



the gandalf group

The 49th Quarterly C-Suite Survey

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- ❑ The 49th edition of the C-Suite Quarterly Survey was conducted on behalf of KPMG, published by the *Globe & Mail's Report on Business* and broadcast by *BNN*.

- ❑ This quarter's survey asked the C-Suite about:
 - The state of the retail sector in Canada
 - Sexual harassment in the workplace

- ❑ Telephone interviews were conducted with 153 C-Suite executives at ROB1000 companies between Nov. 11 & Dec. 6, 2017.
 - 50% were CEOs & most of the remaining participants were CFO's (39%).
 - Most represented companies with more than 200 employees – 23% employ more than 1000.
 - Approximately one-third (34%) were based in Ontario & 51% were based in Western Canada.
 - 44% can be grouped into the resources sector & 43% into the services sector, including hospitality, finance, retail and others.
 - 95% of participants were male – 5% were female.

- ❑ The following report provides key findings on each of the two topics followed by detailed findings on each. We close with an update on tracking questions we ask each quarter about the state of the economy and forecasts for business.



Key Findings On The Canadian Retail Sector

- ❑ While there are clear challenges, Canada's business community is optimistic about the potential of Canadian-based retail.
- ❑ They agree that digital disruption and e-commerce are threats to Canadian retailers.
- ❑ And they believe Canadian retail has to do more than it has done to date to adjust to online sales.
- ❑ The vast majority agreed Canadian retail companies can compete if they evolve.
- ❑ Most believe the high-profile demise of Sears Canada was a result of unique challenges facing that company.
- ❑ A majority agreed Canada's workforce is well-placed to compete in e-commerce.
- ❑ While online competition is a clear threat, the right approach is not simply to evolve to digital platforms.
- ❑ Many believe Canadian retailers have to adjust their offering in other ways as well – i.e. differentiation through marketing strategies, product niches or better service.
- ❑ When it comes to Amazon's search for a second headquarters, most in the C-Suite believe Canada would be as good a location as the US, if not better. Only one in three believes Amazon would be worse off locating its proposed HQ2 in Canada as opposed to the US.
- ❑ For this reason and others, most in the C-Suite agreed it is a worthwhile effort for Canadian governments to try to lure firms such as Amazon here.
- ❑ More important, though, is that governments should be trying to ensure Canadian retailers can compete with the right business environment and policies. A stronger majority agreed this should be the priority of governments when it comes to supporting the growth of retail in Canada.



Key Findings On Sexual Harassment

- ❑ Most in the C-Suite said they have not witnessed or heard of specific sexual harassment cases in their companies. About one in three (31%) has witnessed or heard of specific cases.
- ❑ Yet most agreed that the majority of cases are not reported.
 - Nearly half agreed sexual harassment is rarely reported in the workplace in general. Almost none believe it goes reported most of the time. Executives were somewhat more likely to believe cases are reported in their companies than in the workplace overall – even then only 25% said most cases were.
- ❑ Few agreed however that their company has a sexual harassment problem.
- ❑ In a forced choice, executives were somewhat more likely to believe sexual harassment in the workplace is “infrequent and rare” than “common and frequent.”
- ❑ A clear majority believes workplace sexual harassment is less of a problem than it was 15 years ago.
- ❑ Almost all in the C-Suite believe leadership and corporate culture are the most important factors to at helping prevent and respond to sexual harassment.
- ❑ And a clear majority of the C-Suite say that their businesses have:
 - appropriate policies to respond to sexual harassment.
 - a culture that responds to sexual harassment.
 - well-communicated policies on reporting/responding to sexual harassment.
- ❑ Almost all believe culture and leadership are more important than policies and procedures.
- ❑ Representatives of larger employers are more likely to be aware of harassment incidents in their companies and more likely to say they have well communicated policies to prevent harassment.
- ❑ Yet most believe recent, high-profile sexual harassment cases will have at least some impact on policies and measures Canadian businesses take to prevent and respond to sexual harassment.
- ❑ One in five (22%) said they had updated their policies in the past year.

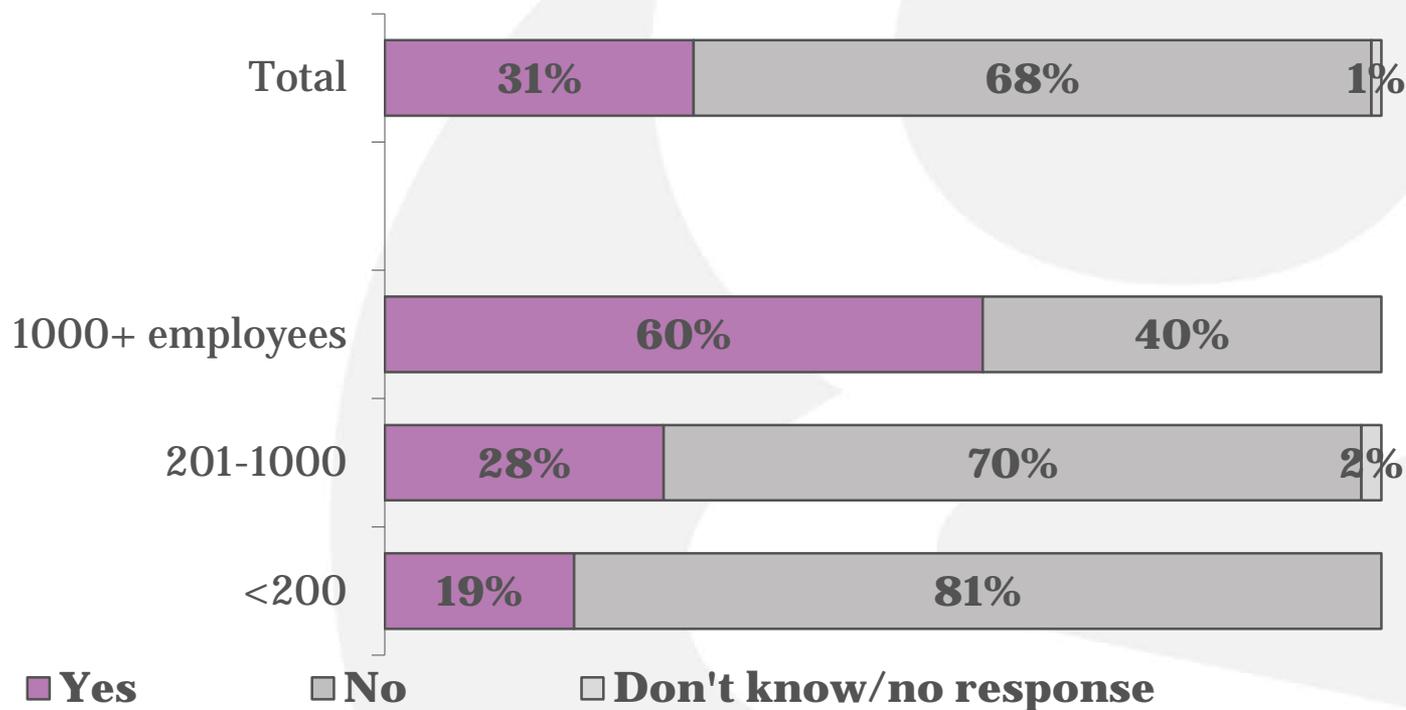


☐ Sexual Harassment in the Workplace



The Incidence of Harassment In the Workplace

- A majority of those surveyed said they have not heard of sexual harassment cases in their own company.
- Representatives of larger employers were more likely to report they were aware of cases in their own companies.

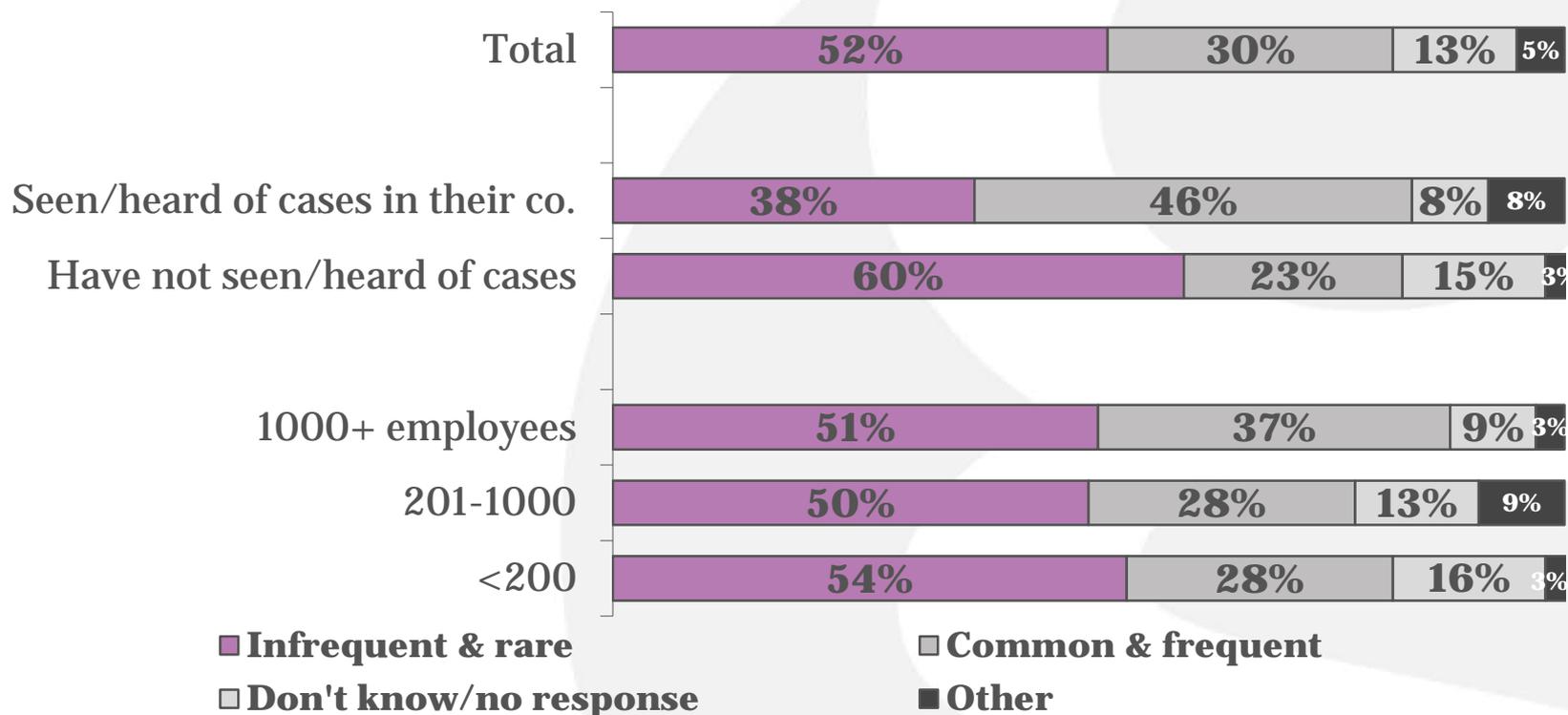


“In your own company, have you witnessed or heard about sexual harassment?”



The Incidence of Harassment In the Workplace

- In a forced choice, respondents were more likely to say sexual harassment in the Canadian workplace was infrequent & rare than to say it was common & frequent.
- The perspective is different among those who know of cases in their own companies.

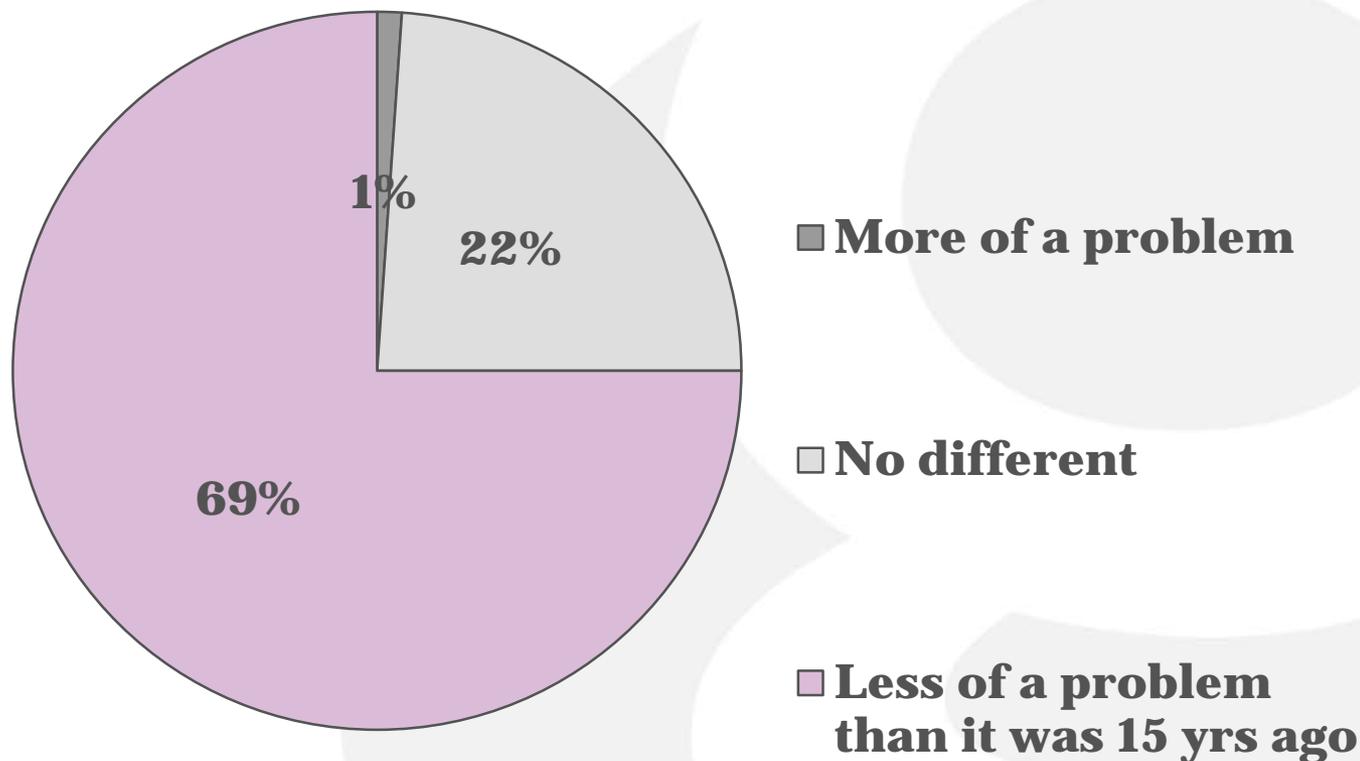


“Do you think currently that sexual harassment in the Canadian workplace is infrequent & rare or common & frequent?”



The Incidence of Harassment In the Workplace

- Most believe that sexual harassment in Canadian business is less of a problem than it was 15 years ago.

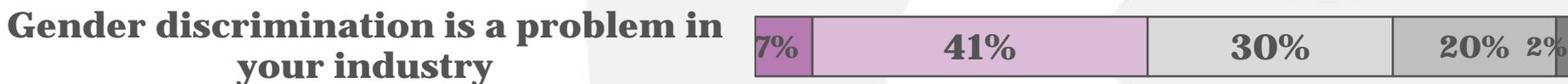
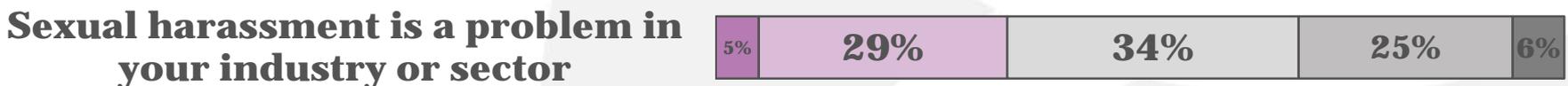
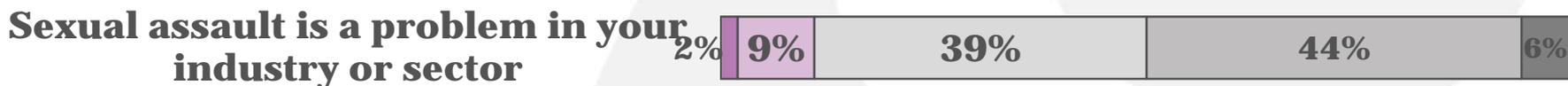
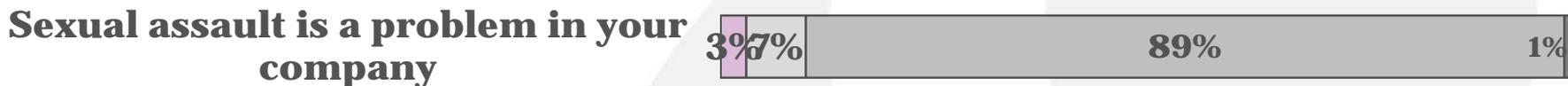
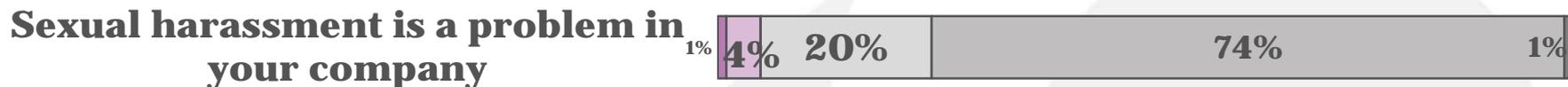


“Would you say there is less of a problem of sexual harassment in Canadian businesses than there was 15 years ago... more of a problem... no difference of sexual harassment in Canadian businesses than there was 15 years ago?”



The Incidence of Harassment In the Workplace

- A clear majority disagreed that sexual harassment and assault are problems in their companies. They were more likely to agree that sexual harassment and gender discrimination represent more of a problem generally speaking in business or their industry.



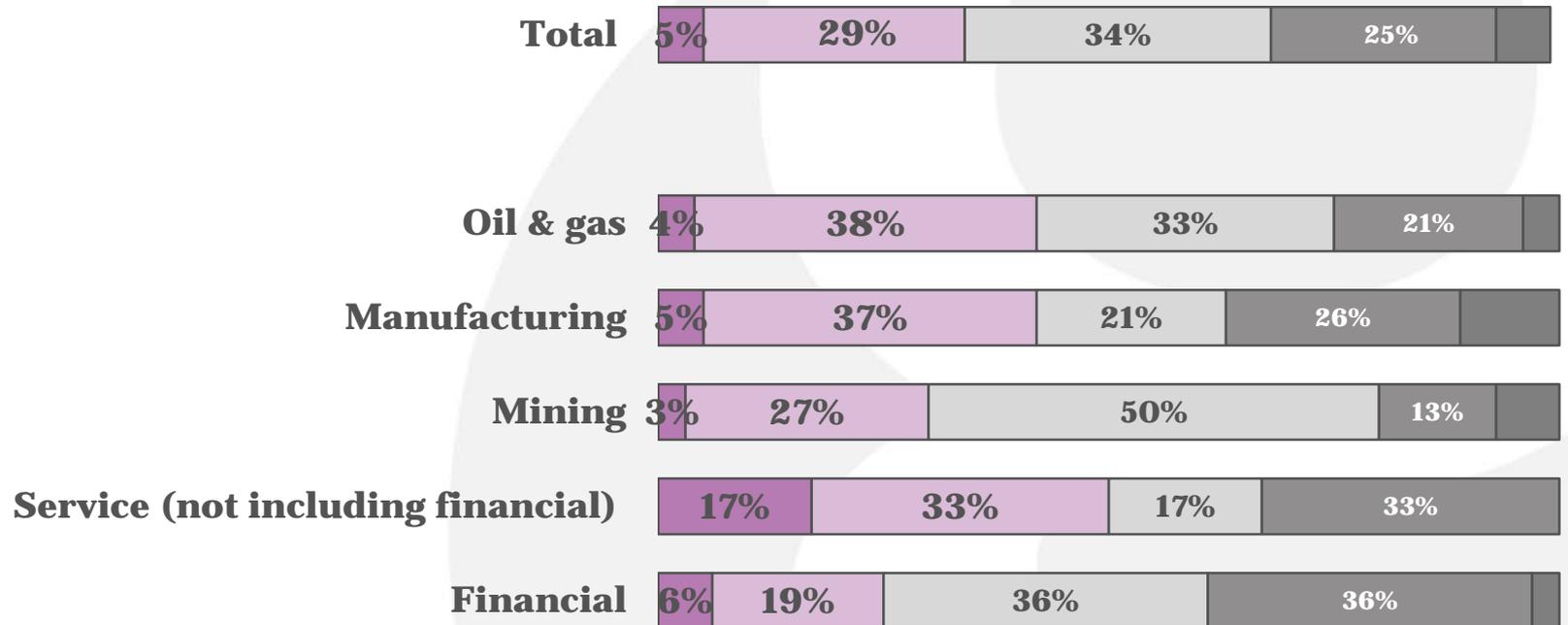
Strongly agree
 Somewhat agree
 Somewhat disagree
 Strongly disagree
 DK/NR

“Now please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statements:”



The Incidence of Harassment In the Workplace

- There was little difference between when comparing respondents in different sectors on the question of whether assault or discrimination was a particular problem in their sector.
- There was some variance but only slight or not in all cases significant on the question of harassment being a problem in their industry. In particular, respondents in the financial sector were less likely than others to say harassment was a problem in their industry.



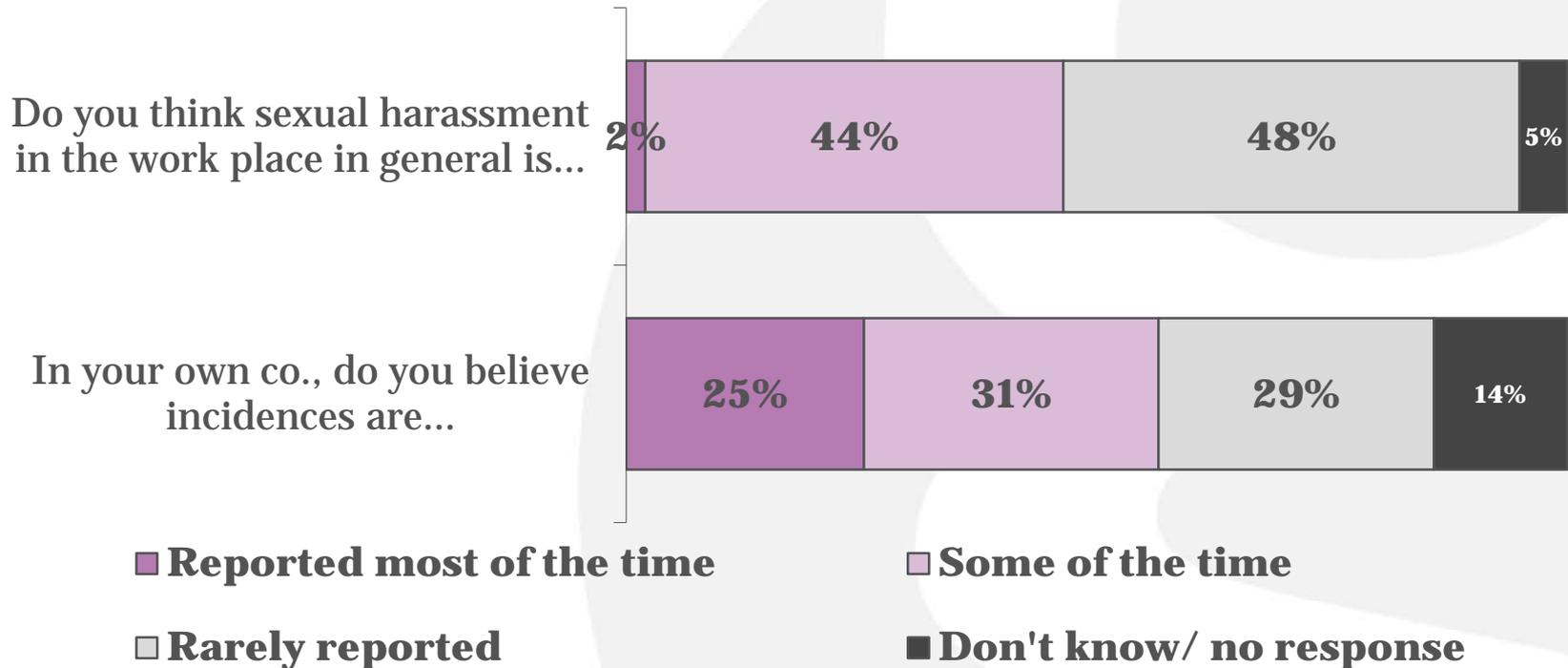
Strongly agree
 Somewhat agree
 Somewhat disagree
 Strongly disagree
 Don't Know/NR

“Now please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statements: Sexual harassment is a problem in your industry or sector.”



Reporting Harassment In the Workplace

- The C-Suite believes harassment is more likely to be reported in their own companies than in the workplace in general.
- Yet most say harassment cases in their own company would likely go reported only some of the time or rarely. Only one in four believes the majority of harassment cases in their companies are reported. Almost none would say that for the workforce in general.

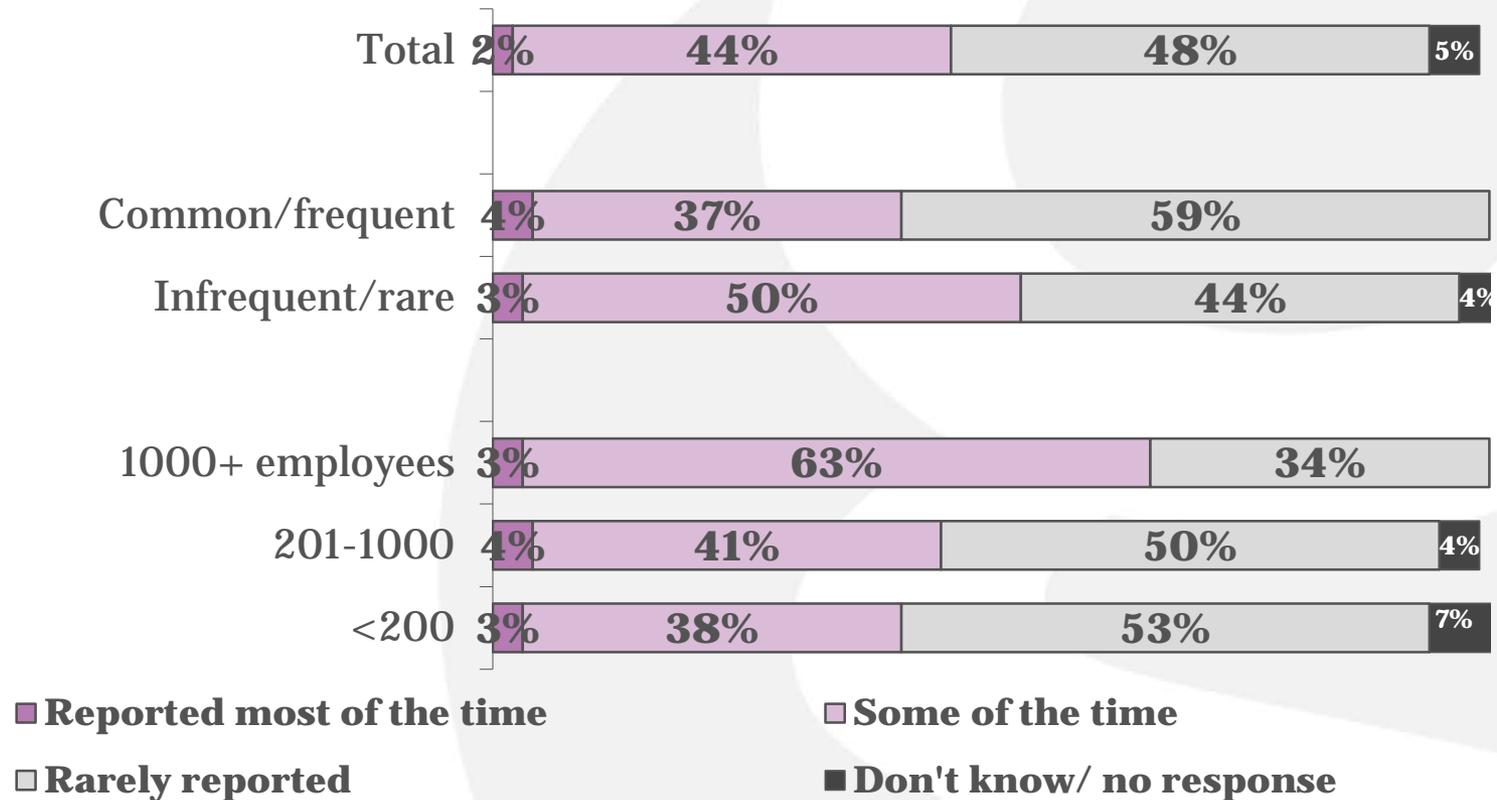


“And do you think that sexual harassment in the workplace in general is reported most/some of the time or rarely.” and “In your own company, do you believe that incidences of sexual harassment are reported most/some of the time or rarely?”



Reporting Harassment In the Workplace

- When thinking about the workplace in general, even those who said harassment was infrequent accept that it's reported rarely or only sometimes.
- Those who said harassment is common in the workplace were more likely to say it was rarely reported.
- Representatives of larger companies were less likely to say it is rarely reported.

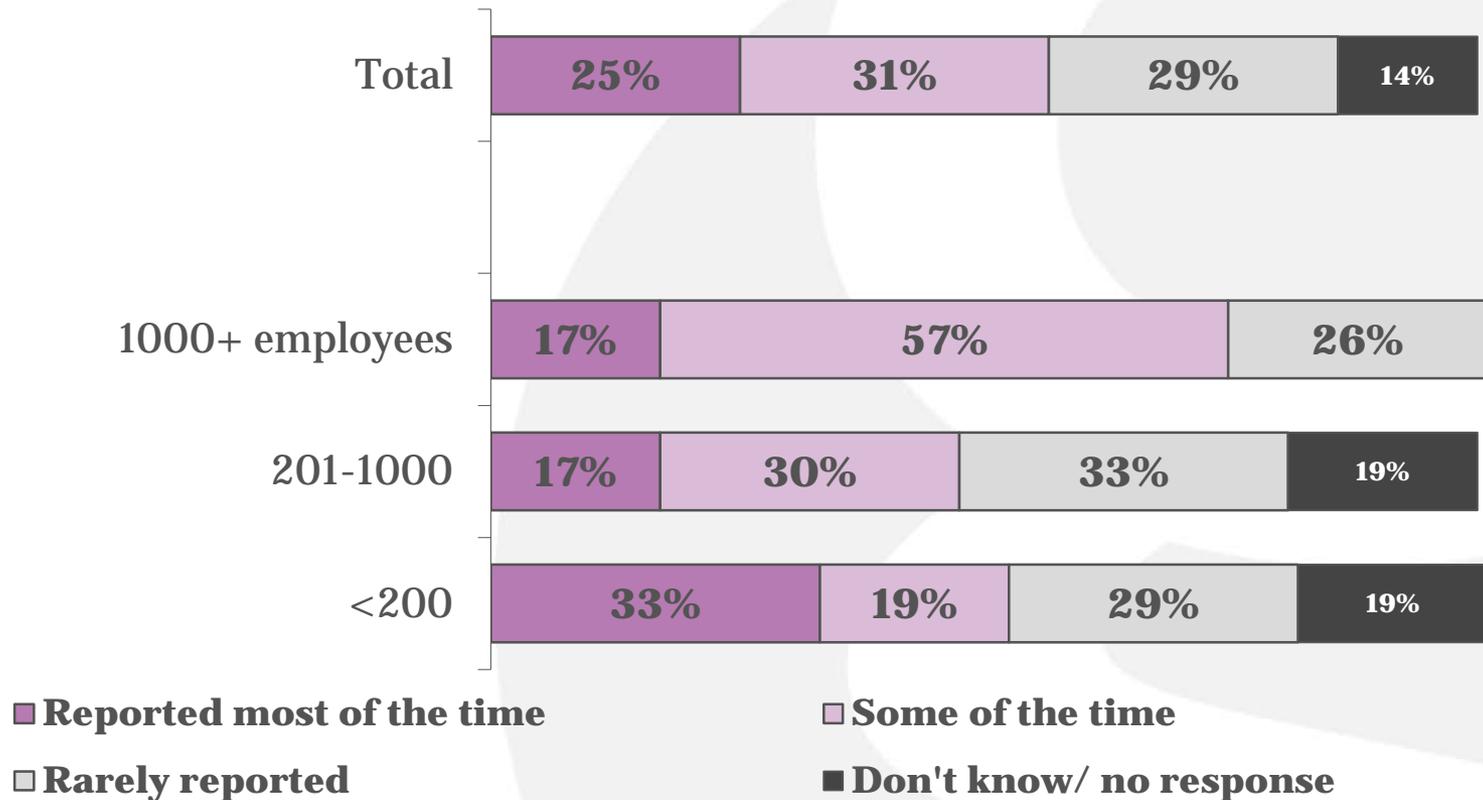


“And do you think that sexual harassment in the workplace is reported most/some of the time or rarely?”



Reporting Harassment In the Workplace

- Many at mid-size companies are unsure of how frequently cases are reported.
- Smaller firms were both more likely to believe most cases were reported or unsure if this was the case.



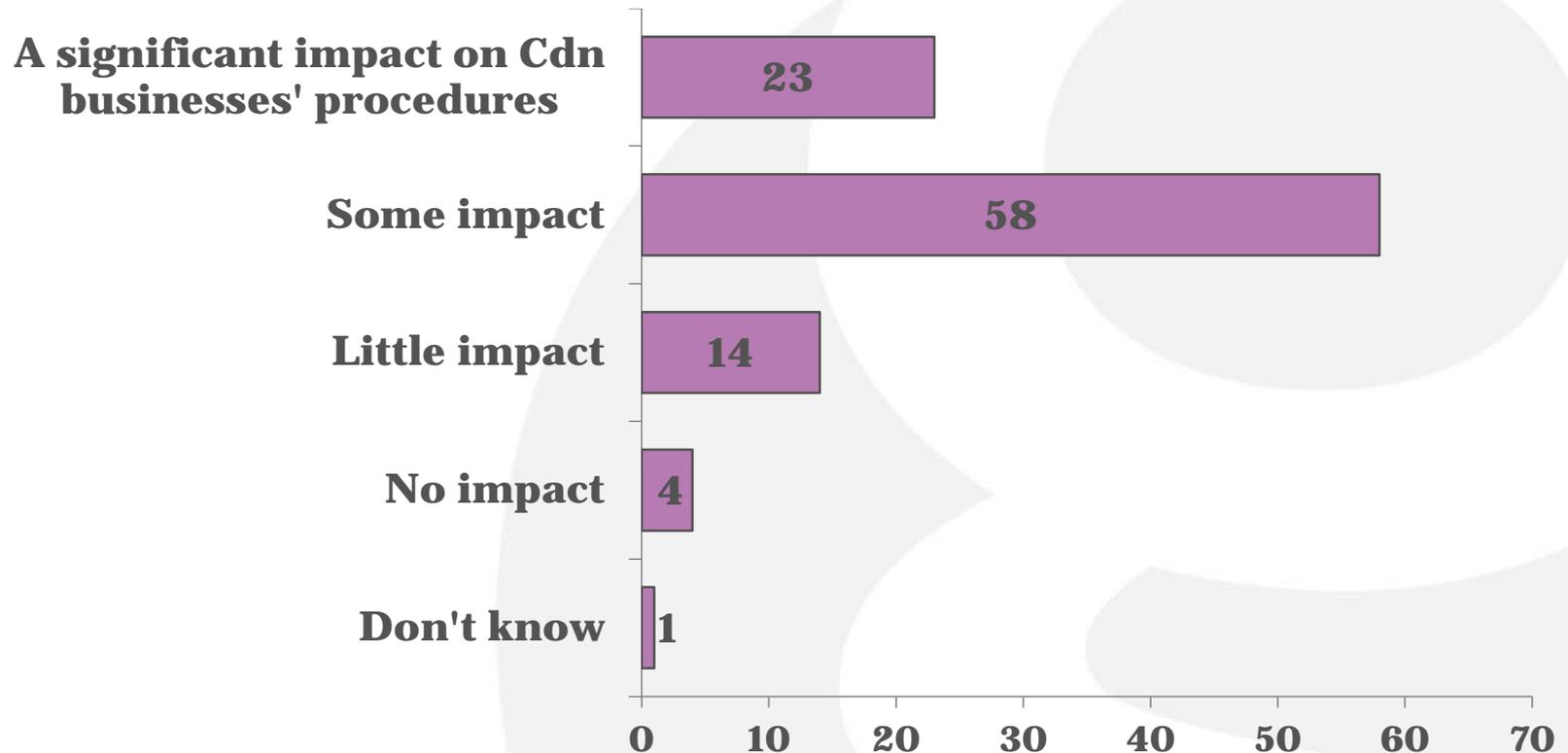
“In your own company do you believe that incidences of sexual harassment are reported most/some of the time or rarely?”

Impact of Recent High Profile Harassment & Assault Cases



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- Most believe recent, high-profile cases of harassment in the workforce will have an impact on Canadian businesses' procedures.



“First, we’d like to know if you think recent reports and media coverage of high profile sexual harassment and assault will have an impact on policies and measures Canadian businesses take to prevent and respond to sexual harassment. Would you say they will have a significant/some/little or no impact on Canadian businesses’ procedures?”



Harassment Policies & Procedures

- Most companies are very confident about the policies they have in place to respond to sexual harassment.
- Fewer strongly agreed that their policies on reporting sexual harassment are well posted and communicated.

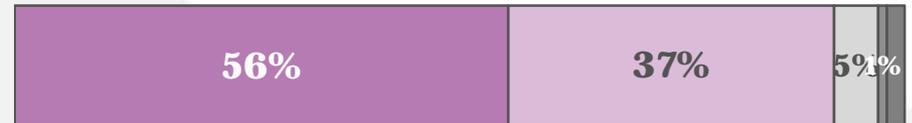
Your organization has appropriate policies to respond to sexual harassment



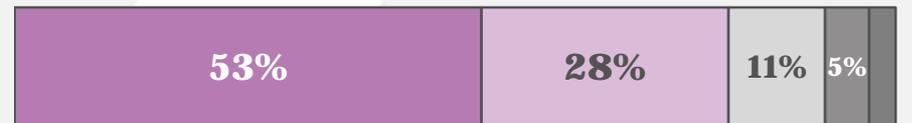
Your organization has appropriate policies to help prevent sexual harassment



Your organization has a culture that helps prevent sexual harassment



Your organization has a clearly posted & well communicated policy on reporting & responding to sexual harassment



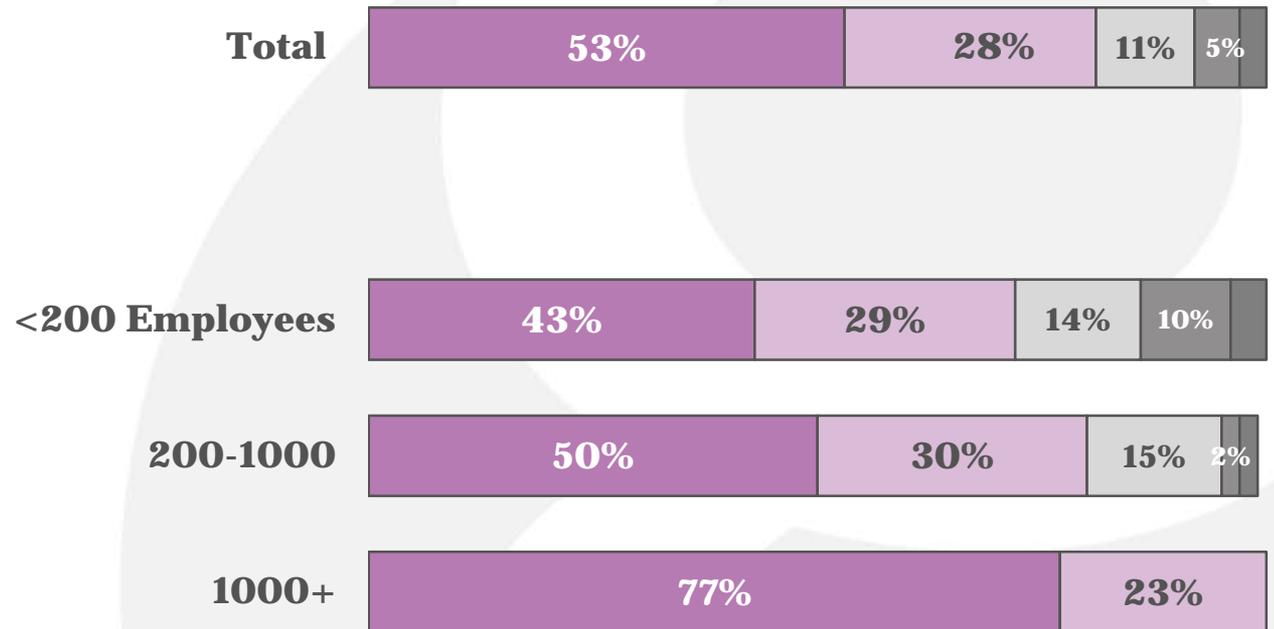
■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree ■ Don't Know/NR

“Now please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statements:”



Harassment Policies & Procedures

- Larger companies are far more likely to say they have well-communicated policies to help prevent and respond to sexual harassment.

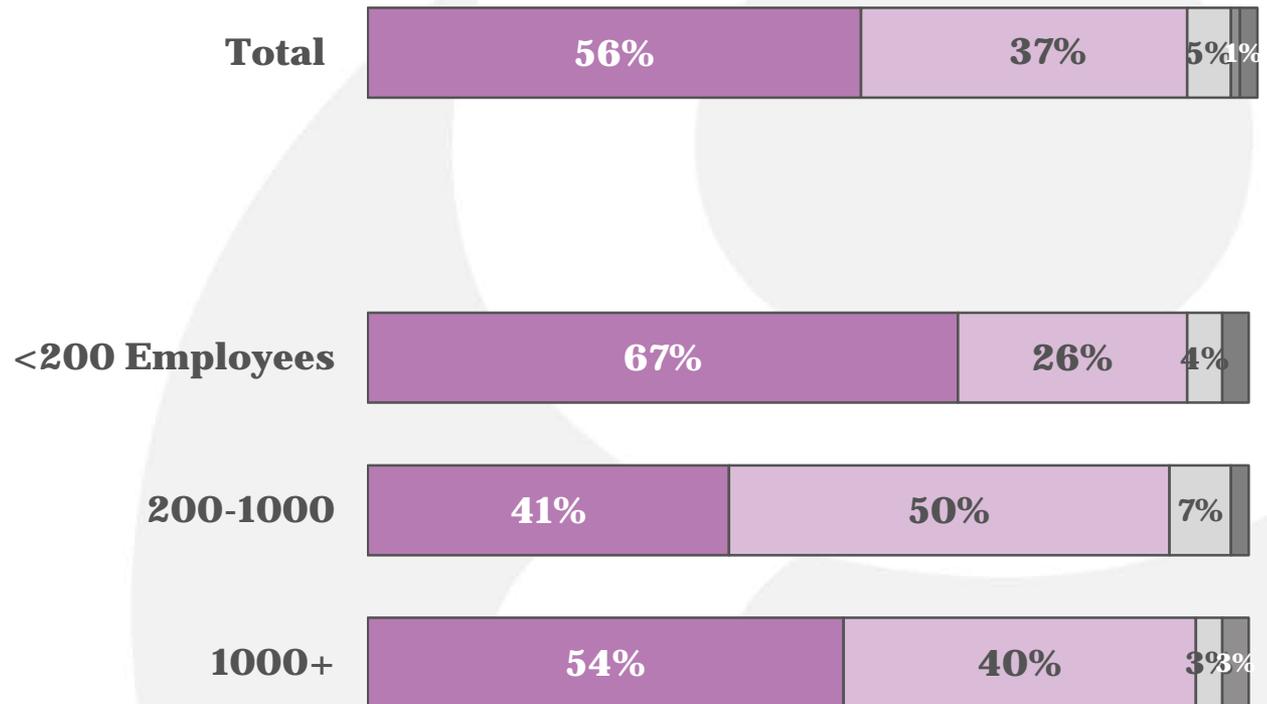


■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree ■ Don't Know/NR

“Now please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statement: Your organization has a clearly posted and well communicated policy on reporting and responding to sexual harassment.”



- Smaller companies are somewhat more likely to feel confident they have a corporate culture that helps prevent harassment.



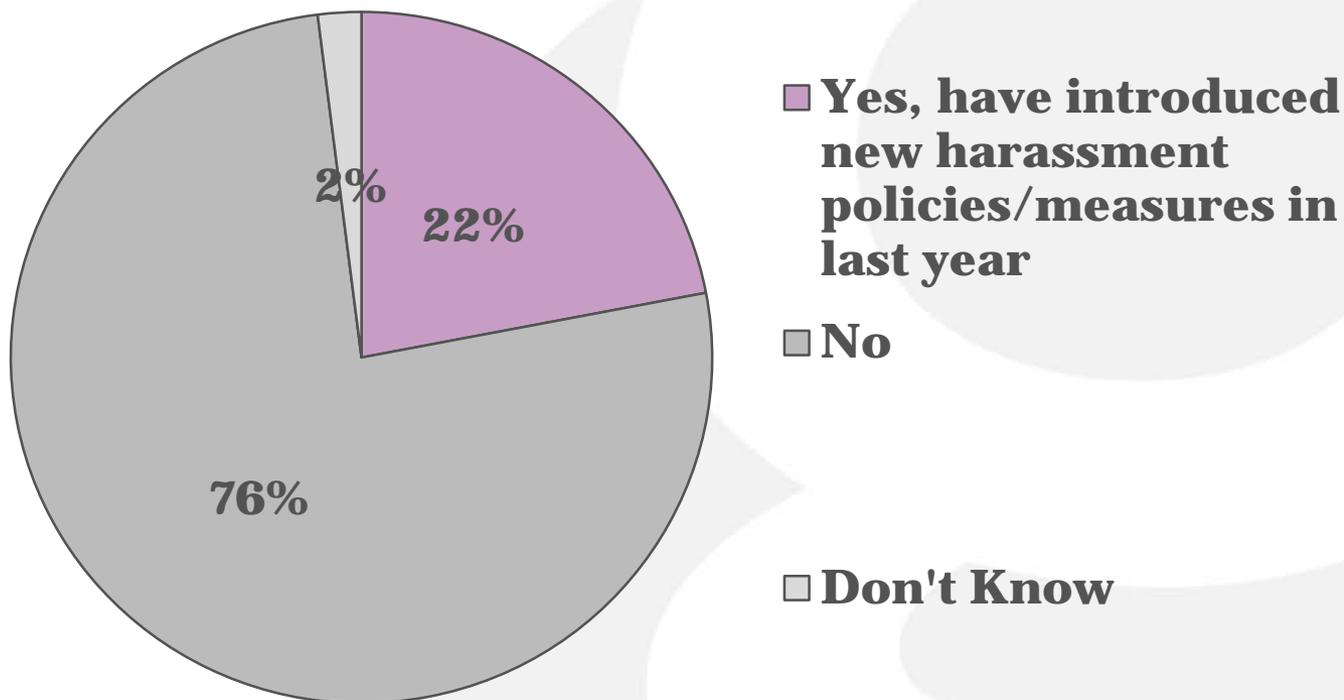
■ Strongly agree ■ Somewhat agree □ Somewhat disagree ■ Strongly disagree ■ Don't Know/NR

“Now please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statement: Your organization has a culture that helps prevent sexual harassment.”



Updating Policies on Harassment

- Roughly one in five (22%) said they have updated or introduced new corporate policies and measures in the last 12 months to prevent & respond to workplace harassment.

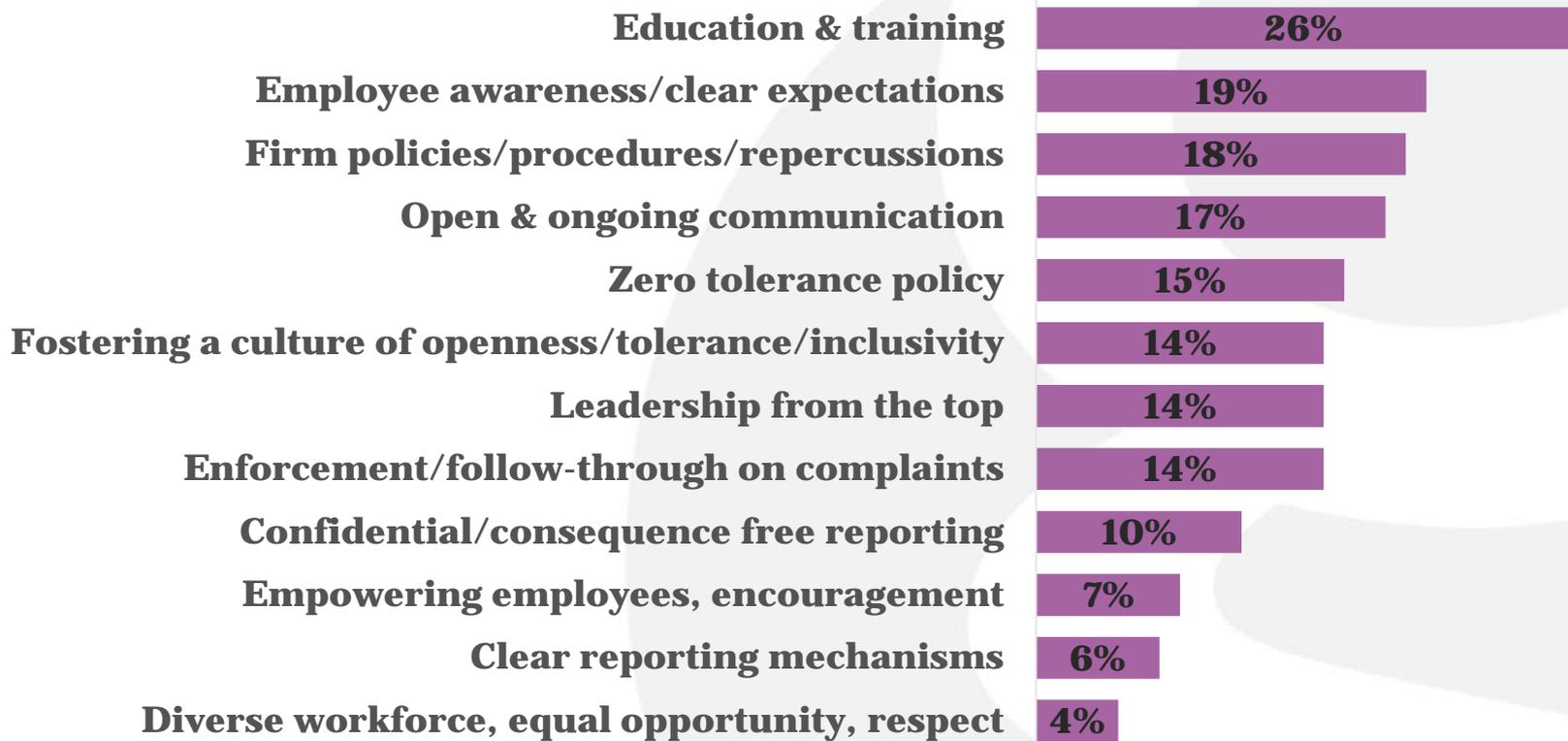


“Has your organization introduced new policies or taken new measures in the last 12 months to prevent and respond to workplace harassment?”



What are the most important steps to prevent harassment?

- The C-Suite believes a range of measures and factors are important to preventing sexual harassment, including policies and also a culture of empowerment, tolerance, diversity & leadership.
 - Representatives of large companies were more likely than others to prioritize education/training (40% mentioning this as most important).

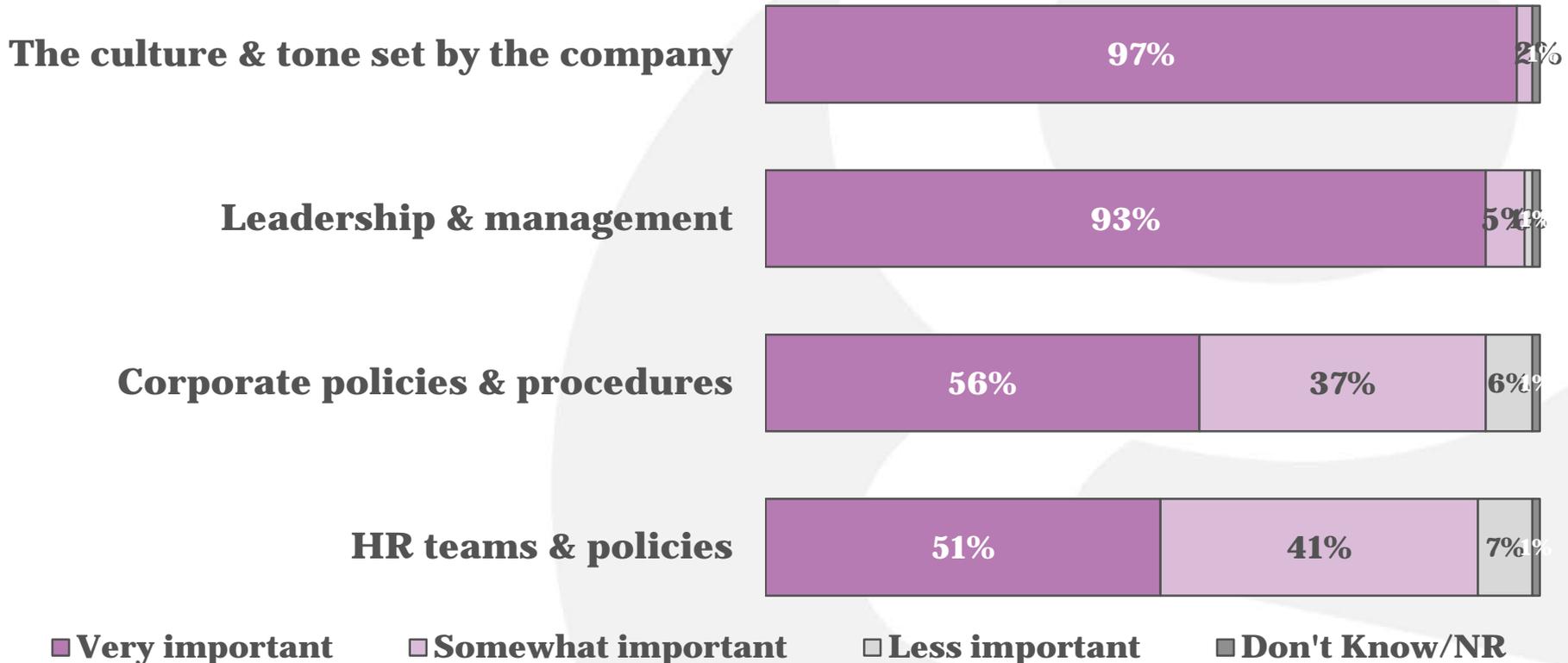


“What is the most important measure or step companies can take to prevent sexual harassment?”



Harassment Policies & Procedures

- However, the C-Suite believes culture is the most important factor in preventing sexual harassment. Policies and human resources teams are not unimportant, but leadership and tone are most important.



“How important a role do each of the following play in helping to prevent sexual harassment in Canadian businesses?”

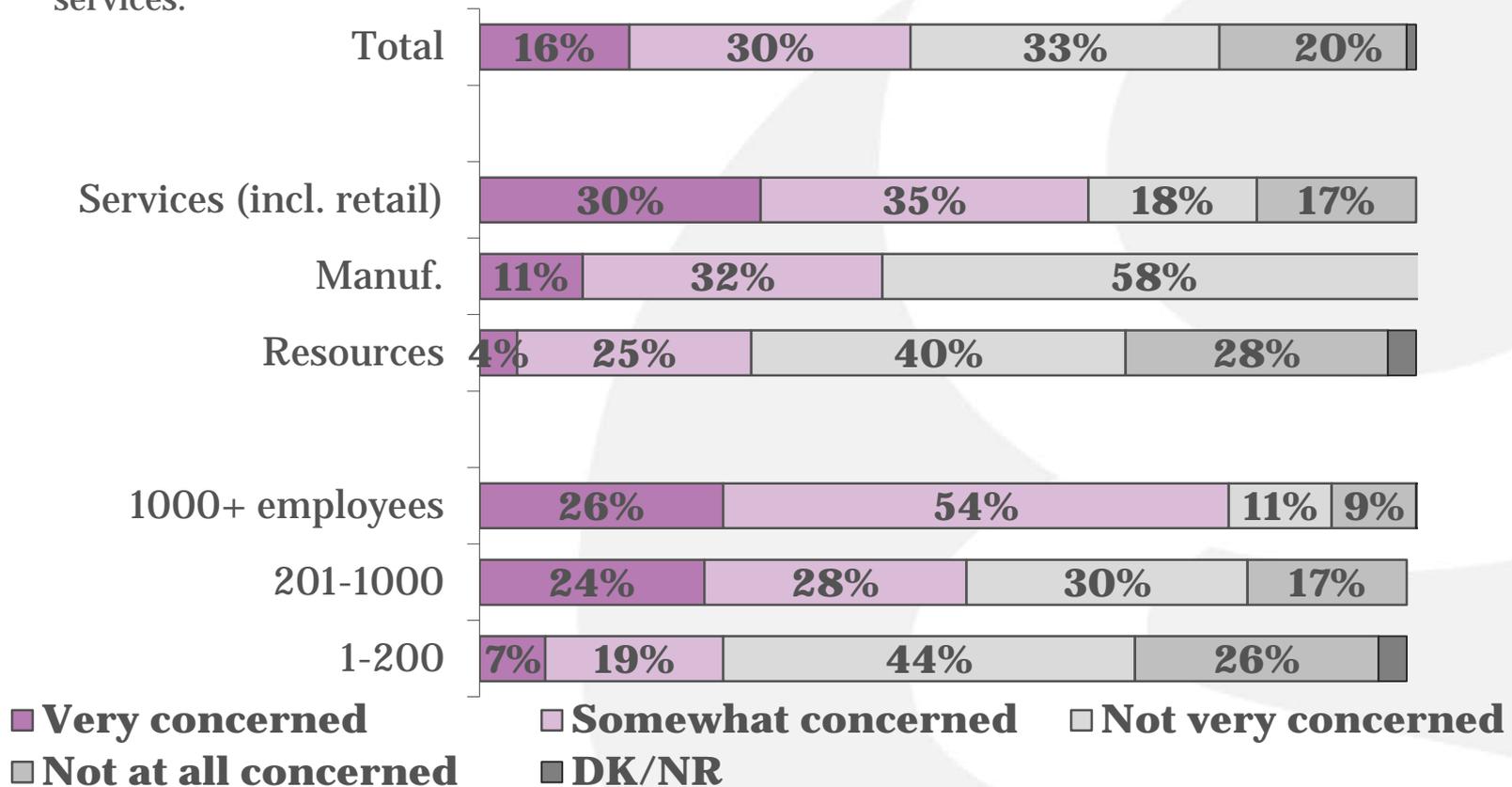


□ The State of Canada's Retail Sector



Concern About Digital Disruption

- Thinking about digital disruption generally, almost half of the C-Suite is at least somewhat concerned about the issue. Roughly half of the C-Suite said they are not very or not at all concerned about digital disruption in their sector.
- Concern about digital disruption is of greater concern to larger employers, many of whom are in services.



“Would you say you are very concerned, somewhat concerned, not very concerned, or not at all concerned about digital disruption in your sector?”



- Most in the C-Suite believe Canadian retailers face significant challenges from digital or online competitors as well as (to a lesser extent) foreign competition. And a majority do not believe Canadian retailers are moving quickly enough to adapt to the changing e-commerce landscape.

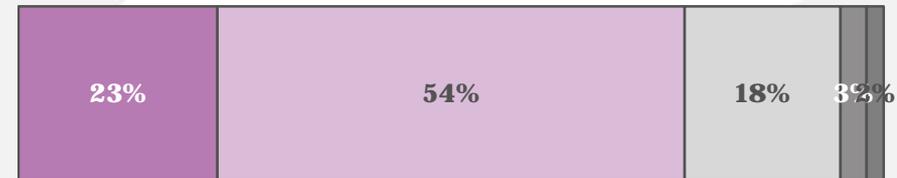
Digital disruption severely threatens existing Cdn-based & Cdn-owned retailers



Foreign competition severely threatens existing Cdn-based & Cdn-owned retailers



Generally speaking, Cdn-based retailers are not adopting e-commerce fast enough to remain competitive



■ Strongly agree □ Somewhat agree □ Somewhat disagree ■ Strongly disagree ■ Don't Know/NR

“I’m going to read some statements about the future of Canadian-based retail operations and e-commerce and I’d like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.”



Main Challenge Facing Retail?

- Most believe that digital disruption, e-commerce and online competition are the main threats to Canadian retail.

Adapting to online/e-commerce/online competition

59%

Keeping up w. changing consumer demands

8%

Amazon

6%

Competition

5%

Marketing strategy

5%

Don't know

4%

Digital disruption

3%

Competitive pricing

3%

US competition/x-border shopping

2%

Supply mgt

2%

Overhead costs of brick-and-mortar

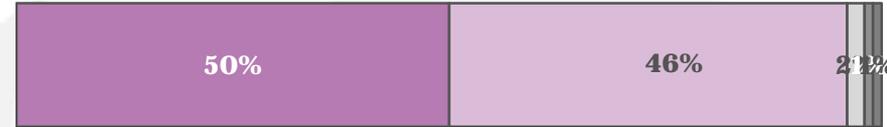
1%

“Generally speaking, what would you say is the main challenge facing Cdn-based retail chains?”

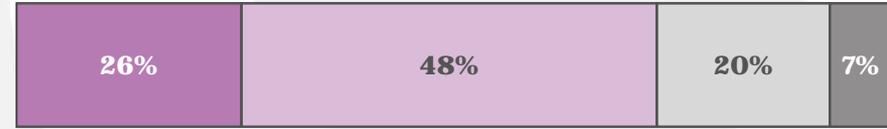


- Despite the threat of digital disruption, a majority of the C-Suite still believes Canadian retailers can adjust and compete. Most do not believe recent high-profile cases are a concerning sign for the economy or the Canadian sector as a whole.

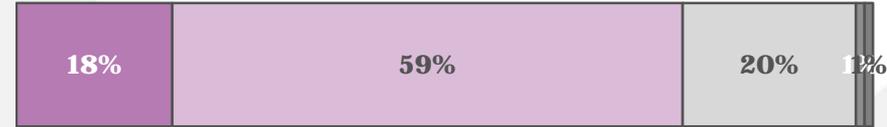
Cdn-based & owned retailers can compete & grow in the Cdn marketplace if they adopt digital strategies & e-commerce



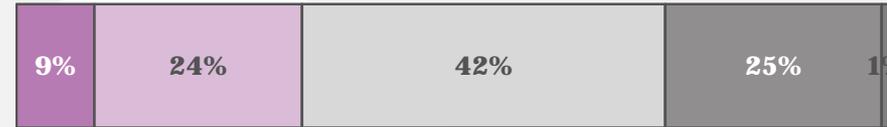
Canada is well positioned to take advantage of e-commerce owing to its work force & its adoption of technology



Many Cdn-owned brick-&-mortar retail stores can survive in the marketplace because of the service they provide to customers



The closure of Sears Canada's stores is a concerning sign for the direction of Canada's economy & its competitiveness

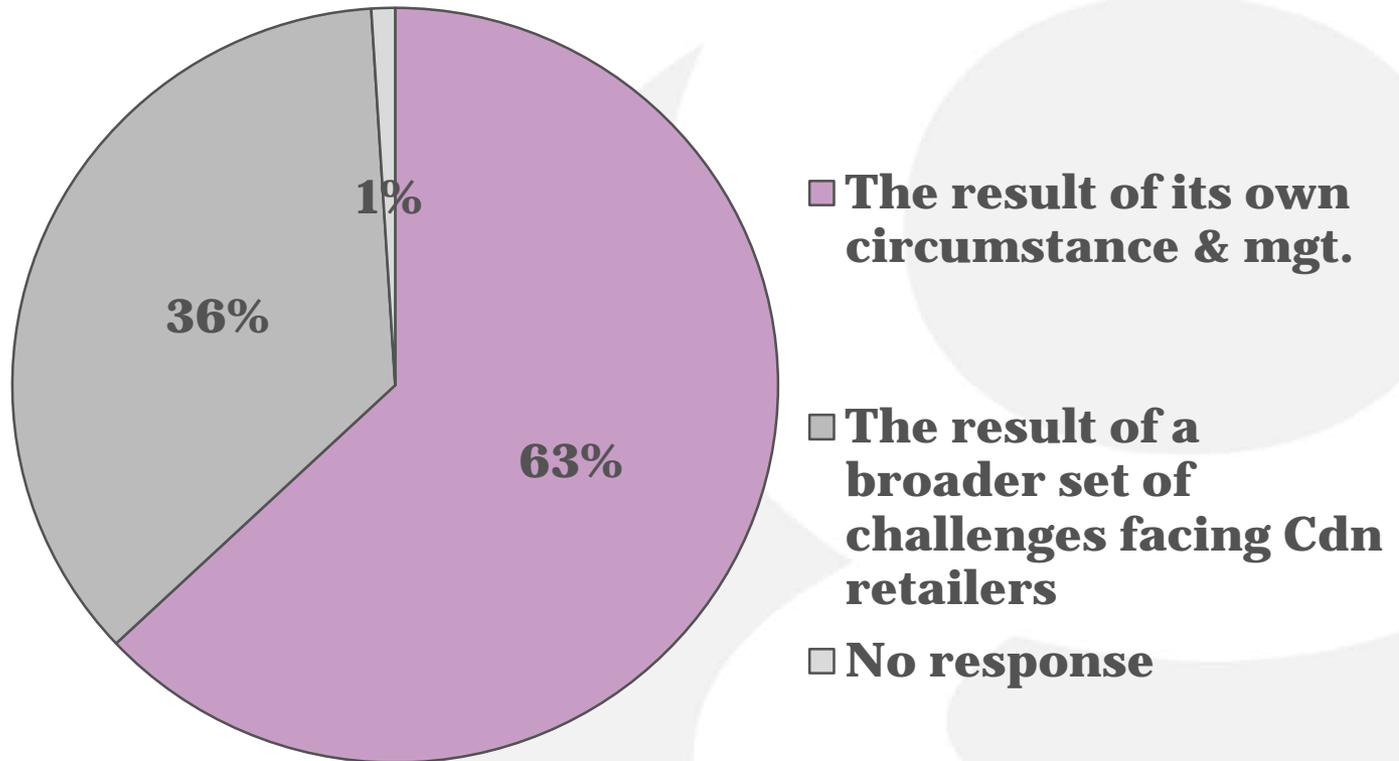


■ Strongly agree
■ Somewhat agree
■ Somewhat disagree
■ Strongly disagree
■ Don't Know/NR

“I’m going to read some statements about the future of Canadian-based retail operations and e-commerce and I’d like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.”



- Most in the C-Suite believe the departure of Sears Canada from the retail landscape was caused by specific factors affecting the company, rather than systemic factors facing the entire industry.

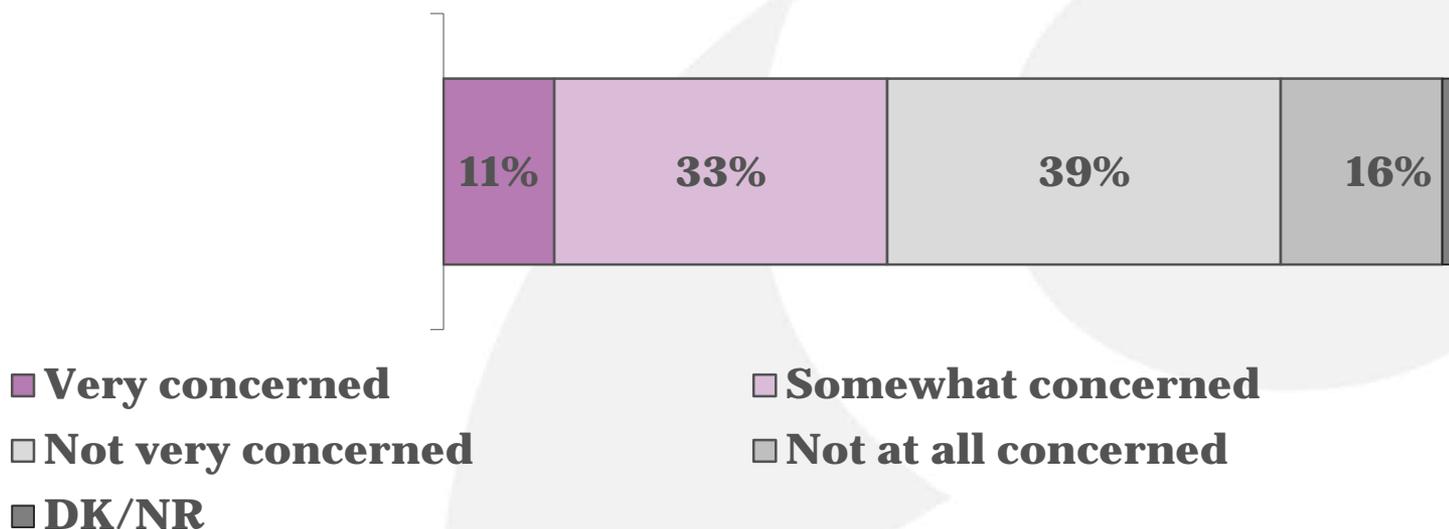


“The recent closure of Sears Canada and all its stores was notable for its size and the number of layoffs. Which is closer to your point of view? Was Sears Canada's demise mostly: the result of its own circumstance & mgt. or the result of a broader set of challenges facing Canadian retailers?”



Concern About Retail Ownership Concentration

- And a majority of the C-Suite is not concerned about concentration of ownership in the retail sector.

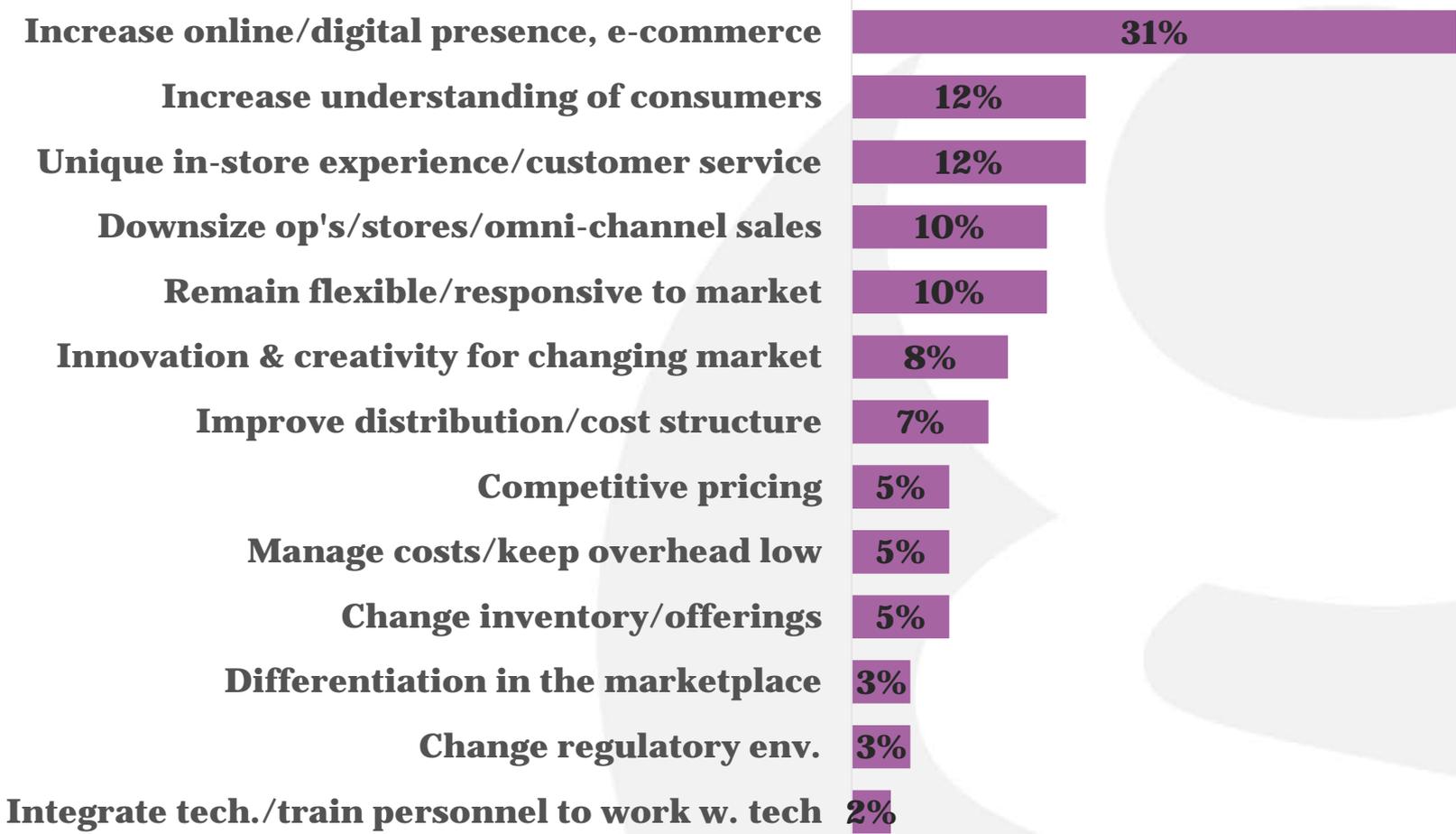


“Thinking of trends in retail in both the United States and Canada, how concerned are you about concentration of ownership of businesses in the sector?”



How Should Retail Respond?

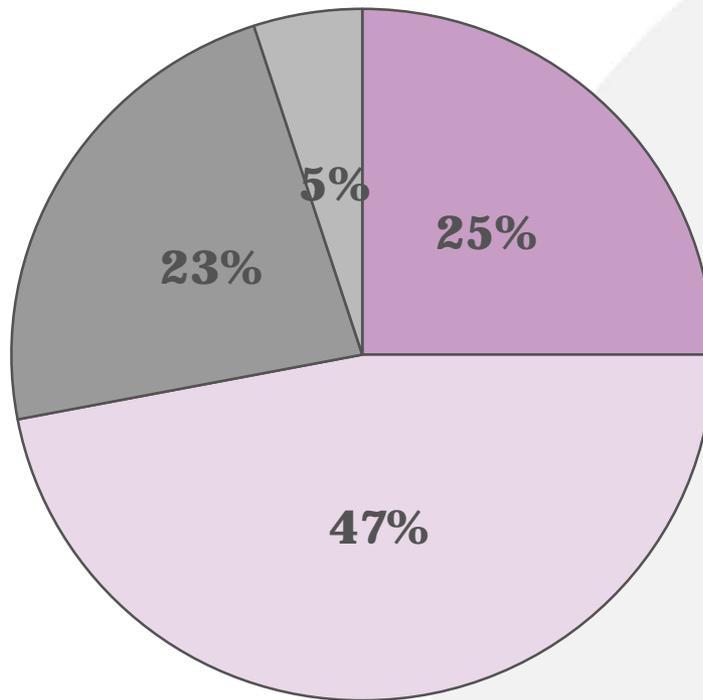
- While evolving to digital platforms is key, many in the C-Suite believe retailers must evolve their offerings and embrace digital strategies as well.



“What does the Canadian retail industry need to do or change in order to be competitive?”



- We asked the C-suite about the US-online retailer Amazon and its search for a location for a major, new headquarters for its operations. Most in the C-Suite believe that from Amazon's point of view there is a good case to be made to locate its second base of operations in Canada rather than the US.
- Most said Canada was at least as good a location as what was possible in the US. The primary reasons working for Canada in the view of the C-Suite are its workforce and overall costs.



■ **A better location**

■ **As good a location**

■ **A worse location**

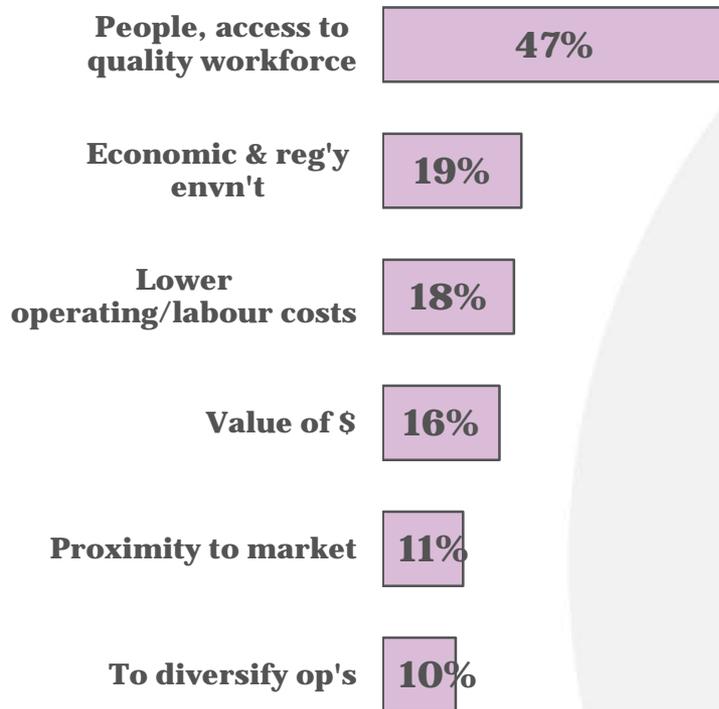
■ **Don't know**

“You may have read about how Amazon is considering opening and locating a major, new headquarters for its operations in addition to current locations. Many North American cities have made submissions to Amazon. Would you say that from Amazon's point of view there is a good case to be made to locate its second base of operations in Canada rather than the US. Is Canada:...”

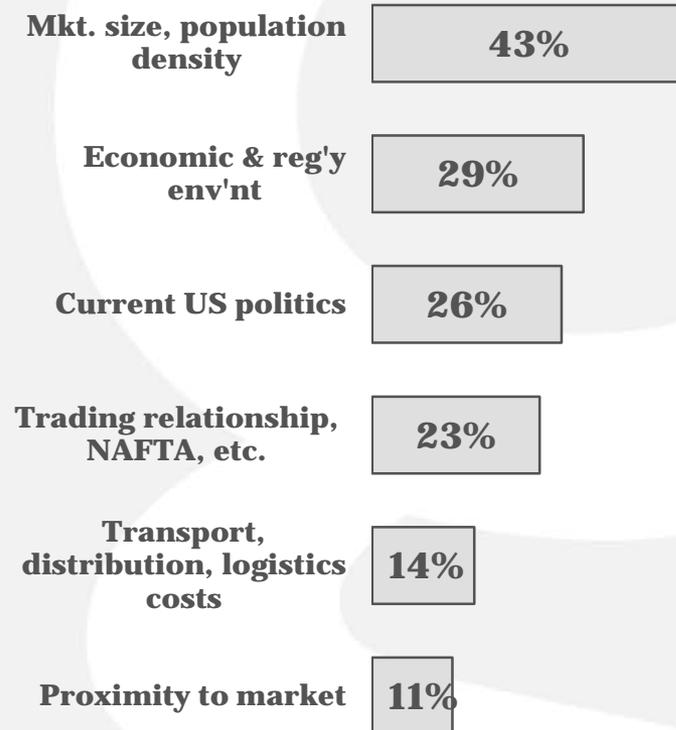


CDA: Better, Good, Worse Location

What makes Canada as good or better than the US for Amazon (among those responding Canada was as good or in fact better)



What makes Canada worse than the US for Amazon (among those responding that Canada was a worse location)



“Would you say that from Amazon's point of view there is a good case to be made to locate its second base of operations in Canada rather than the US. Is it better, worse or as good as what is possible in the US? Why do you say that?”

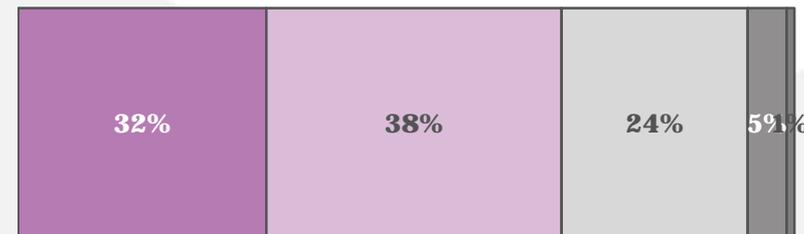


- While most believe Canadian governments should be trying to lure Amazon northwards, the C-suite believes governments have a more significant role to play in terms of creating the conditions in which Canadian retailers can grow and compete.

Cdn governments should be working to ensure Cdn-based retail businesses have a bus. Environment that allows them to compete fairly & grow



Cdn governments should be working to lure cos. such as Amazon to locate major bus. op'ns here



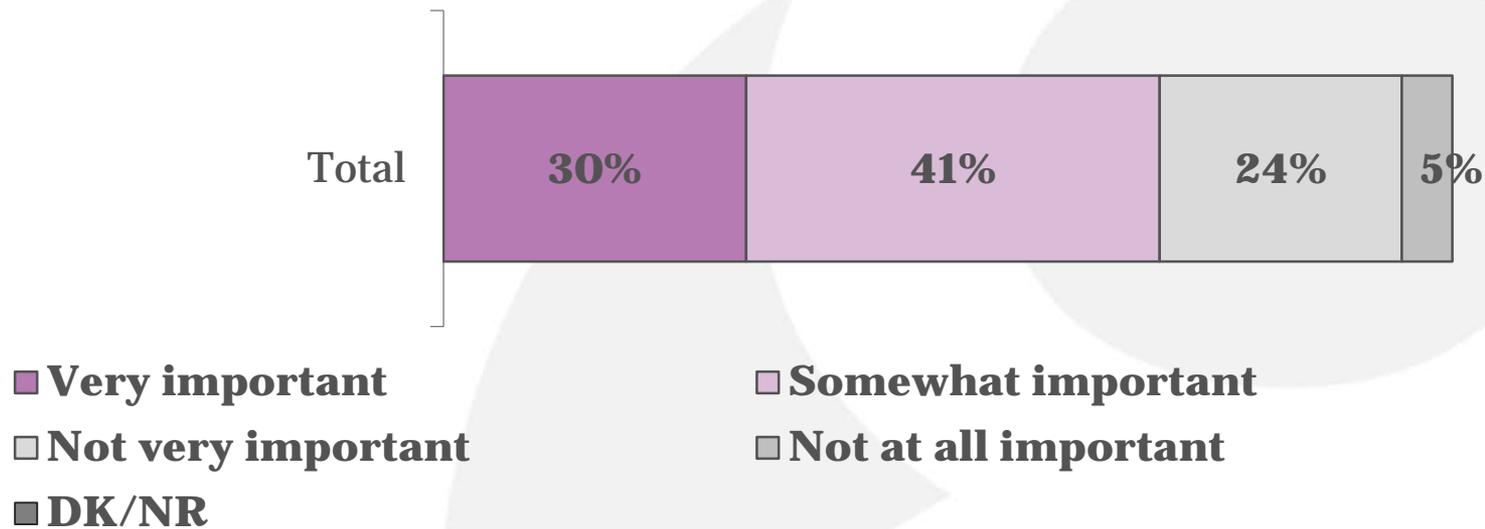
■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree ■ Don't Know/NR

“I’m going to read some statements about the future of Canadian-based retail operations and e-commerce and I’d like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.”



Importance of Cdn. Retail to Canada

- Most believe that having a large, Canadian-based retail sector is very or somewhat important to Canada.



“In your view, how important is it for Canada to have large, Canadian-based retail sector businesses with head offices here?”

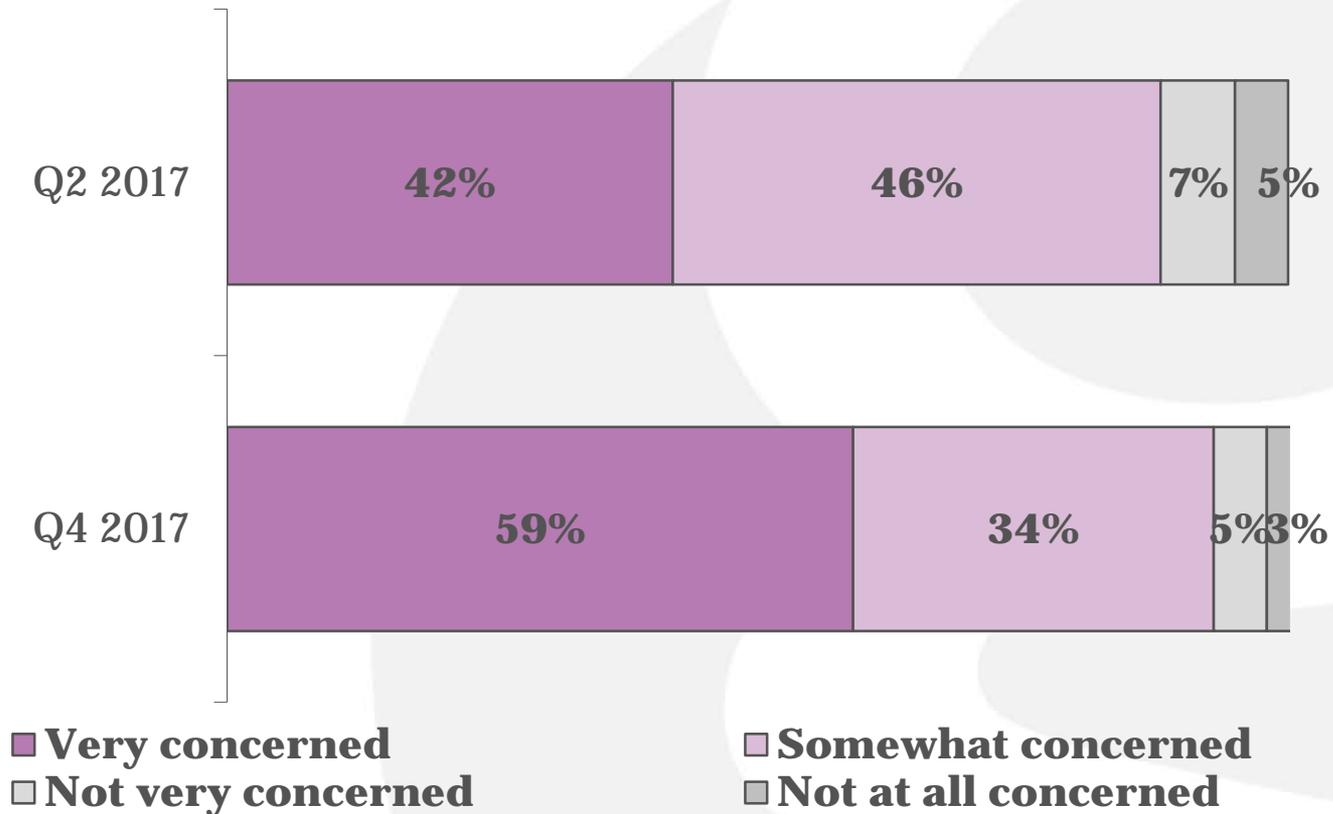


□ The State of the Economy & Business



Rising Concern About Trade

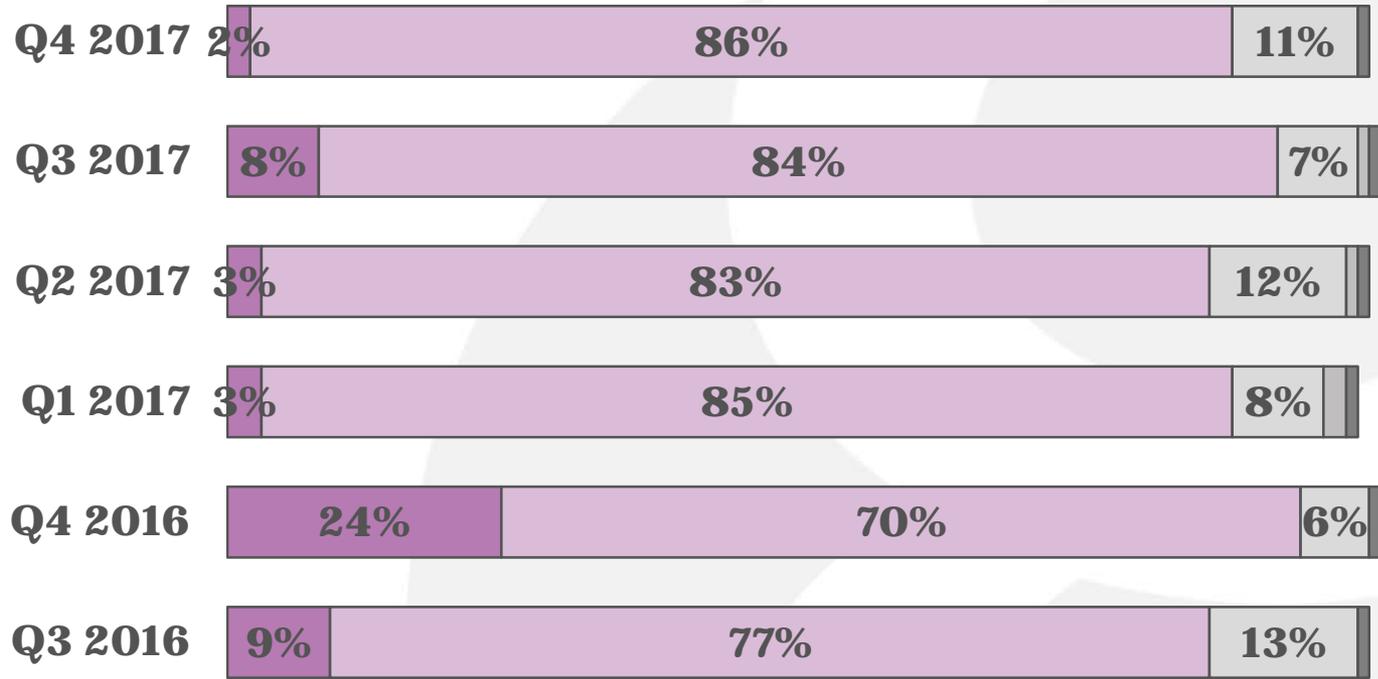
- We have been tracking concern about the Trump Administration, Brexit and the renegotiation of NAFTA for almost a year. Sentiment about the future of free trade is worse now than at any point in the last four quarters.



“Would you say you are very concerned, somewhat concerned, not very concerned, or not at all concerned about the implication of politics on trade and trade agreements?”



- While current jobs numbers have recently exceeded expectations few see that as an indicator that things will continue to improve. Almost none expect the Canadian economy will grow strongly over the next 12 months.

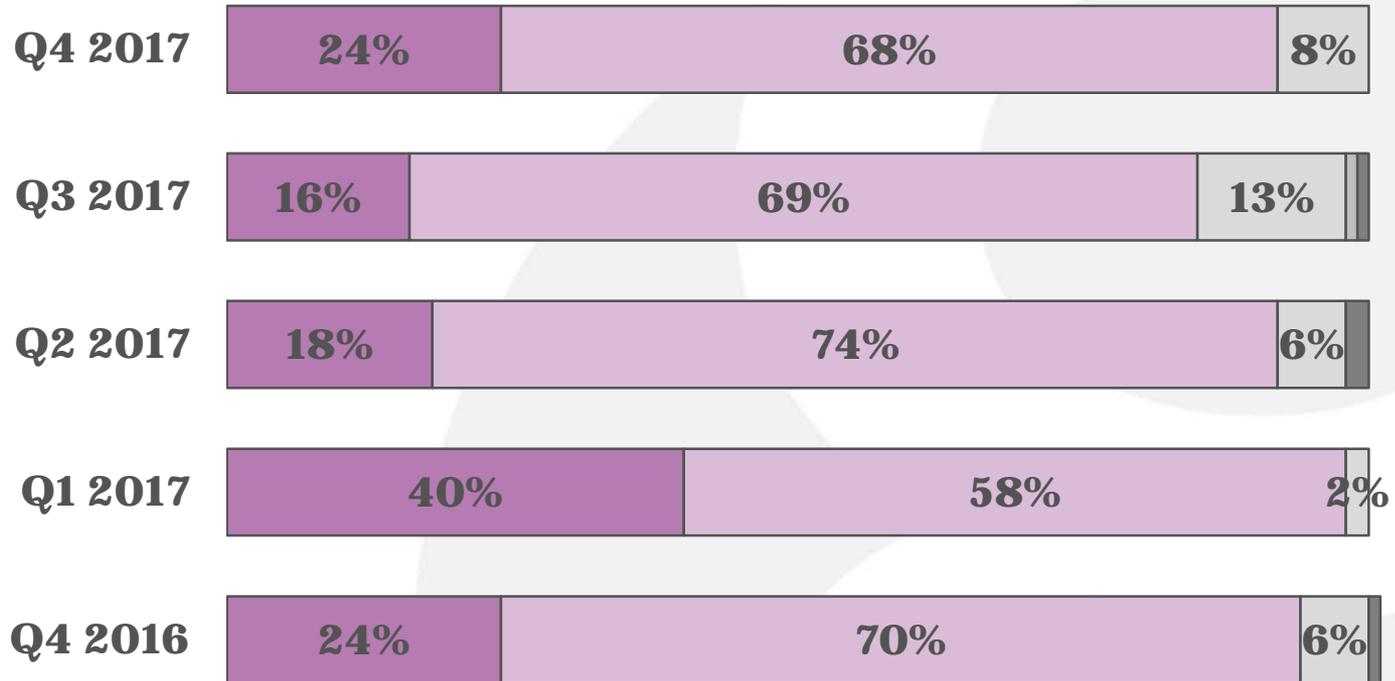


■ Strong growth ■ Moderate growth ■ Moderate decline ■ Strong decline ■ DK/NR

“First, what are your expectations for the Canadian economy over the next 12 months?”



- Expectations for the US are slightly better than they are for Canada, but they are far from bullish and in line with expectations a year ago, just after the election of Donald Trump.



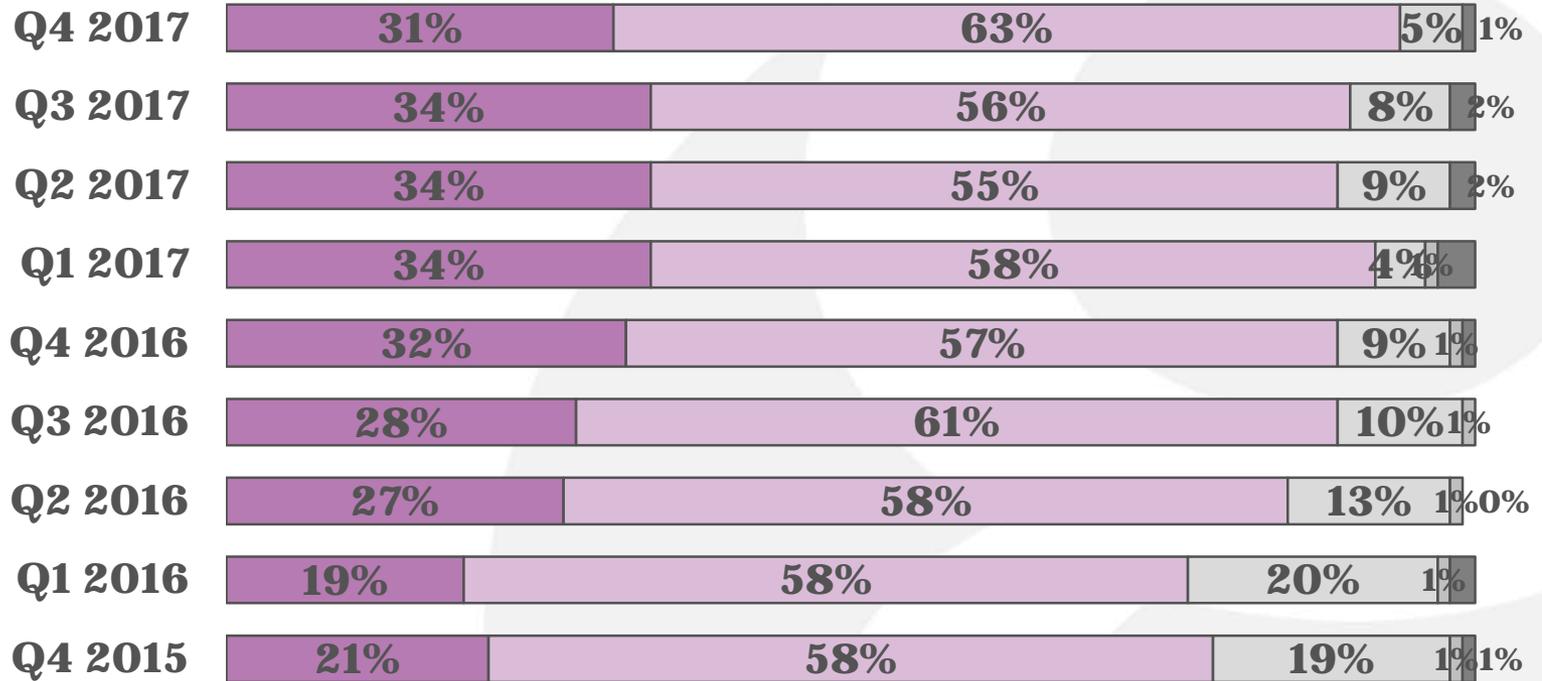
■ Strong growth ■ Moderate growth ■ Moderate decline ■ Strong decline ■ DK/NR

“What are your expectations for the U.S. economy over the next 12 months?”



Expectations For Business

- Despite rising concern about trade and falling optimism about the economy, expectations for businesses are relatively stable. They are improved over where they stood 18-24 months ago.



Strong growth
 Moderate growth
 Moderate decline
 Strong decline
 DK/NR

“What are your expectations for your company over the next 12 months?”