



the gandalf group

The 36th Quarterly C-Suite Survey

Cyber-Security, Trade Agreements & Foreign Investment

October 20, 2014

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- ❑ This is the 36th edition of the C-Suite Quarterly Survey, conducted on behalf of KPMG; published and broadcast by *The Globe and Mail's Report on Business* and *BNN*.
 - Previous quarters' surveys are available at GandalfGroup.ca .
- ❑ This quarter's survey included questions about:
 - Cyber security, protecting corporate data
 - Trade and investment between Canada, Asia, the EU, the US, others
 - Predictions for the economy, businesses
- ❑ Methodology: telephone interviews with 124 C-Suite executives from ROB1000 companies between September 18th and October 9th, 2014.

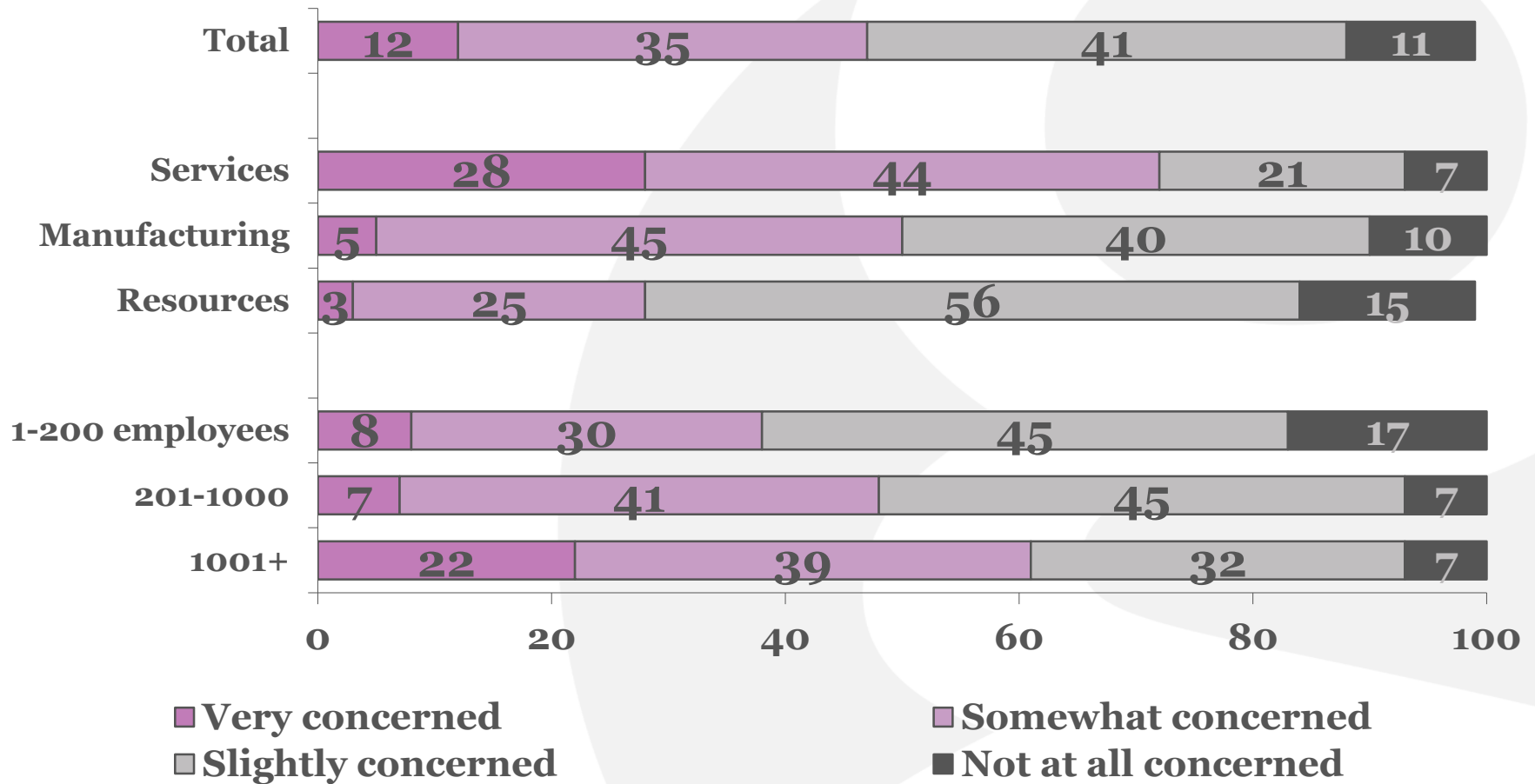


- ❑ Most companies have recently increased their budgets when it comes to securing data from cyber-attacks – 60%.
 - This is a slight increase from 12 months ago when just under half interviewed in the C-Suite survey said they had been increased cyber-security budgets.
- ❑ Anxiety about cyber-attacks tends to be among services sector companies and large corporations.
- ❑ Most others – i.e. outside of the services sector and in resources in particular - are far less concerned about risks to cyber-attacks.
- ❑ 28% said their businesses have already been victims of cyber-attacks.
- ❑ 49% said high-profile stories in the news about cyber-attacks aimed at consumer data have made them more concerned cyber-security.
- ❑ But most think it's unlikely their businesses will be the target of cyber-attacks.
 - This could be because so many have made what they think are adequate investments or because they believe nature of their business data is unlikely to be targeted or lead to significant losses in the event of a disruption.



Concern About Cyber-Attacks

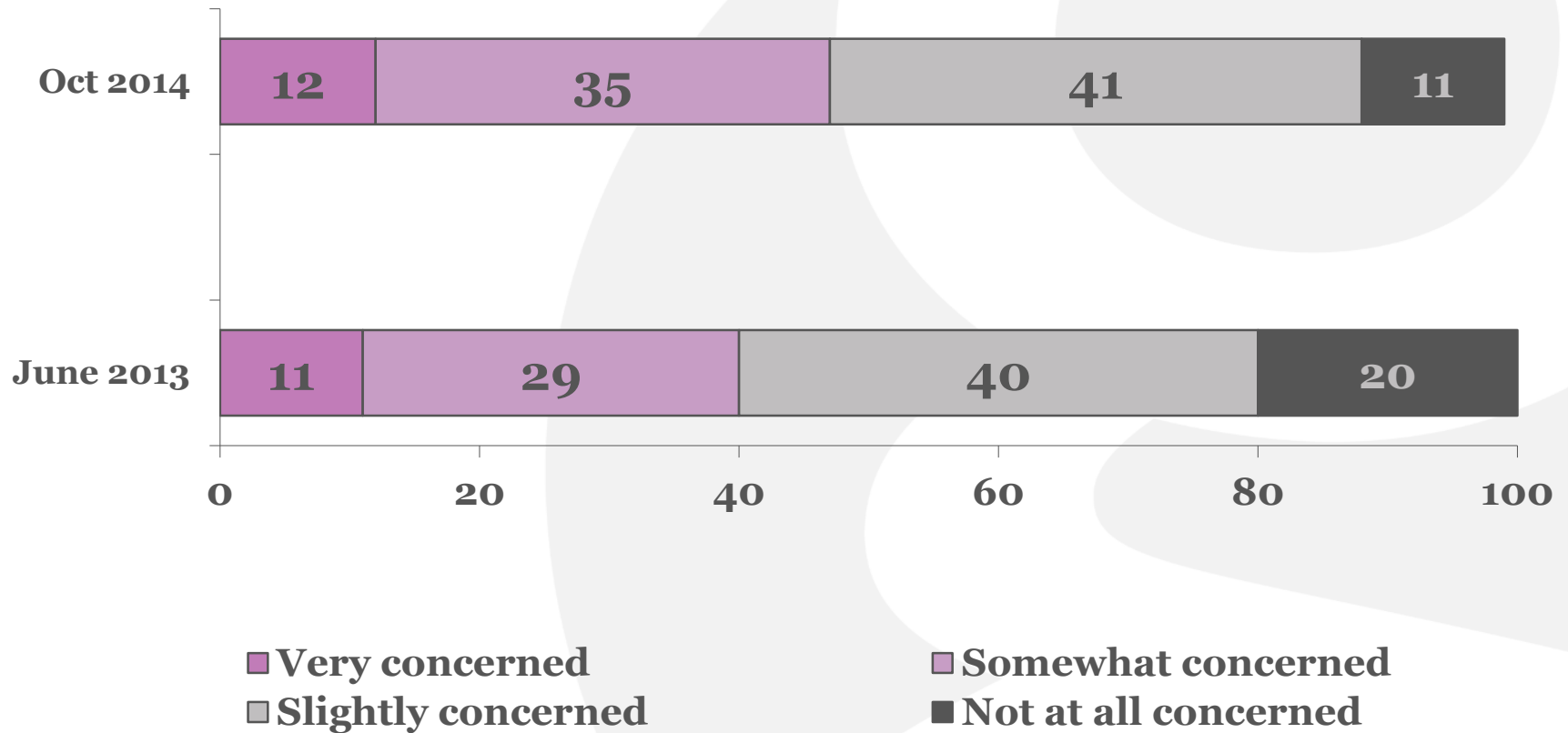
“How concerned are you about cyber-security threats to your company’s networks and electronic data? This could include theft of competitive proprietary or personal information or just random attacks. Are you...”





Concern About Cyber-Attacks

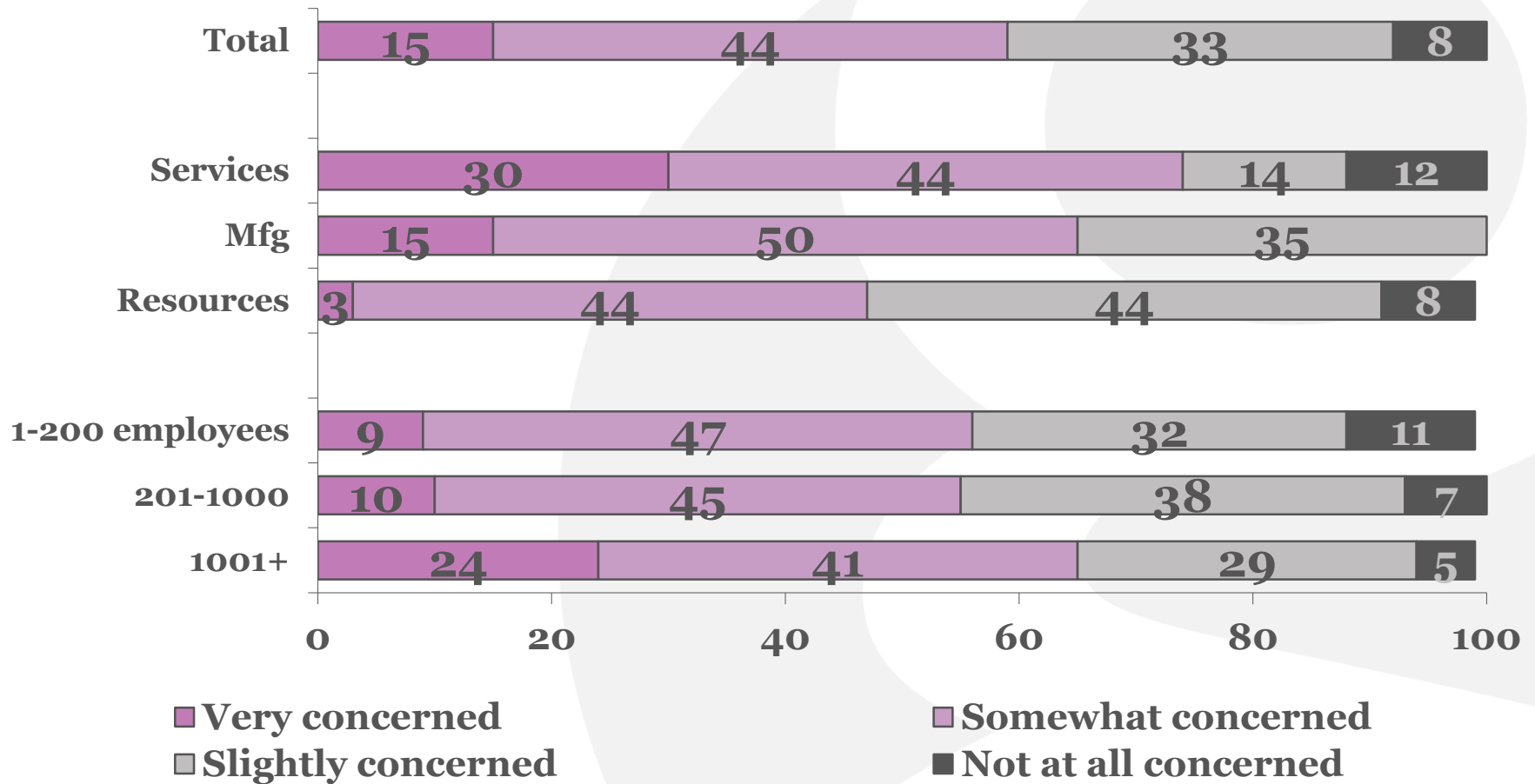
“How concerned are you about cyber-security threats to your company? Are you...”





Concern About Cyber-Attacks

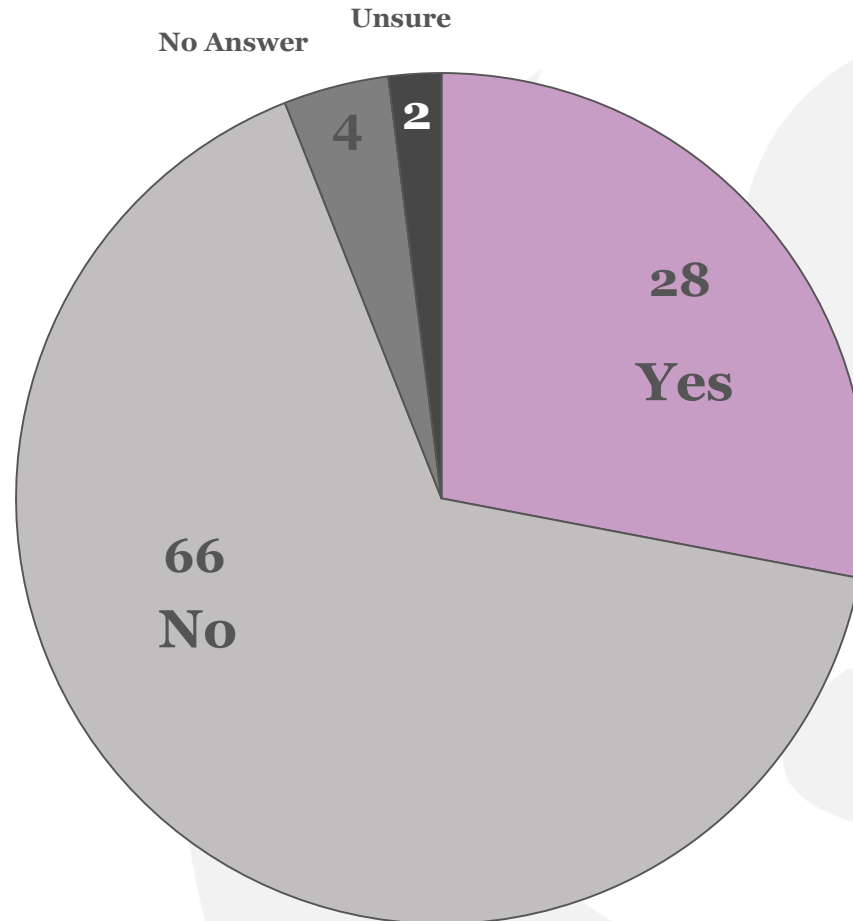
“How concerned are you about the security of electronic information involving your company generally?
Are you...”





Have you been targeted by a cyber attack?

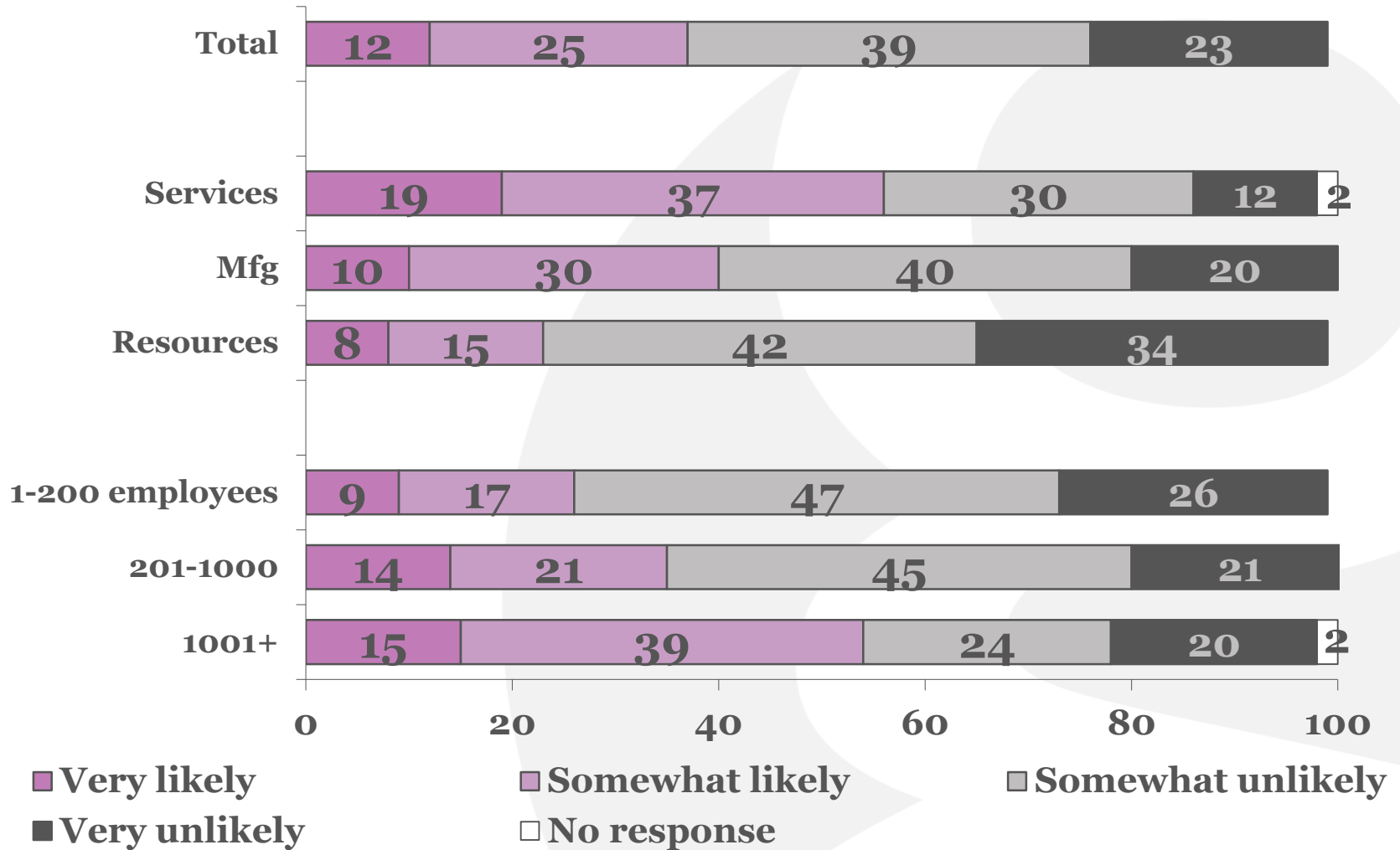
“Has your business already been the victim of a cyber attack?”





Concern Over Cyber-Security Threats

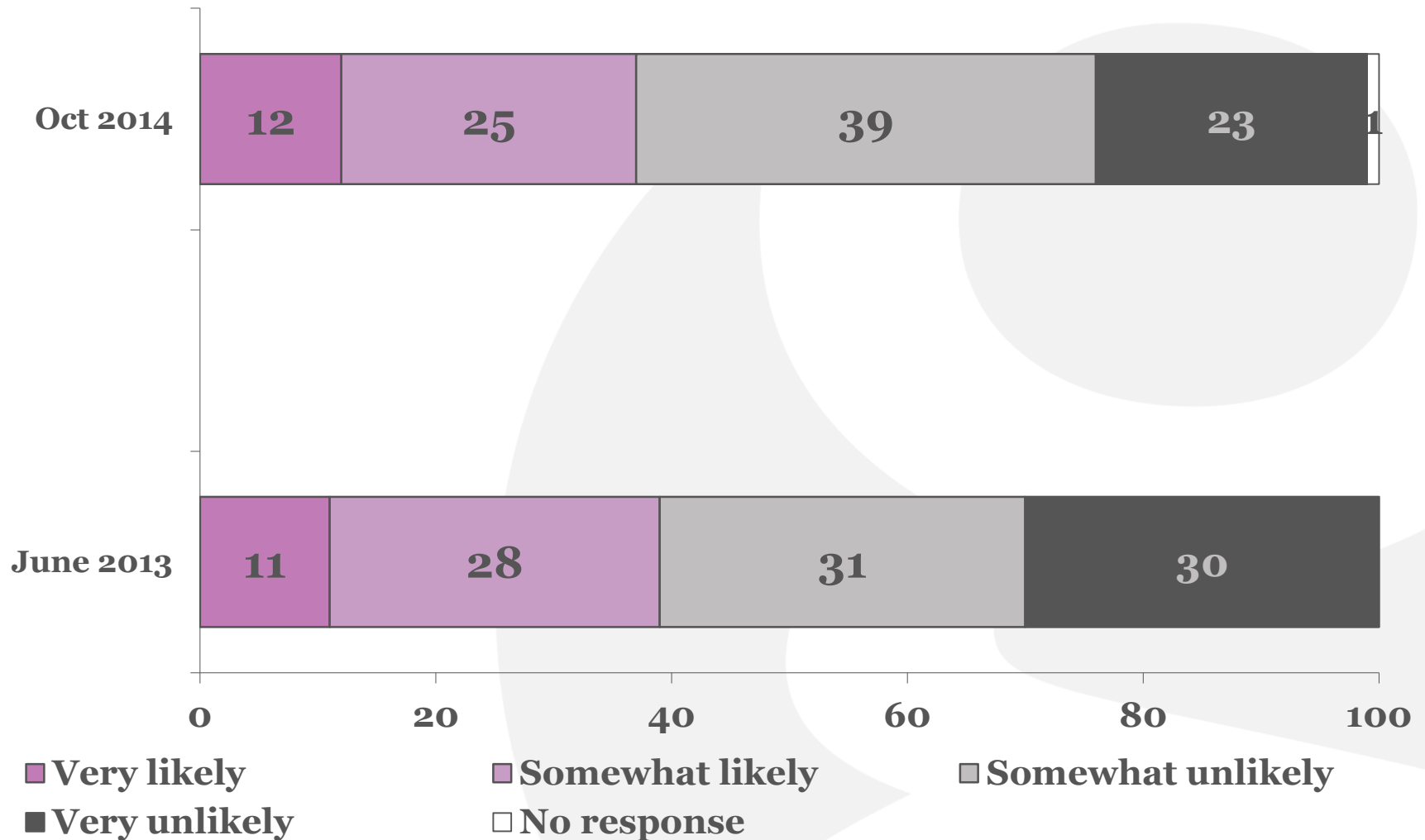
“How likely is it that businesses like yours will be the target of a cyber-attack? Would that be...?”





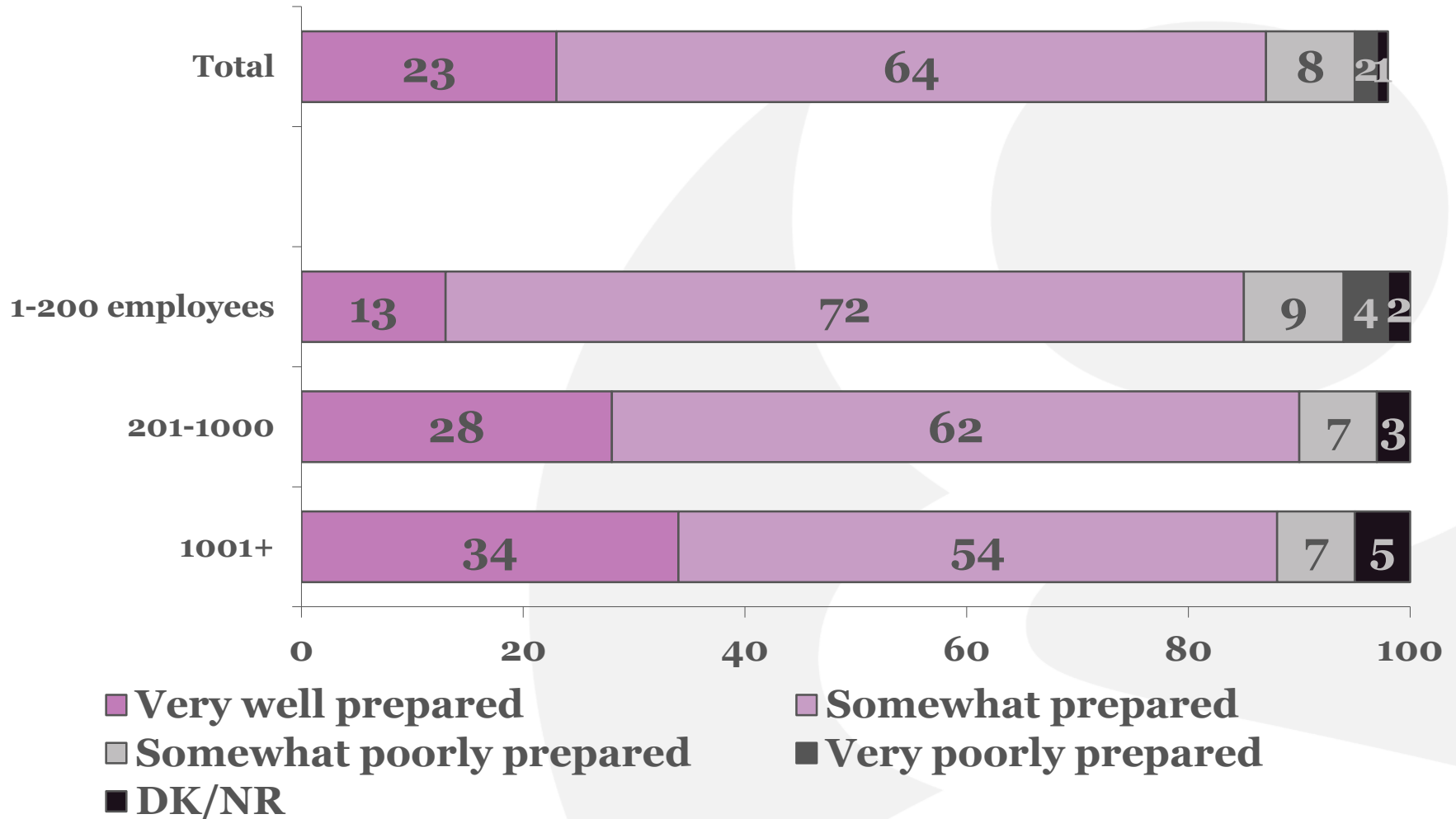
Concern Over Cyber-Security Threats

“How likely is it that businesses like yours will be the target of a cyber-attack? Would that be...?”



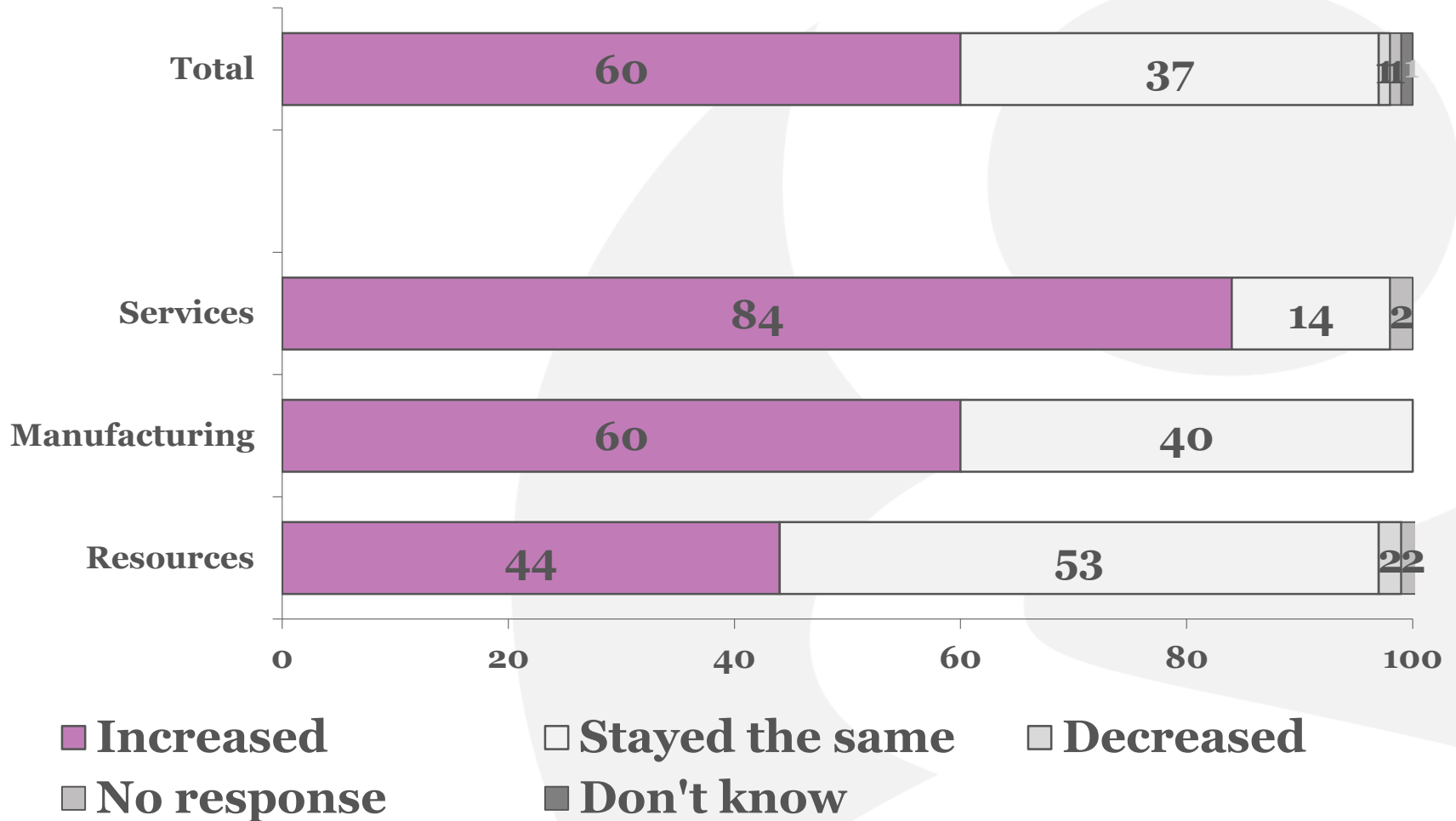


“How well prepared is your business against cyber security threats?”



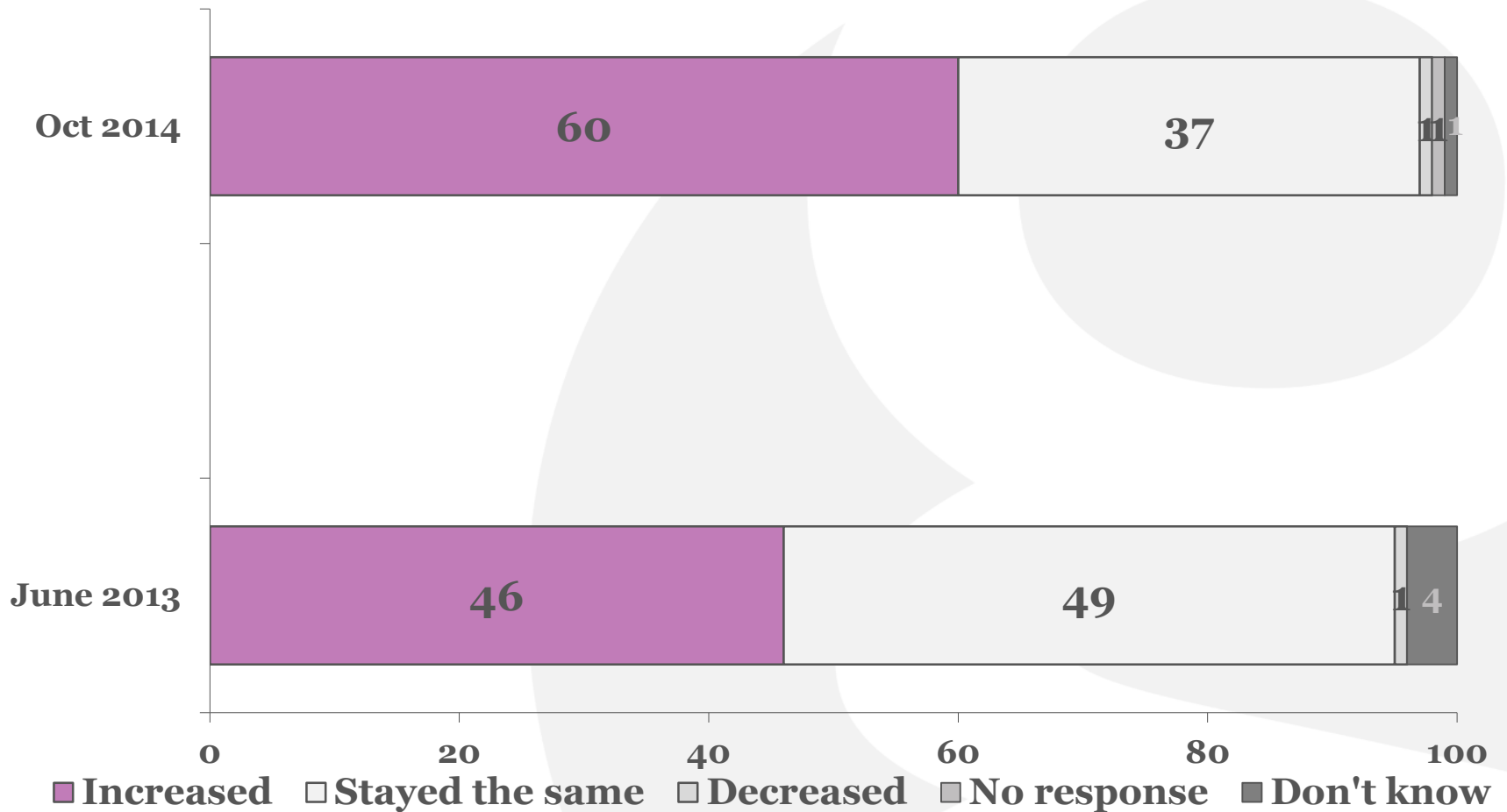


“Has the amount of money your company has invested in cyber-security in the last two years increased or stayed the same or decreased compared to previous years?”



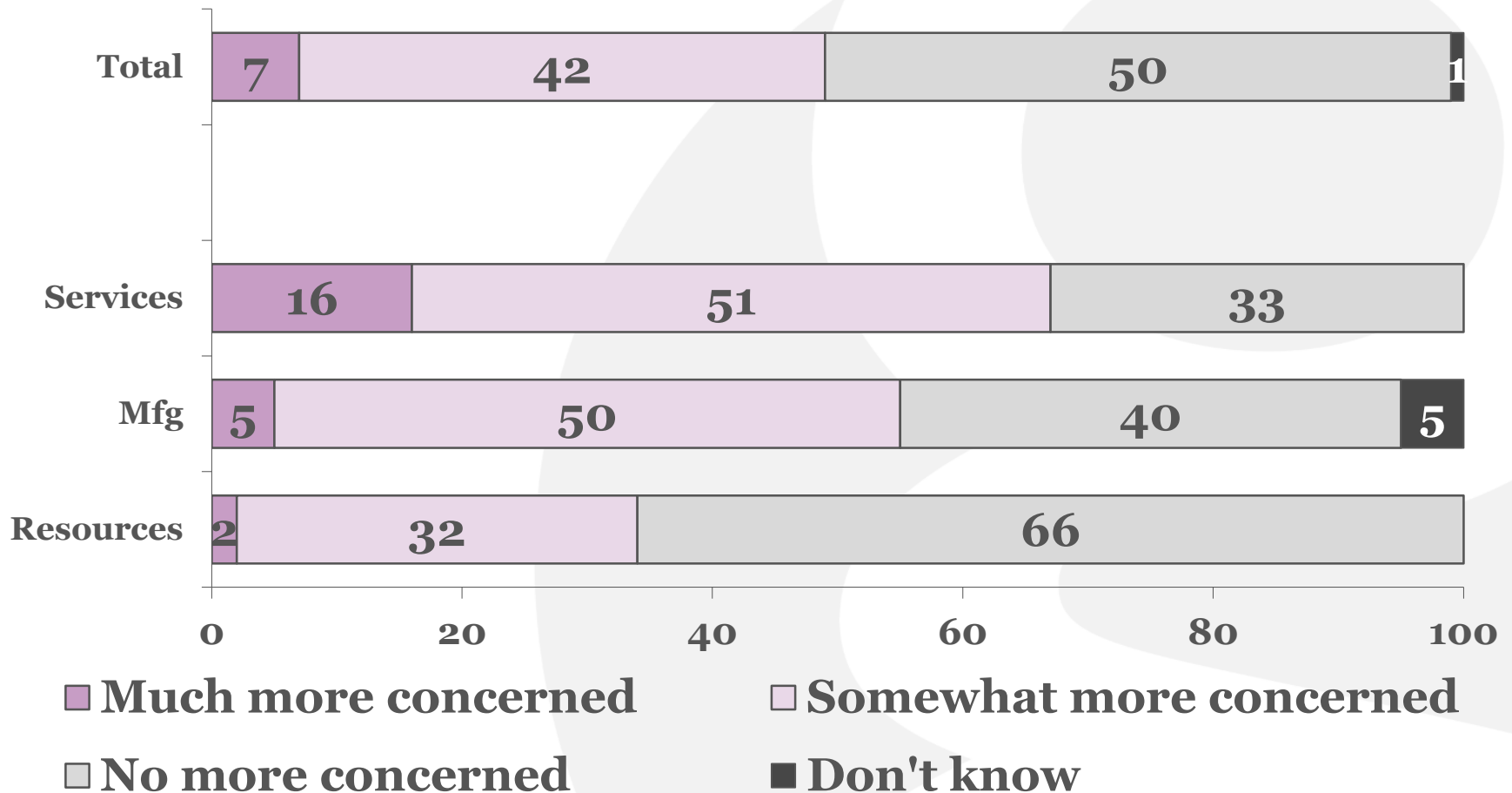


“Has the amount of money your company has invested in cyber-security in the last two years increased or stayed the same or decreased compared to previous years?”





“Have recent high profile breaches of data security aimed at Apple customers and Target customers made you more concerned about breaches of cyber-security that could impact your own firm?
Would that be...”



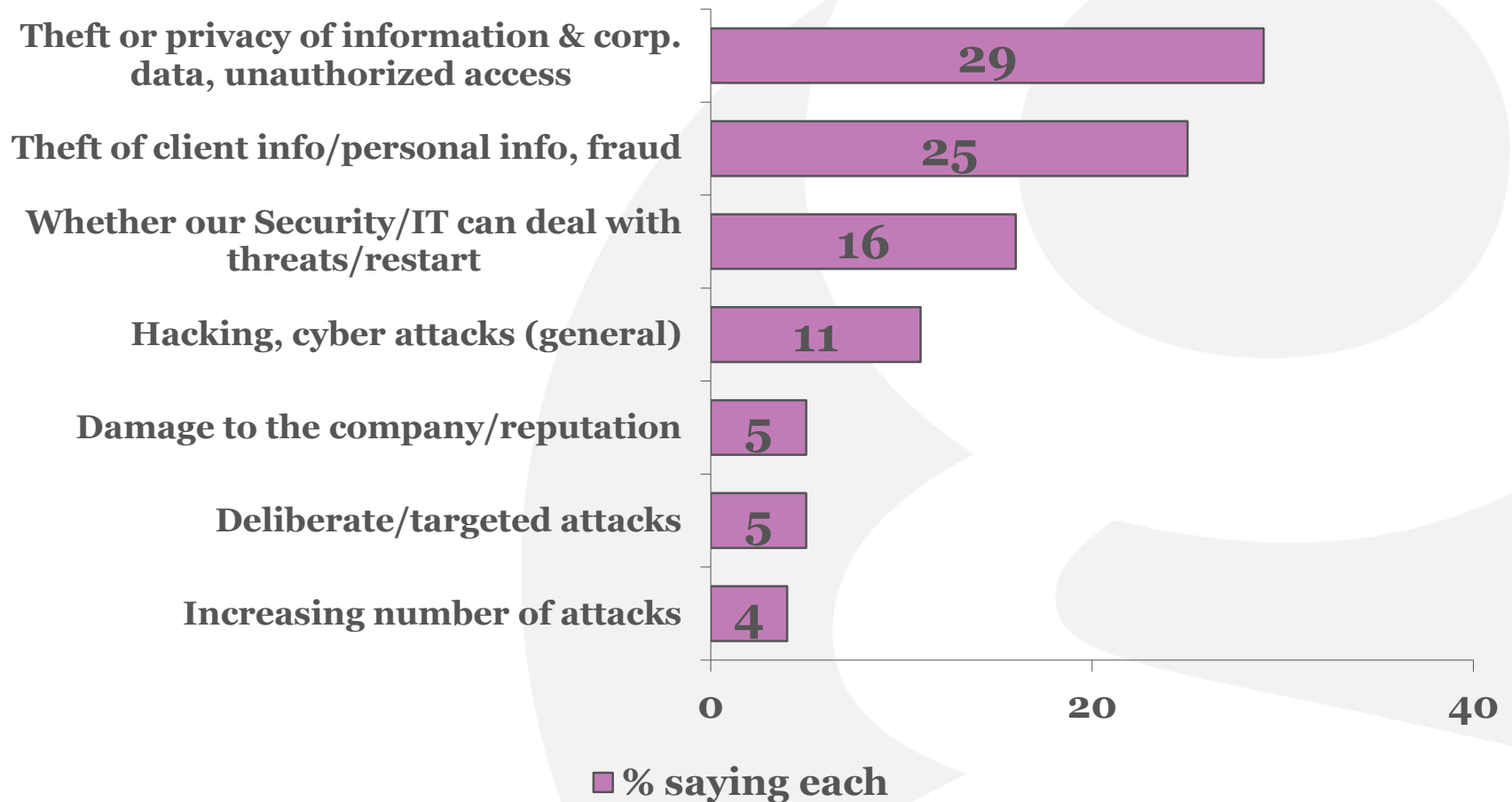


- ❑ Companies are mostly concerned about keeping secure their customers' data or their own proprietary information. That is their prime objective when it comes to cyber-security.
- ❑ Others mentioned random attacks, viruses or sabotage that cause indiscriminate damage or threaten business continuity.
- ❑ Companies are not just concerned about online connectivity and hackers. They are concerned about mobile smartphones, laptops, computers being stolen or threats that come with giving employees remote access by those devices.



What concerns companies most?

“What issue concerns you or your colleagues most when it comes to managing threats or risks to your company’s electronic data?” (Open Ended responses from those very or somewhat concerned about security of information)





What concerns companies most?

Private & Proprietary Data

“...that we lose proprietary technical information.”

“Files stolen from laptops and remote staff and representatives that get into the wrong hands.”

“A breach of confidentiality of stakeholders and business competitiveness.”

“Fishing scams, theft of computers with sensitive data on them”

“Financial records of clients.”

Systems

“The fact that we do not know all the threats. Each time a company is attacked it is different and people who are attacking are very, very smart and do not stop.”

“Using cloud based services - threat of raids of competitors, and normal hackers and installed worms.”

“Hacks to our website, and security of the server and probably mobile devices that can be managed if they are lost.”

“The ability to...restart after having a problem, the ability to reinstate operations in quick and efficient manner.”

Fraud/Attacks

“Fraudulent requests for funds and cheque fraud”

“Just sophistication of cyber attacks from governments, criminals. Your barriers aren't as sophisticated as you think because others can attack your business.”

“Breach of confidentiality and credit card fraud.”

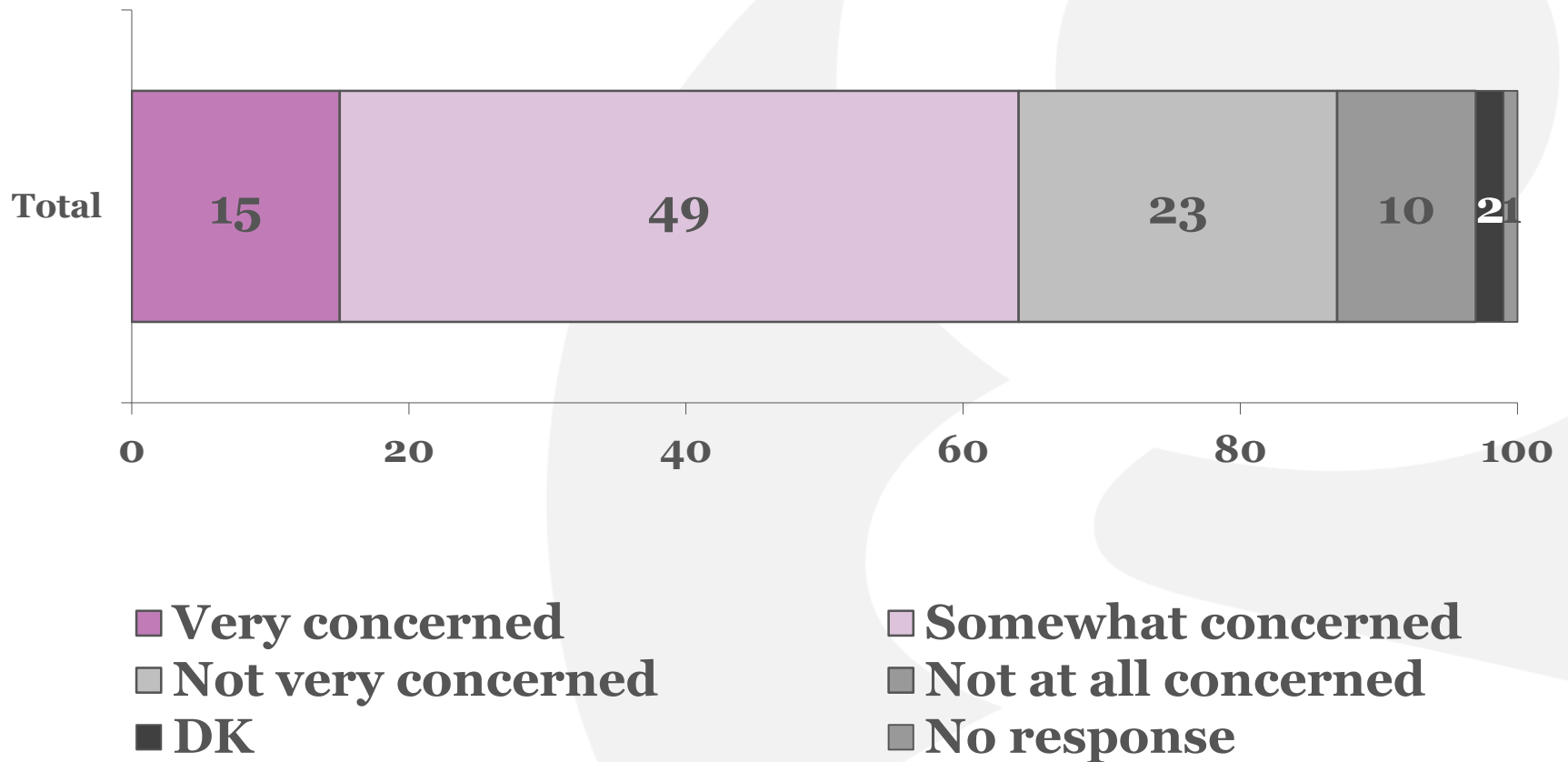
“Data breaches by hackers in other countries.”

“Sabotage” & “Uncontrolled viruses”



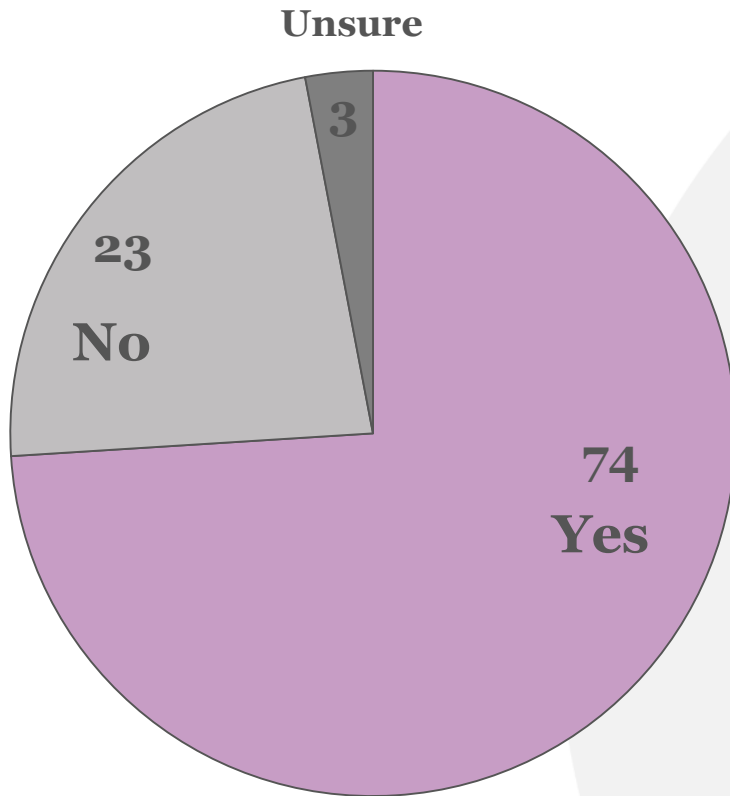
Security of Cloud-based Systems

“Multiple business software systems are moving to exclusively cloud-based systems. How concerned are you and your colleagues about cloud-based business systems?”

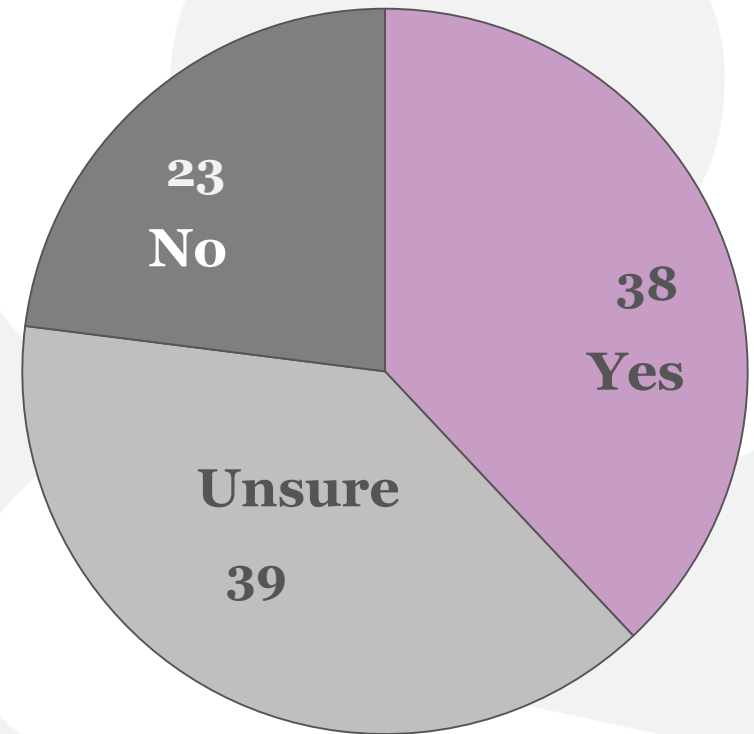




“Does your company have standards in place to classify business-secret documents as such to help limit their distribution?”



“Does your company meet I.S.O. standards for security of data?”



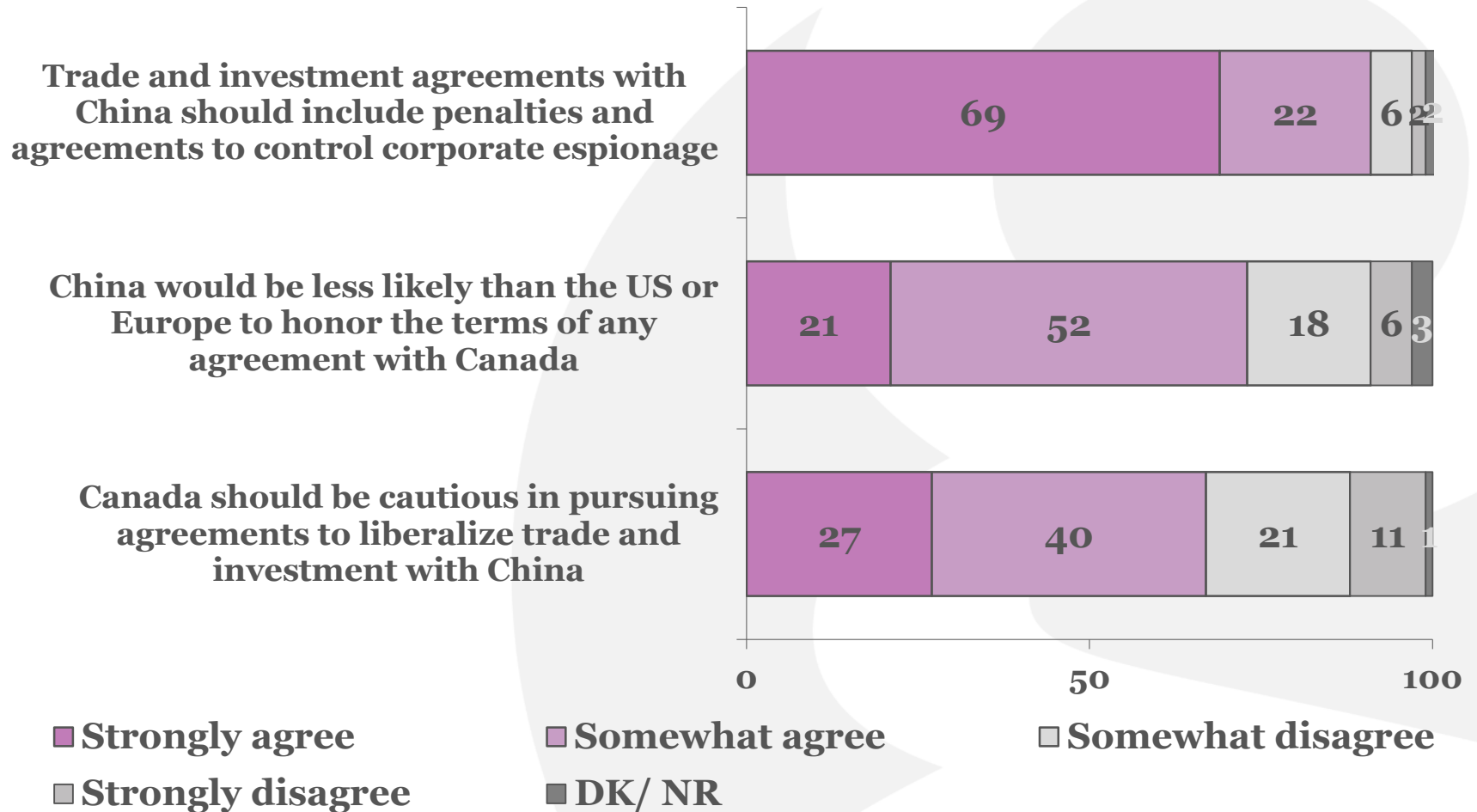


- ❑ Executives are cautious about trade agreements with China
- ❑ At the same time most believe Canada stands to benefit from more open trade and investment between the two countries.
 - Most believe China would be less likely than the US or EU to honour terms of an agreement.
 - And most want to see agreements between the two countries to curb corporate espionage.
 - Yet the vast majority said the foreign investment agreement with China that Ottawa ratified last month will be at least somewhat positive for Canada.
 - 74% believe more open trade and investment between Canada and China will have a positive impact on their sector.
 - Very few foresee it having a negative impact on their sector. These tend to be manufacturers.



Trade Between Canada & China

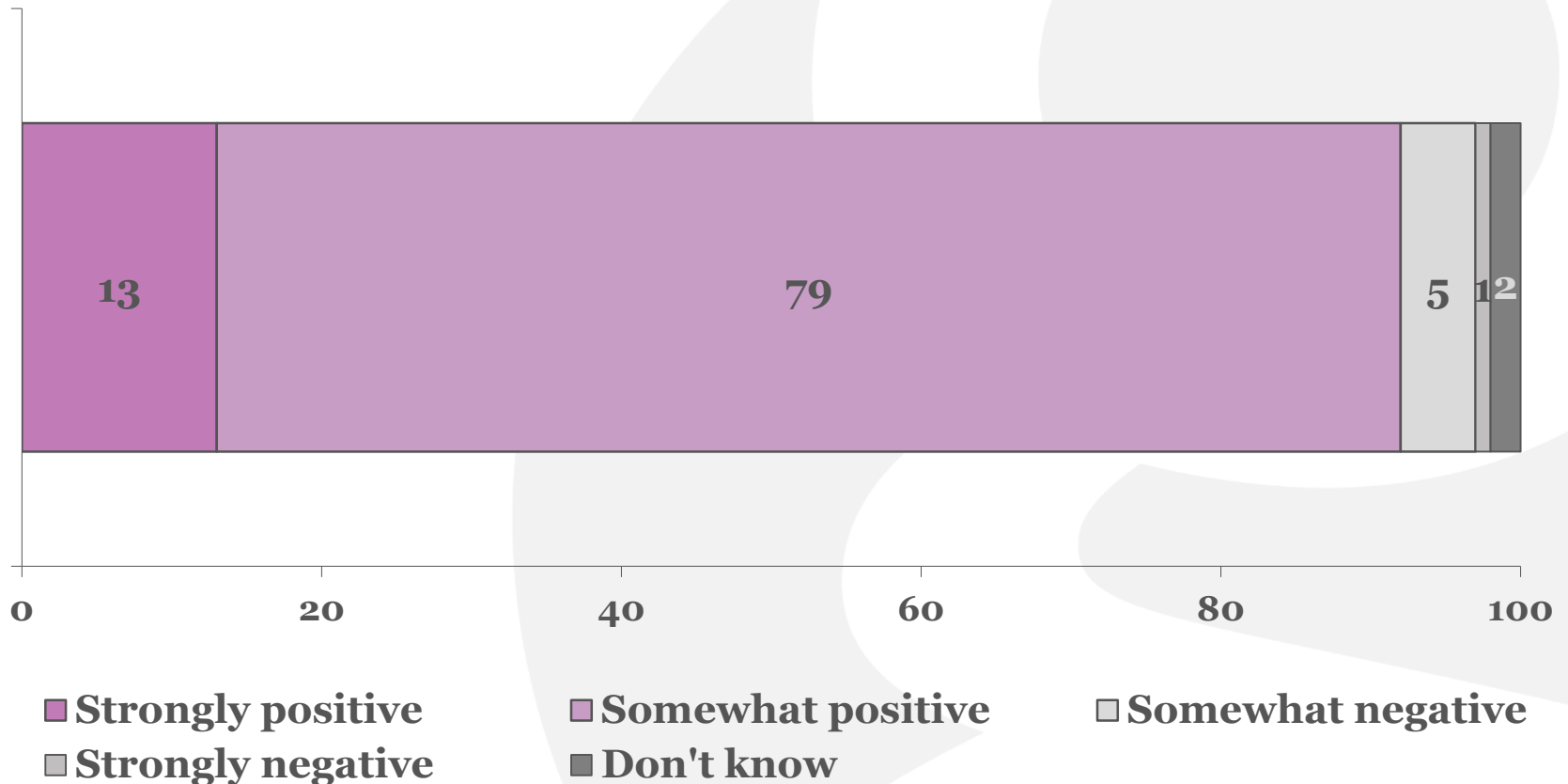
“I am going to read a series of statements about free trade and investment agreements, and I would like you to tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.”





Trade Between Canada & China

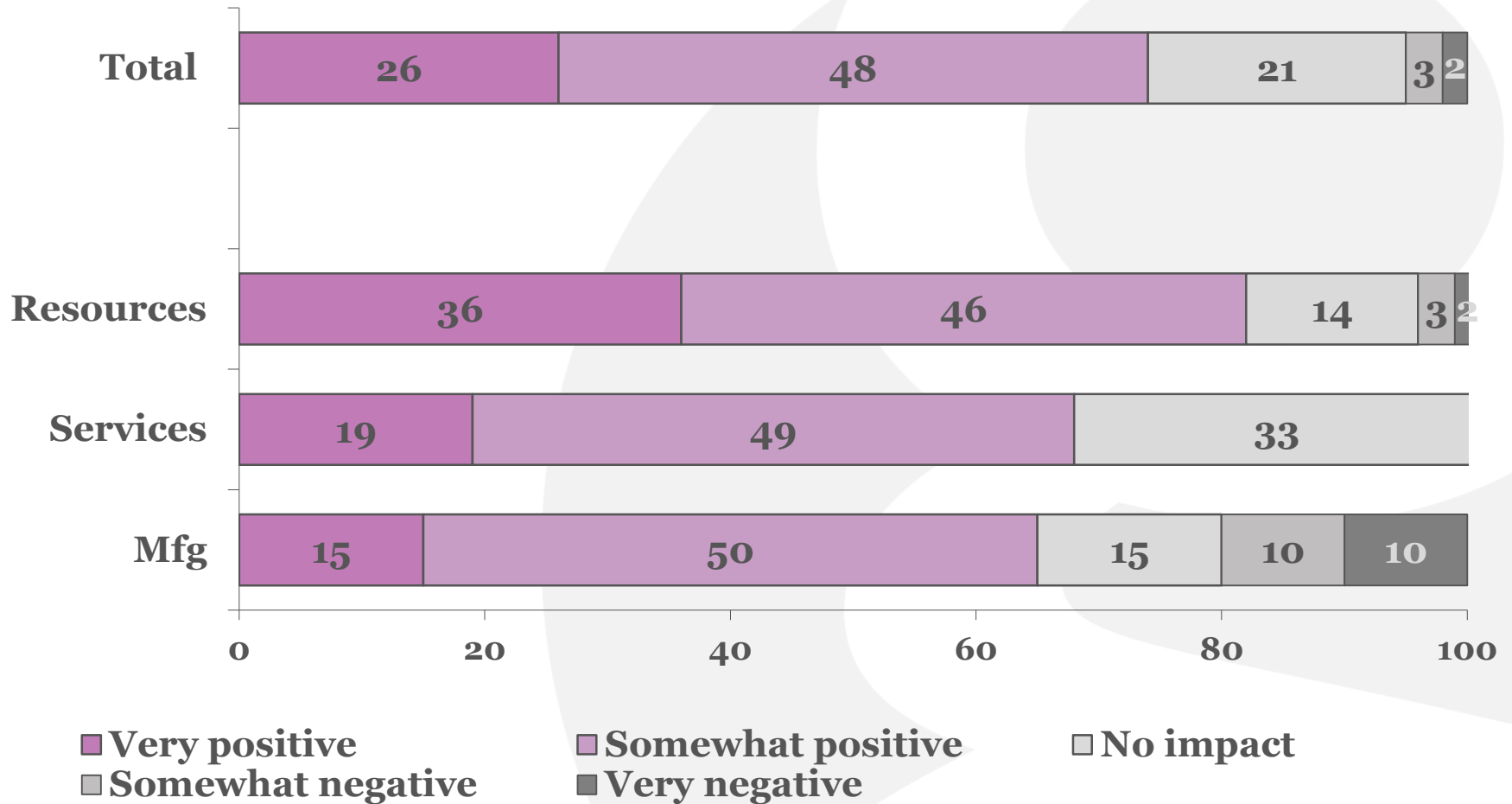
“On September 12th, Canada ratified a Foreign Investment Agreement with China. Among other things it will ensure protection to foreign investors against discriminatory practices and provide compensation in the event of expropriation. It will grant investors access to an investor-state dispute settlement, similar to that in NAFTA. How positive or negative is the impact going to be for Canada in your view? ”





Trade Between Canada & China

“Thinking about trade and investment between Canada and China specifically, how positive or negative an impact would more open trade and investment between those two economies have on companies in your sector?”



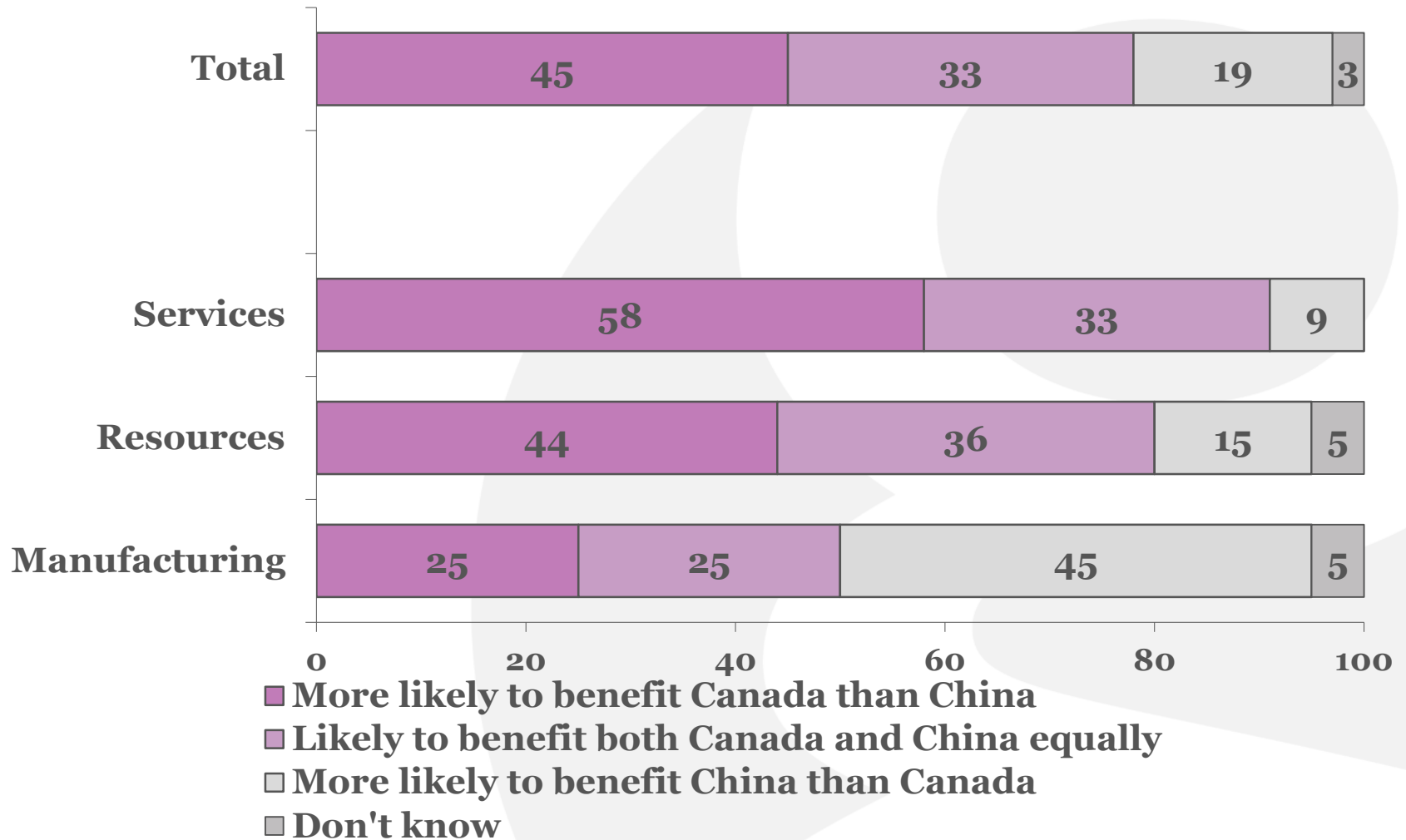


- ❑ The C-Suite is not just supportive of free trade - many are bullish about it.
- ❑ A surprising number of executives believe Canada is better positioned than their trading counterparts to benefit from freer trade and investment.
- ❑ Executives were more likely to say Canada – and not China – would benefit more from a trade and investment agreement.
 - Only 19% said any such agreement is more likely to help China than Canada
 - 45% think Canada is more likely to benefit.
 - One in three thinks both countries will benefit equally.
- ❑ Likewise:
 - Most disagree that the proposed Canada-European Trade Agreement is likely to be more beneficial to the EU than Canada
 - Many think that Canada has done better under NAFTA than the US has.



Trade Between Canada & China

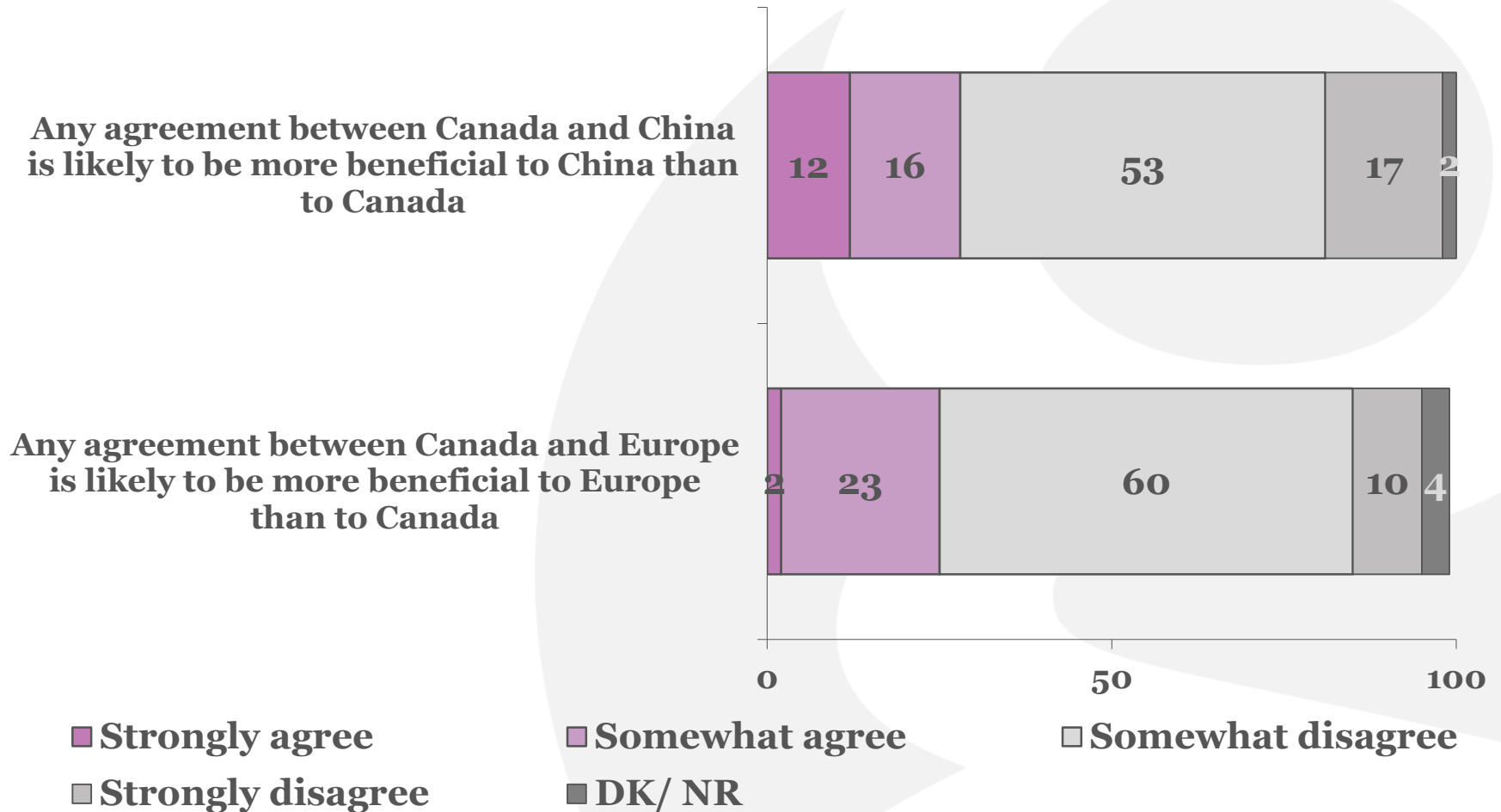
“Would you say that an agreement that opens trade and investment between Canada and China is:”





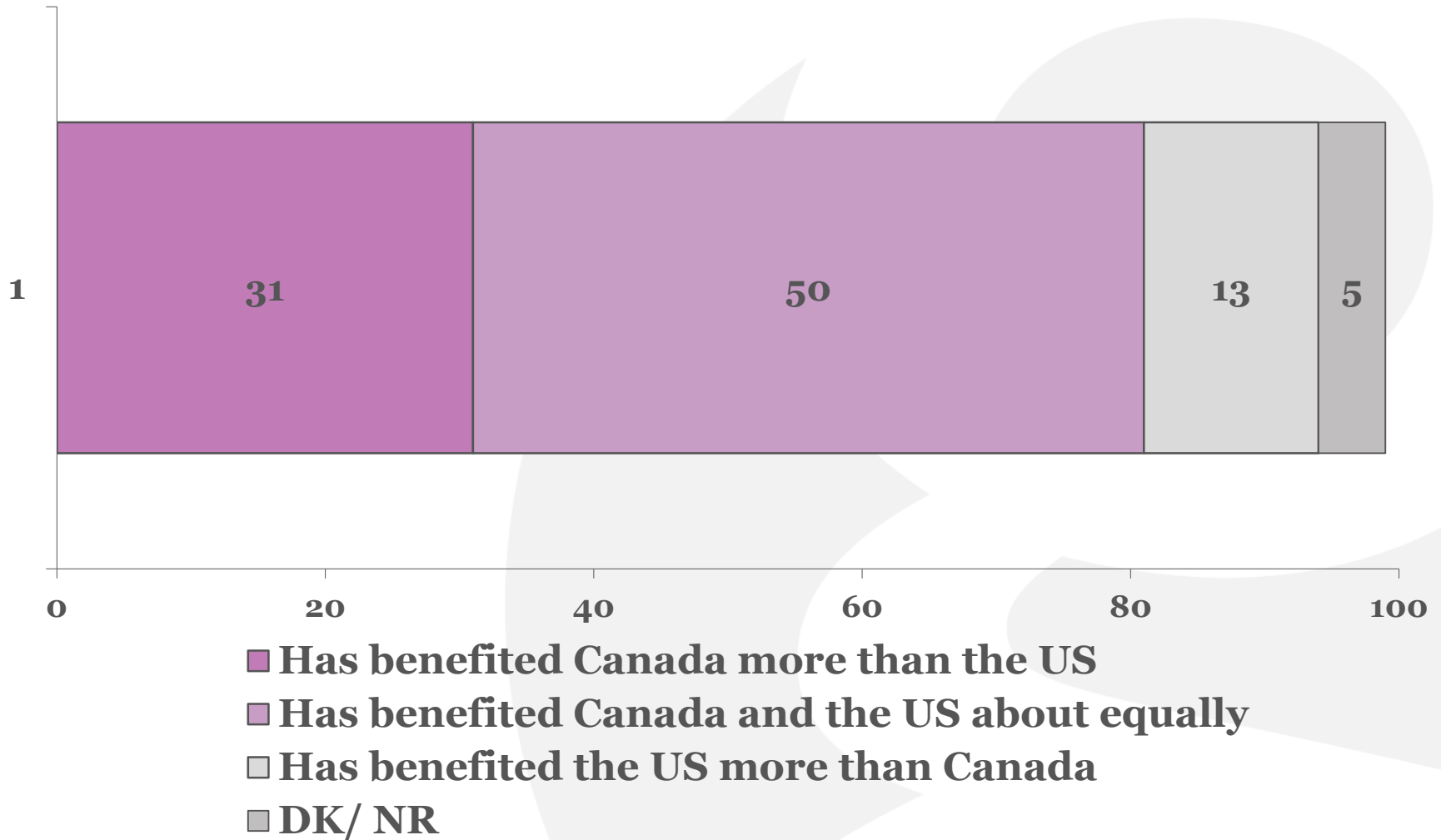
Trade Between Canada & China

“I am going to read a series of statements about free trade and investment agreements, and I would like you to tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.”





“Would you say that the North American Free Trade Agreement:”



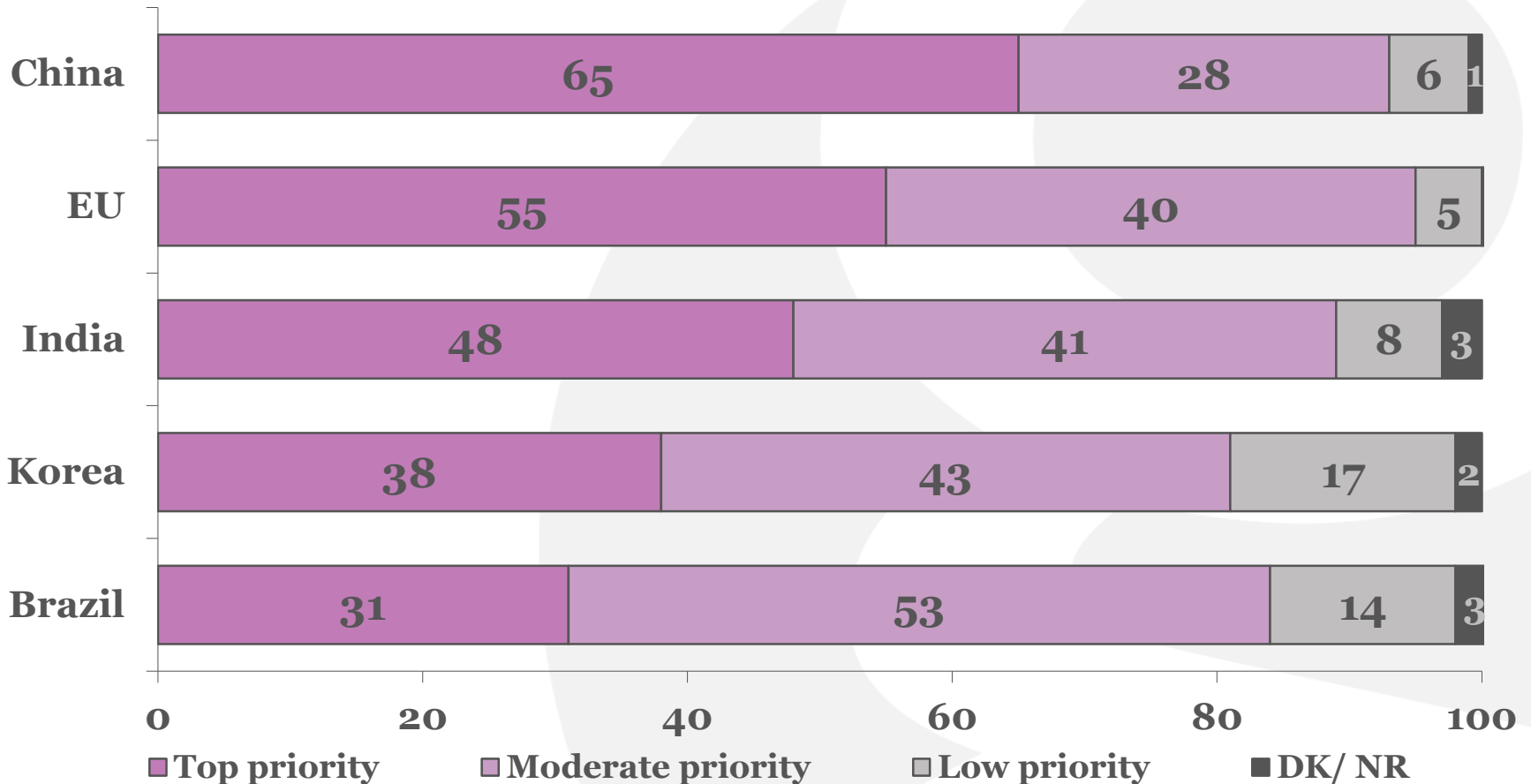


- ❑ In addition to China, there is substantial interest in seeing Canada pursue more open trade relations and an agreement with Europe.
 - Two-thirds said Canada should place a top priority on opening up trade and investment with China
 - Just over half rated freer trade with Europe as a top priority for Canada – a somewhat higher priority now than a year ago.
- ❑ When it comes to what markets executives would prioritize when it comes to their companies:
 - China is the priority among offshore markets when it comes to which markets executives think will most benefit their own companies (rather than the economy as a whole).
 - The EU is just after China, among offshore markets.
 - However, one in five said that it would be most beneficial to their companies if the Canadian government pushed for better trade across the border and for better access to the US for their companies.



Prioritization of Trade Partners

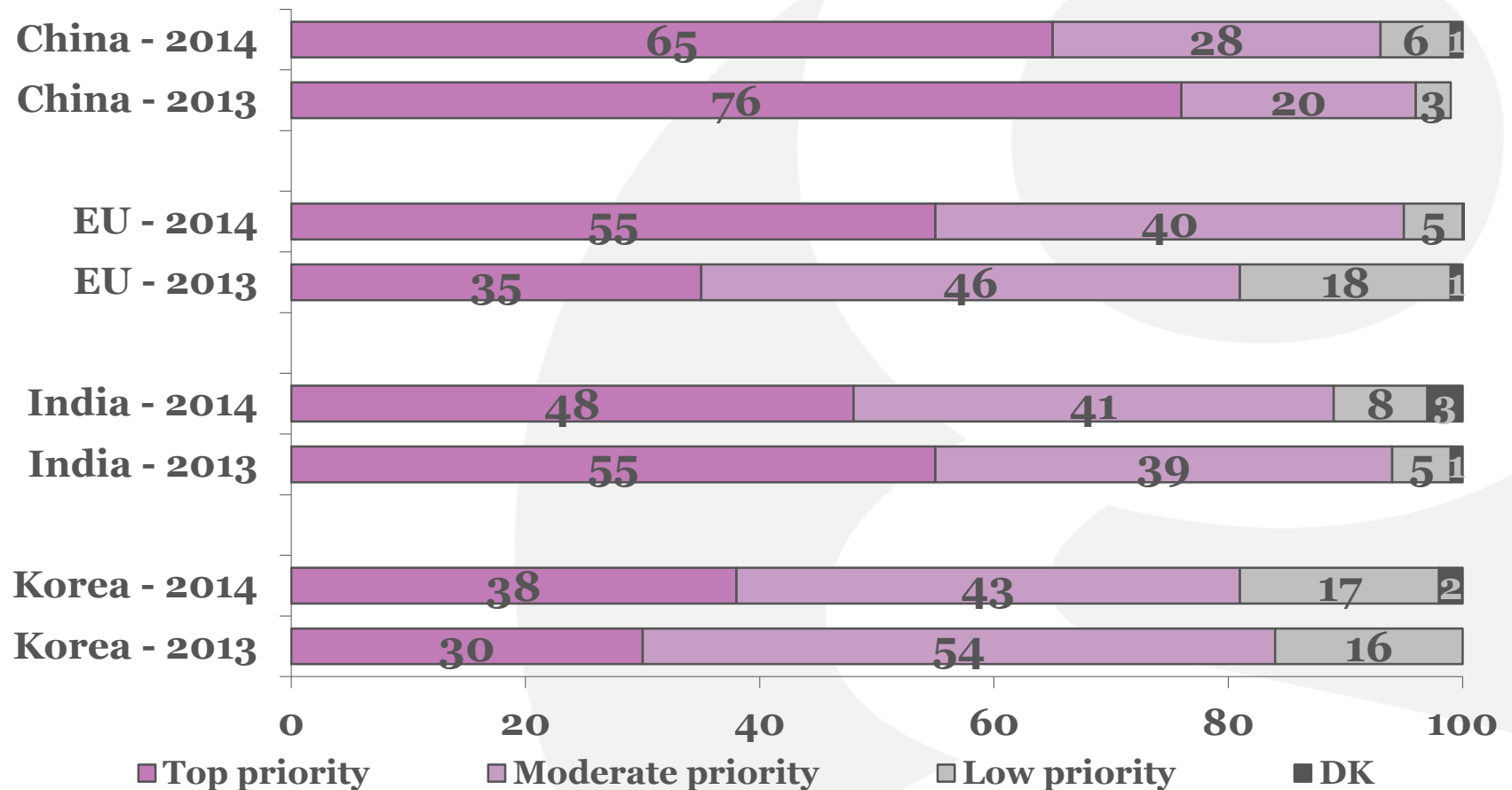
“I’d like you to tell me how much of a priority Canada should place on opening up two-way trade and investment with specific markets. Should opening up trade with _____ be a top priority, a moderate priority, or low priority?”





Prioritization of Trade Partners - Tracking

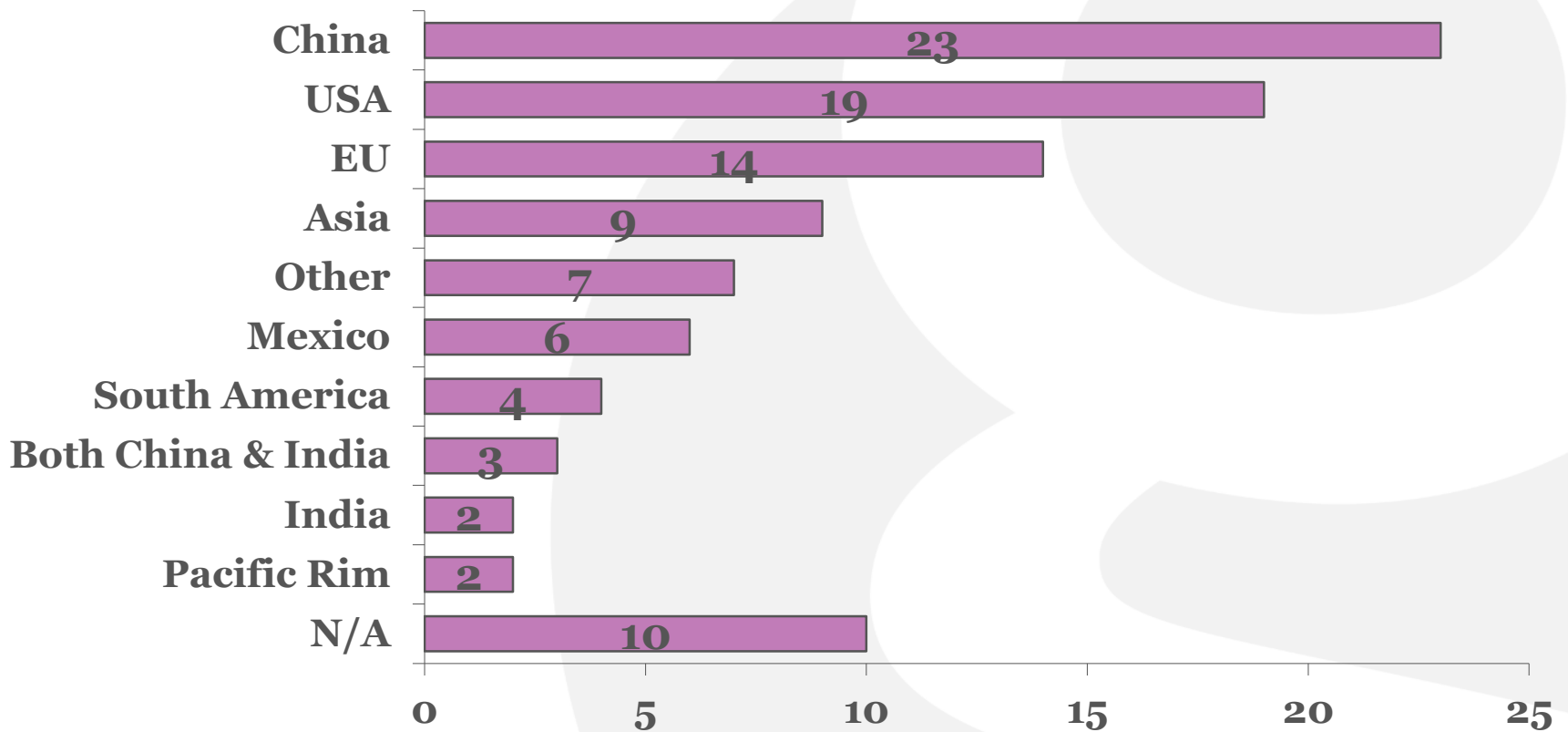
“I'm going to ask how much emphasis you think the Canadian government should place on opening up trade with certain countries. Should opening up trade with _____ be a top priority, a moderate priority, or low priority?”





Prioritization of Trade Partners

“As the government of Canada pursues greater and more open trade and investment with various foreign markets, which country or region should be the top priority **from the perspective of your company**? Again this could mean both investment from that country or opening up markets to Canadian goods and services.” (Open Ended - % Saying Each)





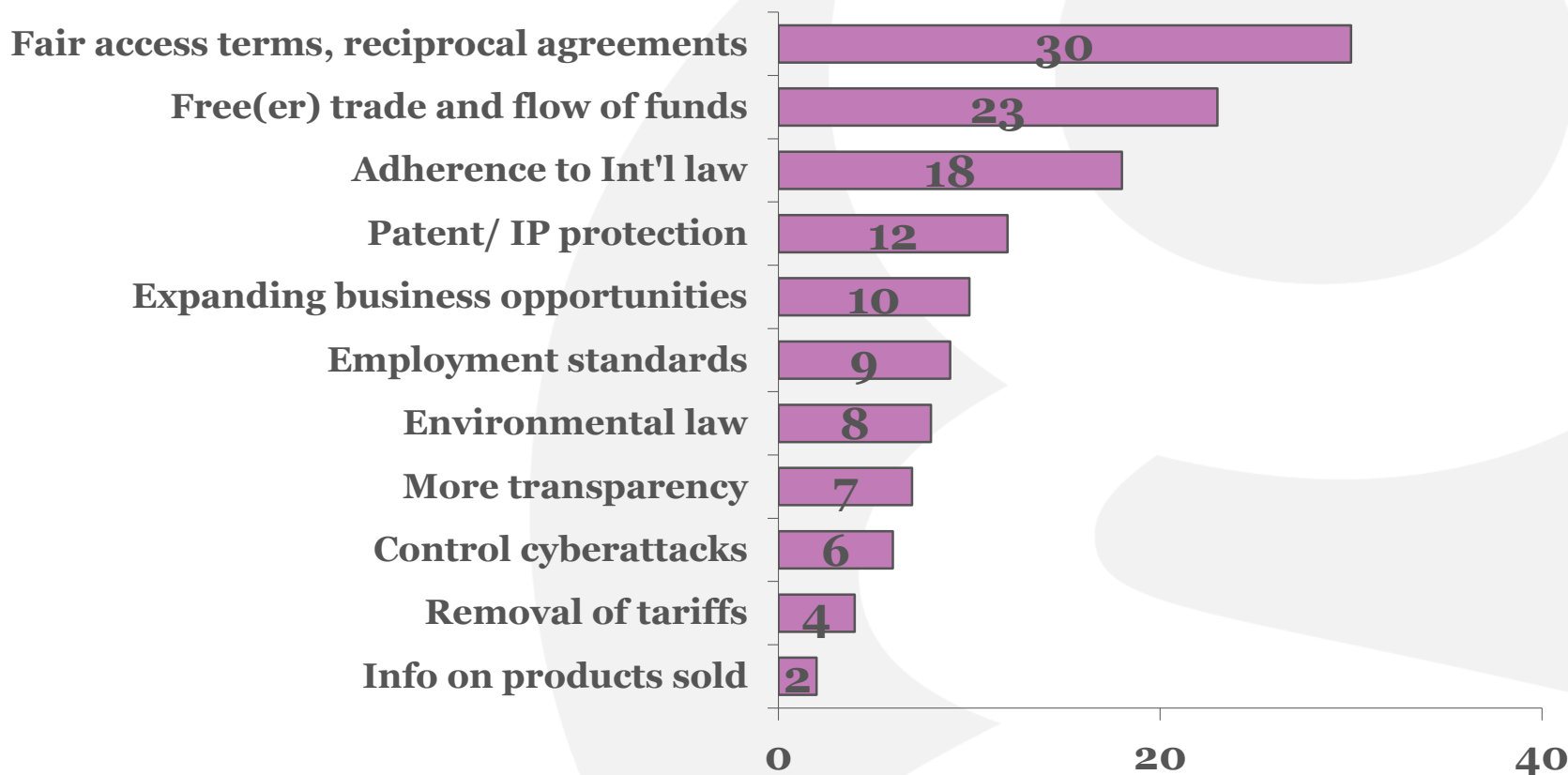
What business leaders expect of government in trade missions with emerging markets

- ❑ Fair and reciprocal access to markets, free flow of funds and adherence to international law top the list of things executives think Canadian leaders should be pressing for in trade talks with Chinese & Asian leadership.



What Canadian leaders should seek in trade missions, negotiations

“This October, many of Canada’s Premiers will visit China on a trade mission. Prime Minister Harper has discussed trade with leaders in various emerging markets and will soon attend an Asia Pacific summit. From your perspective what should Canada’s leaders be asking or pressing for on behalf of Canadian businesses when meeting or negotiating with leaders in emerging economies, including China?” **(Open Ended - % saying each)**





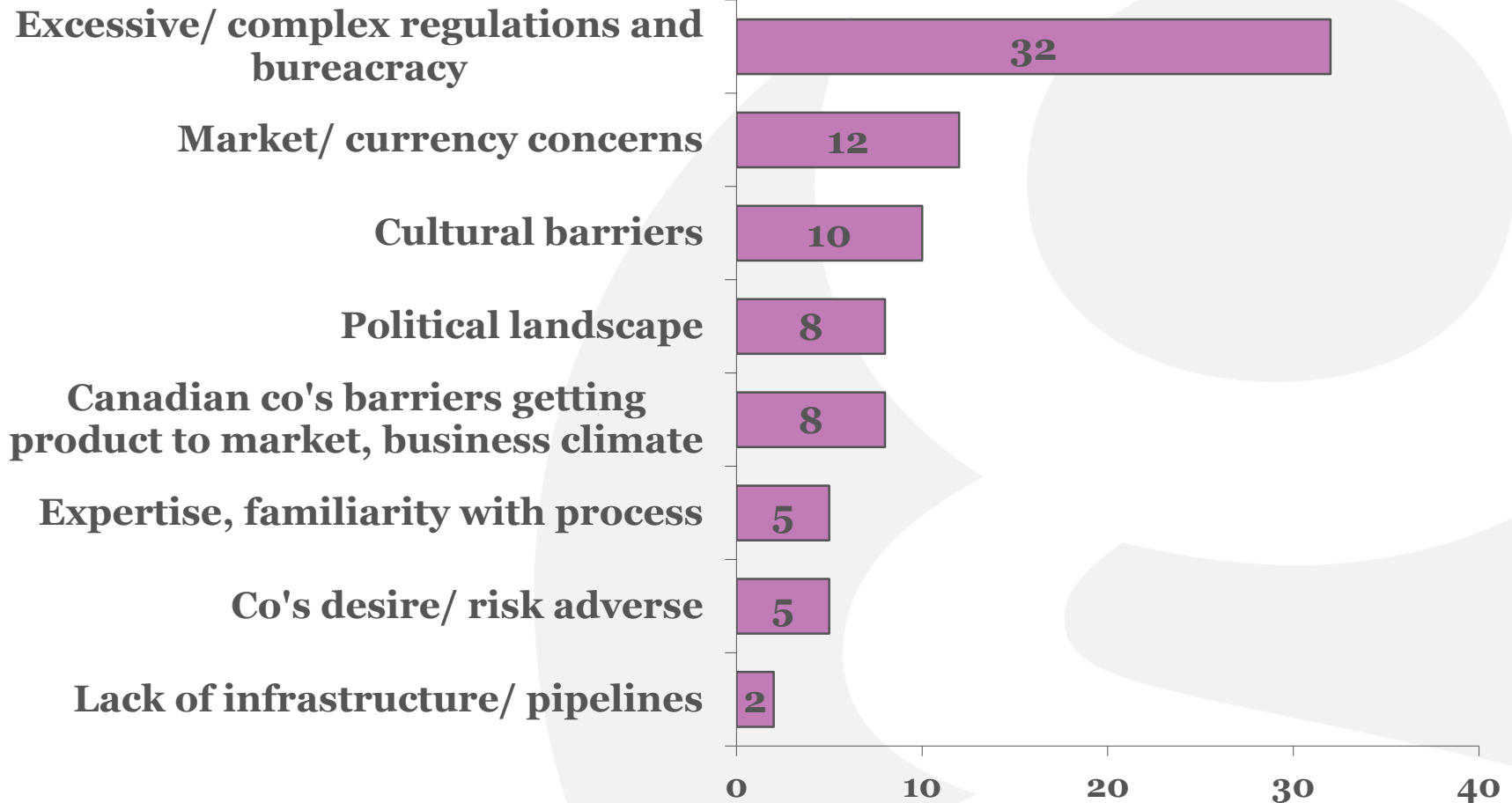
What holds companies back from expanding into emerging markets?

- ❑ Excessive and complex regulations top the list of things holding Canadian companies back from doing more business in or investment deals with Asia and Asian investors.
- ❑ As we have seen before in the C-Suite, many companies (especially in the services sector are not looking to access or expand into Asian markets). However we can see that two-way investment and trade is still important to them and others.
 - 52% of companies are looking to expand into and access emerging markets while another 30% are interested in more investment from and sales to Asian investors. So while half of companies can be said to be engaged in overseas expansion and business, most companies are still interested in opening up trade and investment ties if it can help access financing or boost sales.



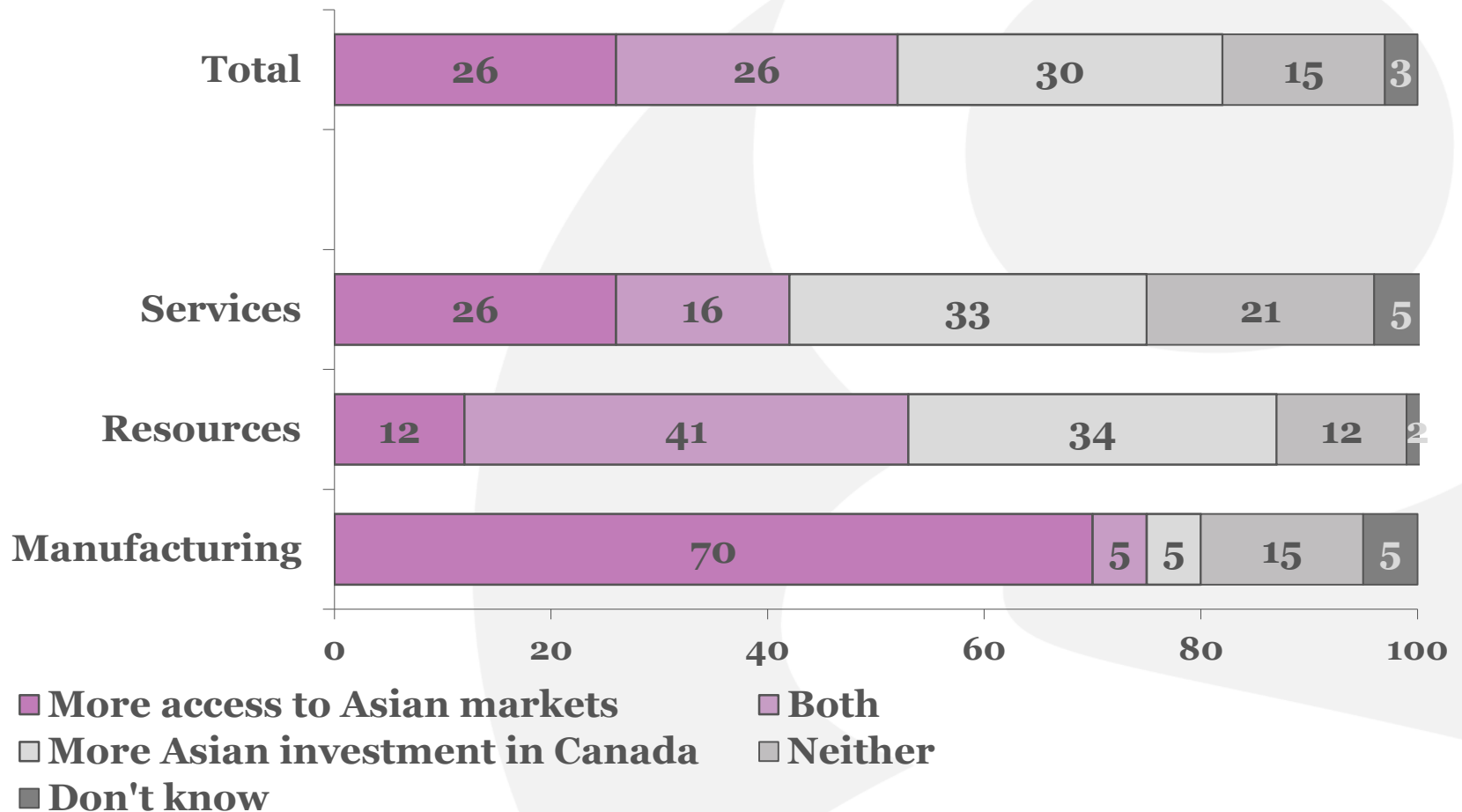
What is Holding Canadian companies back from accessing foreign markets and investment?

“What is the most important thing that is holding back Canadian companies like yours from doing more business or investment deals with Asian markets and investors?” (Open Ended - % saying each)





“Some/other companies say they would benefit from greater investment in Canada by Asian companies and individuals, while other/some companies are looking to expand their business activities or investments in Asia. Which one best describes your company?”

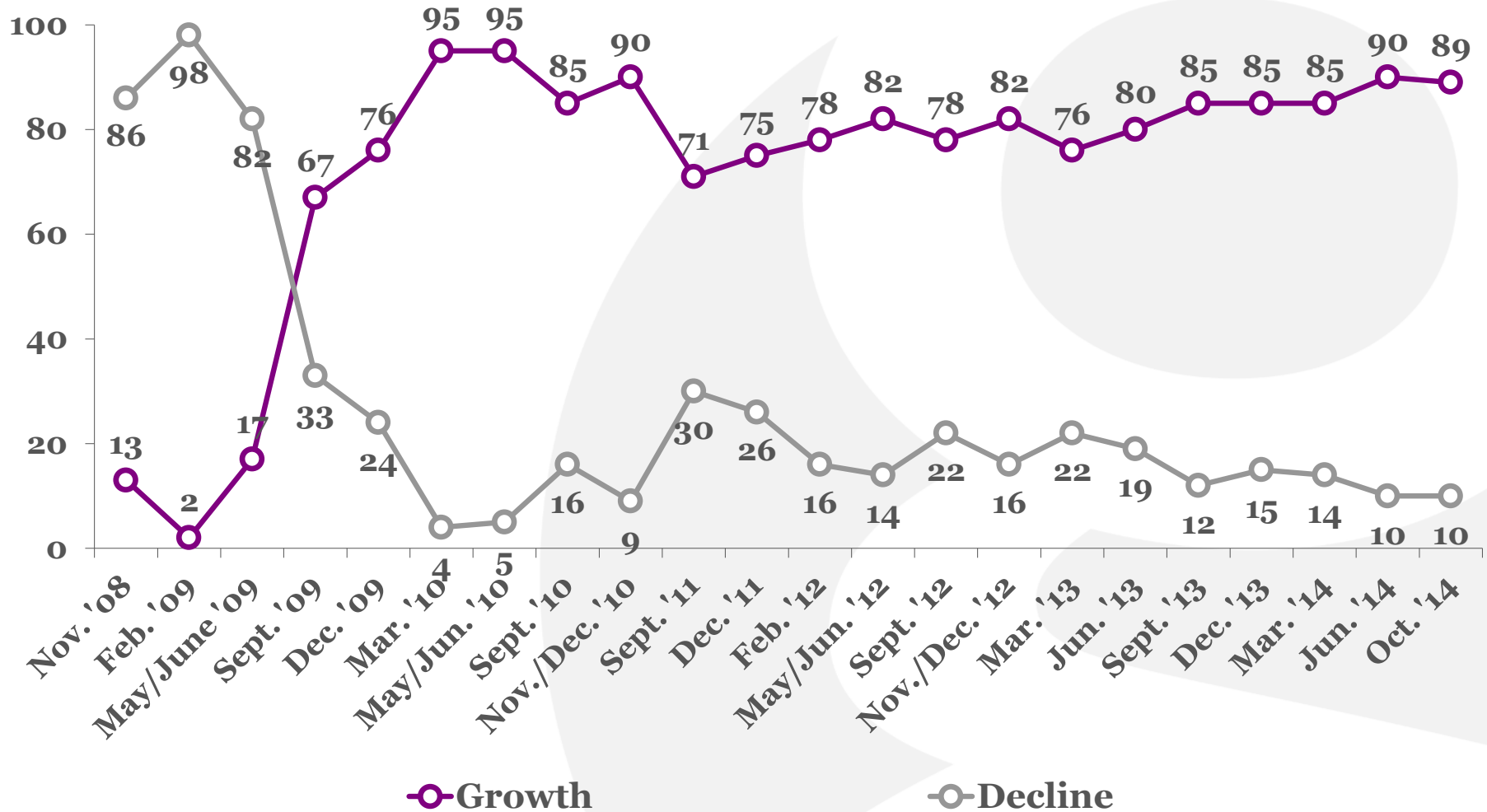


Forecasts For The Economy & Cos.

- ❑ Expectations for the US economy are notably more positive than the outlook for Canada – about seven in ten expect moderate growth for the US over the next 12 months and nearly a quarter expects strong growth for the US economy.
- ❑ In contrast almost none expect strong growth for the Canadian economy.
- ❑ Expectations for businesses in the C-Suite remain stable over the last two years, with only a modest increase in the number expecting strong growth. The outlook for Canada's top companies still outpaces the outlook they have for the economy as a whole.

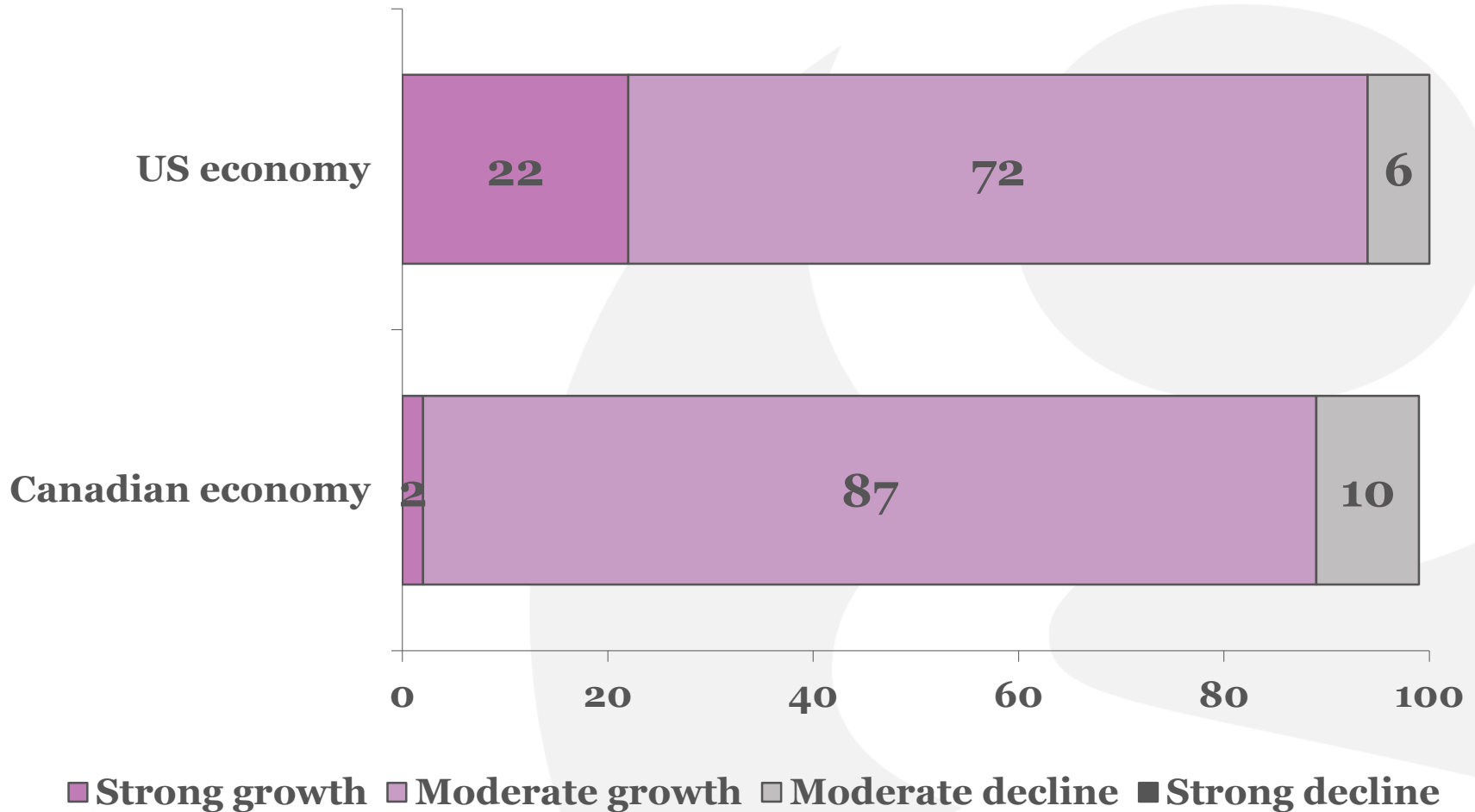
Current Growth Levels In The Canadian Economy

“Which of the following do you think best describes the Canadian economy at the current time - strong growth, moderate growth, moderate decline, strong decline?” (% saying each)



Expectations of the Canadian and US Economies

“What are your expectations for the **U.S. /Canadian** economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?” (% saying each)



Projections for The US Economy

“What are your expectations for the U.S. economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?” (% saying each)



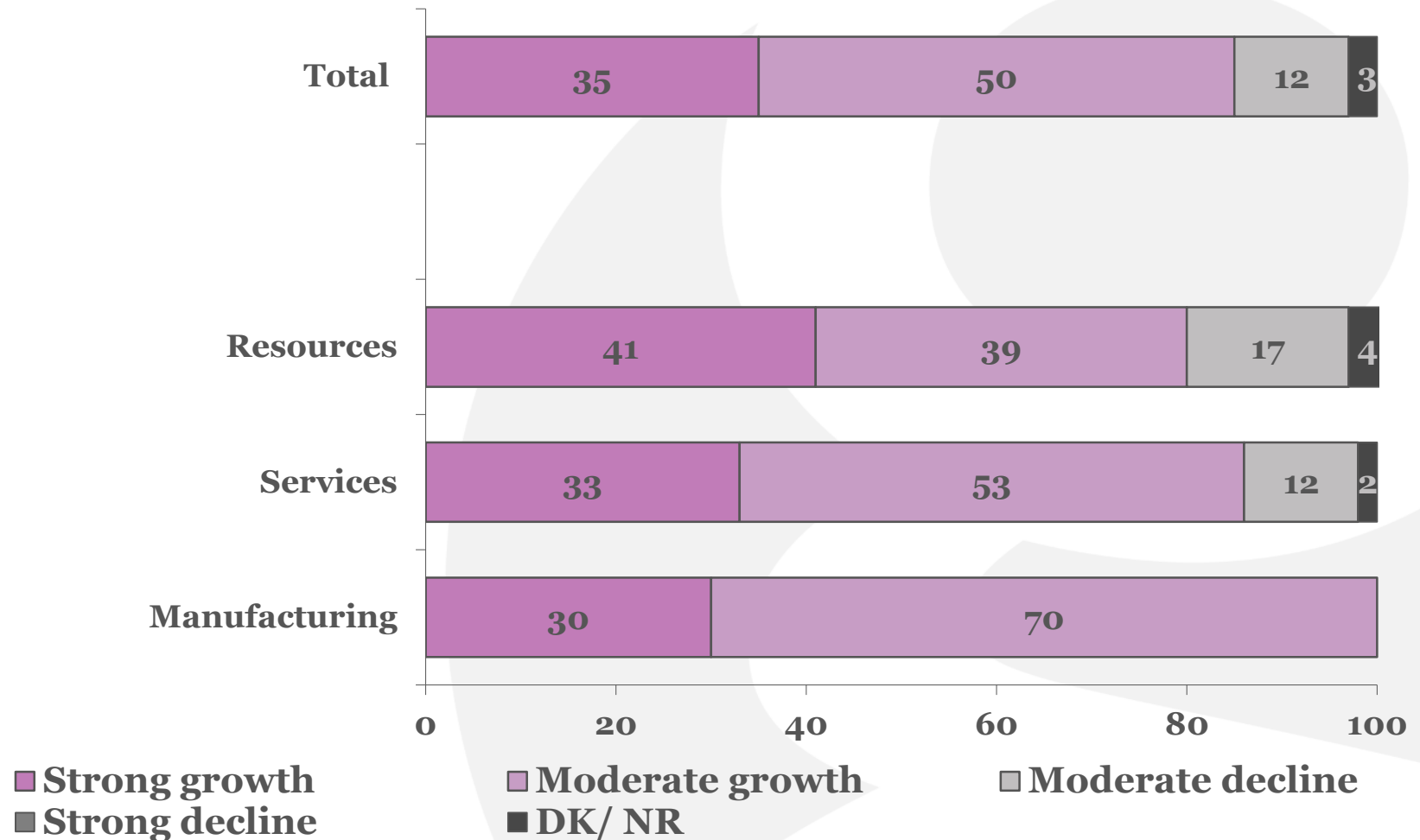
Projections For The Canadian Economy

“What are your expectations for the Canadian economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?” (% saying each)



Outlook for Business – October 2014

“What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?” (% saying each)



Projections For Your Company

“What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?” (% saying each)

