



HR Q&A: Looking Ahead to 2017

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ALEXANDER WHITEHEAD
EXECUTIVE SEARCH



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Dear Colleague,

Welcome to the second annual publication of **HR Q&A**. We launched our survey and report last year and received a positive response from the human resources professionals in Alberta and British Columbia who offered their opinions on what was in store for the economy, their organizations, and themselves in 2016. We return this year with more predictions and opinions for 2017. The feedback collected from your HR colleagues is generally optimistic about 2017—a year that will see the impact of new public policy initiatives (carbon tax in Alberta); uncertainty over existing trade relationships (NAFTA; softwood lumber); and new leadership in the United States.

Once again your peers are committed to managing compensation costs and advancing the importance of HR at the strategic planning table of their organizations—both critical objectives as our western Canadian economy appears poised to grow. The generosity of HR leaders across the career spectrum is once again apparent as the desire to give back to the profession and serve on volunteer boards remain personal and professional priorities.

We want to thank the diverse network of HR professionals in British Columbia and Alberta who participated in the survey during the final six weeks of 2016. We continue to engage current and future HR executives across private and public sector businesses and organizations to ensure a diversity of opinions are collected and shared. Thank you for your ongoing support of *HR Q&A*.

All the best to you and your colleagues for 2017.

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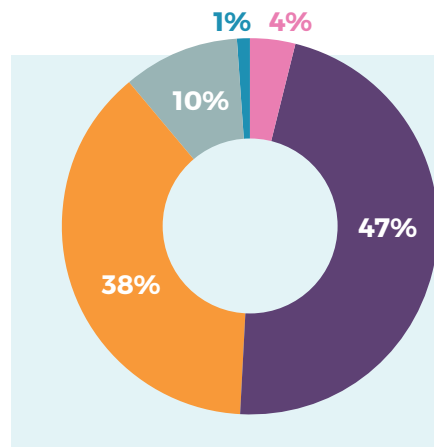


The Nation

Regarding the Canadian economy in 2017, which of the following statements best reflects your opinion?

ANSWER OPTIONS

- I anticipate strong economic growth in 2017 compared to 2016 • 4%
- I anticipate moderate economic growth in 2017 compared to 2016 • 47%
- I anticipate no change in economic growth in 2017 compared to 2016 • 38%
- I anticipate moderate economic decline in 2017 compared to 2016 • 10%
- I anticipate strong economic decline in 2017 compared to 2016 • 1%



What a difference a year can make. Last year we reported that only 26 percent of respondents anticipated moderate to strong economic growth in the Canadian economy. Fast-forward 12 months and the results show 51 percent—nearly double—of all respondents anticipate moderate to strong growth in the national economy in 2017. According to the optional comments submitted, this optimism is fueled by the anticipated stability of oil and gas prices resulting in a better economy in Alberta (and Canada) and the expected infusion of federal dollars into mega infrastructure projects. The election of Donald Trump was viewed as both positively (anticipated improvement in the US economy) and negatively (uncertainty over existing trade deals and global markets) impacting our economy in 2017.

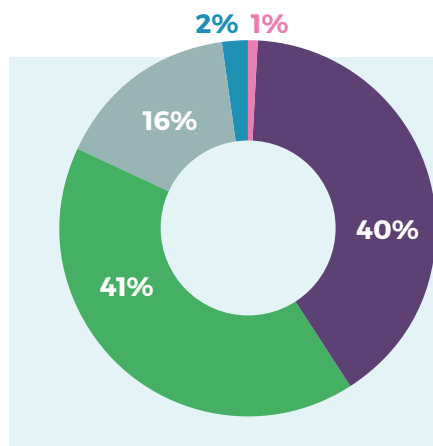
For the 11 percent of respondents who predict a moderate to strong decline in the Canadian economy, the primary sources of concern are the continued weakness of the Canadian dollar, the uncertainty surrounding a Trump presidency, and US policies regarding the likely re-negotiation of the NAFTA agreements and the potential impact on Canadian exports.

Alberta

Regarding the economy in your province in 2017, which of the following statements best reflects your opinion?

ANSWER OPTIONS

- I anticipate strong economic growth in 2017 compared to 2016 • 1%
- I anticipate moderate economic growth in 2017 compared to 2016 • 40%
- I anticipate no change in economic growth in 2017 compared to 2016 • 41%
- I anticipate moderate economic decline in 2017 compared to 2016 • 16%
- I anticipate strong economic decline in 2017 compared to 2016 • 2%



According to Alberta-based HR practitioners, the prospects for Alberta's economy are much brighter for 2017 than they were one year ago. Forty percent predict the economy will turn for the better and that the province will experience moderate economic growth in the coming year, which compares to just 18 percent one year ago. This bullishness is tied to the greater stability of oil prices over recent months. In December 2015, the price of oil was hovering in the \$30–\$35 barrel range; and one year later on December 15, 2016 the price of a barrel of oil had rebounded to just over \$54. OPEC's decision to reduce production in the fall of 2016 generated the spike in price that has held relatively steady. Larger oil producers in the province are hiring and investing capital to expand operations or develop assets in northern Alberta—strong signals that Alberta may experience an economic turnaround in 2017.

Other positive indicators include the federal government's approval of Kinder Morgan's Trans Mountain pipeline expansion and Enbridge's Line 3 expansion, although the former project is expected to generate further opposition in British Columbia. Donald Trump's statements regarding reviving the Keystone XL pipeline project were welcomed by the oil industry. The weak Canadian dollar continues to enhance industries that sell product to the United States (forestry, agriculture) and those that benefit from US-based business and visitors coming to Alberta (tourism). The Fort McMurray re-build is also expected to stimulate the local economy in the short to mid-term.

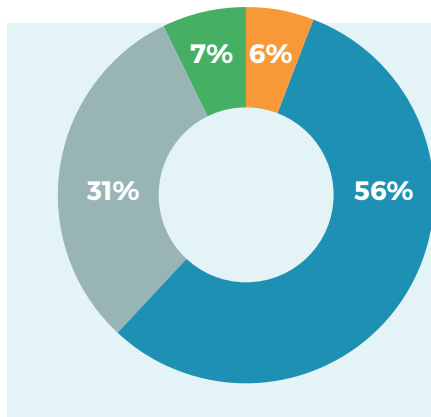
Areas of concern about the provincial economy for HR leaders in Alberta is the impact of the new carbon tax that took effect January 1, 2017. The charitable sector is still contending with reductions in corporate and individual philanthropy; however, as Alberta's prospects improve, so too should the support for public sector institutions that rely on a robust provincial treasury and the continued generosity of Albertans.

British Columbia

Regarding the economy in your province in 2017, which of the following statements best reflects your opinion?

ANSWER OPTIONS

- I anticipate strong economic growth in 2017 compared to 2016 • 6%
- I anticipate moderate economic growth in 2017 compared to 2016 • 56%
- I anticipate no change in economic growth in 2017 compared to 2016 • 31%
- I anticipate moderate economic decline in 2017 compared to 2016 • 7%
- I anticipate strong economic decline in 2017 compared to 2016 • 0%



Optimism about the British Columbia economy is high among survey respondents. Over 60 percent expect moderate to strong economic growth in the coming year. British Columbia is projected to continue leading Canada in economic growth, according to the Conference Board of Canada. After a sizzling 3.4 percent GDP growth in 2016, the forecast for 2017 is for a robust 2.4 percent, which will align equally with Ontario's GDP projections at the top of the list. Contributing to the lower expectations are fewer housing starts, the cooling of the Vancouver real estate market, and uncertainty over the now-expired softwood lumber agreement. Other potential economic headwinds include decreased demand from Asia for the province's natural resources and manufactured goods. The next iteration of the softwood lumber agreement weighs heavy on the minds of forestry executives, and the high cost of housing and the shrinking supply of rental accommodations will likely continue to hinder companies seeking to attract talent to Metro Vancouver.

Still, 2.4 percent GDP growth for British Columbia is impressive when compared to the expected national projection of two percent. British Columbia can thank the ongoing momentum of its traditional economic industries (natural resources, construction, tourism, and film and television) and the continued growth in emerging technologies (clean energy, information technology and communications) for the healthy forecast in 2017.

Risk

From an enterprise risk perspective, which of the following macroeconomic factors are the most likely to negatively impact your organization in 2017? *Note: respondents were allowed to select multiple answers.*

ANSWER OPTIONS



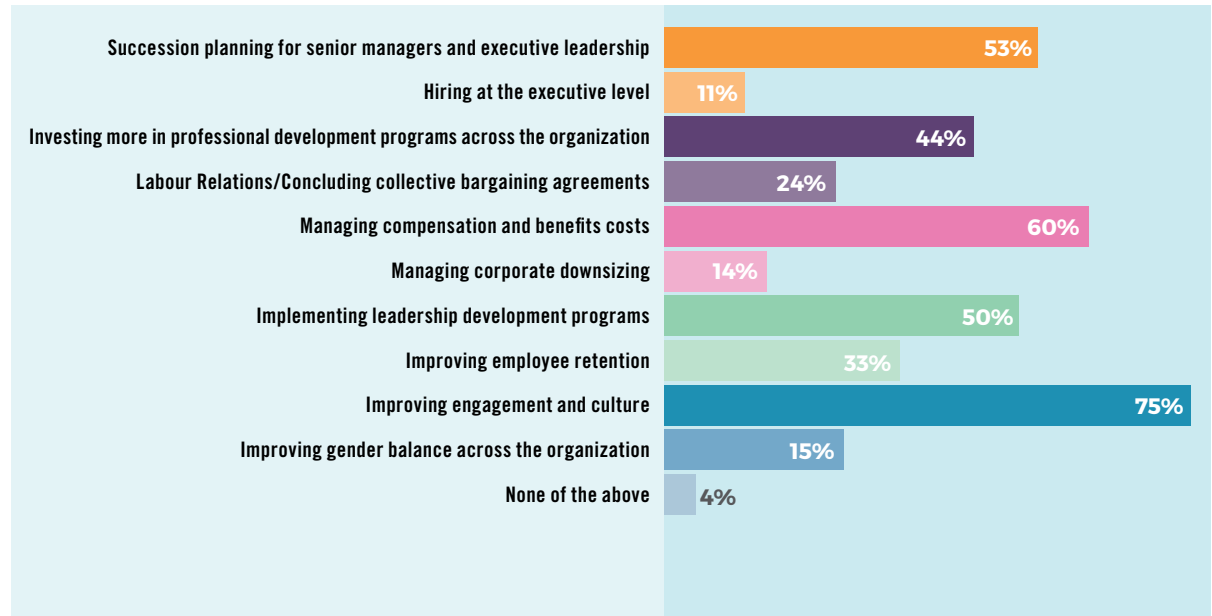
Last year the top enterprise risk facing respondents was weakness in commodity prices. Looking into 2017, concern still exists over the export price of our natural resources as 42 percent of respondents again identify this as a primary risk to their business. This year the top risk to operations is increased regulation from domestic governments, specifically the implementation of the carbon tax in Alberta and its potential impact on the cost of doing business. For British Columbian respondents, the primary concern is the uncertainty over existing trade agreements, and considering a high number of respondents this year were from the forestry sector, this concern relates to the softwood lumber agreement that has expired and is up for negotiation.

Comments provided from respondents highlighted concern over a Trump presidency and his public statements related to existing trade agreements. Companies headquartered in western Canada with international operations continue to express some concern over the security of foreign operations and/or nationalization of operations. Both public and private sector enterprises anticipate higher risk in raising funding for operations in 2017 compared to 2016 (33 percent versus 26 percent). The ability to identify and attract skilled labour remains a concern and is likely to increase if the recovery in Alberta's energy industry continues.

Corporate Objectives

Looking at your own organization from a human resources perspective, what are your objectives and priorities for 2017? Please select all that apply. *Note: respondents were allowed to select multiple answers.*

ANSWER OPTIONS



For the second consecutive year, the top three objectives at the organizational level for HR leaders are improving employee engagement and culture, managing compensation costs, and succession planning at the senior levels. Creating and promoting a positive corporate culture rates as the top priority for HR leaders across the career spectrum. Contributing factors include the highly competitive nature of some industries to attract and retain top talent. In Alberta, HR leaders are aware of the impact of heavy layoffs in recent years has had on the remaining employees, and creating a positive, engaging culture is seen as critical to long term retention.

Managing compensation costs remains a top objective, especially in industries susceptible to volatile prices for their products, such as oil and gas and forest products. Compensation demands in fast-growth industries such as information technology are expected to increase, especially for employees living in high cost of living centres, such as Vancouver. HR leaders are exploring other means of rewarding employees that have a lesser impact on the bottom line, such as flexible work schedules.

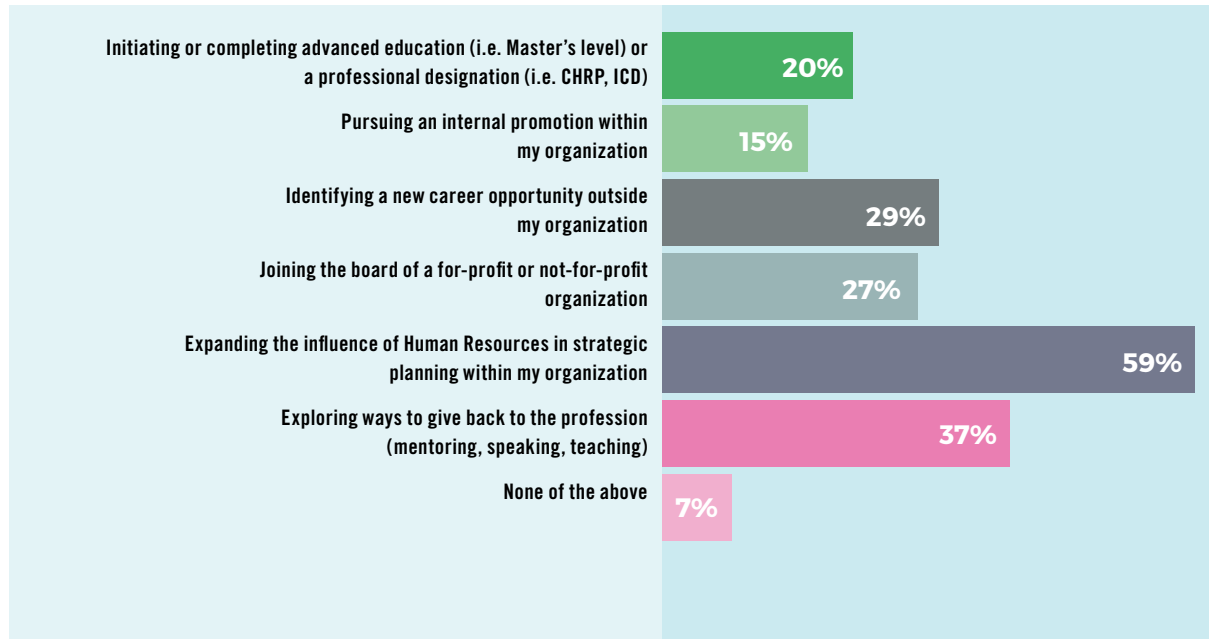
Succession planning for senior and executive management and implementing leadership development programs are closely linked priorities for the coming year as HR leaders prepare for late career stage employees exiting the work force. Hiring talent and providing the appropriate leadership development tools also contribute to a positive workplace culture and employee retention.

Personal Objectives

On a personal level, what are your professional objectives and priorities for 2017? Please select all that apply.

Note: respondents were allowed to select multiple answers.

ANSWER OPTIONS



Once again, expanding the influence of human resources in strategic planning is the primary personal objective of HR leaders in both provinces for the coming year. More than anyone, HR professionals understand the role human capital plays in the future success of an organization. Conveying the importance to executive management of including employee recruitment, development, performance management, and succession when developing the strategic plan is an ongoing challenge for some respondents.

Contributing to the enhancement of the HR profession through mentoring and sharing best practices remains an important priority for 2017. Supporting comments suggest that senior HR executives are committed to sharing their experiences with the next generation of professionals and are seeking various opportunities to do so in the coming year.



Alexander Whitehead Executive Search is a western Canadian boutique search and management consultancy firm providing advisory services to our clients in the areas of senior management, executive, and board search. Alexander Whitehead operates in Vancouver, British Columbia and Calgary, Alberta.

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