PIVOT

CPA CANADA

Named BEST MAGAZINE by the National Magazine Awards: B2B 2021

MAY/JUNE 2022

RING MASTER

CPA Stéphane Lefebvre is putting Cirque du Soleil back in the spotlight

+ BLACKBERRY SHIFTS GEARS / THE TRICKY BUSINESS OF SUCCESSION PLANNING / LEARNING TO LIVE WITH THE CLOUD

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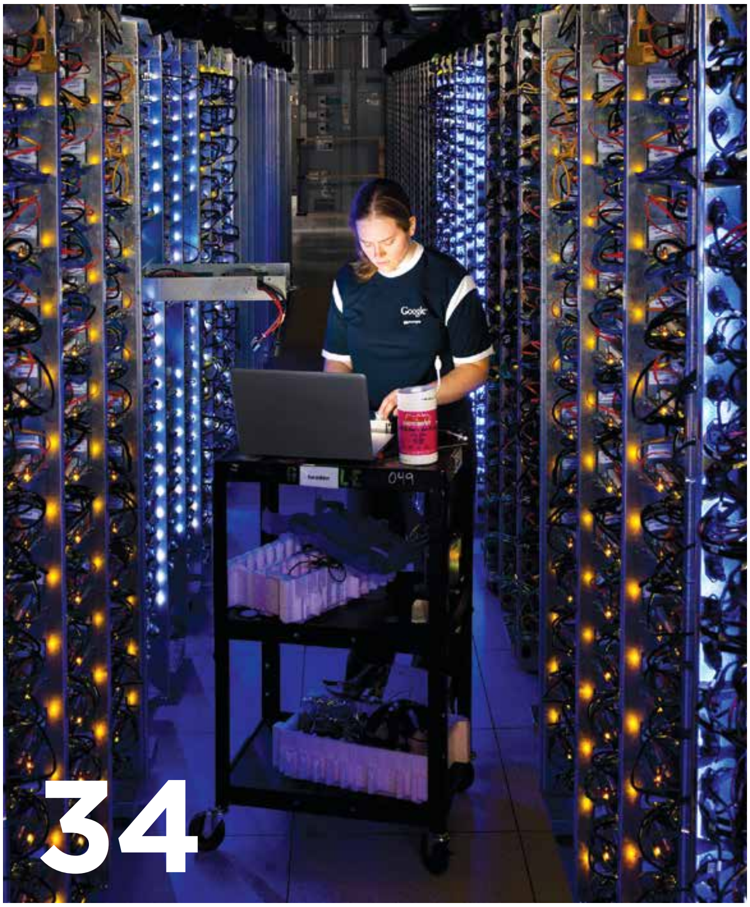
EXCLUSIVE ONLINE CONTENT

CPACANADA.CA/NEWS

- How to manage staff working out of province or country

- Discerning fact from fiction: the role of CPAs
- Q&A with CPA Canada's chief economist



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FEATURES

ON THE COVER

PHOTOGRAPH BY LM CHABOT

WHAT DO YOU THINK?

Send your letter to the editor to pivot.letters@cpacanada.ca. If your letter is chosen for publication, it may be edited for length and clarity.

STAYING FOCUSED

Pivot remains your guide to a shifting business world

BY HEATHER D. WHYTE

Four years ago this month, *Pivot* magazine was launched. With it came the vision of a bold, authoritative and entertaining magazine committed to high-calibre content that addressed key business issues using a CPA-focused lens.

So much has changed since the inaugural issue, especially with the economic fallout from COVID-19. Beyond that, we have witnessed ever-increasing interest globally in environmental, social and governance (ESG) performance and disclosure; a worldwide focus on fighting money laundering and other financial crimes; and important discussions around technology, data governance, privacy and ongoing geopolitical changes.

What hasn't changed is *Pivot*'s mandate, which calls for the delivery of "important insights and analysis of the people, organizations and ideas and trends shaping the business world, both domestically and internationally."

We remain firmly committed to offering Canadian CPAs and other stakeholders leading-edge information they can use to sustain their leadership in the business, not-for-profit and public sector communities.

Clearly, the business landscape is changing, with a greater recognition about the importance of economic and societal growth going hand in hand if long-term resilience is to be achieved. There is no better example of this shift than with the phenomenon of almost 55 Canadian companies and organizations coming together to fund and lend their support for Canada's bid to host the International Sustainability Standards Board (ISSB). Montreal being selected as part of the ISSB's global and multi-office structure shows trust in our country to help the board establish a global footprint.

Looking forward, there are other disruptions that CPAs need to be on top of because they are changing the very nature of business as we know it. These disruptions are driven by technology and they are resulting in new, innovative and emerging value-creation models.

All CPAs now need to understand the cloud, be aware of its power and peculiarities, and be fully capable of advising with ethics and purpose as we move into this ever-evolving digital chapter. Larger organizations, with more resources, can and will likely adapt easier than smaller operations. As CPAs, bringing your own practice into the future is vital, but even more essential is preparing your clients for the world of tomorrow. This includes guidance pertaining to cloud accounting, with so many paper-based businesses still out there.

Tackling tough change

To fulfill our mandate, *Pivot* does not shy away from the non-financial polarizing issues shaping the future of the profession. In fact, we have tackled these issues head-on in ways that illustrated why CPAs cannot simply ignore issues that go beyond the red and black.

Examples range from the value of embracing diversity (November 2019), the importance of mental health (March 2020), articles on the "trust gap" and anti-money laundering in 2020 and 2021, and our climate change coverage throughout 2021—culminating with an exclusive interview with Mark Carney, where he reflected on the rapidly growing support for sustainability and the need for critical thinking in order to support an inclusive and staged transition for all industries to net-zero.

Starting on the right foot

The profession is future-focused because Canadian CPAs are an integral part of what's to come. Climate, data governance, health and social reform will be important factors, along with traditional areas of concentration such as standards, auditing, financial reporting and tax when it comes to contributing to economic growth. That's why continuing professional development remains crucial. It is also why the profession recently launched a new competency map that will serve as the foundation for the future CPA certification process.

As I write this column, *Pivot* is also in transition with the launch of Pivot Digital, a redesigned online complement to our award-winning print version. The online version appears monthly and offers more frequent insights into the issues facing Canada's accounting profession.

Since its launch in 2018, *Pivot* has won numerous awards, reinforcing just how strong the magazine's content is. Yes, we may be biased, yet we regularly hear Canadian CPAs and others endorse *Pivot* as a "must-read." This inspires us to continually strive to deliver well-written, timely and valued information to our profession, the business community and the public. Your entire magazine team is devoted to ensuring *Pivot* remains an essential, trusted resource helping define our shared future.

Thank you for your readership and your support. ◆

PHOTOGRAPH BY STEPHANIE LAKE

SKIP

PIVOT

WINNER
6 Gold and 2 Silver medals, including Best Magazine, at the National Magazine Awards: B2B 2021

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Crypto skeptic

I found your story "The Cryptokeepers" (Jan./Feb. 2022) very disturbing.

Cryptocurrency poses the greatest risk to our financial systems, our banking systems, our financial security and our economy.

Anyone who gives cash for a financial token that is nothing but bits on a hard drive is beyond stupid. There is no protection of cryptocurrency. Our federal government has allowed this con job to flourish and now crypto-currency dealers are everywhere.

What's worse, some of these supporters are asking for the government to regulate that which is impossible to regulate.

And, if that isn't bad enough, even our banks are discussing establishing their own cryptocurrencies. Crypto-currencies are a perfect way for criminal groups and individuals to launder money, move money out of the country and avoid paying taxes.

—Tom Gowan, CPA, CGA

The value of money

Another article on cryptocurrency ("The Cryptokeepers," Jan./Feb. 2022) discussing how to make it more secure and mainstream. Unfortunately, little is said about what it really is and why it is so volatile and popular.

Cryptocurrency is not a great form of currency as we see it oscillate up and down dramatically—I suggest more dramatically than any other currency in the world. So, what is the appeal?

The appeal comes from the fact that it is stateless. It allows the oligarchs and criminals in our society to trade in their products with impunity. If they just traded crypto back and forth, it would not really accomplish anything. However, if they can create a huge worldwide network where all kinds of non-criminals are fooled into believing they are trading in some new magical commodity, the trade volumes can grow to a point that their transactions can be hidden in a much bigger pool of transactions and their illegally earned funds can be easily turned into respectable dollar bills.

I have watched enough of Netflix's *Ozark* to understand that laundering the proceeds of crime can be tricky and often requires pumping the funds through a "cash" business to clean the funds.

Crypto offers the opportunity for the criminals to flip the illegal funds around the world, keep in crypto what they need to fund the criminal operations and launder into legitimate currency only enough to pay for their personal consumption.

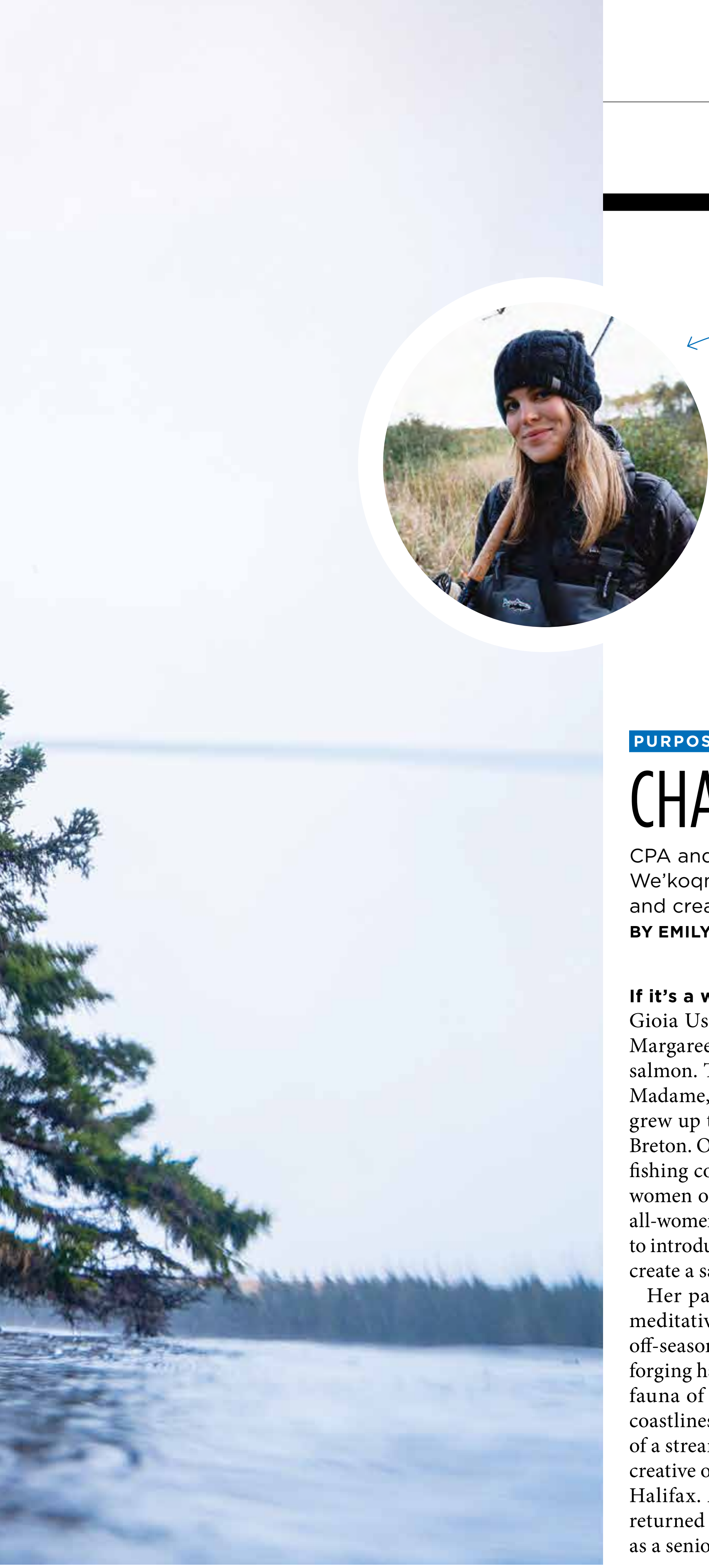
None of this would work if the non-criminals weren't trading in crypto and allowing the criminals to camouflage their transactions.

—John Heinrichs, CPA, CA
Edmonton

Tax the rest

Re: "Electric Avenue" (Jan./Feb. 2022): Instead of adding a tax on the early adopters of EVs (as I am), how about cleaning up our income tax system to take out loopholes, evasion tactics and offshore hiding of wealth? Increased corporate taxes, increased personal tax on high-income individuals, wealth taxes and more tracking of offshore accounts could make up a lot more than the money that may be lost in gas tax revenue. I already pay for local roads in my property taxes and am willing to participate in required road infrastructure, however the system in the magazine article sounds like it would require another bureaucracy and we have enough of that already.

—Pam Munroe, CPA, CMA
Courtenay, B.C.



Gioia Usher

PURPOSE DRIVER

CHANGING TIDES

CPA and fly-fishing guide Gioia Usher—CFO of We'koqma'q First Nation—is empowering others and creating a safe space for women on the river

BY EMILY LATIMER

If it's a weekend during fishing season, you'll likely find Gioia Usher following the bends of Cape Breton Island's Margaree River with a fly rod in hand in search of Atlantic salmon. The 29-year-old licensed fly-fishing guide from Isle Madame, Nova Scotia, is a self-professed fishing fanatic who grew up tagging along with her dad on the shores of Cape Breton. Often the only young woman in the male-dominated fishing community, Usher wanted to change that by getting women out on the water. Last summer, she started running all-women fly-fishing retreats on the heritage-designated river to introduce newcomers to the sport, break down barriers and create a safe space for beginners.

Her passion project, Metal + Mayflies, combines two meditative hobbies: fly-fishing and metalwork. During the off-season, the self-taught metalsmith tinkers in her studio, forging handcrafted silver jewellery inspired by the flora and fauna of the island—chunky rings reminiscent of jagged coastlines and earthy turquoise stones inspired by the curve of a stream. "For me, both the fishing and the jewellery are a creative outlet," says Usher, who began her career with EY in Halifax. As classmates made moves to bigger cities, Usher returned to her small hometown to work at Grant Thornton as a senior accountant in 2017.

PHOTOGRAPHS COURTESY OF **GIOIA USHER**

She's now the CFO of We'koqma'q First Nation, a Mi'kmaq community on Unama'ki, where she works with Chief Annie Bernard-Daisley and the council to carry out the strategic plan—a role that prioritizes the well-being of the community's members. "It's a really rewarding job," she says. The move brought with it a lifestyle change that means time spent trekking through riverbeds and sharing her love for fishing with others.

What's it like to guide beginners on the river and share that knowledge?
I'm the only operating female fishing guide on the island and it creates a demand because women anglers are the fastest-growing market in fly-fishing. They see me as approachable and providing a safe space to learn, ask questions and get involved. As a beginner, you feel safer with someone that you can relate to. It's sometimes easier to go to a woman as another woman.

The fact is, women have been underrepresented in fly-fishing forever. Very slowly, it's changing. Through fishing, I've met a few really good girlfriends. We fish together and we don't even second-guess it anymore. But, before, we would be nervous. It's about building up your support system, being confident and realizing that you belong there, too.

$225
The rate for a guided fly-fishing tour along the Margaree River

How have you impacted the women you guide?
I still stay in touch with everybody that I guide. I guide them for that day, but they call me after to say, "Oh my God, I caught a fish today." Or, "I bought this new rod, can you recommend what line I should put on it?" They have this resource that they can keep going to. It's more than just one day, it's a relationship that continues on.

Why did you become a CPA and how does your designation help you today?
My godparents encouraged me to get my CPA. They always said, if you push through it, you will eventually get to a point where in any business organization that you work in, you can use those skills to do whatever you want—and it doesn't

A 2021 fly-fishing expedition along the Margaree River on Cape Breton Island

have to be accounting. Now, when I go to work, it's more strategic thinking and working with people to make things happen versus being behind the desk, punching in the numbers. That feels really good, because that's something that I really wanted to do.

As a CFO, what does a typical workday look like and how do you manage the responsibility of such a meaningful position?

In the mornings I respond to emails, analyze financial information and do some independent thinking. This is where I am especially grateful for the skills I acquired as a CPA—they provide me with an edge and foundation for any decisions that need to be made. The remainder of my day is usually spent in meetings—whether it is a regularly scheduled Chief and Council meeting, discussions with a potential business partner or an internal meeting to discuss progress on a particular objective.

I am grateful every day for the opportunity to serve this community by trusting, listening and learning from the vibrant team at We'koqma'q. I've learned that an important element of Mi'kmaq culture is to help one another and it has made for a very supportive work environment where we reach our goals as a team. We take on responsibilities together while relying on our unique individual skill sets. I also look up to Chief Annie. She was the first elected female chief in We'koqma'q and is a great role model for women in leadership.

PHOTOGRAPHS COURTESY OF **GIOIA USHER**

I AM GRATEFUL EVERY DAY TO SERVE THIS COMMUNITY BY TRUSTING, LISTENING AND LEARNING FROM THE TEAM AT WE'KOQMA'Q

How did you get into metalwork and jewellery making?

I always liked making things. My dad enjoys doing knife work and working with old metals, so that got me fired up. I think jewellery was a natural progression of doing something that was metal-based, but with more of a feminine twist on it. I didn't want to make a hatchet, I wanted to make something that was pretty and I could wear.

Fishing keeps me busy from April to October and then, in the winter months, I can put my head down and do some jewellery, just as a personal hobby and meditative craft. I find it a really good way to wind down from a stressful week.

How do you achieve that elusive work/life balance?
Life balance is definitely something I've been working on. When I'm guiding, it's either after-hours, weekends or vacation days. It's hard to not get burned out. Sometimes, I even think, gosh, I should just give up doing jewellery. But I love doing it, so it's a tough balance. I also learned that if I don't do those things, I'm just unhappy and I don't have anything fun to look forward to.

Moving back to Cape Breton, I knew that it was a lifestyle change. That's what I wanted. I was working 60-hour weeks and I burned out. I knew if I came back here, my life would be different. It would allow me to do the things I wanted to do. People look at me like, *Oh, my God, I wish I had time for that*. But it's like, well, I have great hours at work. I work hard when I'm there. I work hard on weekends and evenings when I need to. The other times, I try to relax. Then I can go to work on Monday feeling better and do a good job all over again. ◆

SPACE ODYSSEY

Space tourism took one giant leap over the past year when a pair of commercial operators launched missions into orbit. Billionaires Jeff Bezos (Blue Origin), Elon Musk (SpaceX) and Richard Branson (Virgin Galactic) have all made it their goal to help paying passengers travel 100 kilometres beyond Earth's atmosphere into space. Today, the number of humans who have travelled into orbit approaches 600—including some standout Canadians—but tomorrow, it seems, the sky is the limit. **BY STEVE BREARTON**

ASTRONAUTS LAUNCHED BY DECADE

60s
70

70s
79

80s
227

90s
447

00s
293

10s
156

20s
19

INDIVIDUALS WHO HAVE TRAVELLED TO SPACE

Men
506

Women
64

NATIONS WITH THE MOST ASTRONAUTS

347
United States

67
USSR

57
Russia

11
Japan

11
China

10
Canada

◀ **Laika**, a stray dog from Moscow, became the first living creature to travel to space when she flew aboard the USSR's *Sputnik 2* satellite on November 3, 1957.

CANADIANS IN SPACE

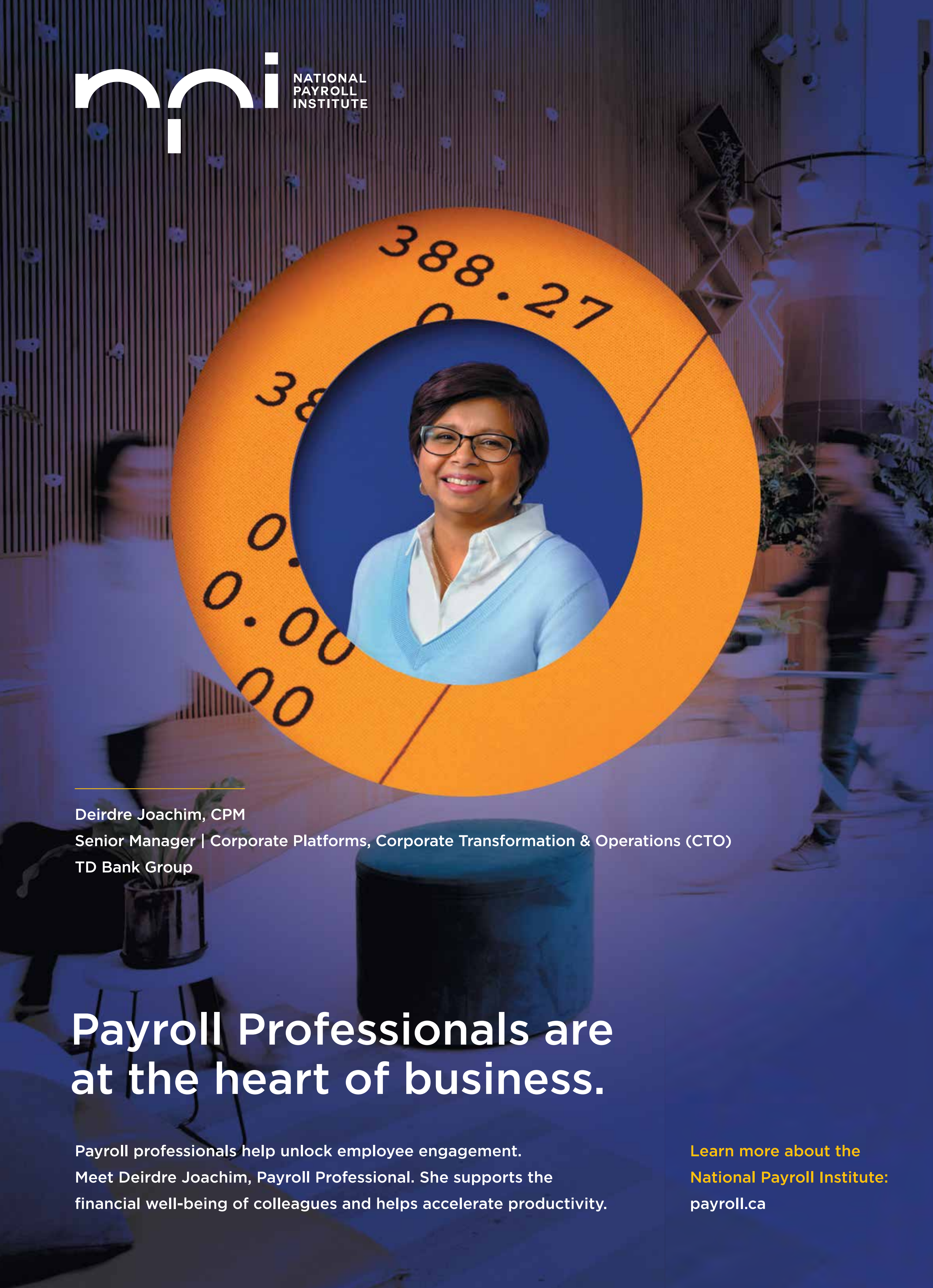
Roberta Bondar (1992)
Canada's first woman in space is also the first neurologist in space. "When the main engines started," Bondar told the CBC, "I thought, 'Well, if any-thing happens, they'll probably name the park that I used to play at when I was a little girl in the Soo [Sault Ste. Marie] after me.'"

Chris Hadfield (1995/2001/2012)
NASA Commander Hadfield recorded a cover of David Bowie's *Space Oddity* while on the International Space Station in 2013 and the YouTube video attracted 50+ million views. Bowie Tweets to Hadfield: "Hallo Spaceboy…"

William Shatner (2021)
The 91-year-old actor rocketed into space as a guest of Jeff Bezos' Blue Origin spaceflight company.

PHOTOGRAPHS BY GETTY

SOURCE: ASTRONAUT DATABASE OF THE CENTRE FOR STRATEGIC AND INTERNATIONAL STUDIES' AEROSPACE SECURITY PROJECT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THE FORECAST

DRIVEN BY PURPOSE

As corporate commitment shifts from profits to purpose, accountants must recognize and embrace our critical role in the process

GORD BEAL

Believe it or not, corporations weren't always driven by profit.

Dating back to the 17th century, the earliest corporations were established to help support the greater society, whether it was to build hospitals or effectively develop a product; the corporation offered a formal, organized structure meant to protect liabilities and the management of the business itself. It's not that they weren't making money, but that was not strictly the focus.

Only later did the corporation's primary goal shift to constant economic growth—driving profit margins and enhancing shareholder return. This new emphasis led corporations down an entirely different path.

But there has been a recent shift. We are now beginning to see the return of the purpose-driven corporation, and accountants will play a key role in a trend that is expected to continue.

Arguably the chief driver of the profit-driven company was the emergence of the capital market system and the advent of trading shares. Those external forces meant that corporate success became motivated by raising capital and measured by how much the share value increased.

Some economists would point to the case of Henry Ford, who established the Ford Motor Company in 1903, as a turning point. Ford, in my opinion, understood the bigger economics of things. He wanted to raise wages and provide an income that would ensure his employees were able to buy homes and a car (he even once said he hoped his workers could one day buy *two* cars, which was unheard of in those days) and recognized an opportunity to influence social good as well as economic prosperity. Ford's board of directors—part of the corporate structure—pushed back on this, concerned that he was going against their mandate of optimizing profits and value. They overruled him.

Many decisions that lead to profitability are short-term in nature. Longer-term growth and success often come at the expense of immediate gains.

Now corporate leaders are beginning to redefine success, arguing that they can't call themselves successful without delivering success in a broader context beyond shareholder value. Both leaders and investors are realizing that the truly successful companies are ones that contemplate the success of the societies that they rely on for customers, suppliers and employees—all of whom must be successful as well, or else the corporation won't survive. An organization must consider more than just how it contributes to its own bottom line.

That is just one piece of the puzzle, though. Beneath the surface is a broader democratization of the business world as a whole. People are much more aware of, and concerned about, issues like climate change, social inequality and human rights.

Social purpose in business is a concept that has moved from the fringe to the mainstream. Corporations are being held to account by their

BUZZWORD

MUCH ADO ABOUT 'META'

BY ALI AMAD

Last fall, Facebook announced it was rebranding itself as Meta, a surprise move that signalled the tech giant's intentions of expanding beyond social media into the metaverse. "We are at the beginning of the next chapter for the internet," said CEO Mark Zuckerberg on the day of the announcement.

But what is the metaverse, exactly? Essentially, the metaverse is a—still mostly conceptual—digital space combining social media, online gaming and e-commerce, as well as augmented and virtual reality. In the metaverse, millions of users would be able to interact and spend cryptocurrencies to buy digital products, including NFTs, in virtual stores for use within the online space. Think *Second Life*, but far more comprehensive and mainstream, with the world's biggest companies already getting involved.

This past January, Microsoft announced plans to purchase Activision Blizzard, publisher of the hugely popular video game franchise *World of Warcraft*, for nearly US$70 billion—the biggest tech deal in history. Microsoft cited creating "the building blocks for the metaverse" as a key motivator behind the acquisition. Beyond Big Tech, major players like Walmart, Nike and Ralph Lauren are creating their own NFTs or virtual stores for use in the metaverse.

Skeptics are wary of the potential dangers of a digital world controlled by Big Tech, whose top figures have turned the word "meta" into Silicon Valley jargon—to say nothing of the pitfalls of detaching ourselves even further from real life. Despite those concerns and the fact that the metaverse is still in its nascent stages, there's no doubt that the metaverse is a sign of major changes coming to the business world over the next decade.

ILLUSTRATION BY **KAGAN MCLEOD**; PHOTOGRAPH BY **GETTY** shareholders and employees. Investors are pushing companies to define their social purpose, because they realize that can lead to long-term value. Even institutional investors, like pension funds whose outlook is 60, 70 years down the line, are recognizing that the purpose-driven model is what will allow them to reap the returns.

The motivation for socially responsible corporate governance goes beyond just doing the right thing. There is a tangible element behind this movement: When purpose is built into a corporation's mandate, then it begins to raise and reallocate capital investments in line with that social purpose. Investors and corporate leaders increasingly believe that those organizations that are purpose-driven will be more financially successful. They are going to drive value and, as a result, will be better investments. And so, in many ways, this mindset shift from profits toward social good has become a survival tactic. Evolve or die.

THIS MINDSET SHIFT FROM PROFITS TOWARD SOCIAL GOOD HAS BECOME A SURVIVAL TACTIC. EVOLVE OR DIE.

Through transparency and accountability, CPAs are playing a critical role in shepherding this evolving corporate mindset.

Take, for example, the countless companies that are now committing to climate-driven measures like "net zero." CEOs across sectors are celebrating their own efforts in this regard. But when put to the test, do they really have the capacity and internal capabilities to contribute to net zero? Do they have a real plan? That is precisely why now is the time to promote the measuring and reporting of these ambitions. Accountants are the ones who will put the measures in place that will allow investors to evaluate a corporation's performance against its purpose. Accountants are the ones who will ensure that we aren't simply taking leaders at their word. We are holding them accountable.

Embracing this underlying role will play a big part in continuing to attract young people to the profession. Our focus must go beyond the numbers—the dollars, cents, and profitability. Much like corporations themselves, our own purpose is changing as well. ◆

Gord Beal is an FCPA and vice-president, research, guidance and support for CPA Canada.

17th CENTURY, when corporations were first formed to support the public good

PHOTOGRAPHS BY ISTOCK

SOCIAL Q's

NOT YOUR AVERAGE ALLOWANCE

The trickle-down effect of parents paying their kids' housing down payments **BY DORETTA THOMPSON**

The greatest intergenerational transfer of wealth in Canadian history is now underway, with one trillion dollars expected to pass from boomers to Gen Xers and millennials by 2026. How that money moves will shape Canada's future.

Because it's not just being inherited.

Boomers are also transferring wealth by giving their children housing down payments. Last year, one-third of first-time homebuyers received such gifts—and they are significant. Gifts averaged $82,000; in the hot real estate markets of Toronto and Vancouver, they averaged $130,000 to $180,000.

There are social implications for such gifts, widening the gap between the haves and have-nots. Those receiving such gifts start home ownership with a solid foundation. They also have likely benefited from parental wealth by graduating debt-free from post-secondary education.

But, some parents are making such gifts at the expense of their own long-term financial security. And for those with no access to family wealth, home ownership becomes increasingly elusive. For the average Canadian with student loans, their bachelor's degree will leave them close to $30,000 in debt. Graduate and professional degrees can more than double that debt.

The deeper question is: How will this widening divide affect opportunity and future financial security for all Canadians? ◆

Doretta Thompson is financial literacy leader at CPA Canada.

GUEST COLUMN

ALWAYS BE PREPARED

Security breaches in the health care space underscore the importance of assessing organizational risk and putting proper cybersecurity measures in place

MARIA PALOMBINI

Every industry and all organizations are vulnerable to breaches and hacks.

Health care companies, however, are four times more likely to be targeted than any other industry. Patient data, rich with personal health and financial information, is highly lucrative to a hacker. According to *Becker's Hospital Review*, a patient's medical information can be worth between 10 and 40 times more than a credit card number on the black market.

There is no immunity or vaccine to prevent a breach, hack or ransomware attack; you must think of a cyber break-in in terms of when it might happen, versus if it happens.

In the event of a breach or ransomware attack, all eyes (internal and external) are on the senior leadership of the organization, most often the CEO, and not the company's IT department. Eighty per cent of health care organizations say they have not completed a cybersecurity drill with an incident response process, despite rising cases of data breaches, according to *Becker's Hospital Review.*

Cyber-breaches impact every operational aspect of the organization, from financial to R&D to customer service and more. The trickle-down organizational effect commands a top-down approach to threat identification, risk quantification and appropriate response. Every member of the organization's executive team should be involved and contributing to the risk quantification analysis. The omission of the C-suite in this process makes the organization that much more susceptible to financial and brand equity damage and, more importantly, causes a loss of trust.

Some organizations still mistakenly expect the IT department to develop a risk strategy. But this approach is wrong. Certainly, IT is a key resource and tool in the threat assessment, prevention and response processes. But an organization's risk assessment and response strategy must be led from the top and include all C-suite leaders: finance, human resources, legal, marketing/communications, investor relations and others.

39
per cent of health care centres were only aware of a data breach months after an attack

QUALITATIVE AND QUANTITATIVE RISK ASSESSMENTS

Every organization, large or small, should have a cyber-vulnerability assessment and response plan built to create and understand the quantitative and qualitative risk factors before, during and after an incident.

The quantitative assessment aims to understand the potential financial impacts of a breach and the organization's ability to digest the costs (a health care data breach costs the most of any industry at US$429 per lost record, per the *HIPAA Journal*). Can an organization stomach paying a ransom if it feels it has no other choice? What is the projected cost for a breach incident, including costs for employee overtime, third-party response teams, legal counsel, and providing services and compensation to customers and other stakeholders who were compromised? Does the organization have the funds, insurance, master plan and support to rapidly handle an incident and pay the costs? An organization must plan for this financial emergency in the same way it would for a natural disaster.

AN ORGANIZATION'S RISK ASSESSMENT AND RESPONSE STRATEGY MUST BE LED FROM THE TOP

The qualitative factors focus on the brand itself. In the world of health care data, a patient's information is the most protected asset. In the event of a cyber-attack, how much will it cost to retain the trust of patients? These are they types of questions leaders should know the answers to.

ILLUSTRATION BY KAGAN MCLEOD; PHOTOGRAPH BY GETTY

A proper response plan doesn't just take place in the moment. At least 39 per cent of health care organizations became aware of a breach only months after it happened. It's why a cyber-vulnerability strategy must include an action plan that not only features a technical digital forensic approach but also—and more importantly—clear and transparent communication with patients, customers and partners as to the situation and efforts to mitigate the consequences of the attack. Mishandling a security-breach response can cause long-lasting damage.

ORGANIZATIONAL EXAMINATION

At the C-suite level, holistic risk assessments are essential. To begin, how much of the organizational budget is dedicated to cybersecurity? Health care organizations dedicate only six per cent or less of IT budgets to cybersecurity and, according to a Healthcare Information and Management Systems Society survey, that figure hasn't changed since 2018. To be clear, simply throwing more money at a cyber-breach problem without understanding the organizational risk is not going to solve the problem.

A thorough understanding of internal vulnerabilities is critical in preventing data leaks and other breaches. After all, more than half of patient health-information leaks are found to be the result of internal negligence. Organizations that undergo internal auditing and threat analysis can better protect themselves by assessing potential data residing on an unprotected cloud, enacting policies related to access and distribution of client data, and employee training for password security.

An organization will be judged by its response, good or bad. And, given that both future revenues and brand reputation lay in the balance, there is a lot at stake. Put it this way: If your organization's cyber-breach were to be covered by the media, what story would you want them to tell? The development of a solid cyber-vulnerability strategy and response plan is an opportunity to demonstrate the organization's ability to anticipate and respond. These proactive defensive measures don't just help protect your business but will serve and retain clients as well. In the long run, having a plan will pay off for everyone. ◆

Maria Palombini is the director of the healthcare and life sciences practice at the IEEE Standards Association and works with a global community of stakeholder volunteers committed to establishing trust and validation in tools and technologies.

PHOTOGRAPHS BY ISTOCK

SHAM, WOW

A catalogue of recent cons **BY DAVE ZARUM**

CRYPTO-CURIOUS

A Calgary investor with no experience in crypto-currencies reported being scammed out of $2,500 after contacting a crypto trading company she found online. The investor sent the money to the company, who reported profits of $200 within a two-week span. The investor said the company then asked for an additional $10,000 to be transferred. If she didn't, she was allegedly told, then her account would be handed down to a junior staffer, with smaller profit margins to follow. She refused and asked how to withdraw her money. Later that night, after being instructed by the company to carry out a series of transactions to free up her funds, her account balance read zero dollars.

The Better Business Bureau estimates that Canadians lose $600 on average to unregulated crypto investment frauds like this, with cumulative losses in the millions nationally.

TIMESHARE TARGET

With the pandemic slowing international travel, many Canadians who own timeshares have explored the notion of selling. That's resulted in an upswing in fraudsters targeting sellers, prompting the Canadian Anti-Fraud Centre to issue a warning to all Canadians.

Victims are typically contacted by scammers either responding to sale postings or cold-calling timeshare owners and offering to purchase their share. Documents that appear authentic are presented and signatures requested—a tactic the CAFC says is meant to provide a false sense of security—before up-front fees and other monies are instructed to be transferred to bank accounts in the United States and Mexico. The CAFC warns sellers to remain vigilant and carry out due diligence to assure properties are traded using accredited agencies.

"WE KNEW THERE WAS A RISK"

Quebec Public Safety Minister Geneviève Guilbault told Radio-Canada that the province opened more than 150 investigations regarding suspected fraudulent vaccine passports and QR scan codes. The Unité permanente anticorruption (UPAC), Quebec's anti-corruption unit, is investigating potential cases involving government employees, while provincial police are looking into civilians alleged to be engaged in buying, selling or manufacturing fake QR codes for vaccine passports. A UPAC spokesperson called the scam a priority case for the office, while, during a press conference, Quebec Health Minister Christian Dubé said the false passports were not a result of computer error but instead ill-intentioned employees.

"We've given 16 million doses [of vaccine] and hired a lot of people," Dubé said. "We knew there was a risk."

BY THE NUMBERS

DESTINATION: UNKNOWN

It's been a long and bumpy ride for Canada's air travel industry. In fall 2021, air carriers were seeing signs of a rebound when Omicron brought a fresh wave of travel restrictions. In January, Air Canada announced a four-month suspension of some flights to sun destinations until May. But, loosened travel restrictions and an urge to return to near-normal means 2022 could finally be the year flights really take off again. —*Steve Brearton*

CANADIANS' COMMERCIAL AIR TRAVEL VOLUME

Year-over-year comparison, period of Jan. 3–Feb. 27

2019

5,520,241

1974

Last year that Canada's transborder passenger air traffic was lower than 2021 totals

CANADIANS WARMING TO AIR TRAVEL

Canadians' attitude toward air travel for 2022:

22% plan to travel in the next one to three months

45% plan to travel in the next six to 12 months

25% plan to travel in the next three to six months

20% don't plan to travel by plane at all in 2022

EXPECTED AIR DESTINATIONS FOR THOSE PLANNING TO FLY

- **2%** Africa
- **3%** Australia
- **6%** South America
- **18%** Caribbean
- **19%** Europe
- **28%** Asia
- **36%** United States
- **48%** Canada

SOURCES: STATISTICS CANADA, INTERNATIONAL AIR TRAVEL ASSOCIATION, DELOITTE CORPORATE TRAVEL SURVEY 2021, RED FLAG DEALS

BUSINESS TRAVEL

Business travel is expected to recover only **65 to 80 per cent** of pre-pandemic levels by 2024, according to the 2021 Deloitte Corporate Travel Survey

SURVEY SAYS...

84 per cent of travellers think COVID-19 won't disappear and we need to manage risks while living and travelling normally

73% Travellers who feel their quality of life has suffered with travel restrictions

49% Travellers who believe air travel restrictions have gone too far

2020
5,501,628

2021
427,192

2022
1,890,390

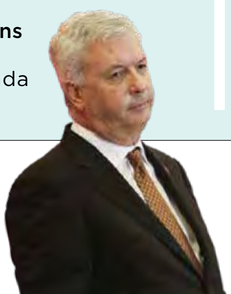
101%
Increase in revenue for Canada's air carriers in 2021

160%
Year-over-year increase in passengers on Canadian air carriers in 2021

CARRIERS REMAIN FINANCIALLY HARD HIT

$3.6 BILLION Amount Air Canada lost in 2021

"The unpredictable course of COVID-19 made 2021 extremely challenging for Air Canada and the global airline industry. But the year-over-year improvement in Air Canada's fourth quarter results shows the underlying recovery remains intact despite the Omicron variant."
—Michael Rousseau, FCPA, Air Canada president and CEO



CHANGE IN CANADIAN AIRLINE STOCKS, JANUARY 2020 TO JANUARY 2022

-54.7%
Air Canada

-56.8%
Chorus Aviation (Jazz Aviation and Voyageur Airways)

-73.6%
Transat AT

PHOTOGRAPHS BY **ISTOCK**; MICHAEL ROUSSEAU BY **GETTY**

Cirque du Soleil's *Kurios* returns to the stage for its eighth year in 2022

THE SHOW MUST GO ON

The pandemic temporarily closed the curtains on Cirque du Soleil but the company's newest president and CEO, CPA Stéphane Lefebvre, is preparing a comeback for the ages

BY LIZA AGRBA
PHOTOGRAPHS BY LM CHABOT

PHOTOGRAPH COURTESY OF **CIRQUE DU SOLEIL**

Scenes from Cirque du Soleil's touring show *Luzia*

As far as Stéphane Lefebvre knows, the headhunter who called to offer him a job in the C-suite at Cirque du Soleil in the summer of 2015 had no clue that the now 54-year-old CPA was a dedicated arts aficionado.

Lefebvre, who was promoted to CEO at Cirque du Soleil last December, played classical piano as a child in Chambly, Quebec, and grew up admiring the works of Robert Schumann and other classical greats. While studying business administration and management at HEC Montréal, he got his first taste of working on the numbers side of entertainment when a professor, who had a side gig putting on rock shows around Montreal, hired him to help with the accounting. An all-access pass to the local music scene was a major perk. "I got to go to shows for free and mingle with the artists backstage," Lefebvre recalls. "That was an amazing experience for me. It's one thing to see an artist on stage, and something else entirely to meet and make connections with them."

When the world's largest contemporary circus production company came calling decades later, it felt like the stars were aligning. "I was interested in the fantasy of working for Cirque du Soleil," says Lefebvre, who moved steadily up the ranks since joining in 2016—first as CFO, then COO and, now, its newest president and CEO.

But even Lefebvre wasn't immediately sold on the idea of dropping a lucrative career and joining the circus.

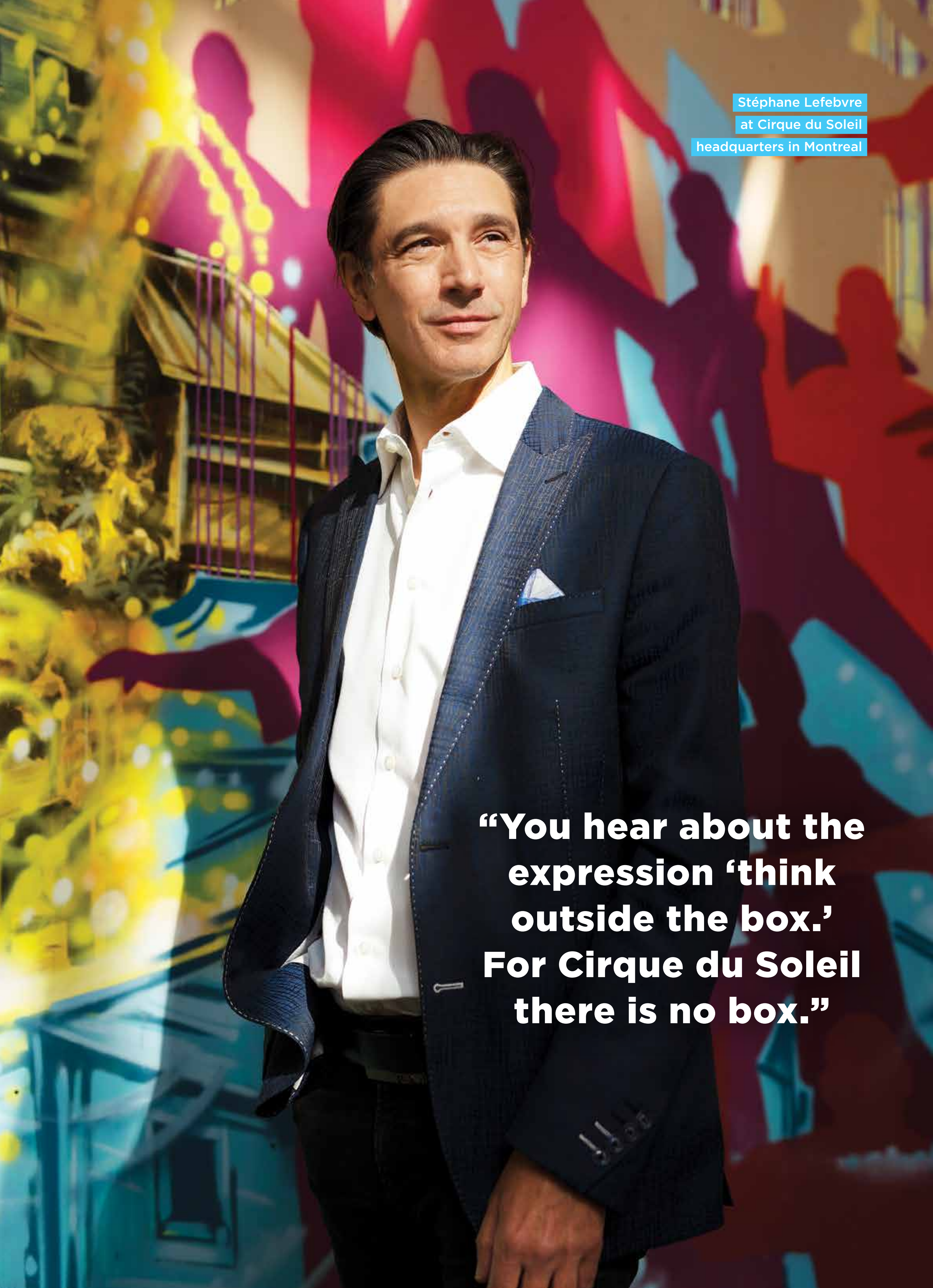
At the time he was headhunted, Lefebvre was VP and CFO at Montreal-based flight simulator firm CAE, where he had worked for 20 years. It was a good gig. CAE operates all over the world meaning, over the years, Lefebvre's job took him from an initial posting in London to Italy, Brazil, India and Australia, among other destinations. The work was interesting, his globetrotting lifestyle was satisfying and he was in no hurry to leave the company. But ultimately, Lefebvre was swayed by the allure of Cirque du Soleil's creative brand and the prospect of merging a career with his lifelong passion for the arts.

After graduating HEC Montréal in 1991, Lefebvre got a job at Pricewaterhouse (before its merger with Coopers & Lybrand) where he worked until 1997, earning his accounting designation during that time and working primarily on mergers and acquisitions, and insolvency financing. He also spent a few years on the board of two small Montreal theatre companies, helping with paperwork and handling the books. An inlet to the arts world was a welcome bonus. "I became a part of it, even though I wasn't really creatively involved," he says. "I got to attend the shows and observe the creative process. I remember they put on a play called *Le Portrait de Famille* and I was in the audience almost every night."

Eventually, the demands of a full-time finance job caught up with him, and Lefebvre took a step back from working in the entertainment world. But his interest in it never dwindled. Throughout his 20-year career at CAE, he spent weekends attending musical or theatrical shows—including Cirque du Soleil, where he was mesmerized by an early production of *O*, the one-of-a-kind water-based production that debuted in Las Vegas in 1998.

"You hear about the expression 'think outside the box,'" says Lefebvre. "Well, for Cirque du Soleil, there is no box."

PHOTOGRAPHS: LUZIA COURTESY OF **CIRQUE DU SOLEIL**



Stéphane Lefebvre at Cirque du Soleil headquarters in Montreal

"You hear about the expression 'think outside the box.' For Cirque du Soleil there is no box."

“We went from more than a billion dollars in revenue to nothing”

Rehearsals in full swing for a busy 2022 schedule

46 active shows were forced to cancel when the pandemic hit

In 2015, Cirque du Soleil was in the midst of a major executive restructuring process. Company founder Guy Laliberté had just sold his majority stake in the company to an investor group led by private equity firm TPG Inc. Its leadership group—longtime CEO Daniel Lamarre and COO Jonathan Tétrault—wanted a profitability-minded CFO with operations experience to implement a strategic plan.

"This company is such a creative powerhouse. When I considered joining, I thought it can do even more than it's already done," Lefebvre says. "Plus, it was such a cool industry to work in."

It was relatively smooth sailing at first—until the pandemic hit in 2020. Suddenly, the company went into survival mode in a matter of days. At the time, they had a show being staged in Italy, where the pandemic first hit hardest, and the company scrambled to find another city in Europe to send the production. Six days later, all Cirque du Soleil shows—46 total both in production and actively running—were shut down. "We went from more than a billion dollars in revenue to nothing," says Lefebvre.

On June 30, 2020, the company filed for bankruptcy protection from its creditors to restructure its capital. By that November, it emerged from creditor protection and closed the sale of the firm to a group led by Catalyst Capital Group.

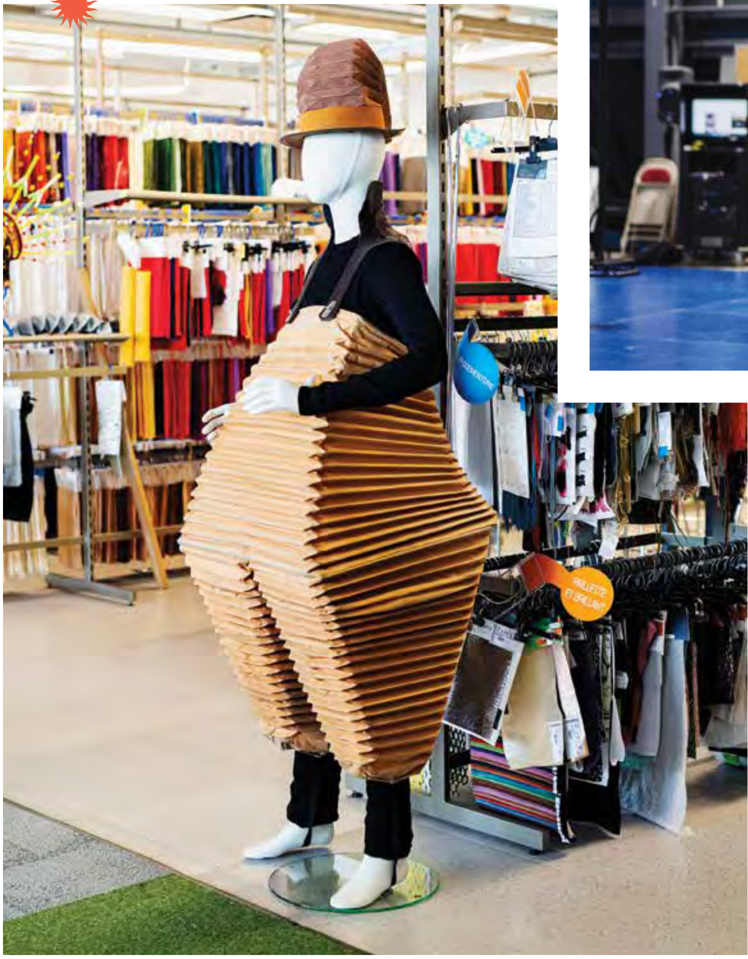
As part of the business case to the new investors, 68-year-old CEO Lamarre retained his position and presented a succession plan that would see Lefebvre promoted to COO and, eventually, take over his role. "It was no secret that Daniel was not planning on being around [the company] for the next 10 years," says Lefebvre. "I became much more focused on value creation. We came up with a plan for the company to become more efficient, less capital intensive, and capable of growth." As Lefebvre moved into the CEO role beginning in December 2021, that plan has more or less stayed the course, even as Cirque continues to weather the ongoing fallout of the pandemic.

One of his first moves was lowering overhead at the company's Montreal headquarters. He reduced the number of staff there and gave decision-making power to employees who were actively working in operations. The next step was a total revamp of the company's timelines.

With a few exceptions, Cirque du Soleil produces a big top show every two years, after which it tours worldwide. "The model was to take the show offline after 12 to 15 years of touring and replace it with a new one. That's not cheap," says Lefebvre. "You're deploying capital that doesn't create growth, but just replaces what you've decided to remove."

Risk management is more important than ever, says Peter Graham, media and entertainment specialist at KPMG. "Before [the pandemic], if a show was green-lit and started selling tickets, you thought your risk was over," he says. "Now, we have a somewhat reluctant public, and when you think of the investments needed to relaunch shows, you need to do things to encourage ticket sales, like refund options."

Looking at the bigger picture, Lefebvre wants to utilize the company's rich catalogue of successful shows. He sees the company's productions like classic albums that fans continually revisit. He references Cirque du Soleil's *Kurios*, a steampunk-style production with a jazz and electro-swing score, centered on a late 19th-century inventor who creates a machine that bends the laws of physics. The show is set to return to Toronto for a second run from mid-April to the end of May. "I'm convinced it will be a success," he says, "even though it's run there before." A 2014 review from the *Montreal Gazette* declared that *Kurios* "runs like clockwork and could tick on forever"—which is precisely Lefebvre's new strategy.



Another production, *Luzia*—a show centred on the richness of Mexican culture—is currently on its second run at London's specially refitted Royal Albert Hall. "We wondered how it was going to perform after going into the same market with the same show for the second time," says Lefebvre. "And we're doing fantastically." In late January, the show beat a weekly sales record as fans returned to theatres in the U.K. after COVID-19 restrictions were loosened. Lefebvre envisions extending the life cycle of the average Cirque du Soleil big top show.

The company also plans to tailor smaller shows to specific markets, rather than pushing *every* big top show worldwide. "We'll do a less-capital intensive show that caters to their specific market," Lefebvre promises.

Graham sees an opportunity in gearing shows toward younger audiences as well. "Can they rekindle their success? I don't see why not," he says. "They have proved it time and time again by coming out with new content and attracting spectators."

Offstage, Lefebvre would like to re-envision the entire fan experience. "Before working there, I can't count how many times I've gone to a show at Cirque du Soleil and left to get a drink somewhere else. Even though the big top environment is amazing," he says, "there isn't much to do in the tent before and after the show. I want to offer a richer experience." He did not go so far as to say exactly what that will look like, but promises changes are coming soon.

As if being tasked with turning around a legacy brand during a chaotic pandemic isn't enough, Lefebvre recently took on a new project: teaching his oldest child to play classical piano. And not just on any old instrument, but a vintage family heirloom he stubbornly refuses to replace. "When I brought it to the repair shop, the guy told me, 'It's not worth it. I can sell you a much better one for the same price it takes to fix this one,'" he says. "But I couldn't get rid of it."

Lefebvre's ultimate musical dream? Mastering Schumann's notoriously difficult *Fantasie in C major*. But he admits that will likely have to wait until retirement. For now, he's focused on rescuing a Canadian treasure and building a new legacy.

"My role is to think about the message and emotions we want to leave the audience with," he says. "One thing I insist on is inspiring surprise. Cirque du Soleil has to surprise people."

Lefebvre's job operates in the big picture, which is where he says his CPA chops and wealth of corporate finance experience come in handy. Creativity is the soul of the company, but it takes a guy who knows his numbers to keep that creativity in business. But Lefebvre's other side allows him to take part in meetings where artistic decisions are made. "I can't believe I'm paid to be a part of those conversations," he says. "I find the meetings about artistic direction absolutely fascinating."

That comes of little surprise to his predecessor. "At the end of the day, what makes the company work is the quality of its shows," says Lamarre. "Thinking about quality is the first thing the leader should do, and that takes a real sensitivity to the creative process, which Stéphane certainly has. The creators and artists can feel it. They don't see him as just the former CFO of the company, but as someone who puts a lot of effort into supporting the creative team. That's key for the future of our organization."

Lefebvre straddles a fine line around creative control. "When he passed the CEO position on to me, Daniel told me, 'You're the ultimate executive producer of this company. If something goes wrong, people will always point at you.' I feel the weight of that responsibility," he says. "It's my favourite part of the job." ◆

Money, politics and hard-driving personalities can turn an orderly business transition into a messy battle. But while the history of Canadian business is filled with tales of succession gone wrong, there are still many ways to do it right.

NEXT IN LINE

BY JOHN LORINC

PICTURE FRAMES AND PORTRAIT BY ISTOCK

Tell me if you've seen this show before.

The high-living, silver-maned patriarch of a global enterprise, with billions in revenues and diverse holdings around the world, builds a corporate powerhouse from scratch, expands into risky side ventures and makes strange digressions into politics. The prodigal daughter, in turn, spends time in the trenches of politics, but eventually returns to the business. Tensions surface. A supporting cast of siblings, relatives, investors and consiglieri orbits what becomes a Lear-like drama, which starts out promisingly enough (as they all do), but takes a decidedly Wagnerian turn, featuring epic battles waged in court by legal emissaries, in full view of the vultures of the business press.

Not Rogers.

Nor the addictively realistic feuding of Logan Roy's clan in HBO's *Succession*.

This drama, rather, involves the on-again-off-again infighting that continues to rip through the family behind the Magna International auto-parts empire, founded in the late 1950s by Frank Stronach—a hard-driving, opinionated tool and die maker who decamped from postwar Austria to Canada, where he rode the wave of North America's unending affection for cars.

Magna and Linamar, a Guelph, Ontario-based manufacturer, seemed to travel on parallel trajectories. Linamar was established by Frank Hasenfratz, a Hungarian refugee, in 1966. It, too, became a major player in Canada's auto-parts sector. In 2002, Hasenfratz turned over the reins to his daughter, Linda, and she went on to build Linamar into a firm, which, in 2020, had $5.8 billion in sales.

A year earlier, Frank Stronach had handed the operations of Magna to his daughter, Belinda, who soon took a prolonged leave to spend a few years as a Liberal MP in Ottawa. Through a complex series of transactions, the family in 2010 divested control of Magna, with Frank and Belinda turning their attention to Magna's horse-racing and gaming interests. Leaving his daughter in charge, Frank returned to Austria to run a political party. But, in 2018, Frank and his wife, Elfriede, sued Belinda, her children and a former business associate for $500 million, claiming mismanagement. After two years of legal sparring, father and daughter patched things up, but lawsuits have continued to fly. The current cast of litigants features the Stronach's son, Andrew, who took legal action against his sister Belinda and others for breach of fiduciary duty in relation to the tangle of trusts that hold the wealth that Magna's plants generated over decades.

Season three shows no sign of ending.

The history of Canadian capitalism is punctuated by these kinds of succession conflicts, most of which involve transitioning business empires from one generation to the next. The list takes in some of Canada's most prominent clans, including McCain (McCain Foods) and Billes (Canadian Tire), as well as others for whom intergenerational transitions were more discreetly handled, including empires built by the Irvings (Irving Oil), the Desmarais family (Power Corp.), the Bronfmans (Seagram/Edper) and the Shaws (Shaw Communications).

While these dramas are not new, last year's social media-fuelled showdown inside the Rogers family and its controlling trust, in the midst of a $26-billion takeover of the Shaw family's communications company, provided an exceptionally salacious variation on the theme. That drama began with an attempt by Edward Rogers III to oust the CEO, which rapidly became a highly visible fight starring two warring camps of the Rogers family, a collection of Ted's long-standing Bay Street pals and a family trust that held more cards than most people realized.

Public interest in such conflicts has been further amplified by the huge success of the HBO series, which features Brian Cox and Jeremy Strong, and follows the vicious intrigues in a fictitious billionaire family that could be a mash-up of the Trump and Murdoch clans.

The combination of the series and the Rogers' battle has put the issue of transition back on the radar of a lot of family-owned firms, or at least moved it to the front burner. Both reaffirmed how these kinds of melodramas are entirely plausible.

Yet Michelle Osry, a CPA who leads Deloitte Canada's family enterprise practice, feels that high-profile conflicts tend to distort the reality of most family business transitions. "We believe there has been considerable focus on the tragedies of enterprising families, as compared to the triumphs," she says. "We could point to thousands of success stories. Unfortunately, media and some advisors tend to promote and perpetuate fear-based planning."

Other experts point out that one key subplot of the Rogers' fight—the company's use of dual-class shares as a means of retaining family control over a publicly traded company—has shone a new light on a capital structure practice that has fallen into disrepute among governance experts and institutional investors in recent years. "After Rogers, the talk about dual-class shares has really picked up," says Aida Sijamic Wahid, an associate professor of accounting at the University of Toronto's Rotman School of Management. "The corporate governance research has shown time and time again that, in most instances, dual-class shares are just not good in the long term for shareholders."

"THE LACK OF PLANNING IS ONE OF THE MAIN REASONS FIRST-GENERATION FAMILY FIRMS DON'T SURVIVE THEIR FOUNDERS"

For many years, the rough rule of thumb is that about 30 per cent of family businesses fail in the second generation, another 13 per cent disappear in the third and most of the remainder disappear beneath the waves by the fourth. Those stats frequently find their way into the promotional materials of wealth advisors marketing their services.

Yet, as boomers exit the workforce (or this mortal coil), the question of how to create the right conditions for successful and sustainable succession planning has gained salience. Calgary-based family wealth transition advisor Cindy Radu points to a 2021 report by the Family Enterprise Foundation and KPMG Enterprise, which surveyed hundreds of family businesses and concluded that almost two-thirds expect to change hands within the next 10 years. Yet only 47 per cent of the respondents predicted that the business will stay fully in family hands. And, while the vast majority agreed that it's important to have a transition plan, only half had identified specific family members prepared to take over. "If the owner drops dead tomorrow," says Barb Schimnowsky, practice leader for executive and director search at Watson Advisors, a Vancouver governance consulting and leadership talent firm, "who's stepping in?"

Another 2021 survey, by the London, U.K.-based wealth advisor STEP and the TMF Group, canvassed over 600 advisors worldwide about the transition challenges they face with wealthy business families and what those families' wealth and succession planning needs are. The answers included the emergence of more blended "multi-jurisdictional" families and the ways in which these more complicated clans made the internal dynamics around succession that much more complex to navigate.

In many parts of Europe and Asia, family-run business dynasties have far deeper roots than they do in North America. Conglomerates like Tata, the Indian steelmaker, and Germany's secretive Reimann family, which acquired Keurig Green Mountain a few years ago for almost $US14 billion, have been passing wealth through the generations since the 19th century. While there's no shortage of long-established family dynasties in North America, succession planning only emerged in recent decades as a problem that deserved attention. A 1973 Dun & Bradstreet study found that 70 per cent of all family firms were sold or liquidated after the death of the founder. "The lack of succession planning has been identified as one of the most important reasons why many first-generation family firms do not survive their founders," Ivan Lansberg, a Connecticut-based family wealth advisor, wrote in a heavily cited 1988 wake-up call.

Much has changed since then, of course, as the universe of professionals offering succession advice has expanded beyond trust lawyers and tax accountants to governance, search and philanthropy consultants, family offices, conferences, one-stop wealth advisory practices, and education/advocacy groups established by and for family-owned businesses. Advisors offer hard and soft services, which can include bespoke specialties, such as industrial psychologists summoned to assess whether adult children have the right stuff to take the helm.

"The role of the CPA will vary considerably depending on the number of shareholders, the strength of the management team, and the complexity of the family, the business and the ownership structure," observes Osry. "Regardless of the centrality of their role, it is crucial that CPAs communicate openly with the other advisors and encourage a creative, compassionate and collaborative approach."

While the succession planning industry has evolved a great deal, human nature has not. Veterans of the field can rhyme off a full menu of personality-driven failings, among them a natural reluctance within families to discuss the implications of a founder's death, the endless variations on the problems posed by entrenched family dynamics (e.g., sibling rivalries) and X-factors such as addiction or mental health issues, or adult children who are driven to take over

The Rogers family grabbed headlines while entrenched in a boardroom brawl between Rogers Communications chair Edward Rogers (left), his mother, Loretta (centre), and sister, Melinda

the business but have little or no aptitude for running it.

Schimnowsky, who was a senior manager with KPMG's search practice in Vancouver for 20 years, relates the story of a family where two of three siblings worked in the family business. "One [son] gets moved up into the CEO role," she explains, noting that he wasn't ready for the responsibility (a theme in *Succession*). "All of the other senior management within the organization are external. And, you know, the dad comes in…and makes him feel like a fool. The senior leadership team there are sort of protecting him. And it's a very abusive relationship [and] actually quite sad to see."

Watson's approach, she explains, is to urge the owner to establish a board with independent directors who can, as she puts it, hold the family accountable and advocate for succession planning, skills gap analyses, regular family meetings, good governance practices and the necessary education for offspring. "It's super important that they learn how to be good owners." The subject of executive succession, she adds, should be canvassed annually, because the sudden death of the founder can pose huge business risks, such as the loss of key relationships with long-time customers.

Others recommend establishing philanthropic foundations to not only shelter wealth but also build some sense of mission within a business family about shared values and goals. "More and more," says Osry, "[families] are asking, are we trying to structure ourselves around the wealth and the business? Or are we striving to ensure the strength and well-being of individual family members who will in turn step up to steward the family's wealth?"

Radu, who practised as both a lawyer and a professional accountant before establishing herself as a family wealth transition advisor, also points out that adult children of aging business owners are increasingly versed in the issues related to inheriting a going concern, as well as the structures that have been set up to hold or pass on wealth. What's more, she adds, they may not have the same goals as the founders. "The kids are at that age where they're making really important life decisions," she says. "How does that tie into the values work that we've done with the family?"

For all these softer measures around governance and planning, transition dynamics are often heavily determined by key structural moves that invariably focus on control and mechanisms to ensure that the wealth remains within the family.

Some of these deal with the specific roles of children, such as establishing shareholder agreements designed to

ROGERS FAMILY BY GETTY

ensure that dividends flowing from the growth of the company are distributed equitably between offspring working in the business and those who aren't. Darren Lund, a partner in Miller Thomson's private client services group, also adds that owners planning for succession need to consider scenarios like marriages, divorces and second marriages of their children. "Thinking through the family law implications of some of the plans is one piece that sometimes gets overlooked," he says, noting, for example, that spouses can make claims against a family trust in a divorce proceeding. "It could have a huge impact on a beneficiary or on a business."

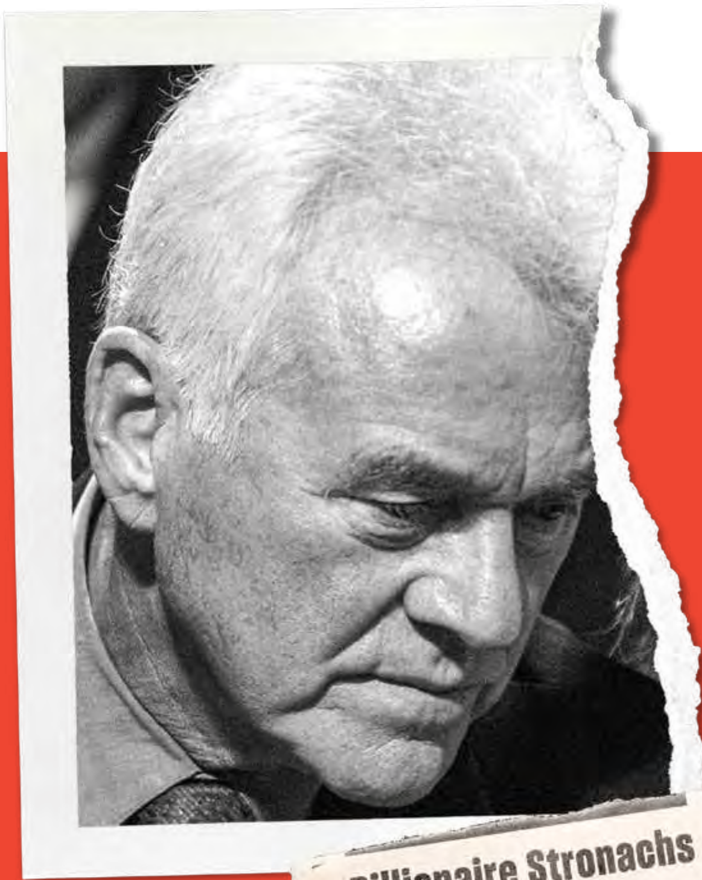
Wahid, in turn, cites the case of the Desmarais family, whose late patriarch, Paul, acquired a Montreal stock brokerage and built Power Corp. into a multi-billion-dollar financial services conglomerate. In the years prior to his death in 2013, he transferred executive and board authority to his two sons, André and Paul, who both retired in 2020. They retain their board seats. Last year, the company undertook a major restructuring that involved taking Power Financial, one of its publicly traded divisions, private. "I believe that part of the reason why they went private," she explains, "is because they didn't want to face the pressures that the investors and best practice governance experts were pushing on these companies, saying, 'Well, you don't have an independent board, you don't have an independent chair.' "

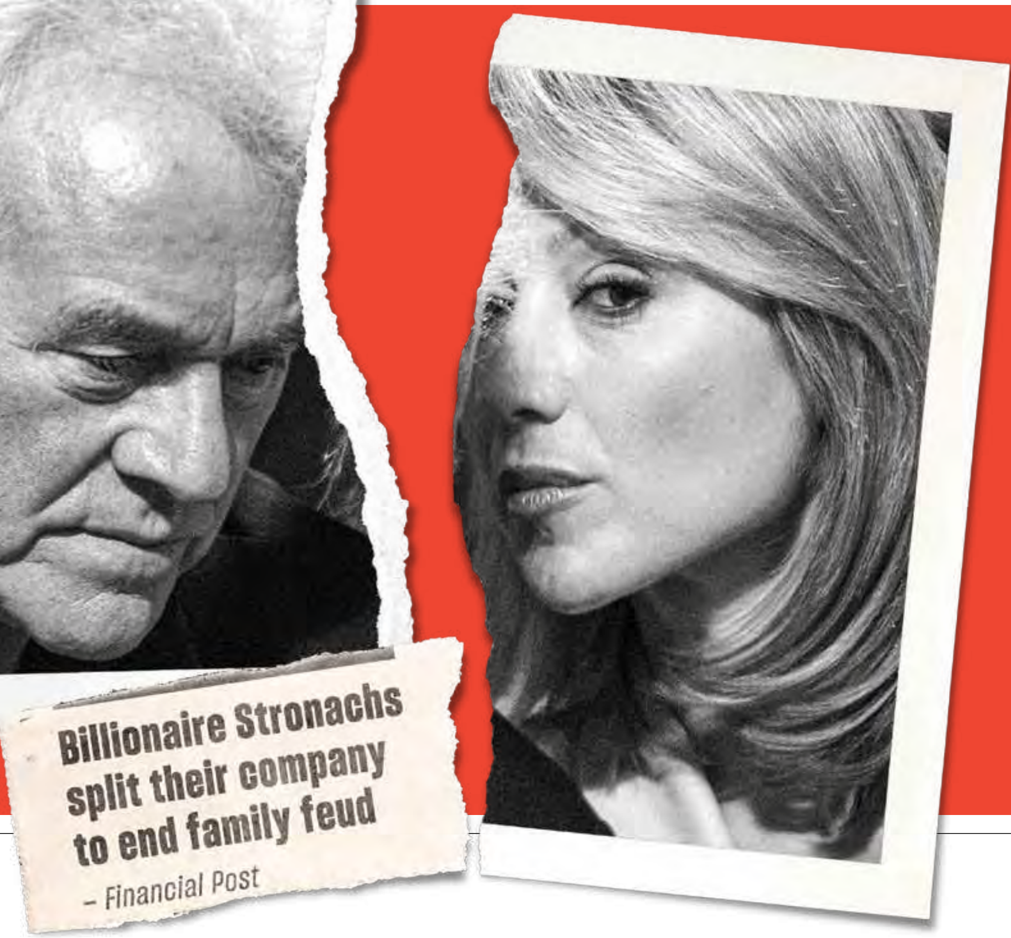
But, as she and others point out, the true lesson of the Rogers battle focuses on the way that dual-class shares and family trusts can reverberate through the generations, often in unexpected or poorly understood ways.

In the case of Rogers, the combination of dual-class shares and a family trust that controlled the board of directors served to concentrate a huge amount of decision-making authority, including the power to replace the CEO, in the hands of Edward Rogers, who served as the chair of both the Rogers board and the family trust.

"One of the biggest issues in the transition of businesses and wealth generally is that people do not understand ownership and the inter-relationship of trusts with their structures," says Radu. "Rogers was a perfect example of that. Everybody was focused on the board of directors level, but the family trust established by Ted had significant influence over the makeup of the board."

A high-profile feud between former Magna CEO Belinda Stronach (right) and the company's founder, her father Frank, was settled in 2020





PHOTOGRAPH BY GETTY

She contends that many families transferring wealth to the next generation end up with trusts that neither they, nor some of their expert advisors or shareholders, really comprehend. "They put these things in place and the families don't understand them. They don't think about it from a governance perspective and where the real decision-making power lies." Notes Osry: "It is important to not only clarify the legal elements to promote awareness and understanding, but also to be mindful of the emotional connections and psychological implications of a trust."

Radu adds that in some closely controlled family businesses, these structures can also create conflicting fiduciary roles. She cites the example of an operating company that's owned by a holding company that is, in turn, controlled by a family trust; the founder or patriarch may have executive roles on all three. "When they start making decisions, it's usually very tax-driven," she says. "At the end of the year, the accountants will say, 'Okay, well, this is how much we should flow out to achieve a desirable tax result,' which is a positive thing. But what we're starting to see in families is family members calling BS on this when it's only mom and dad [who] are receiving the dividends."

Robert Nason, an associate professor of strategy and organization and the William Dawson Scholar at McGill University's Desautels Faculty of Management, has studied succession and the evolution of family businesses across the generations. He points out that the conflict and lawsuit-generating decisions that delineate many succession plans can miss the mark on a broader point, which has to do with reinvigorating the business itself. He questions the oft-cited family business failure stats, saying they're derived from a small study that didn't take into account exits such as public offerings. And, he notes, in a technology-fuelled economy, family businesses, like all firms, need to find ways of injecting new energy, new products or new ways of generating revenue as they mature and then change hands.

"You have to infuse innovation and an entrepreneurial spirit in order to rejuvenate the businesses over time, or create new firms that are the next entity that will be successful and thrive." He cites the case of a family-owned Italian steel manufacturer that pivoted to renewable energy when its owner could see that their traditional sector was in decline. Nason notes that some founders will provide the next generation with seed capital so they can test new businesses or technologies and establish their own identities as next-gen entrepreneurs.

"Do we have a one-for-one successor, which pits everyone against each other for this one prestigious spot, [or can we] find a way for all family members to play a role and contribute to an overarching family goal and identity and space?"

As plot lines go, this kind of narrative may be a good deal less engrossing than the intrigue in *Succession*—or Rogers, for that matter—but it seems likely to foster a more enduring way for founders to transition both wealth and business to the next generation. ◆

Learn how to reduce taxes for your heirs at **cpacanada.ca/succession**

A TAXING BUSINESS

Inheriting a family company can be a complex endeavour

Tax treatments and the uses of various instruments to minimize the tax burden as a family business shifts from one generation to the next vary by company size and whether it's publicly traded or privately held. Then there's the next generation's interest in participating in the firm's management to consider. "When working with enterprising families," says Michelle Osry, who leads Deloitte Canada's family enterprise practice, "we believe it is important to step back before diving into conversations around tax to understand the vision and long-term objectives of current and future shareholders."

Those decisions should also reflect the governance structures that guide ownership transitions, as well as the transition of the management of the business. "In an ideal world, it would be great if the tax planning piece and the governance planning piece happened around the same time, so that they both complement one another," says Manijeh Colabella, a former tax lawyer and current senior governance consultant at Watson Advisors.

Individuals owning qualified small business shares can claim a lifetime capital gains exemption when the shares are gifted or sold. This exemption is complex and subject to various provisos, including a requirement that the company shares must generally have been owned by the same person for the past 24 months and that at least 90 per cent of the assets must be used for business in Canada at the time of transfer.

Another approach is an estate freeze, which is where the owner's common shares are exchanged for fixed value preferred shares, and new common shares, having a nominal value, are issued. Those shares often are placed in a trust. The benefit of such structures is that they can be used to delay the decision of which family members will receive the shares and when.

Finally, a technical change to the Income Tax Act seeks to fix an unintended consequence of an anti-avoidance measure that had made it less advantageous for parents to sell their shares to their child's corporation than to an unrelated party. The new rules, described as "a significant change," aim to level the playing field between sales to children or grandchildren and arm's-length transfers.

TO CLOUD OR NOT TO CLOUD...

Is it even a question anymore?

Why companies across all sectors are embracing the cloud for their data storage and processing needs

INTRO BY DUNCAN STEWART

In December 2020, I, along with Deloitte colleagues from Japan, China and the United States, filed a global report predicting the ongoing shift to the cloud. We forecasted growth among the biggest public cloud providers to be over 30 per cent for 2021. In response, many felt that number seemed too high.

Astonishingly, we were too conservative. Every quarter, I compile the publicly announced cloud revenues from the largest public companies, and cloud growth and adoption is not only higher than our 30 per cent prediction, but accelerating: In 2021, year-over-year growth was 31 per cent in Q1, 36 per cent in Q2 and 38 per cent in Q3.

The growth is even more impressive when compared to non-cloud IT infrastructure, which is suggested to be up only two per cent for all of 2021.

Cloud computing is the alternative to "on premise" infrastructure. As opposed to housing servers on location, the cloud allows data to be stored or processed off-site at a data centre that might be a few kilometres away or even on the other side of the world. It may be at a data centre owned by your own company (private cloud), by a large third party (public cloud) or a mix of the two (hybrid cloud). According to some studies, well over half of all enterprise computing was in the cloud by the end of last year.

In my view, the reason for the greater-than-expected growth isn't that those companies who were early adopters are now accelerating their cloud-based operations; it's that companies that had been dragging their feet on cloud adoption are finally jumping off the fence, motivated by a mix of lower prices, greater flexibility, the ability to grow rapidly, access to services not otherwise available and more.

While I am not permitted to name them publicly, I work with dozens of companies annually, both in Canada and globally, as part of my role as director of research for the technology, media and telecommunications (TMT) industry for Deloitte Canada. Those companies work not only in the tech, media and telecom space, but also include public sector, financial services, consumer and industrial products, real estate, and natural resources. In my firsthand experience, a large subset has been cautious on cloud for years. They raised issues around reliability, privacy, security, sovereignty, complexity and more. And these have been legitimate concerns. But two separate trends—a pandemic push, along with vendor drag along—seem to have caused a tipping point.

The pandemic has forced many companies into using the cloud. It may be the result of labour shortages or surges in demand but, whatever the reason, they were not unlike a kid thrown into the deep end of a pool. Given a choice between drowning or figuring out how to stay above water, the decision was obvious.

But something interesting happened: Once a company has figured out how to go faster in their cloud journey, once they have overcome any challenges and set up the policies and procedures required to move quickly, they realize that the cloud is a viable permanent solution. Companies across several sectors are now telling me that they aren't going back to their traditional models and are going to keep up this accelerated shift to the cloud.

Mind you, not every company was forced to move to the cloud in the early days of the pandemic. Some were able to stay largely on the cloud transformation sidelines... until their software solutions vendors came to them with news that, across business intelligence, database, marketing and (especially) enterprise resource planning software vendors, solutions that had been available both as on-premise or cloud versions were being moved exclusively to the cloud. Now, companies that otherwise weren't planning to shift to the cloud are finding themselves being pulled along.

Where do we go from here? The revenues from the combined biggest public cloud players are over $200 billion in 2021 and, despite uncharted growth, cloud adoption is expected to continue at a torrid pace. It's no longer a question of whether or not companies should, or will, take some or most of their business to the cloud. By now, it's only a matter of time.

Duncan Stewart is Deloitte Canada's director of research for technology, media and telecommunications (TMT) industries and is a globally recognized forecaster of consumer and enterprise technologies.

By the numbers...

A recent survey of 200 Canadian business leaders and decision-makers across multiple sectors identified that cloud solutions are a major part of operations going forward. What was once an IT-driven topic is now at the forefront of the minds of C-suite members across the nation. Here are some of the survey's findings when it comes to adoption and scaling to the cloud:

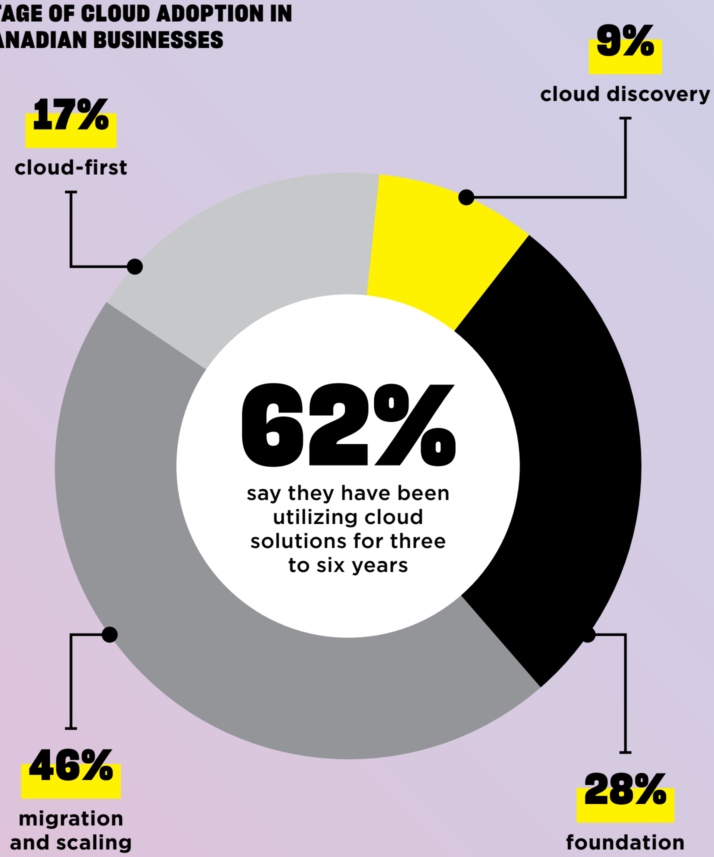
64%
called cloud solutions "very important" to achieving business success

88%
plan to increase use of advanced technologies to create new business models and opportunities

75%
identified a change in mindset to a digital-first approach as either "important" or "very important" to maximizing value from cloud operations

88%
have recently invested or plan to invest in technology and practices that support remote work

STAGE OF CLOUD ADOPTION IN CANADIAN BUSINESSES



"The pandemic really demonstrated to companies that digital technology must be a core part of their future levers and strategies. It's not just about reducing costs; it's about responding to changing markets, meeting new customer expectations, managing supply-chain disruptions and so much more. That recognition really pushed the cloud conversation from being an IT issue to being something that executives across every function care deeply about."

—Jason Hermitage, enterprise commercial lead, Microsoft Canada

SOURCE: DELOITTE'S "ACCELERATING TO THE CLOUD" REPORT

To the cloud!

More organizations are turning to the cloud, citing reduced overhead costs, better data asset management and heightened security capabilities. Oracle Cloud Infrastructure senior vice-president of engineering Clay Magouyrk estimates that companies typically save as much as 30 per cent when moving their applications to the cloud, as opposed to upgrading their on-premises IT systems. Here's a look at three Canadian businesses using the cloud to maximize their growth and impact:

NECESSARY STEPS TO SCALING TO THE CLOUD SUCCESSFULLY*

37%
training/re-skilling current workforce

36%
changing the way we work (process, governance, operations)

33%
early vision to show long-term cloud success

31%
setting foundation, infrastructure early in process

29%
acquiring new talent and thinking "big"

*MORE THAN ONE ANSWER ALLOWED

EQ Bank

In 2019, EQ Bank—the digital arm of the branchless Equitable Bank—became Canada's first bank to move exclusively to cloud-based operations.

"We are leaving behind the traditional industry approaches of armchair technologies to innovate faster and serve Canadians better, right now," senior vice-president and chief information officer Dan Dickinson said in a statement.

The bank began its cloud transformation process in 2016 with the goal of providing a better online user experience. It bolstered its back-end systems utilizing the Microsoft Azure platform, as well as Atlassian cloud-based software development tools.

The bank also said the move spared it from "tedious" IT infrastructure maintenance tasks while cutting overhead costs considerably, allowing it to offer its customers no-fee chequing and savings accounts.

More recently, some of Canada's biggest brick-and-mortar banks, such as CIBC (Microsoft Azure), Scotiabank (Google Cloud) and BMO (Amazon Web Services), have bolstered their capabilities and made significant cloud commitments.

"Every financial services company today has an incredible opportunity to apply advances in cloud computing to redefine every aspect of their business," added Zia Mansoor, vice-president solutions with Microsoft Canada. "EQ Bank is a good example of this transformation."

PHOTOGRAPHS: JASON HERMITAGE COURTESY OF **MICROSOFT**; EQ BANK BY **GETTY**

Canadian National Railway

Last December, CN announced a seven-year strategic partnership with Google Cloud as part of its move toward digitally scheduled railroading. The new operations model will be powered by Google Cloud's artificial intelligence and machine learning tools that CN says will enhance logistics in its planning, shipping, tracking and payment tools.

The cloud-based model is an effort to modernize CN's technology and infrastructure, which will rely on the new tech to carry out predictive maintenance capabilities as the rail operator begins to move the majority of its infrastructure from on-premises to the cloud.

"The transportation and logistics industry is evolving rapidly to build more resilient, responsive supply chains that adapt to global events and provide customers more visibility and flexibility," Jim Lambe, managing director at Google Cloud Canada, said in a release.

"Our partnership with Google Cloud is central to our strategic plan," CN executive vice-president and chief information and technology officer Dominique Malenfant said, "and reinforces our commitment to digitalizing scheduled railroading…by investing in technologies that deliver high-quality service to customers, improve safety and create capacity."

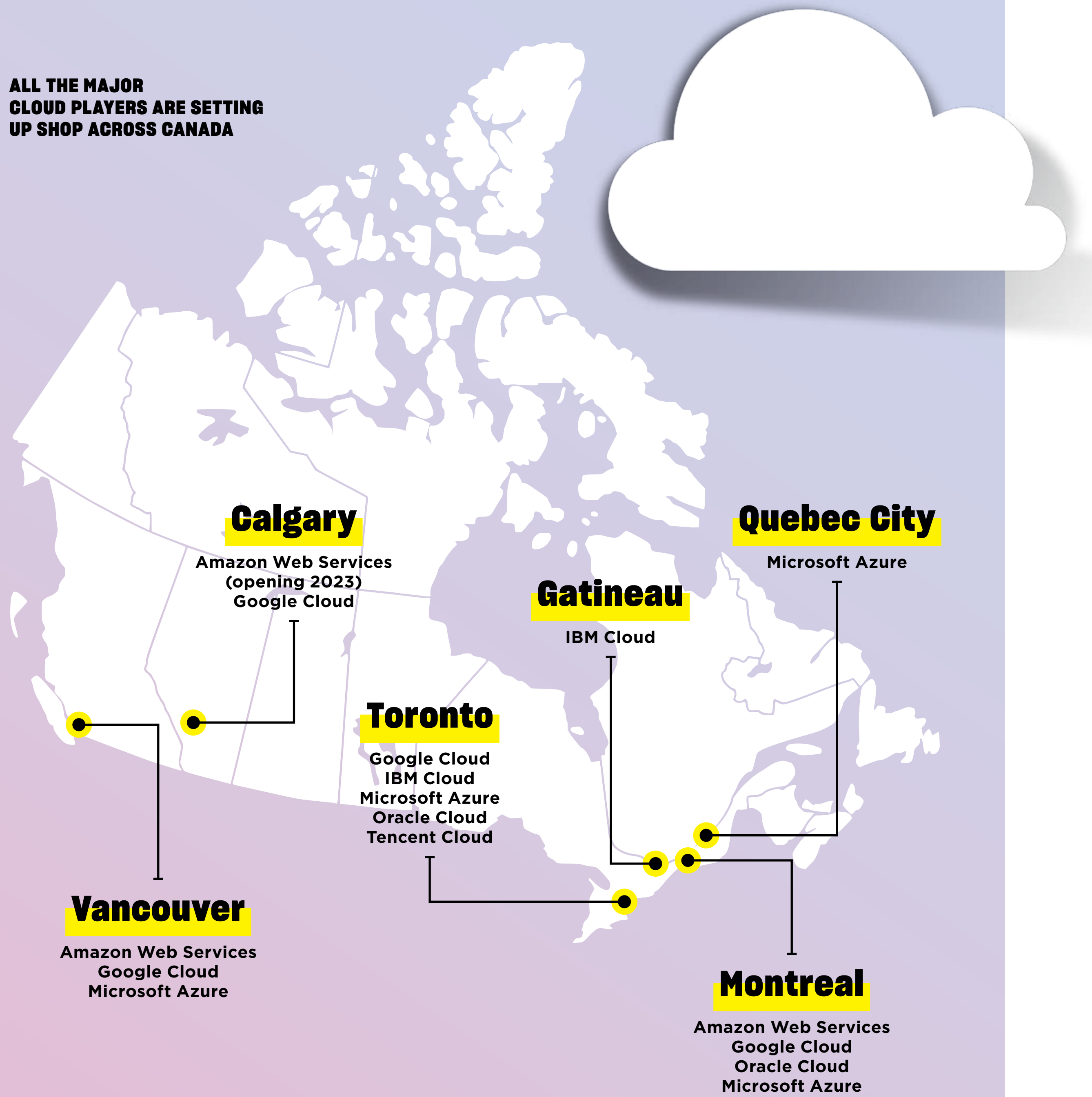
PointsBet

A licensed online sports book in Ontario, PointsBet was one of the first to be approved in the province's newly created iGaming category prior to the April 2022 rollout of regulated private sports betting.

The company developed a cloud-based platform that it says offers the reliable IT infrastructure needed to avoid errors and glitches that can prove "disastrous" in the increasingly competitive market of online betting platforms.

"Losses can run into the millions of dollars as players take their business elsewhere, and the reputational and brand damage can be hard to reverse," it said in a release. The cloud also allows the company to access data swiftly.

"What was estimated for an engineer to hand-code in two weeks," said Maayan Dermer, PointsBet's data engineering lead, "can now be done in four hours [using cloud technology]."



When tech comes to town

Big Tech has positioned itself as a leader in cloud platform hosting and deployment across the globe. Google, Microsoft and Amazon are the "Big Three" in cloud technology, while other heavyweights like IBM and Oracle are also diverting more corporate focus and marketing toward cloud services. Amazon's cloud-hosting arm, Amazon Web Services, hosts one-third of all global business on the cloud, including essential services like online banking in addition to holding several government contracts in the U.S. and Canada.

All of these firms are making significant inroads in Canada—where private and public partnerships are fostered and a diverse, well-trained employee base exists—as it becomes a hotbed for major cloud development. IBM, for example, recently opened its "cloud modernization centre" in Gatineau, Quebec, where it will work with the federal government to accelerate its cloud capabilities (a survey of government leaders in Canada found that 87 per cent felt that modernizing IT infrastructure should be a top priority).

PHOTOGRAPHS: POINTSBET BY GETTY; TRAIN COURTESY OF CANADIAN NATIONAL RAILWAY

Amazon CEO Jeff Bezos at an AWS server farm

Security and the cloud

BY DAVE ZARUM

Last December, Amazon Web Services (AWS)—the world's largest cloud provider, responsible for 40 per cent of global cloud infrastructure in 2021—reported its third outage that month. Previously, a service disruption from AWS wreaked temporary havoc on the digital economy, as companies that rent AWS's cloud servers, such as workplace communication platform Slack, video game developer Epic Games and Amazon's Ring doorbell system, were all forced offline.

Was the source of the problem hackers from far away countries or malicious malware? No. The problem stemmed from a power outage at one of AWS's data centres. Previous outages, which lasted anywhere from one to five hours, were attributed to network congestion and an internal engineering oversight.

While some may perceive the cloud to inherently hold cybersecurity risks—data theft, loss of intellectual property and malware attacks chief among them—many experts maintain that is simply not the case.

"[The] cloud is exceptionally safe," says Sanjay Pathak, KPMG Canada's head of technology strategy and digital transformation services. He cites "robust" cyber defences and security controls offered by major cloud operators, which he says routinely out-perform typical in-house network security capabilities.

"The pandemic fundamentally changed the way people think about cloud computing"

Yet it can be difficult to convince decision-makers otherwise. While 76 per cent of C-suite executives recently surveyed by PwC said they are actively engaged in cloud strategy, 17 per cent defined cloud technology as a security and business risk that requires addressing. As well, 50 per cent of all respondents considered the perceived risks a "significant barrier to realizing cloud value."

A Deloitte survey similarly found that 85 per cent of respondents said there has been a challenge to convincing decision-makers that the cloud is secure. That reticence is the most significant barrier to a move to the cloud, despite it quickly becoming the backbone of the digital economy.

"The pandemic validated the cloud's value proposition, accelerated digital business transformation plans and fundamentally changed the way people think about cloud computing," says Pathak. "The discussion today is not whether you're in the cloud, but rather how you're innovating in the cloud. It's become a business imperative."

Simply put, cloud adoption is inevitable. It's why any business utilizing cloud technology, in part or in full, must know what measures to put in place to keep their operations as secure as possible.

"Do you have the appropriate in-house resources and skill sets to map your data to the cloud and assess security controls?" Pathak asks. "It's about having the right security and skills available to protect the organization and its assets."

When it comes to managing risks on the cloud, "it's not just about cybersecurity and IT security," he says. "Effective operation in the cloud must also include data process controls. These controls include rules and policies—cloud governance—to oversee data security, manage risk, provide direction to cloud architecture and design, and [establish] how distributed and multi-cloud solutions are managed." ◆

Visit **cpacanada.ca/cloud** to learn the five burning questions CPAs have about the cloud.

PHOTOGRAPH BY GETTY

Has auditing and assurance been left behind in the digital transformation?

With the right cloud-based platforms, it's not too late to harness the power of the cloud to manage your audit and assurance data, streamline workflows and create a more enhanced client experience.

Digital transformation is in full swing. Across all sectors , the use of modern, cutting-edge technologies has enabled companies to evolve.

For CPAs, cloud-based technology and automation have already become the norm in areas like tax, bookkeeping and accounting. Yet for many audit and assurance practices, digital transformation feels stalled.

"Auditors can help their clients improve their data acquisition methods for the audit," says CPA Jeff Gramlich, managing director, accounting at Validis , a cloud-based accounting data solutions business.

When it comes to audits, data is still often moved from paper worksheets to a spreadsheet file and then transferred to various audit workflow tools. Sound tedious? And familiar?

By utilizing the cloud instead, auditors are beginning to realize the benefits of a faster, more secure and streamlined process. "Using these types of tools," says Gramlich, "is quickly becoming the new standard for audit firms that are prepared to adapt and evolve."

But be warned: not all audit and assurance products are created equal.

"The biggest challenge we see is that many of the new auditing products don't often cover the full spectrum of audit services that the firm is providing," says Donny Shimamoto, CPA, managing director of advisory-focused CPA firm IntrapriseTechKnowlogies (ITK). "So adopting the cloud product would force the auditors to switch between platforms—work plan management, paper management, research, testing, etc.—to get their work done."

"Most of the cloud applications have focused on transaction processing," says Shimamoto, whose firm helps clients with cloud migration strategies. "The next generation of cloud applications like Auvenir are bringing knowledge management into the same application. For example, with Auvenir you can manage your worksheets and also perform research on audit programs to determine what work needs to be done."

Auvenir's pioneering cloud-based solution seamlessly incorporates all audit and assurance workflows by leveraging technology solutions, including DataShare by Validis and Confirmation by Thomson Reuters, saving time and improving engagement quality. Unlike other products, Auvenir focuses on alleviating pain points for both the accounting firms and their clients, creating an enhanced experience for all parties involved. Then there is today's fast-changing work environment, where "The Great Resignation" has called for organizations to enable employees to work remotely—this is where cloud-based platforms become essential to doing business. "A firm unwilling to really embrace technology," says Gramlich, "is going to find it harder every day to retain and acquire good people and keep up with the additional services a technology-focused firm can offer."

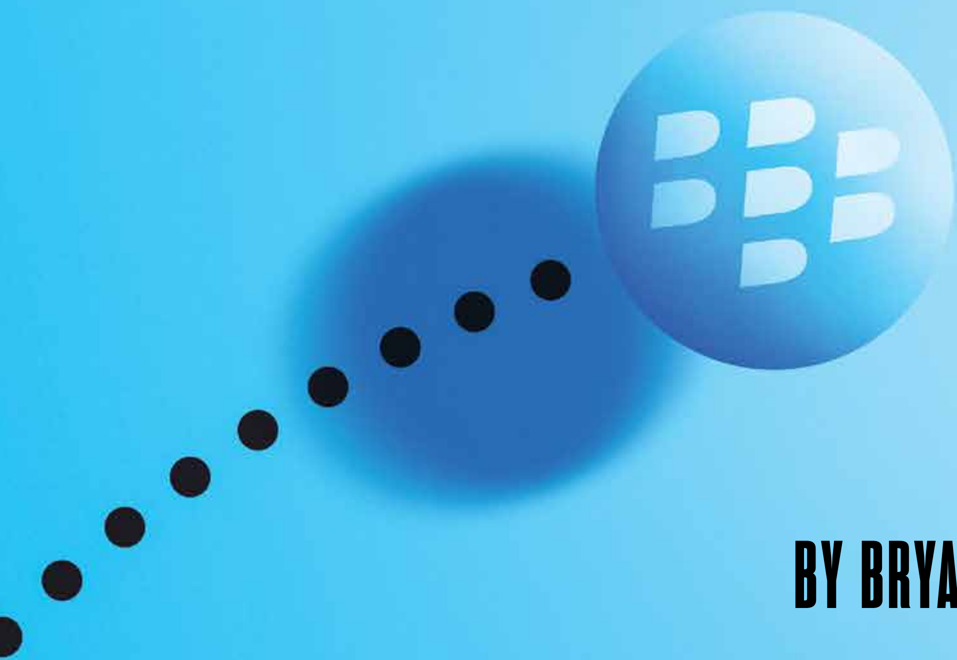
Investing in major technological upgrades for your company used to be a daunting thought, one that conjures images of massive on-premise servers and hardware to store complex data sets and powerful expensive processors that require costly upkeep. Migrating to the cloud is a walk in the park by comparison and solutions such as Auvenir make the process easy and affordable to implement in small-to-mid-sized firms that may have been unable to do so in the past.

Whether you are looking to bolster your existing auditing and assurance systems or take the important first leap forward, it's time to harness the cloud to carry your business to the future.

AUVENIR

It's time to demonstrate to your clients that your firm is forward-thinking. To improve your auditing and assurance via Auvenir's cloud-based platform visit **auvenir.com/pivot**. You can also reach Auvenir's dedicated team at **info@auvenir.com** or **1-855-528-8364**.

By waving goodbye to mobile devices and completely reinventing itself, BlackBerry looks to a future as a major Canadian tech success story...again



BY BRYAN BORZYKOWSKI

It

was a sad start to the year for those few who still swear by their BlackBerry devices. On January 4, the company finally said so long to its handset software, leaving those who still used an older model BlackBerry-made device no longer able to reliably send texts, make phone calls or access data. While it's possible to purchase devices (some prefer the physical keyboard), the BlackBerry as we all know it is officially dead.

BlackBerry, the company, though, is still very much alive. The Waterloo, Ontario-based business, once the most valuable company on the Toronto Stock Exchange, has undergone a near total transformation, morphing into a company that sells enterprise security solutions and operating systems for increasingly connected cars. It's taken several years for the company to transition from selling consumer technology to business-focused software, including cloud-based technologies, but most analysts say that the transformation is now complete.

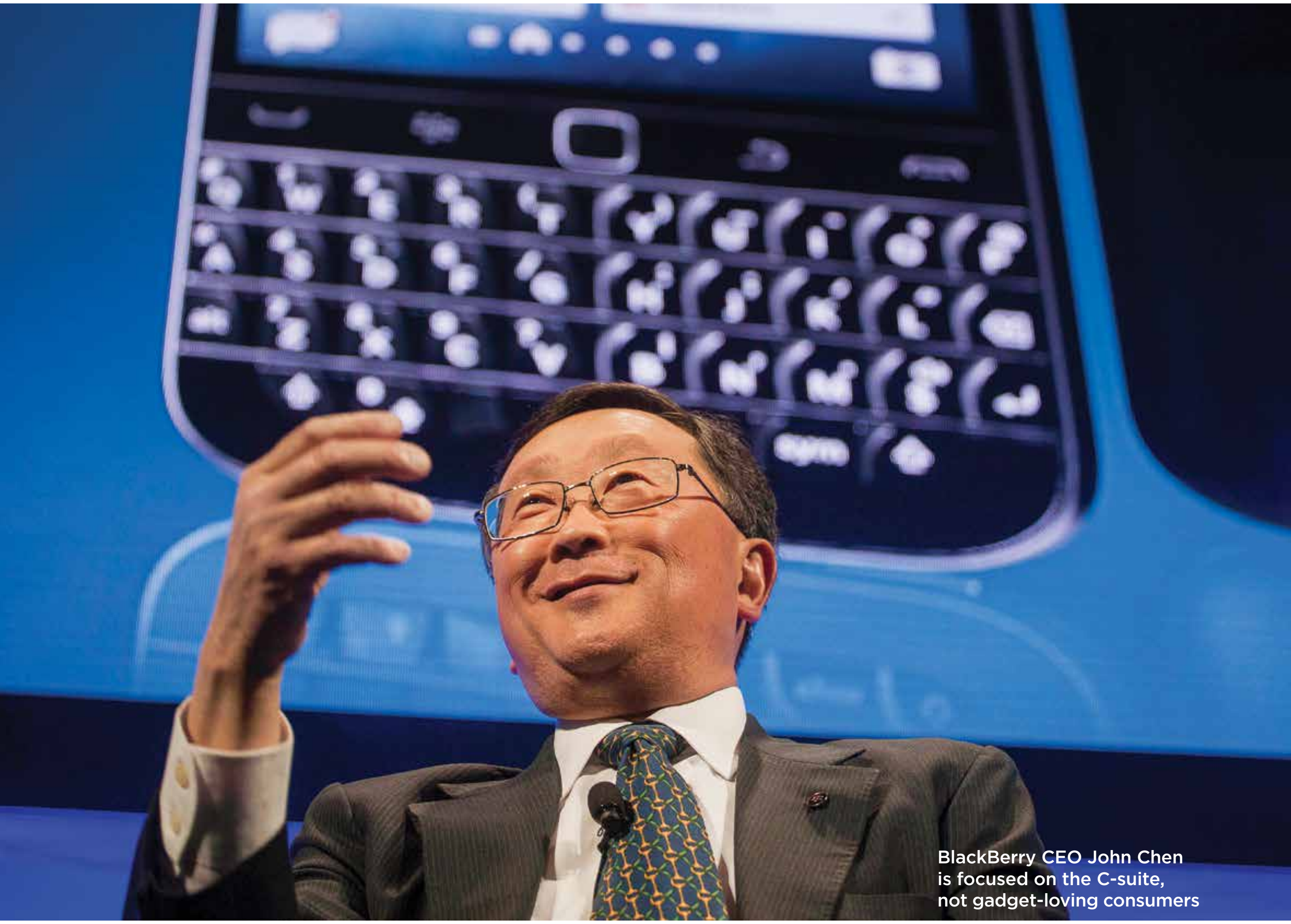
Don't, however, expect BlackBerry to become a household name again or reach its 2008 stock market highs, when the company, then called Research In Motion, was trading at $146 a share. (It's now hovering at around $9 a share.) Fortunately, BlackBerry isn't seeking public plaudits. John Chen, who was brought in as CEO in 2013 to take over from founder Mike Lazaridis and former CEO Jim Balsillie, FCPA, FCA, to take the company in a new direction, is now focused on wooing C-suite executives instead of gadget-loving consumers. "It's a new business," says Brian Partridge, research director with S&P Global Market Intelligence. "A different company with the same name."

The company's new era began when Chen, who previously—and famously—turned failing data software vendor Sybase into a multi-billion-dollar business, came on board. In 2013, BlackBerry shipped 19 million handset units around the world—well below the 49 million phones the company shipped just three years prior and nowhere near the 120 million smartphones that Apple sold in the U.S. alone that year.

At first, Chen hoped to salvage its device business (the company launched the BlackBerry Classic in 2014) while people inside the company were still doing what they could to hit a handset homerun. "We were all trying to build the device that would take off," says BlackBerry's chief technology officer Charles Eagan, who first worked at the company between 2011 and 2015 and then returned four years ago. "We were pushing cool features," he says, but it wasn't enough to make a larger dent in the market.

Eagan, who was global head of device software at the time, admits that they "were definitely disappointed that the devices were not more successful." Looking back, the phones' failures hurt even more given that many of the features they implemented, such as secure messaging and devices with no home buttons, are now standard. But, with sales not meeting expectations at the time and the company bleeding money—it lost US$5.9 billion in 2014—the writing was on the wall: get out of the handset business or kiss BlackBerry, which still employed thousands of Canadians, goodbye.

Yet despite its struggles, the company had two significant things going for it. It was widely recognized as being a leader in security—it was



BlackBerry CEO John Chen is focused on the C-suite, not gadget-loving consumers

PHOTOGRAPH BY GETTY

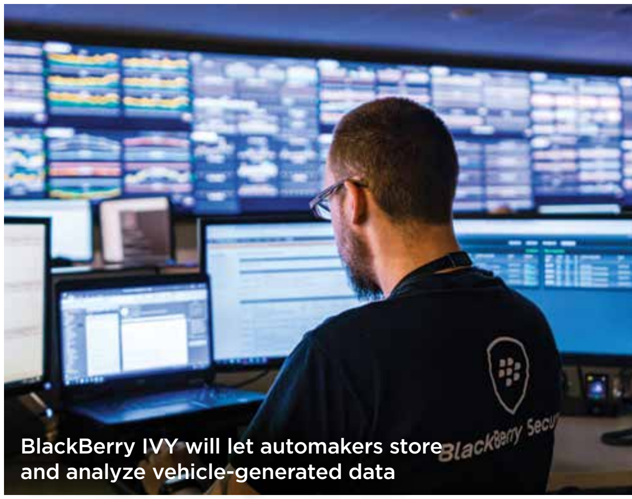
extremely difficult to hack into a BlackBerry device—and because of that, it had a dominant market share in highly regulated and data-sensitive industries, like finance and government. Chen saw an opportunity: "We're going enterprise," he stated in a 2014 press release.

BlackBerry made its last handset in 2018, but by then the company had already moved into the rapidly growing enterprise security software market, which includes businesses that have more than 1,000 employees. In 2019, it made a game-changing acquisition, buying Cylance, a popular cybersecurity company that uses artificial intelligence to stop threats before they happen, for US$1.4 billion in cash. "That purchase really solidified our cybersecurity capabilities," says Eagan. "It had a very compatible set of technologies that rounded out our portfolio, and its AI and machine learning capabilities were unprecedentedly successful."

In the third quarter of BlackBerry's 2022 fiscal year, the company's cybersecurity division made US$128 million in revenues, down slightly from the US$130 million it brought in during the same period last year, but still in line with analyst estimates. Eagan says that, unlike some of its competitors, security is in BlackBerry's DNA and features such as Mobile Threat Defense, which uses AI to block malware and prevent phishing attacks on company cellphones, are "unparalleled" in the market.

Some analysts, however, don't think they're differentiated enough to dominate the cybersecurity space, which includes the likes of Microsoft, Cisco and CrowdStrike, but sales will rise as the overall

BlackBerry's road ahead will likely be powered by its range of automotive solutions



BlackBerry IVY will let automakers store and analyze vehicle-generated data

market increases. And climb it will, with hacks and breaches on the rise. According to Fortune Business Insights, the cybersecurity solutions market is expected to grow to US$366 billion by 2028, up from US$153 billion in 2020. "Do I think that they're going to eke out a big competitive advantage in cybersecurity over other vendors? No," says William Kerwin, a Chicago-based analyst with Morningstar. "I think it's going to be more of a rising tide floats all boats scenario."

While cybersecurity may be its biggest money maker, BlackBerry's most exciting area of business—and the offering that could turn it back into a transformative technology company—is in the automotive sector. The company has developed a slate of auto-focused solutions, including security software that prevents wrongdoers from hacking into internet-connected vehicles, and an operating system (OS) that a car's chips and hardware run on. Its flagship product is QNX, a highly secure OS that was once used on its phones but is now in more than 195 million cars. It also has BlackBerry IVY, a cloud-based platform that will let developers create new in-car applications, and can help automakers and others store and analyze vehicle-generated data.

This division made just US$43 million in revenues in Q3 2022—up from US$32 million year-over-year—but Eagan sees massive opportunity. "It's a market where we already work with virtually every original equipment manufacturer [OEM]," he explains. "As these cars connect to more cloud services and become more server-like, there's a lot of potential. There's also a lot of crossover between our two divisions [enterprise and auto] that has yet to be explored."

The company, and its investors, will have to be patient. Mass adoption and commensurate payoff for investors, if it comes, may still be years, if not

PHOTOGRAPHS BY GETTY; BOTTOM RIGHT COURTESY OF BLACKBERRY

decades, away, says Kerwin. "This is a 10, maybe 20-year time horizon thing," he says, adding that no one really knows how the automotive market will evolve. And, while it may be a leader in this space today, Partridge says there will no doubt be others, such as Google, that will try and push their way into this area as well.

Investors can only hope that BlackBerry has learned something from its past experiences of being a first-mover, though there are some advantages to the auto sector, says Partridge. For one, it's harder for companies to break into this market and replicate what BlackBerry has already. Plus, OEMs aren't going to switch operating systems like consumers switched phones. It helps that in December 2020, BlackBerry signed a multi-year agreement with Amazon Web Services (AWS)—the world's largest cloud provider—to develop IVY, with AWS providing the cloud platform that IVY operates on. "Attaching themselves to AWS was pretty smart," says Partridge, "because they've established a dominant position in the cloud market."

"Attaching themselves to AWS was pretty smart," says analyst Brian Partridge. "Because they've established a dominant position in the cloud market."

There is still one crucial part of BlackBerry's pivot that needs work: execution. The products and services are there, says Kerwin, but they need to do a better job of selling and marketing them. "They're in good markets and they have a foothold in them," says Kerwin. "Now it's a question of getting their name out there and hitting the ground with sales and marketing staff to win more customers." Partridge agrees: "I think John and his team would say that where they sit now is in the 'prove it' mode. I would give them good grades on their products, but Bs and Cs on their ability to get those products to all the customers out there."

This is not news to Eagan, who, when asked whether he agrees his company needs to improve its execution, says, "That's a fair comment." BlackBerry's messaging, he explains, does need some work. "There's a certain refinement needed in our message and go-to market [strategy] so people understand what we're doing," he says. "Everyone uses the same buzzwords and makes the same claims, so how do you differentiate if there are 50 security vendors?"

Hiring John Giamatteo, former president of antivirus software company McAfee, to lead BlackBerry's cybersecurity business should also help. "He's putting his spin on that part of the business," Eagan says. "So, clarifying the message and the approach to industry is something we're continuing to do."

One recent development that could help BlackBerry accomplish its goals sooner is the January sale of its legacy patents for US$600 million. The deal handed over an estimated 20,000 patents, mostly mobile and messaging-related, to Catapult IP Innovations, an American company that was created specifically to hold these patents (those patents related to BlackBerry's new businesses were not included). The sale, says Kerwin, is the final step in the turnaround but also gives them cash to either reinvest or use for acquisitions. "I would love to see them put it back into the business," he says. "But I wouldn't be surprised if they went on more of a buying spree."

The company may never be as widely known as it once was. Their auto tech could wind up in all our cars, but will operate behind the scenes. But that doesn't mean it can't be a Canadian tech darling again. It's still early days for the business, but with its product transformation now complete, it's time for people to see what the new BlackBerry is made of.

Are they the struggling company that couldn't keep up with changing market dynamics or the brilliantly innovative operation that started the mobile revolution? "You have to respect that they've made this transition," says Partridge. "As someone who has been an analyst long enough to not only use BlackBerry, but also cover BlackBerry as it ran into the teeth of Android and iOS, to go from what that was to where they are now is impressive." ◆

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Hydroponic produce uses much less water than field-grown produce, without the need for pesticides

EXTRAORDINARY ITEM

THE INDOOR FARMER

A new generation is leaving the field to grow produce in perfectly climate-controlled boxes year-round **BY CLAIRE SIBONNEY**

PHOTOGRAPH BY CCUBICFARM SYSTEMS

"It's minus 38 outside and we're growing lettuce!" says Dave Pfaeffli, beaming over a Zoom call in early February from his home outside Busby, Alta., about 45 minutes northwest of Edmonton. He's explaining how he and his wife, Alyssa, became indoor hydroponic farmers three years ago as early adopters of a technology that lets them seed, transplant and harvest leafy green vegetables, herbs and microgreens 365 days a year.

The couple is harnessing tech from Langley, British Columbia-based CubicFarm Systems. The Pfaefflis have 14 automated indoor growing modules, each housed inside its own custom-built crate that is eight feet wide by 40 feet long and resembles a shipping container. In a 9,000-square-foot building that sits on their farmland, the Pfaefflis can grow more than 5,000 heads of lettuce and more than 11,000 herbs and microgreens at one time.

The greens are moved along a patented undulating path (patented as Crop Motion Technology) that controls LED lights, temperature, water, humidity and CO_2 levels at the touch of a button. "You can even harvest sitting down," says Alyssa, describing how the plants are brought forward to the operator on a rotating conveyor system—a contrast to other vertical farming systems such as "rack and stack" models that require scissor lifts to care for and harvest the plants.

While they're relying on power to run the lights and tech platforms, they're saving on space and water, using only two bottles per head of lettuce compared with 40 bottles for a head of field-grown greens—and without the need for pesticides or herbicides. They use 95 per cent less water than what they would have used in the fields.

But, for the Pfaefflis, it was a buy-in to more than just the technology. After they used the system independently for nearly three years, their operation was acquired by CubicFarms in October, turning their family farm into an R&D lab and "farm school" for other clients called the Alberta Grow Centre.

CubicFarms was founded in 2015 by farmers Jack Benne and his son, Leo, who, after visiting Puerto Rico following a devastating hurricane there, worked for years to find the solution to problems faced by outdoor farms. Described as a "local chain ag-tech company," the corporation has two sides: "Fresh" develops, manufactures and sells modular farming systems for clients who, like the Pfaefflis, grow leafy greens. The other, newer side is called "HydroGreen," which develops a similar technology specifically for livestock feed using a patented system that churns out fresh carpets of wheat and barley that get mixed into the hay and fodder that cows and other animals usually eat.

It might sound like a sci-fi experiment but farming tech companies like CubicFarms—with a market cap of around $200 million—are starting to take a bite out of the $320-billion traditional farming industry and the $416-billion nutrition technology sector. Their overarching strategy is to work with farmers instead of competing against them like other startups, such as Plenty and AeroFarms, which makes CubicFarms's model unique in a hot market.


CubicFarms CEO Dave Dinesen is eyeing global markets

PHOTOGRAPH BY CCUBICFARM SYSTEMS

COMMERCIAL-SCALE INDOOR SYSTEMS ADDRESS THE MOST PRESSING PROBLEMS FARMERS FACE

Last year saw record-breaking investments in agricultural technology, with an estimated 632 startups globally raising $12.23 billion in venture capital funding. That's because commercial-scale indoor systems that grow fresh produce in a controlled environment address the most pressing global and local problems that farmers face, including supply chain disruptions and labour shortages, both of which have been especially acute during the COVID-19 pandemic. They're also immune to drought, other unpredictable climate changes and even listeria outbreaks.

CubicFarms is in the business of tech. It doesn't directly sell food but its growth strategy involves providing support in the form of business consulting and matchmaking; the company finds suppliers for growers to ensure that the growers succeed. It connected the Pfaefflis with Sysco, Whole Foods, FreshPoint and others. Sysco has recently announced that it's purchasing fresh produce from growers using the CubicFarm System, which is a big deal for smaller farmers looking for customers for their produce. CubicFarms CEO Dave Dinesen says this year there will be more news about partnerships involving purchasing, financing and, possibly, seed supplying.

On the Fresh side, Dinesen says we'll see even larger installations like the 96-module FreshHub system recently announced for the Lower Mainland area of Vancouver by a private investor group, the company's biggest project to date.

"As a company, we are moving toward these larger installs because that's really what's going to move the needle," he says, "so that those [food service companies and large retailers] that buy the produce can truly lessen their reliance on imports."

International markets are also a key piece of the strategy. CubicFarms announced plans last April for a CubicFarm project in Australia. Dinesen says he expects to announce larger global partners for its FreshHub product by the end of 2023 or 2024.

Since acquiring HydroGreen Tech livestock feed systems in 2019, the company has installed machines in Canada and the U.S., including a large beef cattle ranch and dairy farm in Wyoming as well as in Europe, with a farmer in Italy feeding water buffalo to make buffalo mozzarella. CubicFarms has been lining up dealers to sell HydroGreen machines in North America. Dinesen intends to make more sales in Europe and then the Middle East.

Steve Hansen, an ag-tech analyst at Raymond James, is optimistic about revenue picking up across both parts of the business, but he's especially excited to see what HydroGreen offers. "There are no competitors of substance," says Hansen. That said, he sees several for Fresh. "There are several dozen parties [in that arena] that are advancing their own growing technologies and, in most cases, trying to grow their own products."

Still, Hansen forecasted a 100 per cent increase in CubicFarms's stock price. In a January research note, he predicted a "breakout 2022" across both divisions.

"HydroGreen is probably the world's most valuable patent for addressing land usage, water usage, herd health, herd performance and environmental benefits in the livestock industry," says Dinesen. "I think it'll be proven out in the next year or so." ◆

BOOK VALUE

CREATURES OF HABIT

The pandemic provided an opportunity to shift office culture and create more free time for employees. But when it's all over, will we go back to our old ways?

BY BRIAN BETHUNE

If you were—or remain—one of the millions of North Americans working remotely during the pandemic, you may have thought you were working from home. But Charlie Warzel and Anne Helen Petersen, the authors of *Out of Office: The Big Problem and Bigger Promise of Working from Home*, beg to differ. For them, the experience was much more akin to "living at work," typing emails while making lunch or managing children's remote learning.

What the coronavirus has done to the office and office life is what it's done to many other aspects of modern society: expose the cracks and inequities, and open eyes to other possibilities. For many employees, the already-blurry line between work and home was obliterated by lockdowns and frequently worsened by employers doubling down on micro-management in order to preserve existing hierarchies. Those employees will not easily return to the office as we knew it, the authors argue.

Warzel and Petersen, husband and wife and ex-*BuzzFeed News* writers who departed New York for Missoula, Montana, in 2017—that is to say, pioneer remote workers—have personal experience as well as reams of research to back up their arguments. In particular, Warzel, an extrovert who, in his own phrase, "loves to bullshit with people in the office," was disoriented by the change. Feeling the loss of the spontaneous conversations that sparked new ideas and fearing his perceived invisibility to his superiors, he threw himself into writing, emailing and otherwise staying in constant connection with an office almost 4,000 km away.

Warzel found himself caught in what he and Petersen call "faux productivity," the hurly-burly of meetings, midnight emails and other aspects of looking productive and available that are incentivized by the modern office—and even more so by the modern remote office.

For decades, American productivity gains have slowed in pace even as American workers added dozens of hours to their work years. Some companies who have embraced four-day workweeks have seen productivity soar. One reason is a ruthless reduction in meetings—80 per cent of which are not productive, according to consulting company MeetingScience.

Microsoft Japan launched its shorter workweek by cutting all meetings to 30 minutes or less and five or fewer attendees, and watched its productivity rise by 40 per cent. That's the business case for cutting down performative productivity (the type of "showmanship" Warzel felt compelled to enact in order to capture his employers' attention) and workers at those firms reported deep satisfaction with the results: more job enjoyment, less stress, happier lives.

The authors tuck the well-known faux productivity issue, and the equally recognized (if hard to achieve) fixes, into their chapter titled "Flexibility in the workplace." In three other chapters—"Culture," "Technologies" and "Community"—Warzel and Petersen find solutions far more elusive. Office culture, as they define it, lies somewhere between a corporation's definition of itself (often a Netflix-like anodyne commitment to "integrity, excellence, respect, inclusion and collaboration") and how its workers experience life within it. A company usually portrays itself as a family and, overtly or subtly, demands primary allegiance from workers who have actual families. And, once in place, office culture is notoriously hard to change. Except, just possibly, by something as "paradigm-shifting" as a global pandemic.

Likewise, office technologies that have always been touted as "liberating" have not resulted in reduced working hours for over a century. Instead, Warzel and Petersen write, they have simply opened space for more work. The pandemic has opened workers' minds to new possibilities, but also to the danger (as perceived by employers) that, perhaps, we will seize the moment to actually take the time that has been freed up by efficient tools and use it for our own personal betterment. Or, maybe, as the authors argue, we'll squander the chance, just as we've done time after time since the First World War.

The so-called hybrid office that many expect to see in the wake of the pandemic could tilt either way. One possibility is the emergence of a shadow hierarchy: ambitious workers reaping benefits from showing up in-person while "remote employees, motivated by the anxiety of not seeming productive, will live in fear of managers and compensate with overwork." The inevitable result, the authors fear, is a lost opportunity and return to the old ways.

But, if workers do seize the moment, gaining for themselves the benefits of genuine flexibility, a less toxic work culture and new technologies, they will be freer to turn to their relationships, hobbies and communities in search of the meaning once lavished on work. The authors may be short on practical solutions but they are very good diagnosticians and *Out of Office* nicely captures the distemper of our (office) times. There's a world beyond work out there, write Warzel and Petersen, and it could use our attention. ◆

DRINKS

SAKE IT TO 'EM!

The once-cloistered world of sake is being blown open by a growing thirst for the beverage among global consumers and producers **BY CHRIS JOHNS**

Sommelier Michael Tremblay has witnessed sake's rise firsthand

At this very moment, bottles of sake are quietly aging beneath the waves of the sea, where the darkness, pressure and rocking motion are thought to improve flavour. Others are getting infused with yuzu citrus, peach and ume plum while distillers are blending sake with tequila to create entirely new beverage categories. Somewhere, somebody—possibly Dave Grohl himself—is cracking open a bottle of Foo Fighters-branded sake. And then there's Nestlé's new sake-flavoured Kit Kat bar, which captures the freewheeling, innovative spirit that is driving the current sake moment. Purists might consider it a gimmick, but it's indicative of just how open the once-secretive world of sake has become.

Originally considered a sacred beverage mainly used in Shinto religious ceremonies, sake—the fermented rice-based alcohol—over the course of its 2,000-year history, permeated the culture at every level, eventually becoming Japan's national beverage. Now, with an international market valued in 2019 at $9.2 billion, sake is going global.

With a forecasted compound annual growth rate of 4.7 per cent between 2020 and 2027, the market is showing no signs of slowing down. For most of its history, sake was a hyper-local beverage typically consumed within 30 km of where it was produced, but international export volumes have increased by 53 per cent during the past eight years.

"I think people realize that the international market is crucial to the long-term success and growth of sake,"

PHOTOGRAPH BY KAYLA ROCCA


North American drinkers are fueling the sake boom

CANADA IS NOW HOME TO A GROWING SAKE BREWING SCENE

says Nancy Matsumoto, who co-authored the new book, *Exploring the World of Japanese Craft Sake: Rice, Water, Earth*, along with sake historian and sommelier Michael Tremblay. "The number of international [sake] breweries that have opened has risen steadily every year. Now, they're in Mexico, England, Spain and New Zealand, to name just a few countries."

North America is at the forefront of the booming demand for high-end Japanese sake; the United States accounts for 26 per cent of the global market. Canada accounts for three per cent. China is also showing strong growth with sales reaching a record high of $258 million and an anticipated growth of between 4.7 and 12.5 per cent in the coming years. Sake exporters are now looking toward Europe and the U.K. as an area where consumption is expected to rise.

Through his work as a sake sommelier at Ki Modern Japanese + Bar in Toronto, Tremblay had a front-row seat as the beverage's popularity grew, offering sake flights to patrons for the past five years. Since the pandemic began, the flights have become more popular, he says. "Once a week, we'd offer a selection from around Japan and the world, and we noticed a huge uptick in these going out to tables. From our perspective, it's a great way of engaging with guests and we're finding there are more and more people coming into the restaurant with an interest in trying different styles and types."

Sake sales in Ontario alone were up 10 per cent year over year to $11 million in 2021, making it the largest segment of the Liquor Control Board of Ontario (LCBO)'s new "Destination" offering of curated international selections, surpassing French, Italian and California wine. Canada even has its own burgeoning sake brewing scene thanks to companies like Artisan SakeMaker and YK3 Sake Brewery, both in B.C., as well as the Ontario Spring Water Sake Company.

"In the same way that craft beer got huge a couple decades ago, this is that era for sake in terms of growing popularity and innovation," says Matsumoto. "There are young people taking over centuries-old businesses who are saying, 'We want a premium product. We're going to do sake wine/beer hybrids, we're going to experiment with yeasts.' There's such a spirit of experimentation and innovation going on."

Darren Seifer, a food and beverage analyst with the U.S.-based NPD Group, agrees that drinkers are primed for something new, to them at least. "[They're] looking for more variety with their adult beverages," he says. "Beer and wine are still the top alcoholic beverages consumed, but we're seeing across many areas of consumption that smaller categories are gaining share at the expense of the larger traditional ones." ◆

***PIVOT* RECOMMENDS**

Off the clock

BY DAVE ZARUM

Listen

What happens when three comedian friends set out to create the perfect, binge-worthy sci-fi show? That's what Maddy Kelly, Mark Chavez and Ryan Beil are about to find out on ***Let's Make a Sci-Fi***, a new series from CBC podcasts. Each episode, the trio seek advice and guidance from writers, actors, directors, prop masters and some of the biggest heavyweights in the genre.

Watch

From Oscar-worthy turns in dramas like *Adaptation* and *Leaving Las Vegas*, to mega-star roles in action blockbusters *Con Air* and *Face/Off*, Nicolas Cage has most recently been making a living churning out a string of straight-to-digital B movies. His next film, ***The Unbearable Weight of Massive Talent***, is a wink and nod to a career turn few could have predicted. Cage, who plays a fictionalized version of himself—an unsatisfied, past-his-prime movie star—finds himself in the middle of a plot straight out of the movies that made him famous.

Read

In what has been described as a "stranger than fiction" memoir, novelist Ingrid Rojas Contreras shares her story of growing up in Colombia in the '80s and '90s, her fortune-teller mother, and a spell of amnesia that set her on a course to rediscover her family's history. Her latest book, ***The Man Who Could Move Clouds***, brings readers along for an inventive trip down memory lane, dotted with supernatural encounters and family secrets—while masterfully blending tales of Colombian history along the way.

SAKE BY **KAYLA ROCCA**; *THE UNBEARABLE WEIGHT OF MASSIVE TALENT* COURTESY OF **LIONSGATE**

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ON THE FLIP SIDE

From corporate accounting to the world of sustainable foods, Vancouver CPA Ali Cant, 35, is grilling up a fresh take on frozen foods with his plant-based burger company, Coastie Craft Burgers **BY ROB CSERNYIK**

PHOTOGRAPH BY ALANA PATERSON

I'd spent eight years in the corporate world doing accounting, and had always wanted to be an entrepreneur. I was in my early thirties and life was moving along. I knew that if I didn't try something soon, I might not get the opportunity.

I always wanted to start a business that was **environmentally conscious.** Eating plants is a good way to lower your carbon footprint.

I'm not a chef. I'm just an accountant, and a guy who loves food. **Every recipe I tried, I put into an Excel spreadsheet.** I tracked iteration after iteration—there were over 20 per recipe.

We did bicycle delivery for almost two years. That's been probably **about 30 per cent of our business,** but not quite enough to really build and scale it.

What we sell is burger dough that you defrost, scoop, form patties with and then cook. It's really fun because we've created a product that has so many iterations. We've got seven different SKUs now, and they're all completely different.

I actually became vegan. I realized early on that to be a plant-based entrepreneur, you need to walk the walk. If I'm not vegan, then **what am I saying about my product's place in the world?**

Accounting offered me a strong skill set that would be transferable across any business. **Becoming a CPA helped me develop executive decision-making**—the part of your brain that makes long-term decisions that aren't based on instant gratification. That ability to step back and think really sets CPAs apart from a lot of other professions.


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