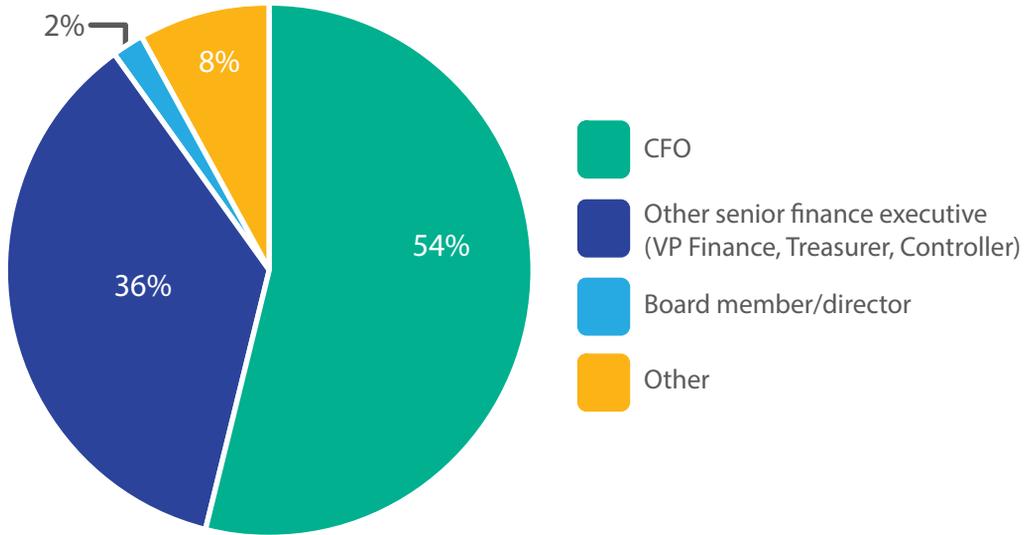
**– Survey respondent**

“CFO succession planning has to deal more with leadership than technical skills and competencies. Expertise in key functions is usually hired to support the CFO versus them being the subject matter expert. A CFO needs to be more strategic thinking and global versus detail and doing.”

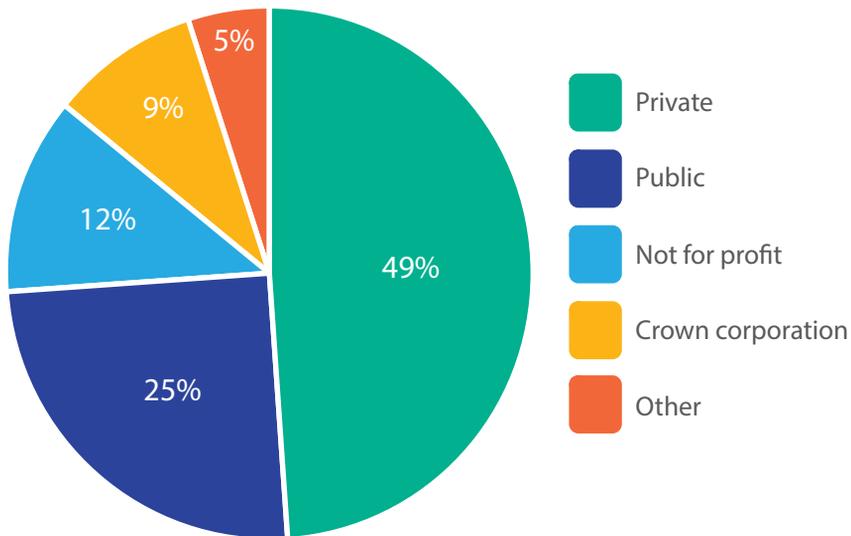
**– Survey respondent**

## APPENDIX A: DEMOGRAPHICS

### CORPORATE STRUCTURE

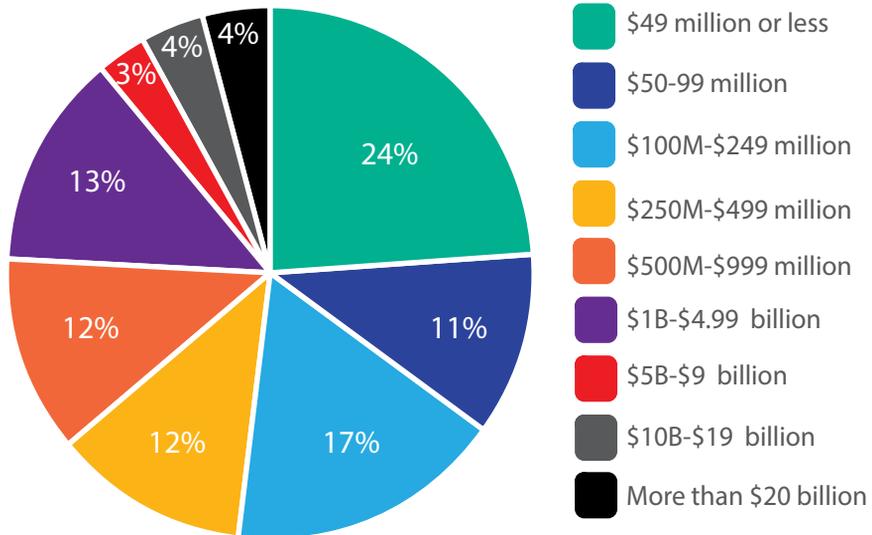


### POSITION TITLE

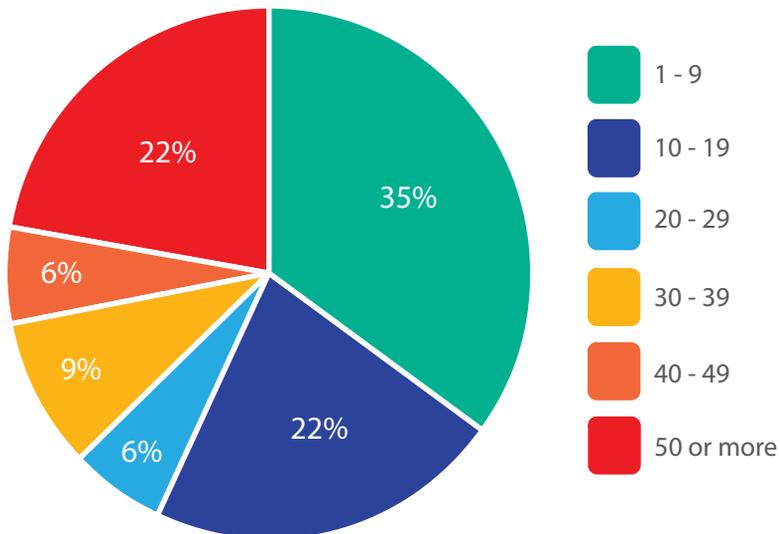


## APPENDIX A: DEMOGRAPHICS

### ANNUAL REVENUE

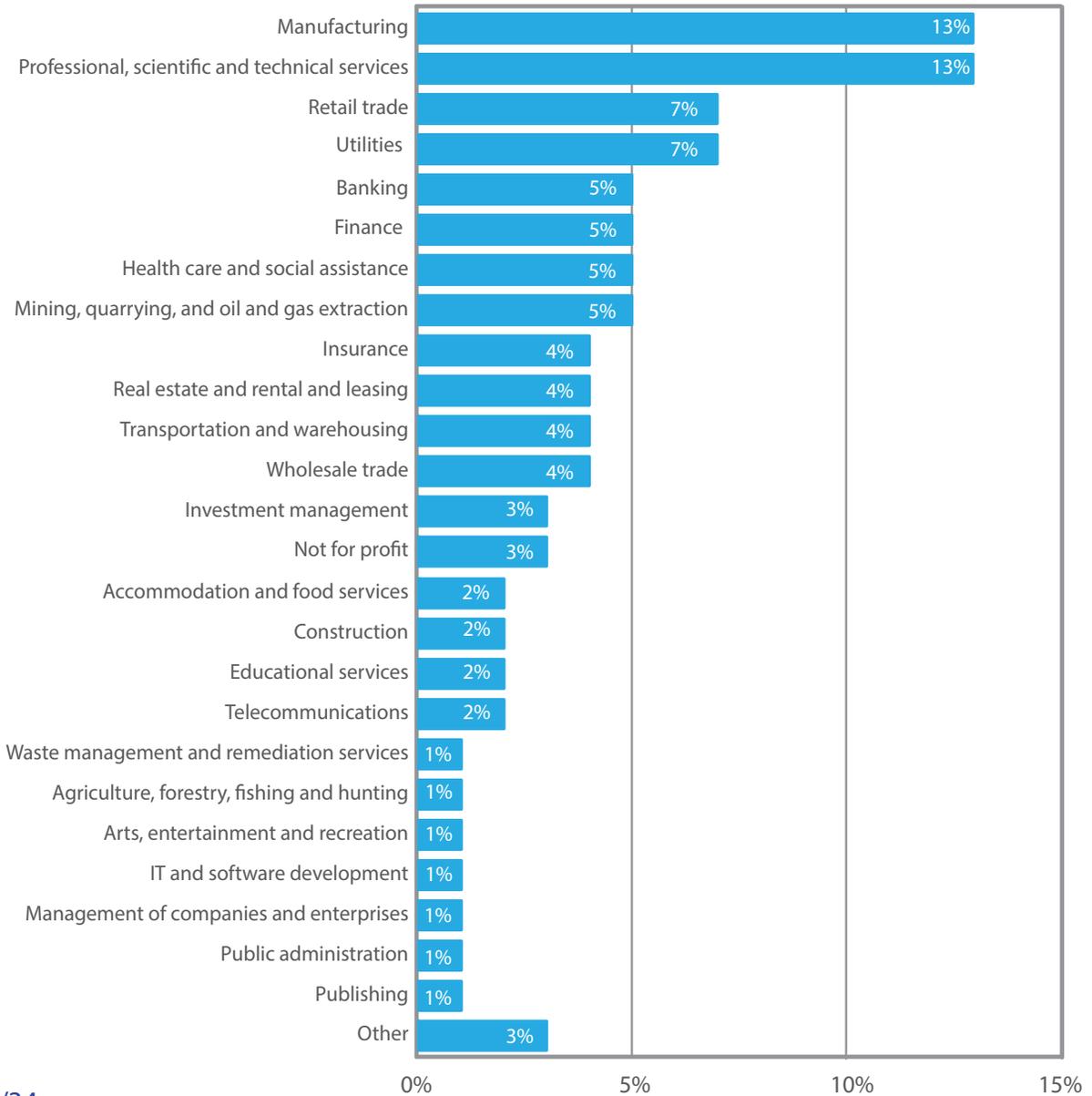


### NUMBER OF FINANCIAL STAFF



# CFO SUCCESSION PLANNING

## INDUSTRY CLASSIFICATION



## APPENDIX B: FORUM PARTICIPANTS

### APPENDIX B: FORUM PARTICIPANTS

Forum Chair: Michael Conway – Chief Executive & National President, FEI Canada

Moderators: Christian Bellavance – Vice President, Research & Communications, FEI Canada  
Judy Munro – President, RHI Executive Search Canada

Calgary Participants: Kevin Johnson – Managing VP, Enterprise Solutions, Robert Half International  
Rob Geremia – President, Boardwalk REIT  
Grant McNeil – VP, Finance, Ian Murray & Company  
Tim Onciul – CFO, Silvacom Group  
Debbie Stein – SVP Finance & Chief Financial Officer, AltaGas Ltd.

Toronto Participants: David King – District Director, Robert Half Management Resources  
Lynn Belo – Senior Vice President, Corporate Segment Finance, TD Bank Financial Group  
Brian Howlett – CFO, Superior Copper Corporation  
Brian Lawson – CFO, Brookfield Asset Management Inc.  
Louis Marcotte – SVP Strategic Distribution, Intact Financial Corporation  
Mark Moore – VP Corporate Controller, Aviva Canada  
Roger Rees – CFO, SCI Group  
Tim Zahavich – CFO, St. Joseph Communications

Montreal Participants: Danielle Lecuyer, Division Director, Robert Half Management Resources, Montreal  
David Anderson – EVP & CFO, CGI Group Inc.  
Daniel Dubé – VP & CFO, El Ran Furniture Ltd.

Observers: Tracey Remkes – Head, Marketing & PR, Canada, Robert Half International  
Vanessa Radu – Marketing & PR Specialist, Robert Half International  
Laura Bobak – Senior Writer, FEI Canada  
Melissa Gibson – Communications & Research Manager, FEI Canada

## CFO SUCCESSION PLANNING

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