

HR Q&A: Looking Ahead to 2019

January 2019



ALEXANDER WHITEHEAD
EXECUTIVE SEARCH



HR Q&A: Looking Ahead to 2019

Dear Colleagues,

Welcome to **HR Q&A: Looking Ahead to 2019**.

This report reflects the opinions of HR practitioners from across Canada commenting on what they expect from the coming year. Once again, we invited over 4,500 HR leaders from multiple industries in the public and private sectors and from across the career spectrum to participate. This report reflects their mood on the national and provincial economies and their personal and professional priorities for 2019.

The theme of this year's report is the Future. Participants were asked to explore and share with us the status of succession planning within their organization—an ongoing challenge and opportunity for organizations in every industry.

We also encouraged participants to offer career or personal advice to the next generation of HR leaders reading this report. The responses were diverse and reflect the battles won and lost by HR leaders offering an answer to the question: “What did I wish I knew earlier in my career?” The answers are shared in the Voices section of the report, and we thank all respondents for their participation and words of wisdom.

We remain committed to seeking perspectives from the professionals most aligned with the trends, issues, and challenges impacting the economy's most valuable resource: human capital. HR leaders offer an informed perspective about external influences and how they impact workplace diversity and inclusivity; compensation trends; employee development, retention, and succession planning; and, of course, the bottom line.

On behalf of the team at Alexander Whitehead Executive Search, we wish you continued professional success in the year ahead. Thank you for participating and welcome to 2019.

Terry Whitehead

MANAGING PARTNER
ALEXANDER WHITEHEAD EXECUTIVE SEARCH

Michael Alexander

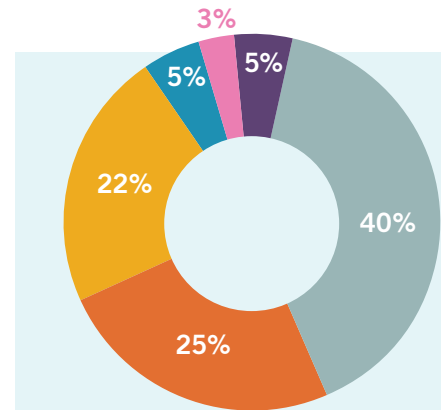
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Next. Generation. Talent.

Regarding the Canadian economy in 2019, which of the following statements best reflects your opinion?

ANSWER OPTIONS

- I anticipate strong economic growth in 2019 • 5%
- I anticipate moderate economic growth in 2019 • 40%
- I anticipate no change in economic growth in 2019 • 25%
- I anticipate moderate economic decline in 2019 • 22%
- I anticipate significant economic decline in 2019 • 5%
- I have no opinion • 3%



For the first time since we launched the survey in 2014, HR leaders are downbeat about the prospects of the Canadian economy in the year ahead. Only 45 percent of all survey participants predict moderate to strong economic growth in the national economy, compared to over 70 percent just twelve months ago. Twenty-seven percent predict moderate to significant economic decline in 2019, compared to just six percent of respondents last year. Parsing the data further, HR leaders in the private sector are slightly more bullish on the economy than their counterparts in the public sector. Opinions also vary based on industries. HR executives working in Canada's traditional economic drivers (oil and gas, forestry, manufacturing, and mining) are far more pessimistic than their counterparts in emerging industries such as technology, fintech, and cannabis.

Several pundits¹ have also tapered expectations on our economy in 2019 and predict Canada is due for a slight correction. The Business Development Bank of Canada, CIBC, RBC, and *The Economist* magazine all agree that Canada's GDP growth in 2019 will be less than 2018.

What are the obstacles facing the Canadian economy in the year ahead? Lower oil prices, potential interest rate hikes, and lingering uncertainty over lumber prices and trade agreements could all weigh heavy on the economy. Jock Finlayson, Executive Vice President and Chief Policy Officer for the Business Council of British Columbia, is not expecting much from the Canadian economy, suggesting Canada will be fortunate to generate 1.7 percent real GDP growth rate.

"Canada is facing domestic headwinds as consumer spending and housing market activity cool and the country struggles to develop the infrastructure necessary to move our traded goods to global markets. These are in addition to conditions outside Canada with the potential to impact the national economy. The current North American expansion cycle is well advanced, economic growth looks to be slowing in China and the EU, and energy markets have weakened significantly since last summer," explains Mr. Finlayson. "It is hard to get excited about Canada's prospects [in 2019]."

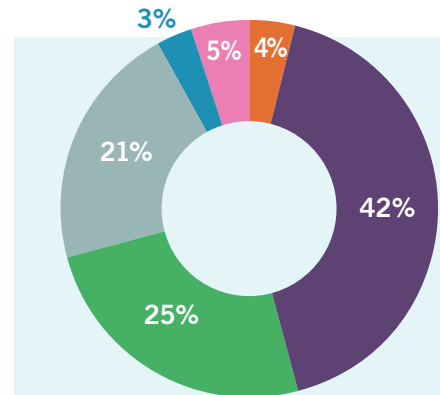
¹ The Business Development Bank of Canada predicts the national economy to grow 2 percent, down from 2.2 last year. *The Economist* magazine pegs Canada's GDP will expand by 1.8 percent while RBC predicts 1.7 percent, both decreases of .2 over last year's predictions. When we refer to GDP growth throughout this report we are quoting Real GDP, not Nominal GDP.

The Regions

Regarding your provincial economy in 2019, which of the following statements best reflects your opinion?

ANSWER OPTIONS

- I anticipate strong economic growth in 2019 • 4%
- I anticipate moderate economic growth in 2019 • 42%
- I anticipate no change in economic growth in 2019 • 25%
- I anticipate moderate economic decline in 2019 • 21%
- I anticipate significant economic decline in 2019 • 3%
- I have no opinion • 5%



If HR leaders are gloomy about the national economy, they are slightly less doubtful about their own provincial economies, depending on where they reside. Collectively, the survey shows 46 percent of respondents anticipate moderate to strong economic expansion in their home province, a slight uptick over last year's results, while the majority expect similar GDP results or a contraction in the new year. The degrees of optimism or pessimism vary by province, and the levels of each tend to be equally shared between HR leaders in both the public and private sectors, differing only by a few percentage points.

Across the country, the expectations reflect the diverse regions and the economic drivers that influence each region. Looking at Atlantic Canada, survey data shows that no HR leaders are expecting strong economic growth, but 70 percent are optimistic that moderate growth will continue. The annual projection for the maritime provinces from the TD annual forecast² shares this view. New Brunswick's economy is projected to grow by 0.9 percent, according to TD, thanks to steady employment and manufacturing numbers. Nova Scotia is projected to experience a slight decline, one percent growth in 2019 versus 1.2 for 2018.

Projections for Prince Edward Island sit at a very respectable 1.5 percent growth for 2019 following a healthy 2.5 percent expansion in GDP last year. Canada's smallest province can expect some decline from manufacturing and tourism in the year ahead, although a weaker Canadian dollar could reverse that decline. According to RBC³ Newfoundland and Labrador can expect the highest positive change in GDP (2.3 percent) in the region thanks to increased oil production from the Hebron plant coming on line.

HR leaders in Ontario are cautiously optimistic about their provincial economy, as just over 50 percent of survey participants predict moderate growth. Optional comments submitted by survey participants in Ontario point to an increasingly tighter labour supply and higher interest rates (and less consumer spending) as temporary buffers against further growth in 2019. Quebec HR practitioners, along with their British Columbia counterparts, are the most bullish about their economy, coming off two years of impressive GDP growth including a projected three percent for 2018. Both RBC and TD anticipate a reduction of GDP growth in 2019, due in large part to anticipated declines in consumer spending thanks to rising interest rates.

² Provincial Economic Forecast, TD, published December 13, 2018.

³ Provincial Outlook, RBC, published December 12, 2018.

The Regions, continued

The economic misfortunes of Canada's prairie provinces, especially Alberta, dominated national headlines during the latter part of 2018. Slumping oil prices on the world market,⁴ along with interprovincial and federal clashes over pipeline expansion and threatened interprovincial boycotts, have strongly influenced the predictions for the province's economy in the year ahead. Over 50 percent of HR leaders in Alberta are predicting a moderate to strong decline in the provincial economy in 2019, which represents a significant turnaround from a year ago when 60 percent of respondents predicted moderate to strong growth.

This pessimism is supported by economists who point to the differential between Western Canadian Select and West Texas Intermediate hitting record levels⁵ in late 2018 and the lack of pipeline capacity as reasons for a much bleaker economic outlook in 2019. Some small green shoots of optimism include an increase in net migration in Alberta and respectable employment numbers. The provincial election in 2019 is both a source of optimism and doubt among Alberta-based HR leaders who view a possible change in government as either a positive or a negative indicator of things to come.

Alberta's prairie cousin to the east is not faring much better, according to survey respondents and economists. Saskatchewan's energy industry faces the same challenges—lower market prices and restricted access—as Alberta, and therefore the 50 percent of survey respondents who predict a moderate to strong decline to Saskatchewan's economy is no surprise. Contributing to the pessimism is Cameco's suspension of its uranium mining activity. Manitoba is the bright spot on the prairies, as one-third of HR leaders in that province remain optimistic for moderate growth and over 50 percent anticipate a continuation of the momentum from 2018. Manitobans can thank a projected weaker Canadian dollar bolstering its manufacturing export sector.

The only beacon of light in western Canada is British Columbia, as 56 percent of BC-based HR leaders predict moderate to strong economic growth in 2019. Mr. Finlayson also shares that optimism, predicting BC will see economic growth at just over two percent.

"The anticipated start-up of construction on LNG Canada's \$40 billion Kitimat liquefaction plant will bring large volumes of natural gas from northeast BC to the Kitimat facility," he explains. "Construction of this new plant—the largest capital project in Canadian history—will result in additional spending into the province's economy at a time when other sources of growth—notably, homebuilding and real estate activity—are losing momentum."

Other potential economic tailwinds include a growing Information Technology Communications (ITC) sector and the nascent cannabis industry, availability of a skilled labour pool, and, importantly, decreasing housing costs—a stark reversal from this time last year.



⁴ Current price of oil as of January 4, 2019 is \$47.86 compared to over \$60 a barrel in January 2018.

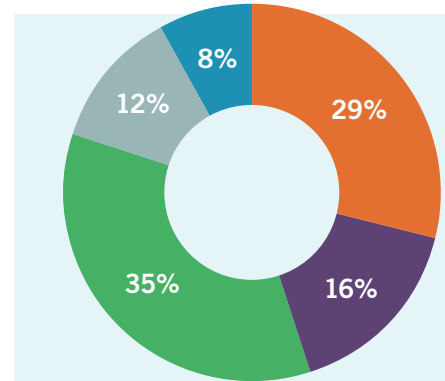
⁵ In November 2018 the differential between Western Canadian Select and West Texas Intermediate hit \$50 barrel, prompting Premier Rachel Notley's government to introduce measures to reduce provincial output by 8.7 percent.

Future

Which comment below best describes the status of succession planning within your organization?

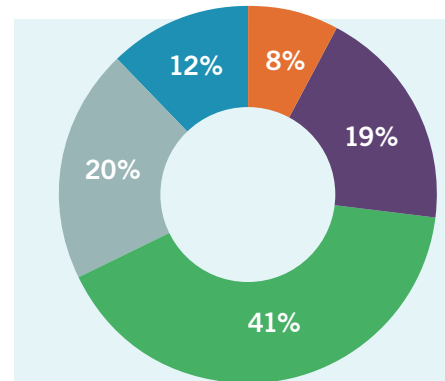
PRIVATE SECTOR

- We have a comprehensive succession plan for key leadership roles across the organization that is fully supported by executive management/the Board • 29%
- We have a succession plan in place for only the executive management team • 16%
- We are only somewhat prepared in the event of leadership change at the executive level • 35%
- We have no succession plan in place at the executive level and are at risk • 12%
- Succession planning is not a priority for our organization • 8%



PUBLIC SECTOR

- We have a comprehensive succession plan for key leadership roles across the organization that is fully supported by executive management/the Board • 8%
- We have a succession plan in place for only the executive management team • 19%
- We are only somewhat prepared in the event of leadership change at the executive level • 41%
- We have no succession plan in place at the executive level and are at risk • 20 %
- Succession planning is not a priority for our organization • 12%



The results of this survey question suggest that organizations across the country are woefully unprepared for anticipated or unexpected transition of its senior leaders. Less than 50 percent of respondents can point to some degree of robust planning for leadership change at the executive level. Given the current and impending wave of retirements of the Baby Boomer generation, combined with labour shortages in certain industries, the lack of planning in place is alarming.

The sector best prepared for transition is the private sector, specifically mid-tier and large valuation public companies. This suggests that public company Boards are requiring their HR Committees and executive management to prioritize succession planning as part of a comprehensive risk management program.

Future

On a personal level, what are your professional objectives and priorities for 2019?

Note: respondents were allowed to select multiple answers.

ANSWER OPTIONS—OVERALL PERSPECTIVE



Since launching this survey four years ago, the desire of HR leaders to influence strategic planning within their organization has emerged as the top priority each year. This issue is consistent across the multiple industries in both the public and private sectors. Contributed comments reflect frustration that HR is not consistently at the strategic planning table. Why is this still the case in 2019? Why is HR still viewed as a reactive, internal service provider and not as a strategic partner?

Of course, answers vary from organization to organization, and there are notable exceptions. Some respondents are actively involved in strategic planning at their organization, and a small handful of HR executives actually have the term “Strategy” in their job title. However, if this issue remains at the top of the “to do” list for the majority of HR leaders year over year, then clearly there are opportunities being missed to bring the human capital conversation to corporate strategy development. Bringing this perspective to long-term strategic planning is a valuable, renewable resource that private and public sector enterprises are ignoring at their peril.

What can HR executives do to reverse this thinking?

Voices • Advice to Future HR Executives



Victoria Brydon

VICE PRESIDENT HUMAN RESOURCES, D-WAVE SYSTEMS INC. • VANCOUVER, BRITISH COLUMBIA

Be a strategic partner to the business. Be strong and insert yourself. Attend business and technical meetings, be curious, ask questions, and learn. Challenge and be a sounding board, a true business partner, for the leaders in your organization.

Matt Burns

FOUNDER, GLOBAL HR COLLECTIVE • VANCOUVER, BRITISH COLUMBIA

Chase experiences, not salary or title. Those will come, if that's what drives you.



Greg Conner

VICE PRESIDENT, HUMAN RESOURCES AND CORPORATE SECRETARY, BC TRANSIT • VICTORIA, BRITISH COLUMBIA

Explore every area of HR before you "settle." It's imperative to have a good understanding of the wide range of factors from Organization Development to compensation.

Kaydee Deremiens

VICE PRESIDENT, HUMAN RESOURCES, SUNRISE CREDIT UNION • BRANDON, MANITOBA

We have four generations of expertise working together and learning from each other. Experienced employees can learn from the educated and the educated can learn from the experienced.



Suzanne Desrosiers

VICE PRESIDENT, EMPLOYEE AND STUDENT DEVELOPMENT, NEW BRUNSWICK COMMUNITY COLLEGE • FREDERICTON, NEW BRUNSWICK

It is important to take risks. Volunteer for that project that pushes you beyond your comfort level. Learning is a continuous journey!



David Frew

VICE PRESIDENT, CORPORATE STRATEGY AND HUMAN RESOURCES, MARINE ATLANTIC • ST. JOHN'S, NEWFOUNDLAND AND LABRADOR

Clearly connect HR to the effective performance of people and the organization, and others will more easily see the value of HR.

Heather Gherman

MANAGER OF HUMAN RESOURCES, DISTRICT OF MISSION • MISSION, BRITISH COLUMBIA

If yes and no are equal answers, always go with Yes.



Stuart Leatherdale

DIVISIONAL DIRECTOR, HUMAN RESOURCES, CITY OF KELOWNA • KELOWNA, BRITISH COLUMBIA

Take the time to know the business you are working with. Having a good base of broad business competencies is the only way to having a strategic voice in the organization.

Raeleen Manjak

DIRECTOR, HUMAN RESOURCES, CITY OF VERNON • VERNON, BRITISH COLUMBIA

Be fluid. Don't limit the direction of where you feel you and/or your organization may find itself. Be fearless!



Voices, continued



Brian McConkey

VICE PRESIDENT HUMAN RESOURCES & CORPORATE AFFAIRS, MILLAR WESTERN FOREST PRODUCTS LTD. • EDMONTON, ALBERTA

Treat others the way you want to be treated. Closely followed by: Never forget where you came from.

Ed Oke

VICE PRESIDENT, HUMAN RESOURCES, CALFRAC WELL SERVICES • CALGARY, ALBERTA

No program of study can prepare you for what you will encounter in the workplace as a human resource professional. Being a good human resource practitioner comes from experiential learning. Common sense is the foundation of good HR practices, and the golden rule of treating someone as you would like to be treated goes a long way to earning the respect of others in return.



Catherine O'Reilly

VICE PRESIDENT, HUMAN RESOURCES, BABCOCK CANADA • OTTAWA, ONTARIO

Encourage mobility! The growth in an individual that it can generate is immense.



Bonnie Powell

DIRECTOR, PEOPLE, BENCH ACCOUNTING • VANCOUVER, BRITISH COLUMBIA

There's never been a more important time to create a workplace where people are deeply connected to the company vision. All the while, fostering an inclusive and psychologically safe workplace that focuses on growth, development and well-being.

Tracy Rogers

VICE PRESIDENT, HUMAN RESOURCES, THE MCLEAN GROUP OF COMPANIES • VANCOUVER, BRITISH COLUMBIA

HR is not a "soft skills" profession. HR professionals must deal with the hard stuff, on a daily basis.



TJ Schmaltz

SENIOR VICE PRESIDENT HUMAN RESOURCES & CORPORATE COMMUNICATIONS & CHIEF HUMAN RESOURCES OFFICER, WESTMINSTER SAVINGS • SURREY, BRITISH COLUMBIA

Have a clear understanding of how decisions made by HR will impact the business in the short, medium and long term. This stems from a quote from a former CEO: "Let's remember future costs of an organization are certain; future revenues are not."



Lyle Toop

VICE PRESIDENT, HUMAN RESOURCES, LEGAL AID ALBERTA • EDMONTON, ALBERTA

Be persistent in expressing what you believe in and ensuring the behavior of leaders models the company values.

John Van Horne

DIRECTOR, HUMAN RESOURCES, CITY OF NANAIMO • NANAIMO, BRITISH COLUMBIA

It's more important to be respected than to be liked.



Viki Vourlis

EXECUTIVE DIRECTOR, CORPORATE SERVICES, BRITISH COLUMBIA UTILITIES COMMISSION • VANCOUVER, BRITISH COLUMBIA

Success comes from the continuous development of your knowledge and understanding of your industry, emerging issues, evolving practices, and new opportunities. To effectively plan and support your people and organization's success, it is critical to engage regularly with employees, peers, and stakeholders. This will ensure that well-rounded and positive people practices are incorporated.



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.

To comment about *HR Q&A: Looking Ahead to 2019* please contact Terry Whitehead, Managing Partner, Alexander Whitehead Executive Search, at Terry@alexanderwhitehead.com.



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